



PHONE (503) 402-1320
FAX (503) 402-1331

200 SW MARKET STREET, SUITE 350
PORTLAND, OR 97201
WWW.HAWKINS.COM

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March 12, 2013

To the persons on the attached Transcript Distribution List

Subject: \$9,885,000 City of Lincoln City, Oregon
General Obligation Refunding Bonds, Series 2013;
Our File No.: 36891

Ladies and Gentlemen:

We have enclosed a copy of the transcript for this financing for your records. We have enjoyed working with you on this issue and look forward to working with each of you again. Please call if you have any questions.

Cordially,

HAWKINS DELAFIELD & WOOD LLP

A handwritten signature in black ink, appearing to read "Harvey W. Rogers". The signature is fluid and cursive, with a large initial "H" and "R".

Harvey W. Rogers

HWR/acg
Enclosure

LEGAL CLOSING MEMORANDUM AND INDEX

\$9,885,000

**City of Lincoln City, Oregon
General Obligation Refunding Bonds
Series 2013**

Closing will be held on February 26, 2013 at 8:30 a.m. in the offices of Hawkins Delafield & Wood LLP, Bond Counsel, 200 S.W. Market Street, Suite 350, Portland, Oregon. A preclosing will be held at the same location at 10:00am on February 25, 2013.

Listed below are the closing documents for this issue. Beside each document is the name of the party responsible for providing that document. Each party responsible for signing a document should provide the signed document to Bond Counsel no later than 12:00 noon on February 25, 2013, the business day before closing.

The following abbreviations indicate parties responsible for providing documents:

ISS: City of Lincoln City, Oregon, Issuer
IP: Robert W. Baird & Co. Incorporated, Initial Purchaser
PA: U.S. Bank National Association, Escrow Agent/Paying Agent/Registrar
FA: Economic & Financial Analysis, Financial Advisor
EVA: Talbot, Korvola & Warwick, LLP, Escrow Verification Agent
BC: Hawkins Delafield & Wood LLP, Bond Counsel

Basic Documents

1. BC Transcript Certification.
2. BC Preliminary Official Statement, including Official Notice of Bond Sale.
3. BC Supplement to Preliminary Official Statement.
4. BC Copies of bids received.
5. BC Final Official Statement.
6. BC Bond Declaration.
7. BC Specimen bond.

Issuer's Documents

8. BC Minutes of October 22, 2012 City Council meeting at which Resolution No. 2012-23 was adopted, authorizing sale of bonds.
9. BC Resolution No. 2012-23.
10. BC General Certificate.
11. BC Continuing Disclosure Certificate.
12. BC Tax Certificate.
13. BC Internal Revenue Service Form 8038-G and evidence of filing.
14. BC Receipt for Bond Proceeds.

Initial Purchaser's Documents

- 15. BC Certificate of Issue Price.
- 16. BC Acknowledgment of Delivery of Bonds.

Paying Agent/Registrar's Documents

- 17. PA Authorized Signer's certificate.
- 18. PA Paying Agent and Registrar Agreement.
- 19. BC Paying Agent's Certificate and Receipt for and Acceptance of Bonds and Duties.

Advance Refunding Documents

- 20. BC Resolution No. 2005-03 adopted January 24, 2005 authorizing Refunded Bonds.
- 21. FA Final Advance Refunding Plan.
- 22. FA State Treasurer's preliminary and final advance refunding plan approval letters.
- 23. BC SLGS Subscription Confirmation.
- 24. BC Escrow Deposit Agreement.
- 25. BC Final Verification Report of Escrow Verification Agent.

Financial Advisor's Documents

- 26. BC Letter of independent financial advisor pursuant to OAR 170-062-0000(2).
- 27. BC Certificate of Financial Advisor Regarding Official Statement.

Opinions and Miscellaneous

- 28. BC The Depository Trust Company Blanket Issuer Letter of Representations.
- 29. BC State Treasurer's letter confirming compliance with ORS 287A.640 and OAR 170-061-0000.
- 30. BC POS-deemed-final letter from City.
- 31. BC Evidence of rating from Moody's Investors Service (A1).
- 32. BC Bond opinion of Bond Counsel.
- 33. BC Reliance opinion of Bond Counsel addressed to Initial Purchaser.
- 34. BC Defeasance opinion of Bond Counsel.
- 35. BC Memorandum of Closing Instructions and Bond Delivery.
- 36. BC Final Pricing.

TRANSCRIPT DISTRIBUTION LIST

\$9,885,000

**City of Lincoln City, Oregon
General Obligation Refunding Bonds
Series 2013**

Issuer

Ron Tierney (1 CD)
Financial Planner
City of Lincoln City
PO Box 50
Lincoln City, OR 97367
Telephone: (541) 996-1212
Email: RonT@lincolncity.org

Financial Advisor

Ray Bartlett (1 CD)
Economic and Financial Analysis
1409 Franklin Street, Suite 201
Vancouver, WA 98660
Telephone: (360) 823-1700
Email: ray@economicandfinancialanalysis.com

Consultant

Matt Donahue (1 CD)
Vice President
D.A. Davidson & Co.
1300 SW Fifth Avenue, Suite 1950
Portland, OR 97201
Telephone: (503) 863-5094
Email: mdonahue@dadco.com

Purchaser

Charles Galarza (1 CD)
Vice President
Robert W. Baird & Co. Inc.
1 Harding Road, Suite 207
Red Bank, NJ 07701
Telephone: (732) 576-4410
Email: cgalarza@rwbaird.com

Bond Counsel

Harvey Rogers, Esq. (1 CD, originals)
Gülğün Mersereau, Esq.
Hawkins Delafield & Wood LLP
200 S.W. Market Street, Suite 350
Portland, OR 97201
Telephone: (503) 402-1320
Telecopier: (503) 402-1331
Email: hrogers@hawkins.com
gmersereau@hawkins.com

Paying Agent

Cheryl Nelson (1 CD)
Vice President
U.S. Bank National Association
Global Corporate Trust, PD-OR-P6TD
555 S.W. Oak Street
Portland, OR 97204
Telephone: (503) 275-5708
Email: cherylk.nelson@usbank.com

TRANSCRIPT CERTIFICATION

\$9,885,000

**City of Lincoln City, Oregon
General Obligation Refunding Bonds
Series 2013**

On behalf of the City of Lincoln City, Oregon (the "City"), I hereby certify that the attached documents are originals or true copies of the City's documents which were assembled at the closing of the above-referenced bonds, which closing was held at the offices of Hawkins Delafield & Wood LLP, Bond Counsel, on February 26, 2013.

Dated as of the 26th day of February, 2013.

City of Lincoln City, Oregon



Ron Tierney, Financial Planner

NEW ISSUE
Book-Entry-Only

RATING: Moody's A1
 See "Rating" herein.

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the City ("Bond Counsel"), under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In the opinion of Bond Counsel, interest on the Bonds is exempt from Oregon personal income tax under existing law. See "TAX MATTERS" herein for a discussion of the opinion of Bond Counsel. The City has designated the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3)(B) of the Code.

CITY OF LINCOLN CITY LINCOLN COUNTY, OREGON

\$9,040,000* General Obligation Refunding Bonds, Series 2013

Dated: Date of Delivery

Due: June 1, as shown inside cover

The \$9,040,000* General Obligation Refunding Bonds, Series 2013 (the "Bonds") are valid general obligations of the City of Lincoln City, Oregon (the "City"). The Bonds are general obligations of the City. The City has pledged its full faith and credit to pay the Bonds, and the City covenants for the benefit of the Bondowners 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 Bonds promptly as they mature.

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

The Bonds are issued in book-entry-only form in denominations of \$5,000 within a single maturity or integral multiples thereof. The Bonds are registered bonds issued in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. (See "Appendix C -- Book-Entry-Only System" herein.) Interest is payable semiannually on June 1 and December 1 of each year, commencing June 1, 2013, through the principal trust offices of the City's registrar and paying agent, currently U.S. Bank National Association, Portland, Oregon (the "Paying Agent").

The proceeds of the sale of the Bonds will be used to refund certain outstanding maturities of the City's General Obligation Sewer Bonds, Series 2005 and to pay the costs of issuing the Bonds.

Some maturities of the Bonds are subject to optional redemption. [Some maturities of the Bonds are also subject to mandatory redemption prior to maturity.] See "Description of the Bonds -- Redemption Provisions" herein.

Maturity Schedule On Inside Cover

The Bonds are offered for sale to the original purchaser subject to the approving opinion of Hawkins Delafield & Wood LLP, Portland, Oregon, Bond Counsel. The City expects that the Bonds will be available for delivery to the Paying Agent for Fast Automated Securities Transfer on behalf of DTC, on or about February 26, 2013 ("Date of Delivery").

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

* Preliminary, subject to change.

Maturity Schedule*

Due June 1	Principal Amount	Interest Rates	Price or Yield	CUSIP [†]	Due June 1	Principal Amount	Interest Rates	Price or Yield	CUSIP [†]
2013	\$105,000	%	%		2025	\$795,000	%	%	
2019	80,000				2026	835,000			
2020	635,000				2027	870,000			
2021	665,000				2028	910,000			
2022	695,000				2029	985,000			
2023	730,000				2030	975,000			
2024	760,000								

* Preliminary, subject to change.

† CUSIP is a registered trademark of the American Bankers Association. The CUSIP numbers are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers are included on the inside cover of this Official Statement for convenience of the holders and potential holders of the Bonds. No assurance can be given that the CUSIP numbers for the Bonds will remain the same after the date of issuance and delivery of the Bonds. Neither the City nor the Underwriters take any responsibility for the accuracy of such CUSIP numbers.

**PRELIMINARY OFFICIAL STATEMENT
OF
CITY OF LINCOLN CITY, OREGON**

P.O. Box 50
Lincoln City, Oregon 97367
(541) 996-1212

RELATING TO

\$9,040,000* GENERAL OBLIGATION REFUNDING BONDS, SERIES 2013

CITY COUNCIL

Mayor	Dick Anderson
Council Member	Henry Quandt
Council Member	Gordon Eggleton
Council Member	Wes Ryan
Council Member	Chester Noreikis
Council Member	Roger Sprague
Council Member	Gary Ellingson

ADMINISTRATIVE STAFF

David Hawker	City Manager
Debbie Mammone	Finance Director
Ron Tierney	Financial Planner
Joan Kelsey	City Attorney
Lila Bradley	Public Works Operations Manager
Joe Whisler	Wastewater Treatment Supervisor

BOND COUNSEL

Hawkins Delafield & Wood LLP, Portland, Oregon

FINANCIAL ADVISOR

Economic & Financial Analysis, Vancouver, Washington

PAYING AGENT, REGISTRAR, ESCROW AGENT

U.S. Bank National Association, Portland, Oregon

* Preliminary, subject to change.

No dealer, broker, salesperson or other person is authorized by the City to give any information or to make any representation 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 any of the foregoing.

The information set forth in this Official Statement has been furnished by the City and includes information obtained from other sources, all of which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. Such information and expressions of opinion are made for the purpose of providing information to prospective investors and are not to be used for any other purpose or relied on by any other party.

No website mentioned in this Official Statement is part of this Official Statement, and readers should not rely upon any information presented on any such website in determining whether to purchase the Bonds. Any references to any website mentioned in this Official Statement are not hyperlinks and do not incorporate such websites by reference.

In connection with this offering, the Underwriters may over allot or effect transactions that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The public offering prices or yields set forth on the inside cover pages hereof may be changed from time to time by the Underwriters. The Underwriters may offer and sell the Bonds to certain dealers, unit investment trusts or money market funds at prices lower than the public offering prices stated on the inside cover pages hereof.

Certain statements contained in this Official Statement do not reflect historical facts but are forecasts and "forward-looking statements." No assurance is given that any future results discussed herein will be achieved, and actual results may differ materially from any forecasts described herein. The words such as "estimate," "project," "forecast," "anticipate," "expect," "intend," "plan," "believe" and similar expressions identify forward-looking statements. All projections, forecasts, assumptions, expressions of opinion and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement.

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

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OFFICIAL NOTICE OF BOND SALE

OFFICIAL NOTICE OF BOND SALE

\$9,040,000*

**Lincoln City, Oregon
General Obligation Refunding Bonds
Series 2013**

NOTICE IS HEREBY GIVEN that the City of Lincoln City, Oregon (the "City") is soliciting bids to purchase its General Obligation Refunding Bonds, Series 2013 (the "Bonds") until 10:00 a.m. (prevailing Pacific Time) on:

February 12, 2013

Bids must be submitted electronically via *PARITY* in accordance with this Notice in the manner described below. Bids will be reviewed and announced by the City at the time of the sale. The City will act on the bids within four hours.

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

RATING: Moody's Investors Service has assigned a rating of "A1" to the Bonds.

BANK QUALIFIED. The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended, relating to the deductibility of interest expense by certain financial institutions.

DATED DATE AND DELIVERY DATE: The Bonds will be dated as of their date of delivery. The expected delivery date of the Bonds is February 26, 2013. Bidders should use February 26, 2013 for purposes of computing their bids.

INTEREST PAYMENTS AND MATURITIES: Interest on the Bonds is payable semiannually on June 1 and December 1 of each year until maturity or prior redemption, commencing June 1, 2013. The Bonds will be issued in the principal amount of \$9,040,000*, and will mature on June 1 of the following years in the following principal amounts (subject to adjustment as noted below).

* Preliminary, subject to change

<u>Due</u>	<u>Principal Amount (\$)*</u>
2013	\$105,000
2019	80,000
2020	635,000
2021	665,000
2022	695,000
2023	730,000
2024	760,000
2025	795,000
2026	835,000
2027	870,000
2028	910,000
2029	985,000
2030	975,000

* Principal amounts may be adjusted after the sale as described under the heading “ADJUSTMENT OF MATURITIES.”

ADJUSTMENT OF MATURITIES: The City reserves the right to adjust, as described below, the principal amount specified in the bidding maturity schedule within 4 hours following receipt of bids to properly size the issue and meet cash flow requirements. The City may increase or decrease the total principal amount of the Bonds by an amount not to exceed ten percent (10%) of the total following the opening of the bids. Within this limit, the City will not increase or decrease the par amount of any single maturity by more than 15% or \$80,000, whichever is greater. Any adjustment will preserve the underwriter’s spread as a percentage of each adjusted maturity. The successful bidder for the Bonds will promptly be given notice of any adjustment.

TERM BONDS: Bidders may designate one or more term Bonds, which consist of two or more consecutive maturities with identical interest rates, which mature on the maturity date of the last of the consecutive maturities in an amount equal to the sum of the consecutive maturities, and which are subject to mandatory redemption at par and by lot in amounts equal to the consecutive maturities which were combined into term Bonds. Each bidder should specify in its bid whether term Bonds are desired.

OPTIONAL REDEMPTION: The Bonds maturing in years 2013 through 2023, inclusive, are not subject to optional redemption prior to maturity. The Bonds maturing on June 1, 2024 and on any date thereafter are subject to redemption at the option of the City prior to their stated maturity dates at any time on or after June 1, 2023, as a whole or in part, and if in part, with maturities to be selected by the City at a price of par, plus accrued interest, if any, to the date of redemption.

RIGHT TO CANCEL, CHANGE TIMING AND TERMS OF SALE:
The City reserves the right to change the sale date, maturity schedule, amount, timing, and other terms of the Bonds and terms under which the Bonds are offered for sale, to postpone the sale to a later date, to cancel the sale based upon market conditions, or to otherwise amend this Notice by posting changes to this Notice on www.idealprospectus.com and Parity. As advance refunding bonds under Oregon law,

* Preliminary, subject to change

the Bonds are subject to a minimum net present value savings of 3.0%. All bids will be rejected if the winning bid does not produce 3% present value savings.

BIDDING CONSTRAINTS: Bidders must specify the interest rate or rates which the Bonds shall bear. All bids will be subject to the terms and conditions of this Notice. All bids for the Bonds must comply with the following conditions: (1) each interest rate specified in any bid must be a multiple of one-thousandth of one percent (0.001%); (2) each Bond that matures on the same date shall bear interest from its date to its stated maturity date at a single, fixed interest rate; and (3) bids must be for a purchase price of not less than ninety percent (90.0%) of the principal amount of the Bonds.

BASIS OF AWARD: Unless all bids are rejected, the Bonds will be awarded to the responsible bidder whose bid produces the lowest overall true interest cost for the City. The true interest cost for the Bonds will be determined by doubling the semi-annual interest rate necessary to discount the debt service on the Bonds to the expected delivery date of the Bonds, as described in "DATED DATE AND DELIVERY DATE" above, and to the aggregate purchase price bid for the Bonds. Each bidder is requested to supply the total interest cost and the true interest cost that the City will pay on the Bonds if the bid is accepted. The purchaser of the Bonds must pay accrued interest, computed on a 360-day basis, from the date of the Bonds to their date of delivery.

The City will notify the apparent successful bidder promptly after it receives bids for the Bonds, but the City will delay formal award of the sale of the Bonds to that bidder as provided in this paragraph. The City expects to use a portion of the Bond proceeds to buy Government Obligations that will be placed in escrow to defease bonds to be refunded by the City. If the City decided to undertake bidding, the City will not formally award the sale of the Bonds until the City completes the bidding for the purchase of the Government Obligations that will be placed in escrow. The City expects to complete the bidding for purchase of the Government Obligations within ninety minutes after bids for the Bonds are due. The City will notify the successful bidder and formally award the sale of the Bonds promptly after the City completes the bidding for purchase of the Government Obligations that will be placed in escrow.

BIDS MUST BE SUBMITTED ON "PARITY": Bids must be submitted electronically via **PARITY**. Bids must be received by the **PARITY** system not later than the date and time indicated in the first paragraph of this Notice. No bid will be received after the time for receiving bids specified above. For further information about submitting a bid using **PARITY**, potential bidders may contact **PARITY** at (212) 849-5021. To the extent any instructions or directions set forth in **PARITY** conflict with this Notice, the terms of this Notice shall control. Bidders electing to submit bids through **PARITY** must obtain access to the **PARITY** system and bear all risks associated with using that system, including errors and delays in receipt of bids. In the event there are any technical problems associated with **PARITY**, **PARITY** may fax bids that it receives prior to 10:00 a.m. (Prevailing Pacific Time), as soon as practicable to (503) 402-1331 to the attention of City's Bond Counsel, Harvey Rogers of Hawkins Delafield & Wood LLP, for consideration by the City. Bids received by **PARITY** prior to 10:00 a.m.

(Prevailing Pacific Time), but faxed after 10:00 a.m. (Prevailing Pacific Time) as provided in the preceding sentence, shall be considered conforming to the time requirements of this Notice.

GOOD FAITH DEPOSIT: The successful bidder will be required to provide a good faith deposit in the amount of \$200,000 in immediately available funds wired to the City not later than 1:00 p.m. (Pacific Time) on February 12, 2013 (the day of the sale). The City or the City's Financial Advisor will provide the wire information immediately upon the award of bids. If the good faith deposit is not provided in the manner and by the time indicated in this Notice, the City may award the sale to the next most favorable bidder or may cancel the sale. The good faith deposit will be held by the City to secure the City from any loss resulting from the failure of the bidder to comply with the terms of its bid, and will be forfeited to the City as liquidated damages if the bidder to whom the Bonds are awarded withdraws its bid or fails to complete its purchase of the Bonds in accordance with this Notice and its bid.

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

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

BOOK-ENTRY-ONLY: The Bonds will be issued in registered, book-entry-only form through DTC. Unless the book-entry-only system is discontinued, Bond principal and interest payments will be made by the City to DTC through the City's paying agent and registrar, which is currently U.S. Bank National Association.

STANDARD FILINGS AND CHARGES: The successful bidder will be required to make the standard filings and maintain the appropriate records routinely required pursuant to Municipal Securities Rulemaking Board ("MSRB") Rules G-8, G-11, and G-36. The successful bidder will be required to pay the standard MSRB charge for the Bonds purchased. In addition, if the successful bidder is a member of the Securities Industry and Financial Markets Association ("SIFMA") it will be required to pay SIFMA's standard charges.

PURPOSE: The proceeds of the Bonds will be used to refund certain callable maturities of the City's General Obligation Sewer Bonds, Series 2005 for net present value savings and to pay costs of issuance of the Bonds.

REOFFERING PRICE, CERTIFICATE OF ISSUE PRICE: Prior to the formal award of the sale, and promptly after bids for the Bonds are due, the apparent successful bidder shall provide the Financial Advisor with the reoffering prices and yields. The reoffering prices and yields so provided will be printed on the inside cover of the final official statement. In addition, the winning bidder must provide an Issue Price Certificate certifying the reoffering prices and yields that the successful bidder previously

provided, not later than two business days prior to the closing of the Bonds. The Issue Price Certificate must be substantially as shown below under “Form of Certificate of Issue Price” and satisfactory to Bond Counsel, and contain information reasonably requested by the City and Bond Counsel that will enable the City to determine the “issue price” (within the meaning of Treasury Regulations Section 1.148-1) for each maturity of the Bonds. If the successful bidder fails to provide the Issue Price Certificate required by this Notice of Sale, the City may cancel the sale of the Bonds and retain the successful bidder's good faith deposit as liquidated damages.

LEGAL OPINION: The approving opinion of Hawkins Delafield & Wood LLP, Bond Counsel, of Portland, Oregon, will be provided at no cost to the purchaser of the Bonds.

TAX-EXEMPT STATUS: In the opinion of Bond Counsel, under existing law and conditioned on the City complying with certain covenants relating to the tax-exempt status of the Bonds, interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or corporations, as provided in greater detail in the preliminary official statement for the Bonds. Interest is also exempt from Oregon personal income taxation.

DELIVERY AND PAYMENT: The successful bidder must pay for the Bonds in funds immediately available to the City on the date and at the time of closing. Delivery of the Bonds will be made within thirty days after the sale and is expected to occur on February 26, 2013. The City will deliver the Bonds through the facilities of DTC.

ADDITIONAL INFORMATION AND PRELIMINARY OFFICIAL STATEMENT: The preliminary official statement for the Bonds is available only in electronic form. Prospective bidders may obtain preliminary official statements from www.idealprospectus.com. For more information on electronic delivery, please call i-Deal Prospectus at (212-849-5024). Any questions concerning **PARITY** should be directed to (212) 849-5021. Requests for additional information about this sale should be directed to Economic & Financial Analysis, the City's Financial Advisor: Ray Bartlett, 360-823-1700, email ray@economicandfinancialanalysis.com.

FINAL OFFICIAL STATEMENT; COMPLIANCE WITH SEC RULES: The City will provide the successful bidder with a sufficient number of copies of the official statement in a form “deemed final” by the City to enable the successful bidder to satisfy its responsibilities under the Securities and Exchange Commission (“SEC”) rules, at the expense of the City, and such additional copies as the successful bidder may request at the expense of the bidder, not later than the seventh business day following the date on which bids are due. Bidders should expect that the official statements will not be available prior to the seventh business day following the date on which bids are due, and should not issue confirmations which request payment prior to that date. This paragraph will constitute a contract with the successful bidder upon acceptance of their bid by the

City, in compliance with Section 240.15c2-12(b)(3) in Chapter II of Title 17 of the Code of Federal Regulations (the “Rule”).

CONTINUING DISCLOSURE: The City will enter into an undertaking to provide ongoing disclosure for the benefit of the owners of the Bonds as required by the Rule, in substantially the form shown in the preliminary official statement.

CUSIP: The purchaser of the Bonds must obtain CUSIP numbers for the Bonds and must pay the CUSIP Service Bureau charge for the assignment of CUSIP numbers for the Bonds.

CLOSING CERTIFICATES: At the time of payment for the delivery of the Bonds, the City will certify that to its knowledge there is no litigation pending affecting the validity of the Bonds, and that the portion of the official statement that describes the City does not contain any material misstatements or omissions.

By order of City of Lincoln City, Oregon

FORM OF CERTIFICATE OF ISSUE PRICE

§ _____
Lincoln City, Oregon
General Obligation Refunding Bonds
Series 2013

On behalf of [Underwriter], the undersigned, as authorized representative of the underwriters for the above-referenced bonds (the "Bonds") being issued by the City of Lincoln City, Oregon (the "City"), based on available records and information which the undersigned believes to be correct, hereby represents that:

1. On the date of the Bonds' sale (the "Sale Date"), all Bonds of all maturities have been the subject of an initial offering to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers), at prices not higher than, or, in the case of Bonds sold on a yield basis, at yields not lower than, those shown in the final Official Statement relating to the Bonds (the "Official Statement").

2. On the Sale Date, to the best of our knowledge based on our records, the first price or yield at which at least ten percent (10%) of each maturity of the Bonds (except the Bonds maturing in the years [list maturities for which at least 10% was not sold at the reoffering price on the sale date], was sold to the public (excluding such bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) was not greater than the respective price, or was not lower than the respective yield, shown in the Official Statement. [Less than ten percent of the Bonds maturing in the year[s] [repeat list of maturities for which at least 10% was not sold at the reoffering price on the sale date] was sold to the public following a *bona fide* public offering at the prices or yields shown in the Official Statement.]

3. On the Sale Date, based on our assessment of the then prevailing market conditions, we had no reason to believe that any of the Bonds would be initially sold to the public (excluding such bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at prices greater than the prices, or yields lower than the yields, shown in the Official Statement.

4. The prices and yields of the Bonds, maturity-by-maturity, shown in the Official Statement, represented our best judgment of the fair market value of the Bonds.

We understand that the representations contained herein may be relied upon by the City in making certain of the representations contained in the Tax Certificate executed by the City in connection with the Bonds, and we further understand that Hawkins Delafield & Wood LLP, as bond counsel to the City for the Bonds, may rely upon this certificate, among other things, in providing an opinion with respect to the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), provided, however, that nothing herein represents our interpretation of any laws and, in particular, regulations under Section 103 of the Code.

Dated as of the _____ day of _____, 20__.

[Underwriter]

Authorized Officer

Name: _____

Title: _____

OFFICIAL STATEMENT FOR
City of Lincoln City
Lincoln County, Oregon
\$9,040,000* GENERAL OBLIGATION REFUNDING BONDS, SERIES 2013

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to provide certain information with respect to the sale and delivery of the General Obligation Refunding Bonds, Series 2013 (the "Bonds") in the aggregate principal amounts shown on the cover hereof.

THE BONDS

General Description

The Bonds are being executed and delivered in the aggregate principal amount of \$9,040,000* and mature as set forth on the inside cover. The Bonds will be issued in fully registered form without coupons in denominations of \$5,000 each or any integral multiple thereof.

Authorization

The Bonds are authorized by Resolution 2012-23 adopted on October 22, 2012 (the "Resolution"), pursuant to the Constitution of the State of Oregon, the City Charter and Oregon Revised Statutes Chapter 287A. The Bonds are also issued pursuant to a Bond Declaration dated the Date of Delivery of the Bonds (the "Bond Declaration"), in the form attached as Appendix B hereto.

Payment and Registration Features

The Bonds will mature on June 1 of the years and in the principal amounts shown on the inside front cover, and will bear interest from the Date of Delivery (payable on June 1 and December 1 of each year, commencing June 1, 2013) at the rates set forth on the inside cover. The Bonds will be issued initially in book-entry-only form. Principal and interest components due with respect to the Bonds will be payable by the Paying Agent, currently U.S. Bank National Association, Portland, Oregon, to The Depository Trust Company ("DTC") which, in turn, will remit such principal and interest components to DTC Participants for subsequent disbursement to the beneficial owners of the Bonds, as further described in Appendix C attached hereto.

Book-Entry System. The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co. as owner and as nominee for DTC. DTC will act as securities depository for the Bonds. Individual purchases and sales of the Bonds may be made in book-entry form only in minimum denominations of \$5,000 within a single maturity and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds. See "Appendix C -- Book-Entry-Only System" for additional information.

Procedure in the Event of Revisions of Book-Entry Transfer System. If DTC ceases to act as depository for the Bonds, the provisions outlined in the Bond Declaration shall apply, including the ability to amend the Bond Declaration to provide for an alternative system of registration and payment for the Bonds that is of general acceptance in the municipal bond markets. If no better system is then available, the Paying Agent and the City shall amend the Bond Declaration to provide that printed, registered Bonds shall be issued to Beneficial Owners of the Bonds, and shall give notice of those amendments to all Bondowners.

Redemption Provisions

Optional Redemption. The Bonds maturing in years 2013 through 2023, inclusive, are not subject to optional redemption prior to maturity. The Bonds maturing on June 1, 2024 and on any date thereafter are subject to redemption at the option of the City prior to their stated maturity dates at any time on or after June 1, 2023, as a whole or in part, and if in part, with maturities to be selected by the City at a price of par, plus accrued interest, if any, to the date of redemption. [A Term Bond subject to optional redemption and redeemed in part will have the principal amount within the respective mandatory redemption dates selected by the City.]

For as long as the Bonds are in book-entry-only form, if fewer than all of the Bonds of a maturity are called for redemption, the selection of Bonds within a maturity to be redeemed shall be made by DTC in accordance with its operational procedures then in effect. See "Appendix C -- Book-Entry-Only System" attached hereto. If the

Bonds are no longer held in book-entry-only form, then the Paying Agent would select Bonds for redemption by lot.

[Mandatory Redemption. If not previously redeemed under the provisions for optional redemption, the Term Bonds maturing on June 1 in the years ____ and ____ are subject to mandatory redemption (in such manner as the Paying Agent and DTC will determine or by lot by the Paying Agent) on June 1 of the following years in the following principal amounts, at a price of par plus accrued interest to the date of redemption.]

[TO BE PROVIDED IN FINAL OFFICIAL STATEMENT]

Notice of Redemption (Book-Entry). So long as the Bonds are in book-entry-only form, and unless DTC consents to a shorter period the Paying Agent shall notify DTC of an early redemption no fewer than 20 calendar days nor more than 60 calendar days prior to the date fixed for redemption, and shall provide such information as required by a letter of representation submitted to DTC in connection with the issuance of the Bonds. The City reserves the right to rescind any redemption notice as allowed in the Bond Declaration.

Notice of Redemption (No Book-Entry). During any period in which the Bonds are not in book-entry-only form, unless waived by any Owner of the Bonds to be redeemed, official notice of any redemption of Bonds shall be given by the Paying Agent on behalf of the City by mailing a copy of an official redemption notice by first class mail, postage prepaid, no fewer than 30 calendar days nor more than 60 calendar days prior to the date fixed for redemption, to the Bondowners to be redeemed at the address shown on the bond register or at such other address as is furnished in writing by such Owner to the Paying Agent. The City reserves the right to rescind any redemption notice as allowed in the Bond Declaration.

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

SECURITY FOR THE BONDS

The Bonds are general obligations of the City. The City has pledged its full faith and credit to pay the Bonds, and the City covenants for the benefit of the Bondowners 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 Bonds promptly as they mature.

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

PURPOSE AND USE OF PROCEEDS

Purpose

The proceeds of the sale of the Bonds will be used to refund a portion of the callable maturities of the City's outstanding General Obligation Sewer Bonds, Series 2005 (the "2005 Bonds") which were originally issued in the amount of \$15,000,000 and to pay costs of issuing the Bonds. The 2005 Bonds financed the improvement and expansion of the City's sewage treatment plant and collection system. The Bonds are being issued so that the City can obtain a benefit of savings in total debt service requirements.

Refunding Procedure

The advance refunding of a portion of the callable maturities of the 2005 Bonds (the "Refunded Bonds") is contingent upon the City's receipt of actual, cumulative debt service savings of not less than the amount required under Oregon law and advance refunding plan approval by the State Treasurer. Additionally, if in the opinion of the City the redemption of some or all of the Refunded Bonds will not result in sufficient debt service savings, the City may determine not to refund some or all of the Refunded Bonds. The City could also determine to refund additional general obligation bonds if market conditions warrant.

A portion of the proceeds of the Bonds will be used to provide funds to establish an irrevocable escrow pursuant to an escrow deposit agreement (the "Escrow Deposit Agreement") between the City and U.S. Bank National Association, as escrow agent thereunder (the "Escrow Agent") to refund the Refunded Bonds, as shown below, and to defease the Refunded Bonds to their redemption date:

Refunded Bonds

Table 1 -- Refunded Bonds⁽¹⁾

Series	Original Principal	Refunded Maturities	Amount Refunded	Call Date	Call Price ⁽²⁾
2005	\$15,000,000	2019-2030	\$8,925,000	06/01/2015	100%
Refunded Maturities	Amount Refunded	CUSIP 533079	Refunded Maturities	Amount Refunded ⁽¹⁾	CUSIP 533079
2019	\$65,000	BS7	2025	\$795,000	BY4
2020	620,000	BT5	2026	835,000	BZ1
2021	655,000	BU2	2027	875,000	CA5
2022	685,000	BV0	2028	920,000	CB3
2023	720,000	BW8	2029	1,000,000	CC1
2024	755,000	BX6	2030	1,000,000	CD9

(1) Preliminary, subject to change.

(2) Call price is expressed as a percentage of the principal amount.

From the proceeds of the Bonds, the City will purchase certain direct noncallable obligations of the United States or obligations the principal and interest on which are fully and unconditionally guaranteed by the United States (referred to herein collectively as "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 payment of interest on the Refunded Bonds beginning June 1, 2013 and provide funds sufficient to redeem all remaining principal on the Refunded Bonds on June 1, 2015.

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 Refunded Bonds by the Escrow Agent, pursuant to the Escrow Deposit Agreement.

Verification of Mathematical Calculations

Talbot, Korvola & Warwick, LLP, a firm of independent public accountants (the "Verification Agent"), will deliver to the City, on or before the Date of Delivery, its verification report indicating that it has verified, in accordance with attestation standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Government Obligations, to pay, when due, the maturing principal of, interest on and related call premium requirements of the Refunded Bonds and (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes.

The verification performed by the Verification Agent will be solely based upon data, information and documents provided to the Verification Agent by the City and its representatives. The Verification Agent has restricted its procedures to recalculating the computations provided by the City and its representatives and has not evaluated or examined the assumptions or information used in the computations.

Sources and Uses of Funds

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

Table 2 -- Estimated Sources and Uses of Funds⁽¹⁾

Sources of Funds	Series 2013
Par Amount	\$
Net Premium (Discount)	
Total sources of funds	\$

Uses of Funds	
Escrow Requirements	\$
Costs of Issuance	
Underwriter's Discount	
Total uses of funds	\$

(1) Amounts will be provided in the final Official Statement.

THE SEWER SYSTEM

The City owns, operates and maintains its own sewage collection and treatment system. The sewer system (the "System") provides municipal sewer services for the City, and the Roads End Sanitary District. (See "PROPERTY TAX INFORMATION -- Potential Addition to City's Assessed Value" for a discussion of proposed annexation in this area.) The total number of accounts was 5,188 for fiscal year 2012. Facilities of the System include 28 pump stations and a sewage treatment plant. Total gross System sales revenue for fiscal year 2012 was \$2,752,752. The City reviews its sewer rates on a regular basis. Sewer rates for fiscal year 2012 increased by 4.0 percent. The City intends to use a mix of systems development charges, to the extent permitted under Oregon law, and sewer fees and charges to make future improvements to the System, and does not currently intend to borrow money to pay for System improvements.

PROPERTY TAX INFORMATION

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 any local option levies.

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. The local government ordinarily must notify the county assessor of its levies by July 15.

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

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

Property used for charitable, religious, fraternal and governmental purposes is exempt from taxation. Special assessments that provide a reduction in the taxable Real Market Value may be granted (upon application) for veterans' homesteads, farm and forest land, open space and historic buildings. The Real Market Value of

specially assessed properties is often called the "Taxable Real Market Value" or "Measure 5 Real Market Value." The assessment roll, a listing of all taxable property, is prepared as of January 1 of each year.

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

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

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

Tax Rate Limitation – Measure 5. A tax rate limitation was established in 1990 as the result of a constitutional amendment. That amendment (now Article XI, Section 11b, often called "Measure 5") separates property taxes into two categories: one to fund the public school system (kindergarten through grade twelve school districts, education service districts and community college districts, collectively, "Education Taxes") and one to fund government operations other than the public school system ("General Government Taxes"). Education Taxes are limited to \$5 per \$1,000 and General Government taxes are limited to \$10 per \$1,000 of the Taxable Real Market Value of property (the "Measure 5 Limits"). If the taxes on a property exceed the Measure 5 Limit for Education or General Government, then tax rates are compressed to the Measure 5 Limit. Local Option Levy rates compress to zero before there is any compression of Permanent Rates. In Fiscal Year 2013, there was \$28.48 of compression of the City's Permanent Rate due to the tax rate limitation.

Taxes imposed to pay the principal and interest on the following bonded indebtedness are not subject to Measure 5 Limits: (1) bonded indebtedness authorized by a specific provision of the Oregon Constitution; and (2) general obligation bonded indebtedness incurred for capital costs approved by the electors of the issuer and bonds issued to refund such bonds. The Bonds are secured by taxes that may be levied outside Measure 5 limits.

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 unsegregated pool, and each taxing district 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.

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

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

The following tables represent historical tax information for the City.

Table 3 -- Bond and Levy Election History

Year	Purpose	Amount Requested	Votes			Passed (Failed)
			Yes	No	Margin	
2004	Sanitary (Sewer System)	\$22,000,000	2,237	1,092	1,145	67.20

Source: City of Lincoln City.

Table 4-- Real Market Value of Taxable Property in City of Lincoln City⁽¹⁾

Fiscal Year	Real Market Value (RMV)	Percent Increase	Taxable Assessed Value (TAV)	Percent Increase	TAV as a Percent of RMV
2006-07	\$1,682,610,403	39.51%	\$964,318,686	5.23%	57.31%
2007-08	2,050,417,570	21.86	1,030,249,106	6.84	50.25
2008-09	2,217,401,456	8.14	1,093,993,410	6.19	49.34
2009-10	2,091,318,252	-5.69	1,152,078,610	5.31	55.09
2010-11	1,877,069,647	-10.24	1,197,246,890	3.92	63.78
2011-12	1,738,085,538	-7.40	1,225,532,150	2.36	70.51
2012-13	1,590,620,412	-8.48	1,253,733,405	2.30	78.82

(1) Total Real Market Values and Taxable Assessed Values include Urban Renewal Values and other offsets. Table 5 which follows, reflects Taxable Assessed Values which does not include Urban Renewal and other assets as calculated by the Lincoln County Assessor.

Source: City of Lincoln City.

Table 5 -- Tax Collection Record

Fiscal Year	Taxable Assessed Value ⁽¹⁾	Percent Change	Total Levy	Tax Rate Per \$1,000	Percent Collected Year of Levy	Percent Collected as of 6/30/2012
2006-07	\$800,823,341	4.84%	\$3,283,078	4.0996	94.46%	99.95%
2007-08	857,181,131	7.04	3,514,133	4.0996	92.85	99.92
2008-09	908,968,555	6.04	3,726,410	4.0996	92.95	99.41
2009-10	959,653,655	5.58	3,934,205	4.0996	91.66	98.36
2010-11	996,712,565	3.86	4,086,178	4.0996	92.08	97.20
2011-12	1,019,912,885	2.33	4,181,233	4.0996	92.00	92.00
2012-13	1,044,755,460	2.44	4,283,079	4.0996	N/A	N/A

(1) Excludes Urban Renewal Value and other Offsets.

Source: City of Lincoln City.

Impact of Tax Limitation on the City

Table 6 -- Historical Impact of the \$10/\$1,000 Tax Limitation on City Property Tax Revenues

Fiscal Year	Taxes Imposed	Compression Loss
2006-07	\$3,283,078	\$(42.00)
2007-08	3,514,133	(48.25)
2008-09	3,726,410	(60.00)
2009-10	3,934,205	(28.29)
2010-11	4,086,178	(25.91)
2011-12	4,181,233	(38.20)
2012-13	4,283,079	(28.48)

Source: City of Lincoln City.

Consolidated Tax Rates

The following table shows consolidated tax rates for one of many tax code areas located within the City of Lincoln City.

Table 7 -- 2012-13 Representative Consolidated Tax Rates for Tax Code Area 402⁽¹⁾

Area	Tax Rate for Operations ⁽²⁾	Tax Rate for Bonds	Tax Rate Total
Within the City of Lincoln City			
Education			
Lincoln County Unified School District	\$4.0910	\$0.7597	\$4.8507
Linn-Benton-Lincoln ESD	0.2541	--	0.2541
Oregon Coast Community College	0.1465	0.2374	0.3839
Total Education	\$4.4916	\$0.9971	\$5.4887
Local Government			
Lincoln County	\$2.4602	--	\$2.4602
Lincoln County Extension	0.0376	--	0.0376
Lincoln County Transportation	0.0812	--	0.0812
City of Lincoln City	3.4163	1.0887	4.5050
Lincoln City Urban Renewal Agency ⁽³⁾	2.3778	--	2.3778
North Lincoln Fire and Rescue	0.7548	0.3145	1.0693
Devils Lake Water District	0.1008	--	0.1008
North Lincoln Hospital District	0.4320	--	0.4320
Total Local Government	\$9.6607	\$1.4032	\$11.0639
Total Consolidated Tax Rate	\$14.1523	\$2.4003	\$16.5526

- (1) The 2012-13 Assessed Value to compute the tax rate of code area 402 is \$712,752,025 which is 56.85% of the total Assessed Value of the City.
- (2) The Tax Rates for Operations are the combined Measure 50 permanent tax rates and local option levies which are then applied to the Assessed Value adjusted for Urban Renewal to obtain the amount of taxes to be collected. These are not the Measure 5 tax rates which determine if there is "compression" and which are calculated using Real Market Value.
- (3) See "PROPERTY TAX INFORMATION -- Potential Addition to City's Assessed Value" for a discussion of the expected date on which Lincoln City Urban Renewal Area will cease to collect tax increment revenues.
- Source: *City of Lincoln City.*

Table 8 -- 2011-12 Major Taxpayers in the City of Lincoln City

Name	2011-12 Taxes	Assessed Value	Percent of City AV ⁽¹⁾
Coroc/Lincoln City LLC	\$564,503.17	\$34,103,600	2.78%
Charter Communications	180,373.71	10,897,000	.89
Gorge Leasing Co.	133,154.90	8,044,350	.66
Confederated Tribes	129,692.78	7,783,500	.64
PacifiCorp	122,874.69	7,408,000	.60
Westover Inns. Inc.	109,842.29	6,635,950	.54
CenturyLink	108,530.41	6,552,800	.53
Lincoln City Senior Living LLC	102,701.40	6,159,190	.50
Cho, William T. and Lorna	81,776.63	4,940,410	.40
Northwest Natural Gas Co.	81,603.71	4,919,100	.40
Total	\$1,615,053.69	\$97,443,900.00	7.94%

- (1) The 2011-12 Taxable Assessed Value in the City including Urban Renewal Values and other offsets was \$1,225,532,150.
- Source: *Lincoln County Assessor.*

Potential Additions to City's Assessed Value

Urban Renewal Agency. Under Oregon's division of taxes system of collecting revenues for urban renewal agencies, the taxes imposed by overlapping taxing bodies on a portion of the assessed value inside the urban renewal area are retained by the urban renewal agency and used to pay for costs of urban renewal projects. When the urban renewal area ceases to collect tax increment revenues under the division of taxes system, that portion of the assessed value becomes taxable by the overlapping taxing bodies. The City's urban renewal agency currently plans to stop collecting tax increment revenues on June 30, 2014. If tax increment collections are terminated, approximately \$209,000,000 of assessed value will be added to the assessed value that the City is able to tax, increasing the City tax collections by approximately \$950,000 beginning in fiscal year 2014-15. The decision by the City's Agency to cease tax increment revenue collections on June 30, 2014 can be reversed by the Agency, however, neither the City nor the Agency currently expect that date will change.

Potential Annexation. On December 10, 2012, the City adopted an ordinance to annex land into the City. The land, referred to as the "Roads End Area," consists of approximately 906 tax lots which together have an approximate assessed value of \$242,103,960. Petitioners have appealed the annexation to the Oregon Land Use Board of Appeals. Any action of the Land Use Board of Appeals could itself be appealed to the Oregon Court of Appeals and any decision of the Oregon Court of Appeals could be appealed to the Oregon Supreme Court. The City expects to prevail in the appeal, however, it cannot estimate when the case will ultimately be decided. Nor can the City assure that the annexation will be successful.

If the case is decided in the City's favor, the ordinance would implement phased in property taxes for the Roads End Area that would impose 70%, 85% and finally 100% of the ad valorem real property tax levied inside the City over a three year period. If 100% of the taxes were levied on the Roads End Area, the City expects to eventually receive approximately \$1,000,000 of general fund revenues from its permanent rate annually from the annexed property based on current assessed values.

The City imposes additional charges for services on property outside of the City limits. Therefore, if the annexation is successful, the City will collect less fees for services from properties within the Roads End Area than it currently collects. The City does not expect the loss of revenue to materially offset the gain in property taxes.

THE CITY

General Description

The City, with an estimated 2011 population of 7,960, is located on the Pacific Coast in Lincoln County, Oregon, about 81 miles southwest of Portland. Incorporated as a home-rule city on March 3, 1965, the City consolidated the incorporated cities of Taft, Delake and Oceanlake, and the unincorporated communities of Cutler City and Nelscott.

Government

The government of the City is vested in a mayor and six council members. Two council members are elected from each of three wards for four-year terms. The mayor is elected for a four-year term.

The City Council appoints a City Manager who is the chief administrative officer of the City. The City Manager appoints the heads of all City departments, including a Finance Director who supervises the financial affairs of the City. The Finance Director is responsible for operating a general accounting system for City government in conformity with generally accepted accounting principles and practice, and for receipt, custody and disbursement of all City funds and monies. Current members of the City Council are shown in the following table.

Table 9 -- City Council

City Council	Occupation	Service Began	Term Expires
Dick Anderson, Mayor	Retired	01/01/2007	12/31/2014
Henry Quandt	Small Business Owner	11/01/2011	12/31/2014
Gordon Eggleton	Small Business Owner	01/01/2011	12/31/2014
Wes Ryan	Retired	01/01/2013	12/31/2016
Chester Noreikis	Retired	01/01/2003	12/31/2016
Roger Sprague	Retired	01/01/2009	12/31/2016
Gary Ellingson	Motel owner	11/01/2003	12/31/2014

Source: City of Lincoln City.

Administration

Dick Anderson, Mayor, has been Mayor since January 2010 after serving two years as a city councilor. He is retired after working 35 years in the financial services industry. He holds a BA degree from Pacific University Oregon and has executive management certificates from the University of Washington and Duke University.

David Hawker, City Manager, has been with the City since December 1999. He holds a Masters of Public Administration from the University of Colorado. He has 32 years experience as a city manager with previous positions in the Colorado cities of Rifle, Northglen and Federal Heights.

Debbie Mammone, Finance Director, has served the City as Finance Director since September 2007, previously she served as Finance Director of Nampa, Idaho.

Ron Tierney, Financial Planner, has served the City since January 1991, and served as Finance Director from January 1995 to October 2005. He holds a Bachelor of Business Administration degree in Public Accounting from Gonzaga University. Currently, he is still employed on a part-time basis by the City as a financial advisor for special projects.

Joan Kelsey, City Attorney, has practiced government and municipal law in Oregon for 17 years and for the City since January 2005. She is in the process of retiring from her role. The City conducted a search to replace her and has decided to hire Richard Appicello, an attorney with experience with local government law in Oregon, as the new City Attorney. Mr. Appicello is expected to begin working for the City in late February."

Lila Bradley, Public Works Director, has served the City for the past 23 years. She has developed the experience and technical skills in operations and maintenance, geographic information systems and capital project management that include all aspects of public works. She has been involved with American Public Works' Oregon Chapter since 1993 and was the President Elect in 2005.

Joe Whisler, Wastewater Treatment Plant Supervisor, has been with the City since 1981 and in his current position since 1990. He holds an Associates of Applied Science degree in Water/Wastewater Treatment from Linn Benton Community College.

Staff

As of September 30, 2012, the City employed a total of 160 people, including 112 full-time career employees, 28 part-time career employees, and 20 seasonal and part-time temporary employees. The majority of City employees who are eligible under State law to be represented by a labor organization are employed under provisions of negotiated contracts with two major labor organizations. The City enters into written bargaining agreements with each of the bargaining organizations; agreements contain provisions on such matters as salaries, vacation, sick leave, medical and dental insurance, working conditions and grievance procedures. Labor relations between the City and the bargaining staffs are good. The bargaining units which represent City employees, the number of employees represented by each and the date each current contract expires are shown in the following table.

Table 10 -- Sources and Uses of Funds

Bargaining Unit	Number of Employees	Termination Date of Current Contract	Status of Contract
Lincoln City Police Association	34	June 30, 2014	Settled
Oregon AFSCME Council 75	61	June 30, 2015	Settled

Source: City of Lincoln City.

Accrued Vacation

Each employee earns vacation at rates determined by their length of employment. An employee can accumulate a maximum of 320 hours. Accumulated vested vacation is accrued as it is earned. As of June 30, 2012, the audited total accrued leave liability in the General Fund and Other Funds was \$682,159. Citywide accrued leave is fully funded.

FINANCIAL INFORMATION

Basis of Accounting

The City's governmental fund types and agency funds are maintained on the modified accrual basis of accounting. The proprietary fund types are accounted for using the accrual basis of accounting. The City's accounting practices conform to generally accepted accounting principles.

Fiscal Year

July 1 to June 30.

Audits

The Oregon Municipal Audit Law (ORS 297.405 - 297.555) requires an audit and examination to be made of the accounts and financial affairs of every municipal corporation at least once a year. Unless the municipality elects to have the audit performed by the State Division of Audits, the audit shall be made by accountants whose names are included on the roster prepared by the State Board of Accountancy.

The City's audits for fiscal years 2009-2010 through 2011-12 were performed by Talbot, Korvola & Warwick, LLP, Portland, Oregon. The auditors were not requested to review the official statement and offer no opinion regarding the official statement. A complete copy of the City's annual financial statements may be obtained from the City's website. The City's audit for fiscal year 2012 is attached to this Official Statement as Appendix A.

Table 11 -- Summary of 2011-12 and 2012-13 General Fund Adopted Budget

	Adopted 2011-12	Adopted 2012-13
Revenues		
Taxes ⁽¹⁾	\$5,432,131	\$5,496,626
Fees, Licenses & Permits	1,136,750	1,192,350
Intergovernmental	420,012	465,161
Fines and Forfeitures	223,713	185,813
Miscellaneous Revenue	937,854	949,402
Transfers In	<u>425,804</u>	<u>438,579</u>
Total Revenues ⁽²⁾	<u>\$8,576,264</u>	<u>\$8,727,931</u>
Expenditures		
City Council	\$83,142	\$45,148
Administration	500,420	511,510
Finance	717,442	755,148
Library	866,291	861,371
Municipal court	69,895	66,696
City Attorney	173,521	160,386
Planning	447,835	438,221
Building	230,935	236,728
Police	3,794,462	3,830,916
Recreation	1,072,741	1,174,448
General Fund Non-Departmental	284,087	308,982
Transfers out	<u>722,152</u>	<u>755,760</u>
Total Expenditures ⁽³⁾	<u>\$8,962,923</u>	<u>\$9,145,314</u>

(1) See "PROPERTY TAX INFORMATION -- Potential Addition to City's Assessed Value" for a discussion of proposed developments that may impact the City's assessed value figure in the future.

(2) "Total Revenues" do not include Beginning Fund Balances.

(3) "Total Expenditures" do not include Contingencies and Unappropriated Ending Fund Balances.

Source: City of Lincoln City Adopted Budgets.

Table 12 -- Five-Year General Fund and Police Fund Consecutive Balance Sheets⁽¹⁾

	2007-08	2008-09	2009-10	2010-11	2011-12
Assets					
Cash and investments	\$3,859,464	\$3,790,273	\$3,751,858	\$3,600,156	\$3,692,153
Receivables	348,153	542,754	684,103	909,132	930,369
Total Assets	<u>\$4,207,617</u>	<u>\$4,333,027</u>	<u>\$4,435,961</u>	<u>\$4,509,288</u>	<u>\$4,622,522</u>
Liabilities & Fund Balances					
Vouchers Payable	\$242,040	\$138,315	\$180,960	\$165,385	\$146,753
Accrued Payroll and Related Taxes	592,156	493,109	479,529	475,010	452,257
Unearned Revenue	195,246	332,136	357,683	-	-
Deferred Revenue	43,904	43,904	162,540	526,320	553,932
Total liabilities	<u>\$1,073,346</u>	<u>\$1,007,464</u>	<u>\$1,180,712</u>	<u>\$1,166,715</u>	<u>\$1,152,942</u>
Fund Balance	<u>\$3,134,271</u>	<u>\$3,325,563</u>	<u>\$3,255,249</u>	<u>\$3,342,573</u>	<u>\$3,469,580</u>
Total liabilities and Fund Balances	<u>\$4,207,617</u>	<u>\$4,333,027</u>	<u>\$4,435,961</u>	<u>\$4,509,288</u>	<u>\$4,622,522</u>

(1) The Police Fund became a Department in the General Fund during fiscal year 2011-12. The above information combines the Police Fund and General Fund for all 5 years.

Source: City of Lincoln City Audited Financial Statements.

**Table 13 -- Five-Year General Fund and Police Fund Statement of Revenues,
Expenditures, and Changes in Fund Balances**

	2007-08	2008-09	2009-10	2010-11	2011-12
Revenues					
Property Taxes	\$3,391,882	\$3,599,549	\$3,785,374	\$3,950,429	\$4,062,447
Franchises and Fees	1,625,844	1,434,538	1,335,025	889,097	920,967
Fees, Licenses & Permits ⁽¹⁾				519,259	499,820
Fines and forfeitures	216,206	206,192	229,041	213,758	187,674
Charges for Services	28,886	27,414	13,844	8,300	10,553
Intergovernmental	422,131	491,712	583,178	502,579	439,376
Transient Room Tax	756,049	948,262	968,624	1,028,408	992,744
Interest on Investments	163,381	83,308	25,762	23,164	19,301
Miscellaneous	696,978	810,462	853,434	894,274	889,678
Total Revenues	\$7,301,357	\$7,601,437	\$7,794,282	\$8,029,268	\$8,022,560
Expenditures					
General Government	\$2,502,413	\$2,709,444	\$2,460,645	\$2,510,928	\$2,501,222
Public Safety	2,696,968	2,966,868	3,284,253	3,363,629	3,244,118
Culture and Recreation	1,594,049	1,700,658	1,783,662	1,869,908	1,761,377
Capital Outlay	396,121	191,353	152,825	150,836	104,398
Total Expenditures	\$2,502,413	\$2,709,444	\$2,460,645	\$2,510,928	\$2,501,222
Excess (deficiency) of revenues over expenditures	\$111,806	\$33,114	\$112,897	\$133,967	\$411,445
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	\$12,478	\$278,277	\$6,148	\$7,493	\$4,914
Operating Transfers In	519,742	482,901	497,388	655,864	432,800
Operating Transfers Out	(645,000)	(603,000)	(686,747)	(710,000)	(722,152)
Total other financing sources (uses)	\$(112,780)	\$158,178	\$(183,211)	\$(46,643)	\$(284,438)
Net change in fund balances	\$(974)	\$191,292	\$(70,314)	\$87,324	\$127,007
Fund Balances at beginning of year	\$3,135,245	\$3,134,271	\$3,325,563	\$3,255,249	\$3,342,573
Fund Balances at end of year	\$3,134,271	\$3,325,563	\$3,255,249	\$3,342,573	\$3,469,580

(1) Prior to 2010-11 "Fees, Licenses and Permits" were subsumed in "Franchises and Fees".
Source: Derived from the City's audited financial statements 2008-2012.

Budgeting Process

The City prepares an annual budget in accordance with provisions of the Oregon Local Budget Law (ORS Chapter 294), which provides standard procedures for the preparation, presentation, administration and appraisal of budgets. In the months of January through April of each year a proposed budget is prepared by the City's Budget Officer. The budget is presented to the City's Budget Committee in May. The committee consists of the seven elected Council Members (the Mayor and six Councilors), and an equal number of appointed citizens of the City. The Budget Committee receives the proposed budget from the City Manager, holds meetings and receives citizen comment, and deliberates on the budget proposal during a series of meetings open to the public. The approval of the budget requires a majority vote of the members with all members of the Budget Committee having an equal vote.

After the Budget Committee has approved the budget, the governing body enters into the adoption stage of the budget process. The City Council, by law, has the power (1) to limit the amount of tax that may be levied by the local government, and (2) to establish a maximum for total expenditures for each fund. A budget summary and notice of hearing are published following strict requirements as to time and mode. A final hearing is held at which time the City Council considers citizen testimony and, if necessary, alters the budget subject to statutory limitations upon increasing taxes or fund allocations without further publication and hearing.

Supplemental budgets may be prepared as needed during the fiscal year. Supplemental budgets are considered and adopted by the City Council.

Deposits and Investments

ORS Chapter 294 authorizes the City to invest in U.S. Government obligations and its agencies or instrumentalities, collateralized repurchase agreements, insured or collateralized certificates of deposit, government pools and certain other types of investments. As of June 30, 2012, the City had \$17,458,590 in the State Treasurer's Local Government Investment Pool.

Table 14 -- Investments as of June 30, 2012

Investment Instrument	Carrying Value	Market Value
Oregon State Local Government Investment Pool	\$17,458,590	\$17,458,590

Source: City of Lincoln City.

Insurance

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. In 1981, the League of Oregon Cities joined together with the Association of Oregon Cities to form City County Insurance Services ("CCIS"), a public entity risk pool currently operating as a common risk management and insurance program for approximately 265 municipal corporations and associated entities in the State of Oregon. CCIS is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of \$2 million for each insured event.

The City continues to carry commercial insurance for other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

PENSION AND OPEB LIABILITY

PERS Pension System

General. The City participates in a retirement pension benefit program under the State of Oregon Public Employees Retirement System ("PERS" or the "System"). After six full months of employment, all City employees are required to participate in PERS.

T1/T2 Pension Programs. Employees hired before August 29, 2003 participate in the "Tier 1" and "Tier 2" pension programs (the "T1/T2 Pension Programs"). The benefits provided through the T1/T2 Pension Programs are based primarily on a defined benefit pension model and provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Different benefit structures apply to participants depending on their date of hire. Effective January 1, 2004, T1/T2 Pension Program participant contributions fund individual retirement accounts under the separate defined contribution program described below.

OPSRP. Employees hired on or after August 29, 2003 participate in the Oregon Public Service Retirement Plan ("OPSRP") unless membership was previously established in the T1/T2 Pension Programs. OPSRP is a hybrid 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. Effective January 1, 2004, T1/T2 Pension Program participant contributions also 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 2009 and 2011, the Public Employees Retirement Board ("PERB") establishes the contribution rates that employers will pay to fund the T1/T2 Pension Programs, OPSRP and the PERS-sponsored Retirement Health Insurance Account program ("RHIA") described herein. Actuarial valuations are performed annually as of December 31 of each year, with the valuations as of December 31 of even-numbered years (such as 2010) used for advisory purposes only. Actuarial valuations are performed for the entire System (the "System Valuation"), and for each participating employer, including the City (the "City Valuation"). Valuations are released approximately one year after the valuation date. PERS' current actuary is Milliman, Inc. ("Milliman") which replaced the prior actuary, Mercer (US), Inc. in January 2012.

Valuation	Release Date	Rates Effective
December 31, 2009	September 2010	July 1, 2011-June 30, 2013
December 31, 2010	November 2011	Advisory only
December 31, 2011	November 2012	July 1, 2012 - June 30, 2015

Employer Assets, Liabilities, and Unfunded Actuarial Liabilities. An employer's unfunded actuarial liability ("UAL") is the excess of the actuarially determined present value of the employer's benefit obligations to employees over the existing actuarially determined assets available to pay those benefits. For the T1/T2 Pension Programs, the City is pooled with the State of Oregon and other local governments and community college district public employers (the "State and Local Government Rate Pool" or "SLGRP"). The City's portion of T1/T2 Pension Programs' assets and liabilities is based on the City's proportionate share of the SLGRP's pooled payroll ("City Allocated T1/T2 UAL").

OPSRP's assets and liabilities are pooled on a program-wide basis. These assets and liabilities are not tracked or calculated on an employer basis. The City's allocated share of OPSRP's assets and liabilities is based on the City's proportionate share of OPSRP's pooled payroll (the "City Allocated OPSRP UAL").

Changes in the City's relative growth in payroll will cause and other pool participants' failure to pay their full employer contributions may cause the City Allocated T1/T2 UAL and City Allocated OPSRP UAL to shift.

The City's net unfunded pension UAL is the total of the City's Allocated T1/T2 UAL and Allocated OPSRP UAL. The City's net unfunded pension UAL as of the 2009 City Valuation which is as of December 31, 2009 and the 2011 City Valuation which is as of December 31, 2011 is shown in the below table:

	2009 Valuation	2011 Valuation
Allocated pooled SLGRP T1/T2 UAL	\$ 8,970,484	\$ 10,841,792
Allocated pre-SLGRP pooled liability/(surplus) ⁽¹⁾	0	0
Transition liability/(surplus) ⁽²⁾	(4,978,121)	(4,662,489)
Allocated Pooled OPSRP UAL	70,2732	116,041
Net unfunded pension actuarial accrued liability/(surplus)	\$ 4,062,636	\$ 6,295,344

(1) The Allocated pre-SLGRP pooled liability represents the allocation to the City of the liability/surplus that remained when the local government rate pool (LGRP) was disbanded and the SLGRP was created. The City shares this liability/surplus with other former participants in the LGRP, and it is allocated based on the City's proportionate share of the former participants' payroll.

(2) The transition surplus represents the surplus that was created when the City joined the LGRP. The transition surplus is solely the City's.

Source: 2011 City Valuation and 2009 City Valuation

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

Significant actuarial assumptions and methods used in the valuations included: (a) Projected Unit Credit actuarial cost method, (b) asset valuation method based on market value, (c) rate of return on the investment of present and future assets of 8%, (d) payroll growth rate of 3.75%, (e) consumer price inflation of 2.75% per year, and (f) UAL amortization method of a level percentage of payroll over 20 years (fixed) for the T1/T2 Pension Programs and 16 years (fixed) for OPSRP.

Employer Contribution Rates. Employer contribution rates are calculated as a percent of covered payroll. The rates are based on the current and projected cost of benefits and the anticipated level of funding available from the Oregon Public Employees Retirement Fund (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. Employers are allowed to pay the employees' contribution in addition to the required employers' contribution. The City has elected to make the employee contribution. Employer contribution rate changes from one period to the next are limited by a contribution rate collar.

Contribution Rate Collar. In January 2010 the PERS Board adopted a revised implementation of the rate collar limiting increases in employer contribution rates from biennium to biennium (the "Rate Collar"). Under normal conditions, the Rate Collar is the greater of three percent of payroll or 20 percent of the current base rate. If the

City's funded status is below 80 percent, the Rate Collar increases by an additional 0.3 percent for every percentage point under the 80 percent funded level until the aggregate Rate Collar reaches six percent at the 70 percent funded level. The Rate Collar limits increases in employer contribution rates before rate reductions from side accounts are deducted, and does not cover charges associated with PERS Retirement Health Insurance Account (RHIA).

City Contribution Rates. The City's current contribution rates are based on the 2009 Valuation. The following table shows the City's contribution rates effective July 1, 2011 to June 30, 2013 (2009 Valuation) and the rates effective July 1, 2013 through June 30, 2015 (2011 Valuation).

Table 15 -- 2011 City of Lincoln City Pension Contribution Rates

	2009 Valuation			2011 Valuation		
	T1/T2	OPSRP General Service	OPSRP Police & Fire	T1/T2	OPSRP General Service	OPSRP Police & Fire
Normal cost rate	9.78%	6.13%	8.84%	9.77%	6.27%	9.00%
Tier 1/Tier 2 UAL rate	6.10%	6.10%	6.10%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.08%	0.08%	0.08%	0.15%	0.15%	0.15%
Transition liability/(surplus) rate ⁽¹⁾	(5.94%)	(5.94%)	(5.94%)	(5.90%)	(5.90%)	(5.90%)
Side account rate relief ⁽¹⁾	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net retiree healthcare rate	<u>0.59%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>0.59%</u>	<u>0.49%</u>	<u>0.49%</u>
Total net employer contribution rate	10.61%	6.87%	9.58%	14.97%	11.37%	14.10%

(1) The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Source: 2009 City Valuation and 2011 City Valuation.

Other Post-Employment Benefits

GASB 45 requires the City to determine the extent of its liability for post employment benefits ("OPEB") 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 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 reviewed its OPEB for liability under GASB 45, and Milliman, an independent actuary, has determined that the City has no OPEB liability under GASB 45 based on the information the City provided.

Retirement Health Insurance Account. PERS retirees who receive benefits through the T1/T2 Pension Programs 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. According to the 2011 System Valuation, this program has a UAL of approximately \$221.5 million and has a funded ratio of approximately 52%. The RHIA program's assets and liabilities are pooled on a system-wide basis and are not tracked or calculated on an employer basis. 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 2011 City Valuation, the City's allocated share of the RHIA program's UAL is \$176,183. Based on the 2011 City Valuation, the City's employer contribution rates to fund RHIA benefits are 0.59% for the T1/T2 Pension Programs and 0.49% for the OPSRP Program, which are included in the City's employer contribution rates described above.

DEBT INFORMATION

Table 16 -- Debt Ratios

	Values	Per Capita	Percent of RMV
2011 Estimated Population	7,960	--	--
2012-13 Real Market Value (RMV)	\$1,590,620,412	\$199,827	--
Gross Direct Debt	22,760,189	2,859	1.43%
Net Direct Debt	12,815,000	1,610	0.81%
Net Overlapping Debt	27,140,054	3,410	1.71%
Net Direct Debt and Net Overlapping Debt	39,955,054	5,019	2.52%

Source: City of Lincoln City; Population Research Center, Portland State University.

Debt Limitations

ORS 287A.050 limits the general obligation debt which an Oregon city may have outstanding at any time to three percent of the real market value of the City. Self-supporting debt, revenue bonds, general obligation improvement bonds, bonds issued for water, sanitary or storm sewers, sewage disposal plants, hospitals, infirmaries, gas, power or lighting purposes, and certain parking facility bonds are legally exempt from this debt limitation. The Bonds are exempt from this limitation.

2012-13 RMV	\$1,590,620,412
Debt limitation (3.00 % of RMV)	47,718,612
Applicable bonded debt	0
Debt margin	0
Percent of limit issued	0%

Payment of Debt Service on the Bonds

The Bonds are general obligations of the City to which the City has pledged its full faith, credit and resources and for which the City covenants to levy annually an ad valorem tax upon all taxable property that is sufficient, with other available funds, to pay principal and interest on the Bonds when due. However, the City also has identified certain other revenues including net sewer revenues and system development charges which it anticipates using to repay portions of debt service on the Bonds. These revenues are not specifically pledged to the Bonds and the City may substitute other revenues and may use these revenues for other purposes.

Debt Management

The City has never defaulted on any debt or lease obligation.

Future Debt Plans

The City has no authorized but unissued debt.

Table 17 -- Outstanding Obligations

	Dated Date	Maturity Date	Amount Issued	Amount Outstanding as of 6/30/12
GENERAL OBLIGATION BONDS⁽¹⁾				
Series 2005 Sewer ⁽²⁾	4/12/2005	6/1/2030	\$15,000,000	\$12,465,000
Series 2007 Water ⁽³⁾	6/28/2007	12/1/2018	4,000,000	2,463,371
Series 2011 Sewer ⁽⁴⁾	3/17/2011	3/1/2026	7,000,000	6,554,230
Total General Obligation Bonds			\$26,000,000	\$21,482,601
FULL FAITH AND CREDIT BORROWINGS				
Series 2008 Library ⁽⁵⁾	9/30/2008	9/1/2013	\$1,000,000	\$311,421
Series 2008 Water ⁽⁶⁾	9/30/2008	9/1/2013	2,000,000	616,167
Total Full Faith and Credit-Backed			\$3,000,000	\$927,588
REVENUE BONDS				
Series 2006 Water Refunding Bonds	2/13/2006	6/1/2015	\$2,679,421	\$821,394
TOTAL BORROWINGS⁽⁷⁾			\$31,679,421	\$23,231,583

(1) The City also had a series of Open Spaces General Obligation Bonds, Series 1999 that were outstanding as of June 30, 2012 and that were repaid on December 1, 2012.

(2) A portion of the callable maturities to be refunded with the Bonds.

(3) The City has been paying debt service on this bond from revenues of the water system rather than from a tax levy.

(4) The City has been paying debt service on this bond from revenues of the sewer system rather than from a tax levy.

(5) The City has been paying debt service on this borrowing from the City's transient room tax revenues rather than general fund sources.

(6) The City has been paying debt service on this borrowing from revenues of the water system rather than general fund sources.

(7) Excludes short term borrowings. The City's Urban Renewal Agency has outstanding debt totaling \$2,781,244 as of June 30, 2012. Urban Renewal Agency debt is secured by the tax increment revenue of the Agency and is not a debt of the City.

Source: City of Lincoln City.

The following table presents the debt service on voter-approved general obligation debt of the City. Because the Bonds are being issued to refund a portion of the callable maturities of the 2005 Bonds and the debt service on the 2005 Bonds is presented here, the debt service on the Bonds is not presented separately.

Table 18 -- General Obligation Bond Debt Service Payments⁽¹⁾

Fiscal Year Ending 30-June	2005 Bonds		2007 Bonds		2011 Bonds		Total Payments
	Principal	Interest	Principal	Interest	Principal	Interest	
2013	\$440,000	\$272,801	\$172,092	\$44,507	\$183,236	\$129,747	\$1,242,383
2014	465,000	528,001	354,498	78,700	377,877	248,089	2,052,165
2015	490,000	509,401	368,709	64,488	393,610	232,356	2,058,564
2016	510,000	489,801	383,491	49,707	409,998	215,969	2,058,966
2017	540,000	469,401	398,864	34,333	427,068	198,898	2,068,564
2018	565,000	447,801	414,854	18,343	444,849	181,118	2,071,965
2019	595,000	424,071	203,828	2,976	463,370	162,596	1,851,841
2020	620,000	398,784			482,662	143,304	1,644,750
2021	655,000	372,434			502,758	123,209	1,653,401
2022	685,000	344,269			523,690	102,276	1,655,235
2023	720,000	314,300			545,494	80,473	1,660,267
2024	755,000	282,620			568,205	57,761	1,663,586
2025	795,000	249,400			591,862	34,104	1,670,366
2026	835,000	213,625			460,013	9,462	1,518,100
2027	875,000	176,050					1,051,050
2028	920,000	135,800					1,055,800
2029	1,000,000	93,250					1,093,250
2030	1,000,000	46,250					1,046,250
	\$12,465,000	\$5,768,059	\$2,296,336	\$293,054	\$6,374,692	\$1,919,362	\$29,116,503

(1) The payments reflect those that come due after December 1, 2012. Any payments of principal or interest occurring prior to this date have been excluded from this table. Includes all voter approved general obligation bonds. The 2007 Bonds and the 2011 Bonds have historically been paid from utility revenues rather than a tax levy. The 2007 Bonds have been paid from revenues of the City's water system and the 2011 Bonds have been paid from revenues of the City's sewer system.

Source: City of Lincoln City.

The following table outlines the outstanding debt of overlapping entities.

Table 19 -- Overlapping Debt⁽¹⁾

Issuer	Real Market Value	Percent Overlapping	Gross	Net
Lincoln County Unified SD	\$9,052,023,147	19.20%	\$19,672,856	\$19,672,856
North Lincoln Fire & Rescue District #1	2,624,544,146	66.22	3,764,851	3,764,851
Oregon Coast Community College	9,001,783,560	19.31	4,124,232	3,702,347
Total			\$27,561,939	\$27,140,054

(1) As of October 1, 2012. Gross Direct Debt includes all unlimited (general obligation bonds) and limited (full faith and credit obligations) tax supported debt. Net Debt is Gross Direct Debt less self-supporting limited and unlimited tax supported debt.

Source: Debt Management Division.

ECONOMIC AND DEMOGRAPHIC INFORMATION

The City is located on the Pacific Coast in Lincoln County, Oregon, about 81 miles southwest of Portland. Incorporated as a home-rule city on March 3, 1965, the City consolidated the incorporated cities of Taft, Delake and Oceanlake, and the unincorporated communities of Cutler City and Nelscott.

Land Use Planning

State law requires comprehensive land use planning to be accomplished at the city and county levels. To provide common direction and consistency within each city and county comprehensive plan, the Oregon Legislature directed the Department of Land Conservation and Development Commission (LCDC) to adopt statewide planning goals and guidelines. All zoning and development within a city or county must conform to the appropriate comprehensive plan. Fifteen statewide planning goals have been adopted, dealing with matters that include economy; air, water and land resources quality; housing; agricultural lands; urbanization; and public facilities. As part of a comprehensive plan, an urban growth boundary for the 20-year planning period must be established. This boundary is designed to contain urban sprawl and should encompass adequate land in each zoning category to support predicted population growth.

The City adopted its comprehensive plan in 1980, and LCDC acknowledged it in 1984 after revisions were made and a revised plan sent by the City in 1982. The City reviews the plan periodically.

Population

The estimated population in 2011 for the City was 7,960.

Table 20 -- Population Estimates

Year	City of Lincoln City	Percent Change	Lincoln County	Percent Change	State of Oregon	Percent Change
2002	7,420		44,700		3,502,588	
2003	7,420	0.00	45,000	0.67	3,538,591	1.03
2004	7,470	0.67	44,400	-1.33	3,578,895	1.14
2005	7,615	1.94	44,405	0.01	3,626,938	1.34
2006	7,615	0.00	44,520	0.26	3,685,206	1.61
2007	7,615	0.00	44,630	0.25	3,739,359	1.47
2008	7,875	3.41	44,715	0.19	3,784,182	1.20
2009	7,930	0.70	44,700	-0.03	3,815,775	0.83
2010	7,955	0.32	44,620	-0.18	3,837,300	0.56
2011	7,960	0.06	46,155	3.44	3,857,625	0.53

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

	1990	2000	2010
City of Lincoln City	5,903	7,437	7,930
Lincoln County	38,889	44,479	46,034
State of Oregon	2,842,321	3,421,399	3,831,074

Source: Population Research Center, Portland State University. October 26, 2012.

Employment

Lincoln County's economic and employment base relies on many elements, including the service industry, as well as government, retail trade and transportation.

Table 21 -- Lincoln County Labor Force, Unemployment & Total Employment by Place of Residence

Year	Civilian Labor Force	Unemployment	Unemployment as a Percent of Labor Force ⁽¹⁾	Total Employment ⁽²⁾
2002	21,521	1,744	8.1	19,777
2003	21,743	1,955	9.0	19,788
2004	22,200	1,799	8.1	20,401
2005	22,053	1,536	7.0	20,517
2006	22,166	1,329	6.0	20,837
2007	22,502	1,241	5.5	21,261
2008	22,870	1,502	6.6	21,368
2009	23,274	2,421	10.4	20,853
2010	23,345	2,486	10.6	20,859
2011	23,299	2,296	9.9	21,003

(1) Totals may not foot due to rounding. The State of Oregon Employment Department reported a seasonally adjusted unemployment rate of 9.0% in Lincoln County for the month of September 2012, the most current information available. See "UNEMPLOYMENT."

(2) Includes nonagricultural wage and salary, self-employed, unpaid family workers, domestics, agricultural workers, and labor disputants.

Source: Oregon Employment Department. October 26, 2012.

Lincoln County experienced a slight shift in nonfarm employment between 2001 and 2011. Employment in the manufacturing sector experienced a slight decrease over that period, while employment in the education and health services increased.

Table 22 -- Lincoln County Nonfarm Employment

	2001 Annual Average	2001 Percent of Total	2011 Annual Average	2011 Percent of Total
Total Nonfarm Wage & Salary Employment	17,280	100.00%	17,370	100.00%
Manufacturing	1,120	6.48%	1,040	5.99%
Durable goods	240	1.39	180	1.04
Nondurable goods	870	5.03	870	5.01
Nonmanufacturing	16,160	93.52%	16,330	94.01%
Construction & mining	810	4.69	810	4.66
Trade, transportation & utilities	3,230	18.69	3,200	18.42
Information	260	1.50	170	0.98
Financial activities	730	4.22	770	4.43
Professional & business services	920	5.32	930	5.35
Educational & health services	1,030	5.96	1,870	10.77
Leisure & hospitality	4,210	24.36	4,030	23.20
Other services	580	3.36	610	3.51
Government	4,400	25.46	3,930	22.63

Note: Totals may not foot due to rounding.

Source: Oregon Employment Department. October 26, 2012.

Unemployment

As reflected in the table below, Lincoln County, like the State and the nation, experienced an increase in the jobless rate in 2008, 2009 and 2010. The State of Oregon Employment Department reported a seasonally adjusted unemployment rate of 9.0% in Lincoln County for the month of September 2012, the most current information available.

Table 23 -- Lincoln County Average Annual Unemployment as a Percent of Labor Force

Year	Lincoln County ⁽¹⁾	State of Oregon	USA ⁽²⁾
2002	8.1	7.6	5.7
2003	9.0	8.1	6.0
2004	8.1	7.3	5.5
2005	7.0	6.2	5.0
2006	6.0	5.3	4.4
2007	5.5	5.2	4.7
2008	6.6	6.5	6.5
2009	10.4	11.1	10.0
2010	10.6	10.7	9.5
2011	9.9	9.5	8.9
2012			7.9

(1) The State of Oregon Employment Department reported a seasonally adjusted unemployment rate of 9.0% in Lincoln County for the month of September 2012, the most current information available.

(2) As of October of each year.

Source: Oregon Employment Department, October 26, 2012 for Lincoln County and State of Oregon; Bureau of Labor Statistics, November 20, 2012 for USA.

Table 24 -- Lincoln County Major Employers

Employer	Product or Service	Estimated Employment
Confederated Tribes of Siletz Indians	Casino	999
Samaritan Health Services	Health Care	800
Lincoln County School District	Education	500
Lincoln County	Government	350
Georgia Pacific Toledo	Paper Manufacturing	420
OSU Hatfield Marine Science Ctr	Government	401
Fred Meyer	Retail	240
Wal Mart	Retail	200
Pacific Shrimp	Shrimp Processing	200
NOAA	Federal Agency	175

Source: Economic Development Alliance of Lincoln County, November 14, 2012. Fred Meyers, November 15, 2012. Pacific Shrimp, November 15, 2012.

Development Activity

A new Bi-Mart store opened in late 2011. Built at a cost of over \$3.8 million, it boasts more than 42,000 square feet of retail space. Further, many tenant spaces at the Tanger Outlet Mall were remodeled. Dutch Bros. started on a new retail coffee facility.

Among the other construction in Lincoln City, in 2012 the following remodeling and expansions of the high school and both elementary schools occurred:

- Taft High School got a \$1.4 million remodeling;
- Taft Elementary School got a \$1.6 million expansion and remodeling;
- Oceanlake Elementary School got a \$3.3 million remodeling and expansion.

Additionally Samaritan Health System built an early learning/childcare center in late 2011. The early Learning center was a partnership between the City, North Lincoln Health District, North Lincoln Hospital Foundation and Samaritan North Lincoln Hospital. Total cost with land and furnishings was \$1,300,000.

Income

The following table shows personal income and per capita income for Lincoln County, compared to similar data for the State and nation. According to the Bureau of Economic Analysis, Lincoln County per capita personal income was estimated at \$33,681 in 2010.

Table 25 -- Income Estimates

Year	Lincoln County	Per Capita Income		
	Total Personal Income (thousands) ⁽¹⁾	Lincoln County ⁽¹⁾	State of Oregon ⁽²⁾	United States ⁽²⁾
2001	\$1,171,433	\$26,712	\$29,250	\$31,157
2002	1,236,922	27,940	29,797	31,481
2003	1,252,012	28,185	30,582	32,295
2004	1,312,356	29,243	31,650	33,909
2005	1,345,992	29,682	32,557	35,452
2006	1,438,426	31,594	34,706	37,725
2007	1,497,500	32,698	35,950	39,506
2008	1,557,404	33,919	37,407	40,947
2009	1,502,053	32,661	35,159	38,637
2010	1,550,294	33,681	35,906	39,791
2011	N/A	N/A	37,527	41,560

(1) As of April 25, 2012.

(2) As of September 25, 2012.

Source: U.S. Department of Commerce, Bureau of Economic Analysis and Census Bureau; Bureau of Business and Economic Research, University of New Mexico. November 13, 2012.

Agriculture

In Lincoln County, the top commodities include farm forest products and cattle. Agricultural Commodity Sales for Lincoln County in 2011 were \$43,742,000, which unlike previous years included fisheries and farmed oysters.

Table 26 -- Lincoln County Agricultural Commodity Sales (\$000)

Year	Lincoln County			State of Oregon		
	Crops	Animal Products	Total	Crops	Animal Products	Total
2002	7,572	1,585	9,157	2,377,183	886,479	3,263,662
2003	8,118	1,626	9,744	2,487,646	978,136	3,465,782
2004	9,627	1,726	11,353	2,717,855	1,081,179	3,799,034
2005	16,250	1,778	18,028	2,916,722	1,149,162	4,065,884
2006	10,823	1,824	12,647	3,235,782	1,164,806	4,400,588
2007	10,474	1,833	12,307	3,520,922	1,372,309	4,893,231
2008	9,588	1,845	11,433	3,496,244	1,387,060	4,883,304
2009	7,921	2,070	9,991	2,855,037	1,251,827	4,106,864
2010	8,150	2,077	10,227	2,859,371	1,422,286	4,281,657
2011 ⁽¹⁾	13,407	30,335	43,742	3,521,241	1,678,335	5,199,576

(1) Commercial Fisheries and Farmed Oysters were added to livestock beginning 2011.

Source: Oregon State University Extension Economic Information Office. October 26, 2012.

Forestry

Based on the Oregon Department of Forestry's Western Oregon Harvests report for calendar year 2011 (the most recent data available), 166,002 thousand board feet of timber was harvested in Lincoln County.

Table 27 -- Timber Harvest (in thousand board feet)

Year	Lincoln County	State of Oregon
2002	164,725	3,922,358
2003	176,052	4,001,818
2004	183,606	4,451,195
2005	209,367	4,411,428
2006	212,132	4,327,704
2007	192,881	3,798,554
2008	145,188	3,441,403
2009	81,531	2,748,479
2010	121,445	3,226,550
2011	166,002	3,649,130

Source: Oregon Department of Forestry, November 27, 2012.

Housing

The following table shows building permit activity in the area.

Table 28 -- Building Activity

Calendar Year	Lincoln City Residential Building Permits		
	Single Family Units	Multi-family Units	Construction Cost (\$000)
2002	34	7	6,142
2003	43	0	7,931
2004	82	0	16,536
2005	122	2	23,991
2006	135	5	30,282
2007	136	5	27,581
2008	54	41	15,988
2009	25	0	4,870
2010	23	0	4,798
2011	20	0	3,960

Source: U.S. Census Bureau, November 1, 2012.

Transportation

Highway 101, the principal north-south highway on the West Coast, passes through the City. A small general aviation airport located at Salishan, which is approximately 3 miles south of the city limits, provides private and chartered air service from the City.

Utilities

NW Natural supplies natural gas to the area; electricity is provided by Pacific Power and Light Company. Centurytel, Inc. provides telephone service.

Public Facilities

Sewer and Water. The City owns and operates its own water system, primarily drawing its water from Schooner Creek. The City provides water within city limits and in the unincorporated areas at Roads End and around Devils Lake, as well as all other areas within the urban growth boundary. (See "PROPERTY TAX INFORMATION -- Potential Addition to City's Assessed Value" for a discussion proposed annexation in the Roads End Area). In June 2010 the City completed a water project that provides for an additional water source and transmission line in case of failure of the main system. The City purchased water rights in Drift Creek, built a pump station and piping

to the water treatment plant. In 2011, the City constructed a new distribution line from the water treatment plant through Cutler City that would give the City a redundant transmission line into the main part of the City.

The City owns, operates and maintains its own sewage collection and treatment system. Proceeds from the 2005 Bonds and a series of general obligation bonds issued in 2011 were used to replace the Sewer Treatment Plant and upgrade the sewer system.

Public Safety. The City's Police Department has mutual aid agreements with surrounding communities, as well as with the Lincoln County Sheriff's Office and the Oregon State Police. Beach and ocean emergencies are handled by the department, North Lincoln Fire & Rescue and the U.S. Coast Guard stationed in Newport and Depoe Bay, with rescue helicopters and boats. A privately-owned company provides ambulance service. The dispatch center handles fire, police and ambulance calls.

The North Lincoln Fire and Rescue District is staffed by volunteers and provides fire protection in the City and surrounding area. This new district was formed in early 1997 by merging the Devils Lake Rural Fire Protection District and the Taft-Nelscott-Delake Rural Fire Protection District.

Education. The Lincoln County School District serves the City. There are seven elementary schools, four middle schools and four high schools in the District.

Health Care. The Samaritan North Lincoln Hospital is a 25-bed critical care hospital built in 1967 and expanded in 1982. The hospital is part of a five-hospital regional group administered by Samaritan Health Services in Corvallis, Oregon. The hospital was remodeled in 1990, adding an intensive care unit, and again in 1994, adding a family birthing center. The Hospital provides a wide range of health care services, as well as a variety of programs for the community through ongoing health and wellness education programs, home health services, and Lifeline.

Tourism

Dubbed the kite flying capital of the world, the City is a popular tourist destination with 7½ miles of public beaches. It is located approximately 2 hours from Portland and 1 hour from Salem, the state capital. The City owns and maintains 11 beach access points, some with parking and some partially wheelchair accessible.

The City also owns and manages a Culinary Center, opened in 2007, for visitor recreational cooking and a glass blowing facility, the Jennifer Sears Glass Art Studio, opened in 2005. Both are important parts of the City's tourism brand. Recent renovations of the City-owned Driftwood Public Library and the Community Center have made both state-of-the-art facilities for tourists and locals alike.

The City has formed public-private partnerships with other attractions like the North Lincoln County Historical Museum. Through the efforts of the Coastal Communities Cultural Center, a 1929 schoolhouse owned by the City was transformed into the Lincoln City Cultural Center, a modern venue for visual and performing arts, continuing education, and community service.

Known for outdoor recreation, the area offers boating, fishing, and other water sports in the Salmon and Siletz Rivers and on Siletz Bay and Devils Lake, a 680-acre fresh water lake located on the City's northeast border. Crabbing and clamming are significant parts of the area's cultural and culinary fabric.

Major resorts in the area include Salishan Lodge, located three miles south of the City on Hwy 101, and Chinook Winds Casino Resort, located on the north end of the City and owned and operated by the Confederated Tribes of Siletz Indians.

The Confederated Tribes of Siletz Indians is the second federally recognized tribe in the nation and an important part of the City's identity. The confederation is composed of many bands and tribes whose members are the descendents of aboriginal peoples who inhabited all of Western Oregon from what is now known as Northern California north to the north shore of the Columbia River in SW Washington State. Chinook Winds Casino Resort includes 158,000 square feet of gaming, restaurants, and meeting space (7000 sq. ft.), 247 hotel rooms, and an 18-hole golf course.

Located in the center of the City, the Tanger Outlet Center is one of the region's largest shopping malls, boasting 62 brand name stores. And *Country Home* magazine has identified the City as one of the 10 best undiscovered antiques towns in the nation.

Transient Room Tax

The City's transient room tax ordinance imposes a tax in the amount of 9.5% of the rent charged on certain short term dwellings. The short term dwellings impacted by the tax are generally those that are intended or designed

for transient occupancy for thirty days or less, including hotels, motels, and vacation rentals. The following table reflects City collections from this tax and shows a general increase in receipts.

Table 29 -- Transient Room Tax Revenues

Allocation	Fiscal Year 2008	Fiscal Year 2009 ⁽²⁾	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
General Fund	\$321,266	\$372,545	\$371,658	\$365,627	\$380,650
General Fund - Police ⁽¹⁾	434,783	575,717	596,965	614,529	612,094
Street Fund	869,565	871,024	822,929	847,144	844,268
Parks Fund	731,365	706,424	657,029	693,329	687,013
Facility Capital Fund ⁽³⁾	-	194,176	411,660	423,771	422,134
City Hall Bond Fund ⁽³⁾	434,783	241,484	-	-	-
Visitor & Convention Bureau	<u>869,565</u>	<u>1,197,528</u>	<u>1,254,918</u>	<u>1,291,844</u>	<u>1,287,508</u>
	\$3,661,327	\$4,158,898	\$4,115,159	\$4,236,244	\$4,233,667

(1) The Police Department was accounted for as a special revenue fund until fiscal year 2012 when it became part of the General Fund.

(2) The transient room tax rate was increased in fiscal year 2009 from 8% to 9.5%. These dollars were dedicated to Police and the Visitor and Convention Bureau.

(3) The Lincoln Square was repaid in full in December 2009. That bond issue was for the purchase of the City Hall complex in 1992. The transient room tax that was dedicated to that bond is now dedicated to any capital project in the City.

Source: *City of Lincoln City*.

Information Sources

Historical data has been collected from generally accepted standard sources, usually from public bodies. In Oregon, data are frequently available for counties and also, to a lesser degree, for cities. This statement presents data for the City, Lincoln County, and the State of Oregon.

The Initiative and Referendum Process

Article IV, Section 1 of the Oregon Constitution reserves to the people of the State the initiative power to amend the State Constitution or to enact legislation by placing measures on the statewide general election ballot for consideration by the voters. Oregon law therefore permits any registered Oregon voter to file a proposed initiative with the Oregon Secretary of State's office without payment of fees or other burdensome requirements. Consequently, a large number of initiative measures are submitted to the Oregon Secretary of State's office, and a much smaller number of petitions obtain sufficient signatures to be placed on the ballot.

Because many proposed statewide initiative measures are submitted to the Oregon Secretary of State's office that do not qualify for the ballot, the City does not formally or systematically monitor the impact of those measures or estimate their financial effect prior to the time the measures qualify for the ballot. The City also does not formally or systematically monitor efforts to qualify measures for the ballot that would initiate new provisions for, or amend, the City's charter and ordinances. Consequently, the City does not ordinarily disclose information about proposed initiative measures that have not qualified for the ballot.

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.

Initiative Process

To place a proposed statewide initiative on a general election ballot, the proponents must submit to the Secretary of State initiative petitions signed by the number of qualified voters equal to a specified percentage of the total number of votes cast for all candidates for governor at the gubernatorial election at which a governor was elected for a term of four years next preceding the filing of the petition with the Secretary of State. For the 2012 general election, the requirement was eight percent (116,284 signatures) for a constitutional amendment measure and six percent (87,213 signatures) for a statutory initiative. The last day for submitting signed initiative petitions for the 2012 general election was July 6, 2012. Any elector may sign an initiative petition for any measure on which the elector is entitled to vote. Statewide initiatives may only be filed for general elections in even-numbered years. The next general election for which statewide initiative petitions may be filed will be in November 2014.

A statewide initiative petition must be submitted to 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. Once an initiative measure has gathered a sufficient number of signatures and qualified for placement on the ballot, the State is required to prepare a formal estimate of the measure's financial impact. Typically, this estimate is limited to an evaluation of the direct dollar impact.

Historical Initiative Petitions. Historically, a larger number of initiative measures have qualified for the ballot than have been approved by the electors. According to the Elections Division of the Secretary of State, the total number of initiative petitions that qualified for the ballot and the numbers that passed in recent general elections are as follows:

Table 30 -- Historical Initiative Petitions

Number of Year of General Election	Number of Initiatives that Qualified	Initiatives that were Approved
2004	6	2
2006	10	3
2008	8	0
2010	4	2
2012	7	2

NOTE: The Secretary of State posts a listing of initiatives on its web site: www.sos.state.or.us.
 Source: Elections Division, Oregon Secretary of State, Initiative, Referendum and Referral Log, Elections Division.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the City, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City in connection with the Bonds, and Bond Counsel has assumed compliance by the City with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the City, under existing statutes, interest on the Bonds is exempt from State of Oregon personal income tax.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Bonds, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The City has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Bonds.

Prospective owners of the Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity means the first price at which a substantial amount of the Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Bond is expected to be the initial public offering price set forth on the inside cover page of the Official Statement. Bond Counsel further is of the opinion that, for any Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Qualified Tax-Exempt Obligations

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

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law or otherwise prevent beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

LITIGATION

There is no litigation pending or threatened against the City that contests the validity of the Bonds. In addition, there is no litigation pending against the City, which, if successfully prosecuted against the City, would have a material and adverse effect on the general financial condition of the City.

RATING

Moody's Investors Service has assigned a rating of A1 on the Bonds. An explanation of the significance of the rating can be obtained from the rating agency. There are no assurances that the rating will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of the ratings may adversely affect the market price of the Bonds.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Official Statement, including the appendices, do not reflect historical facts but are forecasts and "forward-looking statements." 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. In this respect, words such as "estimate," "forecast," "anticipate," "expect," "intend," "plan," "believe," and similar expressions are intended to identify forward-looking statements. All projections, forecasts, assumptions and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement.

UNDERWRITING

_____, as purchaser, successfully bid for the Bonds in a competitive sale on _____, 2013. The bid provides that the purchaser will purchase all of the Bonds, if any Bonds are purchased, at a price of ____% of the par value of the Bonds. The Bonds will be re-offered at an average price of ____% of the par value of the Bonds. After the initial public offering, the public offering prices may vary from time to time.

CONTINUING DISCLOSURE

Pursuant to SEC Rule 15c2-12, as amended (17 CFR Part 240, § 240.15c2-12) (the "Rule"), the City, as the "obligated person" within the meaning of the Rule, will execute and deliver a Continuing Disclosure Certificate, substantially in the form attached hereto as Appendix D for the benefit of the Bond Owners. To the best of the City's knowledge, during the past five years, the City has complied with all of its prior continuing disclosure requirements.

CERTAIN LEGAL MATTERS

Hawkins Delafield & Wood LLP, Portland, Oregon, Bond Counsel to the City, will render its opinion with respect to the authorization, validity and enforceability of the Bonds in substantially the form set forth in Appendix E. Bond Counsel has reviewed this document only to confirm that the portions of it describing the Bonds and the authority to issue them conform to the Bonds and the applicable laws under which they are issued.

FINANCIAL ADVISOR

The City has retained Economic & Financial Analysis (the "Financial Advisor"), as financial advisor with respect to the issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken, to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

MISCELLANEOUS

All quotations from and summaries and explanations of provisions of law herein do not purport to be complete and reference is made to those laws for full and complete statements of their provisions. This Official Statement is not to be construed as a contract or agreement between the City and the purchaser or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City, since the date hereof.

CONCLUDING STATEMENT

At the time of the delivery of the Bonds, the City will deliver a certificate of the Authorized Official addressed to the Underwriters to the effect that he has examined the Official Statement and the financial and other data concerning the City contained herein and that, to the best of his knowledge and belief, (i) this Official Statement, both as of its date and as of the Delivery Date of the Bonds, does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein, in light of the circumstances under which the statements were made, and (ii) between the date of the Official Statement and the Delivery Date of the Bonds, there has been no material change in the affairs (financial or otherwise), financial condition or results of operations of the City except as set forth in this Official Statement.

Appendix A

BASIC FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2012

CITY OF LINCOLN CITY
Lincoln City, Oregon
Annual Financial Report
Year Ended June 30, 2012

CITY OF LINCOLN CITY

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INTRODUCTORY SECTION

CITY OF LINCOLN CITY

CITY COUNCIL

JUNE 30, 2012

	<u>Term Expires</u>
Dick Anderson (Mayor) 960 SW Hwy. 101, #347 Lincoln City, Oregon 97367	December 31, 2014
Henry Quandt 2717 NW Jetty Ave Lincoln City, Oregon 97367	December 31, 2014
Gordon Eggleton 1225 NW 16 th St. Lincoln City, Oregon 97367	December 31, 2014
Roger Sprague PO Box 286 Lincoln City, Oregon 97367	December 31, 2012
Gary Ellingson 3417 SW Anchor Ave. Lincoln City, Oregon 97367	December 31, 2014
Chester Noreikis 1421 NW 19 th Lincoln City, Oregon 97367	December 31, 2012
Alex Ward 1287 NW 14th Street Lincoln City, OR 97367	December 31, 2012

City Manager

David Hawker

Finance Director

Debbie Mammone

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT



Talbot, Korvofa
& Warwick, LLP

Formerly Talbot, Korvofa
& Warwick, LLP

4800 Meadows Road, Suite 200
Lake Oswego, Oregon 97035-4293

P 503.274.2849
F 503.274.2853

www.tkw.com

INDEPENDENT AUDITOR'S REPORT

December 6, 2012

Honorable Mayor and Members of City Council
City of Lincoln City
Lincoln City, 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 Lincoln City, Oregon (the City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements, as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2012, 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.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the

INDEPENDENT AUDITOR'S REPORT (Continued)

City of Lincoln City
December 6, 2012

required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 budgetary comparison information for the General Fund and Property Rehabilitation Fund, listed in the Table of Contents as Required Supplementary Information, is not a required part of the basic financial statements and is presented for purposes of additional analysis as required by the Governmental Accounting Standards Board, who considers it to be an essential part of basic financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other procedures in accordance with auditing procedures generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Other Supplementary Information and Additional Schedules, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Other Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing procedures generally accepted in the United States of America. In our opinion, the Other Supplementary Information and Additional Schedule are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

TALBOT, KORVOLA & WARWICK, LLP
Certified Public Accountants

By _____

Robert G. Moody, Jr., Partner

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF LINCOLN CITY, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis presents the highlights of financial activities and financial position for the City of Lincoln City (City) and the Lincoln City Urban Renewal Agency (Agency), a component unit of the City, for the fiscal year ended June 30, 2012. The analysis focuses on significant financial issues, major financial activities and resulting changes in financial position, budget changes and variances from the budget. Please read this analysis in conjunction with the City's financial statements, which follow.

FINANCIAL HIGHLIGHTS

The City's combined net assets (total assets less total liabilities) were \$117,583,258 at June 30, 2012, an increase of \$693,217 (or ½%) over the prior year. The City's General Fund reported an ending fund balance of \$4,371,666, an increase of \$130,184 (or 3.1%) over the prior year.

During the fiscal year ending June 30, 2012, neither the City nor the Agency issued any new debt. The City's Urban Renewal Agency has budgeted to issue \$2,500,000 in bonds during the fiscal year ending June 30, 2013.

REPORT LAYOUT

This discussion and analysis is intended to serve as an introduction to the City of Lincoln City's basic financial statements. The City's annual financial report consists of several sections. Taken together, they provide a comprehensive financial look at the City. The components of the report include the following:

Independent auditor's report

Management's discussion and analysis (this report)

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business, and use the accrual basis of accounting.

- 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 net assets amount is separated into amounts restricted for specific purposes and unrestricted amounts. This statement focuses on resources available for future operations.
- The Statement of Activities presents revenue and expense information showing how the City's net assets changed during the most recent fiscal year. This statement focuses on gross and net costs of City programs and the extent to which such programs rely upon general tax and other revenues.

CITY OF LINCOLN CITY, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Fund financial statements

Fund financial statements focus separately on major governmental funds and proprietary funds (water/sewer). Governmental fund statements follow the more traditional presentation of financial statements. The City's major governmental funds are presented in their own column and the remaining funds are combined into a column titled "Other Governmental funds." This section also includes reconciliations of the fund statements to the government-wide statements.

Statements for the City's proprietary funds include the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows.

The City is the trustee, or fiduciary, for certain funds. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets. These activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

Notes to basic financial statements

The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition.

Required Supplementary Information

Budget information for the general and major special revenue funds are included in this section. These schedules report revenues, expenditures, changes in fund balances, and related budgetary information.

Other Supplementary Information

This section includes combining balance sheets, revenues, expenditures, and changes in fund balances, and budgetary information for the non-major governmental funds, which includes non-major special revenue funds, debt service funds, and capital projects funds. Following the governmental fund schedules are revenues, expenditures, and changes in fund balances, budgetary information, and reconciliation of revenues and expenditure to changes in fund net assets for the City's proprietary funds. Also included are revenues, expenditures, and changes in fund balances for the City's internal service fund, and a combining statement of assets and liabilities for the City's agency funds.

Additional Schedules

This section contains property tax information, and annual disclosure information in conformance with SEC Rule 15c2-12 and System Development Charges in accordance with ORS 223.311.

Disclosures and independent auditor's comments. Supplemental communication on City compliance and internal controls as required by Oregon statutes.

CITY OF LINCOLN CITY, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Statement of Net Assets. The City's combined net assets (total assets less total liabilities) were \$117,583,258 at June 30, 2012, an increase of \$693,217 (or ½ %) over the prior year.

Table 1
NET ASSETS

	June 30, 2012			June 30, 2011		
	Governmental Activities	Business-type Activities	Totals	Governmental Activities	Business-type Activities	Totals
Assets:						
Cash and investments	\$ 12,044,407	\$ 5,660,428	\$ 17,704,835	\$ 12,057,769	\$ 11,976,110	\$ 24,033,879
Receivables, net	2,911,344	1,041,124	3,952,468	2,992,254	868,559	3,860,813
Prepaid Items	-	-	-	4,250	-	4,250
Inventories	-	230,380	230,380	-	297,360	297,360
Capital assets net of depreciation	<u>69,434,728</u>	<u>56,135,311</u>	<u>125,570,039</u>	<u>71,148,764</u>	<u>51,869,477</u>	<u>123,018,241</u>
Total assets	<u>84,390,479</u>	<u>63,067,243</u>	<u>147,457,722</u>	<u>86,203,037</u>	<u>65,011,506</u>	<u>151,214,543</u>
Liabilities:						
Accounts payable and accrued expenses	1,265,323	885,488	2,150,811	1,426,293	688,158	2,114,451
Accrued interest payable	-	80,320	80,320	-	83,064	83,064
Landfill closure and postclosure care costs	661,790	-	661,790	749,183	-	749,183
Net other postemployment benefit	501,219	117,497	618,716	429,520	101,875	531,395
Long-term obligations	<u>3,442,666</u>	<u>22,920,161</u>	<u>26,362,827</u>	<u>6,093,430</u>	<u>24,752,979</u>	<u>30,846,409</u>
Total liabilities	<u>5,870,998</u>	<u>24,003,466</u>	<u>29,874,464</u>	<u>8,698,426</u>	<u>25,626,076</u>	<u>34,324,502</u>
Net assets:						
Invested in capital assets net of related debt	64,439,200	33,215,150	97,654,350	65,055,334	27,116,498	92,171,832
Restricted for:						
Capital projects	1,814,220	4,899,928	6,714,148	1,769,052	4,280,873	6,049,925
Debt service	2,400,601	323,653	2,724,254	2,616,539	405,951	3,022,490
Highways and streets	516,416	-	516,416	695,277	-	695,277
Unrestricted	<u>9,349,044</u>	<u>625,046</u>	<u>9,974,090</u>	<u>7,368,409</u>	<u>7,582,108</u>	<u>14,950,517</u>
Total net assets	<u>\$ 78,519,481</u>	<u>\$ 39,063,777</u>	<u>\$ 117,583,258</u>	<u>\$ 77,504,611</u>	<u>\$ 39,385,430</u>	<u>\$ 116,890,041</u>

Approximately 85% of the City's total assets are invested in capital assets. 5.7% of the City's net assets are restricted for capital projects (\$6,714,148), including proceeds from system development charges and bond proceeds net of associated long-term debt that are restricted for capital projects. The \$2,724,254 represents reserves in the bond funds and can only be spent in repaying outstanding debt. \$9,974,090 of the City's net assets is unrestricted and represents resources available to fund the programs of the City.

CITY OF LINCOLN CITY, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Changes in Net Assets. The City's total revenues were \$23,448,016, a decrease of 5.0% from the prior year. Of the City's total revenue, \$8,422,868 (or 35.9%) is from property taxes, \$4,233,669 (or 18.1%) is from transient room taxes, \$7,344,856 (or 31.3%) is from charges for services and \$3,446,623 (or 14.7%) is from grants, interest earnings and other non-tax sources. More detailed information is presented in table 2 below.

The total cost of all programs and services was \$22,754,799, a decrease of \$503,419 (or 2.2%) from the prior year. Expenditures for Governmental Activities decreased by 5.9% while expenditures for Business-Type Activities increased by 6.3%. Of the total costs, \$7,625,320 (or 33.5%) was for Business-type Activities, and \$15,129,479 (or 66.5%) was for general government, public safety, highways and streets, cultural and recreation and interest.

Table 2
CHANGE IN NET ASSETS

	Year Ended June 30, 2012			Year Ended June 30, 2011		
	Governmental Activities	Business-type Activities	Totals	Governmental Activities	Business-type Activities	Totals
Program revenues:						
Charges for services	\$ 1,421,924	\$ 5,922,932	\$ 7,344,856	\$ 1,715,306	\$ 5,572,633	\$ 7,287,939
Operating grants and contributions	921,769	86,713	1,008,482	1,571,638	71,201	1,642,839
Capital grants and contributions	106,585	183,455	290,040	226,709	1,159,474	1,386,183
General revenues:						
Property taxes, general purposes	4,114,503	-	4,114,503	3,972,851	-	3,972,851
Property taxes, debt service	3,283,892	1,024,473	4,308,365	3,197,064	757,385	3,954,449
Franchise taxes	933,977	-	933,977	901,908	-	901,908
Transient room taxes	4,233,669	-	4,233,669	4,260,154	-	4,260,154
Other	1,088,936	125,188	1,214,124	1,159,590	109,929	1,269,519
Total program and general revenues	16,105,255	7,342,761	23,448,016	17,005,220	7,670,622	24,675,842
Program expenses:						
General government	5,504,541	-	5,504,541	6,142,297	-	6,142,297
Public safety	4,133,715	-	4,133,715	4,226,757	-	4,226,757
Highways and streets	2,346,118	-	2,346,118	2,295,508	-	2,295,508
Cultural and recreation	2,934,645	-	2,934,645	3,089,918	-	3,089,918
Water and sewer	-	7,625,320	7,625,320	-	7,175,597	7,175,597
Interest on long-term debt	210,460	-	210,460	328,141	-	328,141
Total program expenses	15,129,479	7,625,320	22,754,799	16,082,621	7,175,597	23,258,218
Increase (decrease) in net assets						
before transfers	975,776	(282,559)	693,217	922,599	495,025	1,417,624
Transfers	39,094	(39,094)	-	(373,130)	373,130	-
Change in net assets	1,014,870	(321,653)	693,217	549,469	868,155	1,417,624
Net assets - beginning	77,504,611	39,385,430	116,890,041	76,955,142	38,517,275	115,472,417
Net assets - ending	\$ 78,519,481	\$ 39,063,777	\$ 117,583,258	\$ 77,504,611	\$ 39,385,430	\$ 116,890,041

CITY OF LINCOLN CITY, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

The City's General fund reported an ending fund balance of \$4,371,666, an increase of \$130,184 (or 3.1%) over the prior year. Total General fund revenues decreased by 1.2% from the prior fiscal year, while General fund expenditures decreased by 5.6%, primarily in General Government expenditures and Culture and Recreation expenditures.

Transient Room Taxes (TRT) are a significant source of revenue for governmental funds. TRT revenues decreased slightly, by \$26,485 (0.6%) from the previous fiscal year, showing a continued tight economy where people are spending less on travel.

Business-type Activities

The City's water funds reported an ending net asset total of \$19,410,647, a slight decrease of \$7,847 (0.04%) over the previous fiscal year. There were no significant changes to the Water operating revenues and expenses.

The City's Sewer funds reported an ending net asset total of \$19,653,130, a decrease of \$313,806 (1.6%) over the previous fiscal year. There are no significant changes to the Sewer operating revenues and expenses. Interest expense in the Sewer funds is \$177,659 higher than in the previous fiscal year, due to having a full year of interest on the bonds issued in March 2011. System development charges, which are generated from new building activity, continue to be very low and are \$23,932 lower than the previous fiscal year, reflective of the continued economic environment which sees little new construction.

BUDGETARY HIGHLIGHTS

City Council approved three changes to the FY2011-2012 General Fund adopted budget. These changes moved amounts from contingency into operating expenditure categories to reflect actual spending patterns. The supplemental budget also closed the DARE Fund and moved budgeted amounts into the Police Fund. The Police Fund was closed and budgeted amounts were moved to the Police department in the General Fund. The Parks Playground Fund was also closed and budgeted amounts were moved into the Parks SDC Improvement Fund.

CITY OF LINCOLN CITY, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of fiscal year 2012, the City had a net investment of \$125,570,039 in a broad range of capital assets, including land, infrastructure, equipment, buildings and vehicles. This amount represents a net increase (including additions and deductions) of \$2,551,798 (or 2.1%). More detailed information is presented in note 4 of the notes to basic financial statements.

Table 3
CHANGE IN CAPITAL ASSETS

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Totals</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Totals</u>
Beginning balance	\$ 71,148,764	\$ 51,869,477	\$ 123,018,241	\$ 71,265,030	\$ 50,582,316	\$ 121,847,346
Additions	1,701,048	7,848,610	9,549,658	2,658,539	3,739,592	6,398,131
Retirements	(1,204,574)	(1,373,372)	(2,577,946)	(320,929)	(284,417)	(605,346)
Depreciation, net	<u>(2,210,510)</u>	<u>(2,209,404)</u>	<u>(4,419,914)</u>	<u>(2,453,876)</u>	<u>(2,168,014)</u>	<u>(4,621,890)</u>
Ending balance	<u>\$ 69,434,728</u>	<u>\$ 56,135,311</u>	<u>\$ 125,570,039</u>	<u>\$ 71,148,764</u>	<u>\$ 51,869,477</u>	<u>\$ 123,018,241</u>

Governmental Funds

Capital assets from governmental activities increased by \$1,701,048. These additions included (1) Completion of Urban Renewal's Festive 15th Street Project \$739,912, (2) Manufactured House & lot improvements \$197,633, (3) Trillium Sidewalk and Wall \$86,086, (4) two Police vehicles \$63,366, (5) Head to Bay Trail addition of \$50,354, and (6) John Deer Compact Excavator \$47,281.

Business-type Activities

Capital assets from business-type activities increased \$7,848,610 before depreciation. These additions included (1) Engineering and construction for the Wastewater Treatment Plant phase 1B \$5,659,109, (2) New Wastewater Collection Building \$599,697, (3) Completion of Wastewater Treatment Plant Road Access Improvement \$161,959, (4) Canyon Drive Pump Station \$98,211, and (5) Sewer Telemetry \$67,785.

CITY OF LINCOLN CITY, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Long-term Obligations

At the end of fiscal year 2012, the City had \$26,362,827 in outstanding debt, a decrease of \$4,483,582 resulting from principal payments. During the fiscal year, neither the City of Lincoln City nor the City's Urban Renewal Agency issued any bonds.

Table 4
LONG-TERM OBLIGATIONS

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Governmental:		
General Obligation		
Open Space, Series 1999	\$ 350,000	\$ 595,000
Full Faith and Credit Note Series 2008	311,422	549,528
Urban Renewal Bonds		
Series 2003	-	862,433
Series 2004	1,165,196	1,713,914
Series 2007	<u>1,616,048</u>	<u>2,372,555</u>
Total governmental activities	<u>3,442,666</u>	<u>6,093,430</u>
Business-type:		
General Obligation Bonds		
Sewer Bonds - Series 2005	12,465,000	12,890,000
Water Bonds - Series 2007	2,463,370	2,792,972
Sewer Bonds - Series 2011	6,554,229	6,902,502
Full Faith and Credit Revenue Refunding - 2006	821,395	1,075,125
Full Faith and Credit Note Series 2008	<u>616,167</u>	<u>1,092,380</u>
Total business-type activities	<u>22,920,161</u>	<u>24,752,979</u>
Total long-term obligations	<u>\$ 26,362,827</u>	<u>\$ 30,846,409</u>

Governmental Funds

The City's Series 1999 Open Space bonds carry a Moody's A1 rating and are insured by MBIA Insurance Corp. See additional schedules for the annual disclosure statement in conformance with SEC Rule 15c2-12.

The City of Lincoln City's fiscal year 2012-13 budget does not include any new bond sales. The City's Urban Renewal Agency fiscal year 2012-13 budget includes \$2,500,000 of bond sales.

Business-type Activities

The City's Series 2005 Sewer Bonds carry a Moody's A1 rating and are insured by Financial Guarantee Insurance Company. See additional schedules for the annual disclosure statement in conformance with SEC Rule 15c2-12.

For additional information on the City's long-term outstanding obligations, see note 5 of the notes to basic financial statements.

CITY OF LINCOLN CITY, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

ECONOMIC FACTORS, NEXT YEAR'S BUDGET AND RATES

Governmental Activities

Property taxes comprise almost 50% of the City's General Fund revenue (excluding beginning fund balances). Since 1997 increases in taxable assessed values have been limited by state statute to an increase of 3% a year plus the value of new construction. The City's projected General Fund revenue for fiscal year 2012-2013 is \$8,727,931 and expenditures are budgeted at \$9,145,314, with the difference to be funded by reserves. The projected ending General Fund reserves for fiscal year 2012-2013 total \$2,757,241 (or 30% of budgeted expenditures).

Another major source of revenue for governmental activities is the Transient Room Tax (TRT). These revenues are up slightly from the previous fiscal year (a decrease of \$26,485, or 0.6%). It is anticipated that with an improving economy, TRT revenues will improve in the next fiscal year.

During the fiscal year ending June 30, 2012, three funds were closed. The remaining balance in the DARE fund was moved into the Police budget; the Police fund was moved into the General fund, and the remaining balance in the Parks Playground fund was moved into the Parks SDC fund. The Police fund was moved into the General Fund because over 80% of its funding was from the General Fund. The other two funds were closed due to little to no future activity expected.

For the fiscal year ending June 30, 2013, the City's Urban Renewal Agency has budgeted \$500,000 for property acquisition, \$1,491,704 for capital reserves, and \$1,412,627 for capital projects including Sidewalk Construction, Nelscott Renovation Projects, DeLake Renovation Projects, Cutler City Renovation Projects, and Property Rehab and Economic Development Programs.

Business-type Activities

All of the revenue for business-type activities is from user charges and system development charges. Water rates were budgeted to increase by 5% and sewer rates were budgeted to increase by 4% for fiscal year 2012-2013. This continues the City's program to increase rates in increments each year, and to encourage water conservation.

For fiscal year 2012-2013, the City's Water Capital funds have budgeted \$181,866 in capital outlay for the water system maintenance and replacements as needed.

For fiscal year 2012-2013, the City's Wastewater Capital funds have budgeted \$3,188,695 in capital outlay for: continued construction on phase 1-B of the sewer treatment plant upgrade, access road to the Wastewater Treatment Plant, Canyon Drive pump station upgrade, Telemetry for pump stations, Land acquisition for biosolids application, SW Coast lift station upgrade, and other sewer line replacements and projects as needed.

REQUESTS FOR INFORMATION

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional information, please contact the City's Finance Director at City Hall, 801 SW Highway 101, Lincoln City, Oregon 97367. Copies of this report are also available at the Driftwood Library, and on the City's website at www.lincolncity.org.

BASIC FINANCIAL STATEMENTS

CITY OF LINCOLN CITY
Lincoln City, Oregon

STATEMENT OF NET ASSETS

JUNE 30, 2012

	<u>Government Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS:			
Cash and investments	\$ 12,044,407	\$ 5,660,428	\$ 17,704,835
Cash with County Treasurer	79,743	9,789	89,532
Receivables, net	2,831,601	1,031,335	3,862,936
Inventories	-	230,380	230,380
Capital assets:			
Land, improvements and construction in progress	36,131,333	7,051,349	43,182,682
Other capital assets, net	33,303,395	49,083,962	82,387,357
TOTAL ASSETS	<u>84,390,479</u>	<u>63,067,243</u>	<u>147,457,722</u>
LIABILITIES:			
Accounts payable and accrued expenses	305,842	710,553	1,016,395
Other accrued liabilities	452,257	-	452,257
Accrued interest payable	-	80,320	80,320
Accrued compensated absences	507,224	174,935	682,159
Landfill closure and postclosure care costs	661,790	-	661,790
Net other postemployment benefit obligation	501,219	117,497	618,716
Long-term obligations:			
Due with in one year	1,862,653	1,899,424	3,762,077
Due in more than one year	1,580,013	21,020,737	22,600,750
TOTAL LIABILITIES	<u>5,870,998</u>	<u>24,003,466</u>	<u>29,874,464</u>
NET ASSETS:			
Invested in capital assets, net of related debt	64,439,200	33,215,150	97,654,350
Restricted for:			
Capital improvements	1,814,220	4,899,928	6,714,148
Debt service	2,400,601	323,653	2,724,254
Highways and streets	516,416	-	516,416
Unrestricted	9,349,044	625,046	9,974,090
TOTAL NET ASSETS	<u>\$ 78,519,481</u>	<u>\$ 39,063,777</u>	<u>\$ 117,583,258</u>

See notes to basic financial statements.

CITY OF LINCOLN CITY
Lincoln City, Oregon

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

ACTIVITIES	Program Revenues				Net Revenue (Expense) and Change in Net Assets		Totals
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Primary government:							
Governmental activities:							
General government	\$ 5,504,541	\$ 1,357,133	\$ 441,834	\$ 19,945	\$ (3,685,629)	\$ -	\$ (3,685,629)
Public safety	4,133,715	19,096	38,854	-	(4,075,765)	-	(4,075,765)
Highways and streets	2,346,118	3,329	428,552	86,640	(1,827,597)	-	(1,827,597)
Culture and recreation	2,934,645	42,366	12,529	-	(2,879,750)	-	(2,879,750)
Interest on long-term obligations	210,460	-	-	-	(210,460)	-	(210,460)
Total governmental activities	15,129,479	1,421,924	921,769	106,585	(12,679,201)	-	(12,679,201)
Business-type activities:							
Water	3,287,897	3,167,180	86,713	57,650	-	23,646	23,646
Sewer	4,337,423	2,755,752	-	125,805	-	(1,455,866)	(1,455,866)
Total business-type activities	7,625,320	5,922,932	86,713	183,455	-	(1,432,220)	(1,432,220)
Total	\$ 22,754,799	\$ 7,344,856	\$ 1,008,482	\$ 290,040	(12,679,201)	(1,432,220)	(14,111,421)
GENERAL REVENUES							
Property taxes levied for:							
General purposes					4,114,503	-	4,114,503
Debt service					3,283,892	1,024,473	4,308,365
Franchise taxes and fees					933,977	-	933,977
Transient room taxes					4,233,669	-	4,233,669
Unrestricted investment earnings					57,002	41,092	98,094
Miscellaneous					1,031,934	84,096	1,116,030
TRANSFERS					39,094	(39,094)	-
Total general revenues and transfers					13,694,071	1,110,567	14,804,638
CHANGE IN NET ASSETS					1,014,870	(321,653)	693,217
NET ASSETS, June 30, 2011					77,504,611	39,385,430	116,890,041
NET ASSETS, June 30, 2012					\$ 78,519,481	\$ 39,063,777	\$ 117,583,258

See notes to basic financial statements.

CITY OF LINCOLN CITY
Lincoln City, Oregon

BALANCE SHEET GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2012

	<u>General Fund</u>	<u>Urban Renewal</u>	<u>Urban Renewal Tax Increment</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
ASSETS:					
Cash and investments	\$ 4,588,702	\$ 814,744	\$ 2,288,374	\$ 4,244,124	\$ 11,935,944
Cash with County Treasurer	43,999	-	32,475	3,269	79,743
Receivables	896,145	-	312,684	1,622,772	2,831,601
TOTAL ASSETS	<u>\$ 5,528,846</u>	<u>\$ 814,744</u>	<u>\$ 2,633,533</u>	<u>\$ 5,870,165</u>	<u>\$ 14,847,288</u>
LIABILITIES:					
Accounts payable and accrued expenses	\$ 149,387	\$ 4,559	-	\$ 78,799	\$ 232,745
Other accrued liabilities	452,257	-	-	-	452,257
Deferred revenue	555,536	-	312,684	23,156	891,376
TOTAL LIABILITIES	<u>1,157,180</u>	<u>4,559</u>	<u>312,684</u>	<u>101,955</u>	<u>1,576,378</u>
FUND BALANCES:					
Nonspendable in form	-	-	-	704,104	704,104
Restricted for:					
Capital projects	-	810,185	-	2,144,046	2,954,231
Post closure landfill costs	776,383	-	-	-	776,383
Debt service	-	-	2,320,849	79,752	2,400,601
Road construction/maintenance	-	-	-	516,416	516,416
Tourism promotion	-	-	-	724,818	724,818
Parks maintenance	-	-	-	454,489	454,489
Committed to:					
Capital projects	81,385	-	-	-	81,385
Affordable housing	-	-	-	680,855	680,855
Maintenance services	-	-	-	19,380	19,380
Arts and education	-	-	-	31,336	31,336
Assigned to:					
Capital projects	-	-	-	413,014	413,014
Public safety	44,318	-	-	-	44,318
Unassigned	3,469,580	-	-	-	3,469,580
TOTAL FUND BALANCES	<u>4,371,666</u>	<u>810,185</u>	<u>2,320,849</u>	<u>5,768,210</u>	<u>13,270,910</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 5,528,846</u>	<u>\$ 814,744</u>	<u>\$ 2,633,533</u>	<u>\$ 5,870,165</u>	<u>\$ 14,847,288</u>

See notes to basic financial statements.

CITY OF LINCOLN CITY
Lincoln City, Oregon

**RECONCILIATION OF STATEMENT OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF ASSETS**

FOR THE YEAR ENDED JUNE 30, 2012

TOTAL FUND BALANCE		\$ 13,270,910
Total net assets shown in the Statement of Net Assets are different because:		
Capital assets are not financial resources for budgetary purposes and therefore are not reported in the governmental funds.		69,365,956
A portion of the County's receivables are collected after year-end but they are not collected soon enough to be available as financial resources for the current year. The revenues related to these receivables are deferred and not reported in the governmental funds.		891,376
Compensated absences not payable in the current year are not recorded as governmental fund liabilities.		(507,224)
Other post-employment benefits are not recognized as a governmental fund liability.		(501,219)
Long-term assets, such as bond discount and issuance costs, are not reported as governmental fund assets and liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expense when it is due. These long-term assets and liabilities consist of:		
Bonds and note payable	\$ (3,442,666)	
Landfill closure and post closure costs	(661,790)	
Total	(4,104,456)	(4,104,456)
The internal service fund is used by management to charge the cost of services to individual funds. The assets and liabilities are included in the Statement of Net Assets.		104,138
TOTAL NET ASSETS		<u><u>\$ 78,519,481</u></u>

See notes to basic financial statements.

CITY OF LINCOLN CITY
Lincoln City, Oregon

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2012

	General	Urban Renewal	Urban Renewal Tax increment	Other Governmental Funds	Totals
REVENUES:					
Property Taxes	\$ 4,062,447	\$ -	\$ 2,990,055	\$ 293,837	\$ 7,346,339
Franchses and fees	920,967	-	-	13,010	933,977
Transient room tax	992,744	-	-	3,240,925	4,233,669
Fines and forfeitures	188,035	-	-	-	188,035
Fees, licenses and permits	499,820	-	-	-	499,820
Rents	-	5,901	-	203,674	209,575
Charges for services	444,900	-	-	57,694	502,594
Intergovernmental	478,230	-	-	530,179	1,008,409
Reimbursement from other funds	-	-	-	21,900	21,900
Interest on investments	19,997	5,055	10,824	21,126	57,002
Miscellaneous	899,870	-	-	115,401	1,015,271
TOTAL REVENUES	8,507,010	10,956	3,000,879	4,497,746	16,016,591
EXPENDITURES:					
Current:					
General government	2,527,865	396,665	-	1,718,985	4,643,515
Public safety	3,991,726	-	-	-	3,991,726
Highways and streets	-	-	-	1,002,129	1,002,129
Culture and recreation	1,761,377	-	-	684,429	2,445,806
Debt service	-	-	2,336,090	525,134	2,861,224
Capital outlay	122,088	272,935	-	710,518	1,105,541
TOTAL EXPENDITURES	8,403,056	669,600	2,336,090	4,641,195	16,049,941
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	103,954	(658,644)	664,789	(143,449)	(33,350)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	4,914	-	-	11,749	16,663
Transfers in	1,281,587	-	-	795,676	2,077,263
Transfers out	(1,260,271)	-	-	(777,898)	(2,038,169)
TOTAL OTHER FINANCING SOURCES (USES)	26,230	-	-	29,527	55,757
NET CHANGE IN FUND BALANCES	130,184	(658,644)	664,789	(113,922)	22,407
FUND BALANCES, beginning of year	4,241,482	1,468,829	1,656,060	5,882,132	13,248,503
FUND BALANCES, end of year	\$ 4,371,666	\$ 810,185	\$ 2,320,849	\$ 5,768,210	\$ 13,270,910

See notes to basic financial statements.

CITY OF LINCOLN CITY
Lincoln City, Oregon

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	22,407
Amounts reported for governmental activities in the Statement of Activities are different because of the following:		
Governmental funds report capital assets additions as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. The difference between these two amounts is:		
Capital outlay	\$ 654,731	
Depreciation	<u>(2,457,483)</u>	(1,802,752)
The net effect of transactions involving capital assets, i.e. gain/loss on sales, donations. These transactions are not reported in the governmental funds.		19,945
Receivables that do not meet the measurable and available criteria are not recognized as revenue in the current year in governmental funds. In the Statement of Activities they are recognized as revenue when levied or earned.		52,056
OPEB expense not recognized on the governmental statement		(71,699)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		2,650,764
Payments for landfill post closure costs are reported as expenditures in the governmental fund statements, but reduce the liability in the Statement of Net Assets.		87,392
Internal service fund is used by management to charge the costs of services to individual governmental funds. The net income of the internal service fund is reported as a governmental activity.		104,138
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.		
Compensated absences		<u>(47,381)</u>
CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>1,014,870</u>

See notes to basic financial statements.

CITY OF LINCOLN CITY
Lincoln City, Oregon

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Enterprise Funds			Internal Service Fund
	Water	Sewer	Totals	
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 38,663	\$ 5,621,765	\$ 5,660,428	\$ 108,463
Cash with County Treasurer	-	9,789	9,789	-
Receivables, net	519,630	511,705	1,031,335	-
Inventories	214,727	15,653	230,380	-
Total current assets	<u>773,020</u>	<u>6,158,912</u>	<u>6,931,932</u>	<u>108,463</u>
Capital assets:				
Land, improvements and construction in progress	191,571	6,859,778	7,051,349	-
Other capital assets, net	22,555,208	26,528,754	49,083,962	68,772
Total capital assets	<u>22,746,779</u>	<u>33,388,532</u>	<u>56,135,311</u>	<u>68,772</u>
TOTAL ASSETS	<u>23,519,799</u>	<u>39,547,444</u>	<u>63,067,243</u>	<u>177,235</u>
LIABILITIES:				
Current liabilities:				
Accounts payable and accrued expenses	41,838	668,715	710,553	73,097
Accrued interest payable	12,460	67,860	80,320	-
Accrued compensated absences	95,945	78,990	174,935	-
Current portion of long-term obligations	1,096,651	802,773	1,899,424	-
Total current liabilities	<u>1,246,894</u>	<u>1,618,338</u>	<u>2,865,232</u>	<u>73,097</u>
Long-term liabilities	2,804,281	18,216,456	21,020,737	-
Net other postemployment benefit obligation	57,977	59,520	117,497	-
TOTAL LIABILITIES	<u>4,109,152</u>	<u>19,894,314</u>	<u>24,003,466</u>	<u>73,097</u>
NET ASSETS:				
Invested in capital assets, net of related debt	18,845,847	14,369,303	33,215,150	68,772
Restricted for:				
Capital improvement	195,097	4,704,831	4,899,928	-
Debt service	33,545	290,108	323,653	-
Unrestricted	336,158	288,888	625,046	35,366
TOTAL NET ASSETS	<u>\$ 19,410,647</u>	<u>\$ 19,653,130</u>	<u>\$ 39,063,777</u>	<u>\$ 104,138</u>

See notes to basic financial statements.

CITY OF LINCOLN CITY
Lincoln City, Oregon

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

YEAR ENDED JUNE 30, 2012

	Enterprise Funds			Internal Service Fund
	Water	Sewer	Totals	
OPERATING REVENUES:				
Charges for services	\$ 3,167,180	\$ 2,755,752	\$ 5,922,932	\$ 771,218
Intergovernmental	86,713	-	86,713	-
Miscellaneous	(232)	84,328	84,096	-
TOTAL OPERATING REVENUES	<u>3,253,661</u>	<u>2,840,080</u>	<u>6,093,741</u>	<u>771,218</u>
OPERATING EXPENSES:				
Personal services	1,110,580	1,052,580	2,163,160	421,088
Materials and services	732,339	1,045,029	1,777,368	280,559
Support services	185,291	136,038	321,329	-
Depreciation	1,069,560	1,267,078	2,336,638	682
TOTAL OPERATING EXPENSES	<u>3,097,770</u>	<u>3,500,725</u>	<u>6,598,495</u>	<u>702,329</u>
OPERATING INCOME (LOSS)	<u>155,891</u>	<u>(660,645)</u>	<u>(504,754)</u>	<u>68,889</u>
NONOPERATING INCOME (EXPENSE):				
System development charges	57,650	125,805	183,455	-
Interest earned on investments	645	40,447	41,092	-
Gain (loss) from sale of asset	(13,913)	987	(12,926)	317
Property taxes	-	1,024,473	1,024,473	-
Interest	(176,214)	(837,685)	(1,013,899)	-
TOTAL NONOPERATING INCOME (EXPENSE)	<u>(131,832)</u>	<u>354,027</u>	<u>222,195</u>	<u>317</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>24,059</u>	<u>(306,618)</u>	<u>(282,559)</u>	<u>69,206</u>
TRANSFERS AND CONTRIBUTIONS:				
Transfers in	-	13,517	13,517	34,932
Transfers out	(31,906)	(20,705)	(52,611)	-
TOTAL TRANSFERS AND CONTRIBUTIONS	<u>(31,906)</u>	<u>(7,188)</u>	<u>(39,094)</u>	<u>34,932</u>
CHANGE IN NET ASSETS	<u>(7,847)</u>	<u>(313,806)</u>	<u>(321,653)</u>	<u>104,138</u>
NET ASSETS, June 30, 2011	<u>19,418,494</u>	<u>19,966,936</u>	<u>39,385,430</u>	<u>-</u>
NET ASSETS, June 30, 2012	<u>\$ 19,410,647</u>	<u>\$ 19,653,130</u>	<u>\$ 39,063,777</u>	<u>\$ 104,138</u>

See notes to basic financial statements.

CITY OF LINCOLN CITY
Lincoln City, Oregon

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

JUNE 30, 2012

	Enterprise Funds			Internal Service Fund
	Water	Sewer	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 3,148,628	\$ 2,772,548	\$ 5,921,176	\$ 771,218
Payments to suppliers	(683,900)	(840,173)	(1,524,073)	(210,749)
Payments to employees	(1,090,918)	(1,045,605)	(2,136,523)	(421,088)
Support services	(185,291)	(136,038)	(321,329)	-
NET CASH FROM OPERATING ACTIVITIES	<u>1,188,519</u>	<u>750,732</u>	<u>1,939,251</u>	<u>139,381</u>
CASH FLOWS FROM NON FINANCING ACTIVITIES:				
Property taxes	-	1,024,473	1,024,473	-
Transfers out	(18,389)	(20,705)	(39,094)	-
NET CASH FROM NON FINANCING ACTIVITIES	<u>(18,389)</u>	<u>1,003,768</u>	<u>985,379</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	(72,618)	(6,544,339)	(6,616,957)	(34,522)
Proceeds received from sale of capital assets	572	987	1,559	317
System development charges	57,650	125,805	183,455	-
Proceeds received from long-term obligations	-	-	-	-
Principal paid on long-term obligations	(1,059,545)	(773,273)	(1,832,818)	-
Interest paid on long-term obligations	(176,351)	(840,292)	(1,016,643)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,250,292)</u>	<u>(8,031,112)</u>	<u>(9,281,404)</u>	<u>(34,205)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	645	40,447	41,092	-
NET DECREASE IN CASH	<u>(79,517)</u>	<u>(6,236,165)</u>	<u>(6,315,682)</u>	<u>105,176</u>
CASH, beginning of year	<u>118,180</u>	<u>11,857,930</u>	<u>11,976,110</u>	<u>3,287</u>
CASH, end of year	<u>\$ 38,663</u>	<u>\$ 5,621,765</u>	<u>\$ 5,660,428</u>	<u>\$ 108,463</u>
RECONCILIATION TO THE STATEMENT OF NET ASSETS				
Operating income (loss)	\$ 155,891	\$ (660,645)	\$ (504,754)	\$ 68,889
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,069,560	1,267,078	2,336,638	682
Decrease (increase) in assets				
Receivables, net	(105,033)	(64,633)	(169,666)	-
Inventories	68,965	(1,985)	66,980	-
Cash with County Treasurer	-	(2,899)	(2,899)	-
Increase (decrease) in liabilities				
Accounts payable and accrued expenses	(20,526)	206,841	186,315	69,810
Compensated absences payable	11,296	(281)	11,015	-
Net other postemployment benefit obligation	8,366	7,256	15,622	-
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 1,188,519</u>	<u>\$ 750,732</u>	<u>\$ 1,939,251</u>	<u>\$ 139,381</u>
NON CASH TRANSACTIONS				
Transfer of capital assets	\$ (13,517)	\$ 13,517	\$ -	\$ -

See notes to basic financial statements.

CITY OF LINCOLN CITY
Lincoln City, Oregon

AGENCY FUND

STATEMENT OF ASSETS AND LIABILITIES

JUNE 30, 2012

ASSETS:

Cash and investments	\$	15,174
Receivables		<u>4,492</u>

TOTAL ASSETS

\$ 19,666

LIABILITIES:

Accounts payable	\$	8,535
Funds held in trust		<u>11,131</u>

TOTAL LIABILITIES

\$ 19,666

See notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF LINCOLN CITY, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Lincoln City, Oregon (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting entity for establishing governmental accounting and financial reporting standards.

Organization

The City was incorporated as a home-rule city on March 3, 1965, consolidating the incorporated cities of Taft, Delake and Oceanlake, and the unincorporated communities of Cutler City and Nelscott.

Control of the City is vested in its mayor and Council members who are elected to office by voters within the City. Administrative functions are delegated to individuals who report to and are responsible to the Council. The chief administrative officer is the City Manager.

Reporting Entity

The accompanying financial statements present the government and component unit for which the City is considered to be financially accountable. The criteria used in making this determination includes appointment of a voting majority, imposition of will, financial benefit or burden on the primary government, and fiscal dependency on the primary government.

The City Council serves as the governing board of the Lincoln City Urban Renewal Agency (the Agency). Therefore, the accounts of the Agency are included in the financial statements of the City as a blended component unit.

Complete financial statements for the Lincoln City Urban Renewal Agency may be viewed on the City's website.

Basis of Presentation

The basic financial statements include both government-wide and fund based financial statements. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally financed through 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

The government-wide financial statements display information about all of the nonfiduciary activities of the City, and its component unit.

CITY OF LINCOLN CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Financial Statements (Continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for the City's programs. Direct expenses are those that are clearly allocable with a specific function or segment. The City does not allocate indirect expenses. 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 properly included among program revenues are reported instead as general revenues.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary funds financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The proprietary funds have applied all Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, unless that guidance conflicts with or contradicts GASB guidance. The City has chosen not to apply subsequent FASB guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the functions of the City, the elimination of which would distort the direct costs and program revenues reported for the various functions concerned.

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. The principal operating revenues are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF LINCOLN CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if they are collected within thirty days after year end. Property taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments, which are recognized as expenditures to the extent they have been incurred. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general long-term debt are reported as other financing sources.

The bases of accounting described above are in accordance with accounting principles generally accepted in the United States of America.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Each fund is considered to be a separate accounting entity. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund 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 Other Supplementary Information section of this report.

The City reports the following major governmental funds:

General Fund – accounts for the financial operations of the City except those required to be accounted for in another fund. Principal sources of revenue are property taxes, fees, licenses and state apportionments.

Urban Renewal Fund – accounts for the general administration of the Urban Renewal Agency and for the acquisition and rehabilitation of blighted and deteriorated areas within the designated urban renewal district, as well as debt service related to the Agency's operations.

Urban Renewal Tax Increment Fund – accounts for the payment of principal and interest on urban renewal bonds. Resources are provided from tax increment proceeds which are restricted for payment of debt service and interest earnings.

The City reports the following major proprietary funds:

Water Fund – accounts for the water system operations. This fund is predominantly self-supported through user charges to customers.

CITY OF LINCOLN CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

Sewer Fund – accounts for the sewer system operations. This fund is predominantly self-supported through user charges to customers.

Additionally, the City reports the following fiduciary fund:

Agency Fund – accounts for assets held in a purely custodial capacity for others (assets equal liabilities).

The City also reports activity within the following nonmajor governmental funds types:

- Special revenue funds
- Debt service funds
- Capital projects funds

Use of Estimates

The preparation of 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 and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Inventories

Inventories consisting of water and sewer system supplies and materials are stated at the lower cost, on a first-in, first-out basis.

Receivables

User charges receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to user charges receivable. Changes in the valuation allowance have not been material to the financial statements.

The City's permanent tax rate is 4.0996 per \$1,000 assessed value as limited by the Constitution of the State of Oregon.

CITY OF LINCOLN CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables (Continued)

The Lincoln City Urban Renewal Agency levied 100 percent of the amount of its authority under option one of ORS 457.435(2)(a) for the retirement of long-term obligations principal and interest without making a special levy in 2011-12.

The City makes loans to third parties for rehabilitation of properties consistent with the establishment of the City's Urban Renewal Agency. Loans receivable are recorded when the borrower has signed a promissory note and disbursements are made in accordance with the loan agreement. As the City obtains liens against the affected properties, no allowance is deemed necessary.

Capital Assets

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are charged to expenditures as purchased in the governmental fund statements, and capitalized in the proprietary fund statements. Capital assets are recorded at historical cost or estimated historical cost. Donated assets are recorded at estimated fair value as of the date of the donation.

Capital assets are defined by the City as assets with an initial, individual cost of \$1,000 or more, and an estimated useful life of greater than one year. Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Other costs for repairs and maintenance are expensed as incurred.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets and is calculated on the straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	25 to 40
Improvements other than buildings	10 to 20
Machinery and equipment	5 to 10
Vehicles	5 to 10
Utility systems	25 to 40
Infrastructure	20 to 50
Intangibles	25 to 40

Depreciation is taken in the year the assets are acquired or retired based upon the number of days held. Gains or losses from sales or retirements of capital assets are included in operations of the current period.

CITY OF LINCOLN CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term obligations

In the government-wide financial statements, and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund Statement of Net Assets. Bond premiums and discounts as well as bond issue costs are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued as well as any 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.

Compensated Absences

The City has a policy which permits full-time employees to accumulate unused sick leave at the rate of one day per month over their working careers. The City does not compensate the employees for unused accumulations upon termination of employment. Sick leave, which does not vest, is recognized in funds when leave is taken.

Each employee earns vacation at rates determined by their length of employment. An employee can accumulate a maximum of 320 hours, except for utilities personnel, which may accrue 340 hours.

Accumulated vested vacation leave is accrued as it is earned. In the government-wide and proprietary fund financial statements, all vacation and compensatory time is accrued when incurred. In the governmental funds, a liability for compensated absences is reported only if they have matured, and thus become due. Compensated absences are considered a current liability in the entity-wide and proprietary fund statements as they are susceptible to liquidation at any time.

Fund Balance

The City reports fund balances within the governmental funds based on the hierarchy of constraints to which those balances are subject. Fund balances in the governmental funds are reported within the following categories:

- Non-Spendable – Includes items not in spendable form, such as prepaid items and inventory
- Restricted – Includes items that are restricted by external creditors, grantors or contributors, or restricted by constitutional provisions or enabling legislation.
- Committed – Includes items committed by the City Council, by formal board action.

CITY OF LINCOLN CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

- Assigned – Includes items assigned for specific uses, authorized by the City's Finance Director or City Manager.
- Unassigned – This is the residual classification used in the General Fund for those balances not assigned to another category.

The City has adopted the following order of spending regarding fund balance categories: Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and lastly, unassigned fund balance.

2. DEPOSITS AND INVESTMENTS

The City maintains a pool of cash and investments that are available for use by all funds. Each fund's portion of this pool is displayed on the financial statements as cash and investments. Additionally, several funds hold separate cash and investment accounts. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

Investments with a remaining maturity of more than one year, at the time of purchase are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value.

The Oregon State Treasury administers the LGIP. The LGIP is an unrated, 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. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the City's position in the LGIP is the same as the value of the pool shares.

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, checking, savings and money market accounts, and any highly-liquid debt instruments purchased with a maturity of three months or less.

CITY OF LINCOLN CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2012

2. DEPOSITS AND INVESTMENTS (Continued)

At June 30, 2012, the City's cash and investments were comprised of the following:

Cash on hand	\$ 1,299
Deposits with financial institutions	260,120
Oregon State Treasurer's Local Government Investment Pool	<u>17,458,590</u>
Total pooled cash and investments	<u>\$ 17,720,009</u>

Reported as:

Governmental activities	\$ 12,044,407
Business-type activities	<u>5,660,428</u>
Total per Statement of Net Assets	17,704,835
Agency Fund	<u>15,174</u>
	<u>\$ 17,720,009</u>

Interest Rate Risk

The City does not have a formal policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from changes in interest rates.

Credit Risk

The City does not have a formal policy that places a limit on the amount that may be invested in any one institution. 100 percent of the City's investments are in the State Treasurer's Investment Pool.

The City does not have a policy which limits the amount of investments that can be held with counterparties.

The City's deposits with financial institutions insured by the Federal Depository Insurance Corporation (FDIC). The City's bank balance as of June 30, 2012, was \$343,859 and was fully covered by the FDIC. As required by Oregon Revised Statutes, deposits were held at a qualified depository of 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.

CITY OF LINCOLN CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2012

2. DEPOSITS AND INVESTMENTS (Continued)

Oregon statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the state treasurer's investment pool.

As of June 30, 2012, the City's investments consisted solely of deposits in the Oregon State Local Government Investment Pool.

3. ACCOUNTS RECEIVABLE

Receivables as of June 30, 2012, for the City's governmental activities/funds are as follows:

	General	Urban Renewal Tax Increment	Other Governmental	Totals
Property taxes	\$ 459,461	\$ 312,684	\$ 23,156	\$ 795,301
Intergovernmental	23,398	-	37,666	61,064
Fines and warrants	98,664	-	-	98,664
Transient room taxes	207,015	-	854,595	1,061,610
Notes-housing rehabilitation	-	-	704,104	704,104
Miscellaneous other	107,607	-	3,251	110,858
	<u>\$ 896,145</u>	<u>\$ 312,684</u>	<u>\$ 1,622,772</u>	<u>\$ 2,831,601</u>

Rehabilitation loans receivable are comprised of loans to qualified borrowers for the rehabilitation and restoration of single family and multi-family residences, and commercial loans to small business to promote economic development. Both are collateralized by real property. Net loans receivable are as follows:

<u>Fund and Program</u>	<u>Maximum Term</u>	<u>Interest Rate</u>	<u>Loans Receivable</u>
Property Rehabilitation Fund:			
Urban development:			
Rehabilitation loans	10 years	0%	\$ 463,226
Affordable Housing Fund:			
Habitat and Housing Rehabilitation	15 years	0%	\$ 240,878

Receivables as of June 30, 2012, for the City's business-type activities/funds are as follows:

	Water	Sewer	Totals
User charges	\$ 519,630	\$ 436,888	\$ 956,518
Property taxes	-	70,554	70,554
Miscellaneous	-	4,263	4,263
	<u>\$ 519,630</u>	<u>\$ 511,705</u>	<u>\$ 1,031,335</u>

CITY OF LINCOLN CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2012

4. CAPITAL ASSETS

Transactions for the year ended June 30, 2012 of the governmental activities, were as follows:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets not being depreciated:				
Land	\$ 13,717,268	\$ 22,808	\$ -	\$ 13,740,076
Public right-of-way	22,328,786	-	-	22,328,786
Construction in progress	745,832	274,184	(957,545)	62,471
Total capital assets not being depreciated	<u>36,791,886</u>	<u>296,992</u>	<u>(957,545)</u>	<u>36,131,333</u>
Capital assets being depreciated:				
Buildings	14,357,102	253,879	-	14,610,981
Heavy equipment	599,756	47,281	(78,749)	568,288
Urban renewal projects	1,457,537	-	-	1,457,537
System improvements	46,714,714	909,196	-	47,623,910
Vehicles	841,456	81,709	(154,758)	768,407
Equipment and furnitures	3,311,417	87,910	(13,522)	3,385,805
Books and art	1,162,833	24,081	-	1,186,914
Total capital assets being depreciated	<u>68,444,815</u>	<u>1,404,056</u>	<u>(247,029)</u>	<u>69,601,842</u>
Accumulated depreciation	<u>(34,087,937)</u>	<u>(2,457,483)</u>	<u>246,973</u>	<u>(36,298,447)</u>
Total capital assets being depreciated, net	<u>34,356,878</u>	<u>(1,053,427)</u>	<u>(56)</u>	<u>33,303,395</u>
Total capital assets, net	<u>\$ 71,148,764</u>	<u>\$ (756,435)</u>	<u>\$ (957,601)</u>	<u>\$ 69,434,728</u>

Depreciation expense for governmental activities is charged to functions as follows:

General government	\$ 482,666
Public safety	141,989
Highway and streets	1,343,989
Culture and recreation	488,839
Total	<u>\$ 2,457,483</u>

CITY OF LINCOLN CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2012

4. CAPITAL ASSETS (Continued)

Transactions for the year ended June 30, 2012 of the business-type activities, were as follows:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets not being depreciated:				
Land and improvements	\$ 186,798	\$ -	\$ -	\$ 186,798
Construction in progress	1,654,549	6,441,658	(1,231,656)	6,864,551
Total capital assets not being depreciated	<u>1,841,347</u>	<u>6,441,658</u>	<u>(1,231,656)</u>	<u>7,051,349</u>
Capital assets being depreciated:				
Buildings	484,281	599,697	-	1,083,978
Facilities	79,022,902	664,588	(33,436)	79,654,054
Equipment	2,009,076	142,667	(108,280)	2,043,463
Intangibles	120,868	-	-	120,868
Total capital assets being depreciated	<u>81,637,127</u>	<u>1,406,952</u>	<u>(141,716)</u>	<u>82,902,363</u>
Accumulated depreciation	<u>(31,608,997)</u>	<u>(2,336,638)</u>	<u>127,234</u>	<u>(33,818,401)</u>
Total capital assets being depreciated, net	<u>50,028,130</u>	<u>(929,686)</u>	<u>(14,482)</u>	<u>49,083,962</u>
Total capital assets, net	<u>\$ 51,869,477</u>	<u>\$ 5,511,972</u>	<u>\$ (1,246,138)</u>	<u>\$ 56,135,311</u>

Depreciation expense for business-type activities is charged to functions as follows:

Water	\$ 1,069,560
Sewer	1,267,078
Total	<u>\$ 2,336,638</u>

CITY OF LINCOLN CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2012

5. LONG-TERM OBLIGATIONS

Transactions for the year ended June 30, 2012 of the governmental activities, were as follows:

<u>Note</u>	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances June 30, 2012</u>	<u>Due within one year</u>
<u>Full Faith and Credit Note, Series 2008,</u>					
Original issue amount \$1 million, final maturity September 2013, interest at 3.4 percent					
Principal	\$ 549,528	\$ -	\$ 238,106	\$ 311,422	\$ 246,306
<u>General Obligation Bonds</u>					
<u>Open Space Bonds, Series 1999,</u>					
Original issue amount \$3 million, final maturity June 2014, interest from 4.0 to 5.0 percent					
Principal	595,000	-	245,000	350,000	255,000
<u>Tax Increment Bonds</u>					
<u>Urban Renewal Bonds, Series 2003</u>					
Original issue amount \$3 million, paid off during 2012, interest at 3.9 percent					
Principal	862,433	-	862,433	-	-
<u>Urban Renewal Bonds, Series 2004</u>					
Original issue amount \$5 million, final maturity June 2014, interest at 4.0 percent					
Principal	1,713,914	-	548,718	1,165,196	570,999
<u>Urban Renewal Bonds, Series 2007</u>					
Original issue amount \$5 million, final maturity June 2014, interest at 4.40 percent					
Principal	2,372,555	-	756,507	1,616,048	790,348
	<u>\$ 6,093,430</u>	<u>\$ -</u>	<u>\$ 2,650,764</u>	<u>\$ 3,442,666</u>	<u>\$ 1,862,653</u>
Compensated absences	<u>\$ 459,843</u>	<u>\$ 507,224</u>	<u>\$ 459,843</u>	<u>\$ 507,224</u>	<u>\$ 507,224</u>

The future maturities for governmental activity long-term obligations outstanding as of June 30, 2012, are as follows:

<u>Fiscal Year</u>	<u>Full Faith and Credit Note, Series 2008</u>		<u>General Obligation Open Space Bonds, Series 1999</u>		<u>Urban Renewal Series 2004</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 246,306	\$ 7,394	\$ 255,000	\$ 17,150	\$ 570,999	\$ 38,113
2014	65,116	535	95,000	4,655	594,197	14,928
	<u>\$ 311,422</u>	<u>\$ 7,929</u>	<u>\$ 350,000</u>	<u>\$ 21,805</u>	<u>\$ 1,165,196</u>	<u>\$ 53,041</u>

CITY OF LINCOLN CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2012

5. LONG-TERM OBLIGATIONS (Continued)

Fiscal Year	Urban Renewal Series 2007		Totals	
	Principal	Interest	Principal	Interest
2013	\$ 790,348	\$ 58,184	\$ 1,862,653	\$ 120,841
2014	825,700	22,831	1,580,013	42,949
	<u>\$ 1,616,048</u>	<u>\$ 81,015</u>	<u>\$ 3,442,666</u>	<u>\$ 163,790</u>

Transactions for the year ended June 30, 2012 of the business-type activities, were as follows:

	Balance June 30, 2011	Additions	Reductions	Balances June 30, 2012	Due within one year
<u>Revenue Bonds</u>					
Full Faith and Credit Revenue Refunding Bond, Series 2006, Original issue amount \$2.4 million, final maturity June 2015, interest at 3.80 percent					
Principal	\$ 1,075,125	\$ -	\$ 253,730	\$ 821,395	\$ 263,510
Full Faith and Credit Note, Series 2008, Original issue amount \$2 million, final maturity September 2013, interest at 3.40 percent					
Principal	1,092,380	-	476,213	616,167	492,611
<u>General Obligation Bonds</u>					
Sewer Bonds, Series 2005, Original issue amount \$15 million, final maturity June 2030, interest from 3 to 4.625 percent					
Principal	12,890,000	-	425,000	12,465,000	440,000
Sewer Bonds, Series 2011, Original issue amount \$7 million, final maturity March 2026, interest at 4.1 percent					
Principal	6,902,502	-	348,273	6,554,229	362,773
Water Bonds, Series 2007 Original issue amount \$4 million, final maturity December 2018, interest at 3.95 percent					
Principal	2,792,972	-	329,602	2,463,370	340,530
	<u>\$ 24,752,979</u>	<u>\$ -</u>	<u>\$ 1,832,818</u>	<u>\$ 22,920,161</u>	<u>\$ 1,899,424</u>
Compensated absences	\$ 163,920	\$ 174,935	\$ 163,920	\$ 174,935	\$ 174,935

CITY OF LINCOLN CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2012

5. LONG-TERM OBLIGATIONS (Continued)

The future maturities for business-type activity long-term obligations outstanding as of June 30, 2012, are as follows:

Fiscal Year	Full Faith and Credit Revenue Refunding Bond Series 2006		Full Faith and Credit Note Series 2008		General Obligation Sewer Bonds Series 2005	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 263,510	\$ 27,488	\$ 492,611	\$ 14,789	\$ 440,000	\$ 545,601
2014	273,667	17,331	123,556	1,069	465,000	528,001
2015	284,218	6,782	-	-	490,000	509,401
2016	-	-	-	-	510,000	489,801
2017	-	-	-	-	540,000	469,401
2018-22	-	-	-	-	3,120,000	1,987,359
2023-27	-	-	-	-	3,980,000	1,235,995
2028-30	-	-	-	-	2,920,000	275,300
	<u>\$ 821,395</u>	<u>\$ 51,601</u>	<u>\$ 616,167</u>	<u>\$ 15,858</u>	<u>\$ 12,465,000</u>	<u>\$ 6,040,859</u>

Fiscal Year	General Obligation Water Bonds Series 2007		General Obligation Sewer Bonds Series 2011		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 340,530	\$ 92,667	\$ 362,773	\$ 263,193	\$ 1,899,424	\$ 943,738
2014	354,182	79,016	377,877	248,089	1,594,282	873,506
2015	368,380	64,817	393,610	232,357	1,536,208	813,357
2016	383,148	50,049	409,999	215,969	1,303,147	755,819
2017	398,508	34,689	427,068	199,199	1,365,576	703,289
2018-22	618,622	21,880	2,417,330	712,503	6,155,952	2,721,742
2023-27	-	-	2,165,572	181,800	6,145,572	1,417,795
2028-30	-	-	-	-	2,920,000	275,300
	<u>\$ 2,463,370</u>	<u>\$ 343,118</u>	<u>\$ 6,554,229</u>	<u>\$ 2,053,110</u>	<u>\$ 22,920,161</u>	<u>\$ 8,504,546</u>

The City is in compliance with all covenants relating to outstanding debt and obligations.

CITY OF LINCOLN CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2012

6. DEFERRED REVENUE

Resources to the City, which are measurable but not available, are deferred in the governmental funds. As of June 30, 2012, deferred revenue consists of the following:

	<u>General Fund</u>	<u>Urban Renewal Tax Increment Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Property taxes	\$ 459,461	\$ 312,684	\$ 23,156	\$ 795,301
Fines and warrants	94,471	-	-	94,471
Other	1,604	-	-	1,604
	<u>\$ 555,536</u>	<u>\$ 312,684</u>	<u>\$ 23,156</u>	<u>\$ 891,376</u>

7. LANDFILL CLOSURE AND POST CLOSURE COSTS

The City is a member of the Lincoln County Consortium for Solid Waste Management, which was organized in 1984 to assume responsibility for the management and closure of the Agate Beach Landfill site.

State and Federal laws and regulations require the Consortium to place a final cover on the Agate Beach Landfill site when it stops accepting waste, and to perform certain maintenance and monitoring functions at the site for thirty (30) years subsequent to closure. The City is responsible for a 25.3% share of Consortium's estimated unfunded costs, which is based on submissions of engineering estimates, construction bids, and projected monitoring costs over the next thirty (30) years. The estimated liability is based on the assumption that the least expensive disposal alternative will be used.

During 1993-1994, the City began charging a surcharge to its solid waste franchisee in order to fund its share of costs. This surcharge was discontinued July 1, 2005. At June 30, 2012, the City reports a restricted fund balance amount related to these post-closure requirements of \$776,383.

8. DEFINED BENEFIT PENSION PLAN

Pension Plan Description

The City contributes to the Oregon Public Employees Retirement System (OPERS) and to the Oregon Public Service Retirement Plan (OPSRP). OPERS is a cost sharing 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

CITY OF LINCOLN CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2012

8. DEFINED BENEFIT PENSION PLAN (Continued)

Pension Plan Description (Continued)

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 OPERS. 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. This level is 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. OPERS also provides death and disability benefits. These benefit provisions and other requirements are established by state statutes.

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

Funding Policy

Members of OPERS 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 annual required contribution rate for fiscal 2012 was 10.02 percent for PERS, and 6.37 percent for general OPSRP and 9.08 percent for OPSRP police and fire. 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

The City's contribution to the plan for the years ending June 30, 2012, 2011 and 2010 were equal to the City's required contributions for each year as follows:

<u>Year Ended June 30,</u>	<u>City Contribution</u>	<u>City paid Member Contribution</u>	<u>Member paid Contributions</u>	<u>Totals</u>
2012	\$ 622,049	\$ 407,400	\$ 522	\$ 1,029,971
2011	332,376	428,541	596	761,513
2010	293,649	403,611	596	697,856

CITY OF LINCOLN CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2012

9. OTHER POSTEMPLOYMENT BENEFITS

The City provides other post-employment benefits (OPEB) for employees, retirees, spouses and dependents through a single employer defined contribution plan in the form of group health insurance benefits. As required by ORS 243.303(2) retirees who were hired after July 1, 2003 are allowed to continue, at the retirees' expense, coverage under the group health insurance plan until age 65. The difference between the premium actually paid by retirees under the group insurance plan and the premium that they would pay if they were not included in the plan is considered to be an implicit subsidy under the provisions of GASB 45. The "plan" does not issue a separate stand-alone financial report.

Annual OPEB Cost and Net OPEB Obligation

The City's contributions for these benefits are funded on a "pay-as-you-go" basis. The City has not established an irrevocable trust to accumulate assets to fund the cost of the net OPEB obligation that arises from the implicit subsidy.

The City had its actuarial valuation performed as of August 1, 2010 to determine the unfunded accrued actuarial liability (UAAL), annual required contribution (ARC) and net other post-employment benefit obligation (OPEB) as of that date. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed fifteen years.

The annual OPEB cost is equal to the ARC as follows:

Normal cost	\$ 73,810
Amortization of UAAL	59,782
Annual required contribution	<u>\$ 133,592</u>

The net OPEB obligation as of June 30, 2012 was calculated as follows:

Annual required contribution	\$ 133,592
Interest on prior year net OPEB Obligation	21,334
Adjustment to ARC	(36,246)
Implicit benefit payments	<u>(33,310)</u>
Increase in net OPEB Obligation	85,370
OPEB Obligation at beginning of year	<u>533,346</u>
OPEB obligation at end of year	<u>\$ 618,716</u>

CITY OF LINCOLN CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2012

9. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The City's annual OPEB cost, percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2012 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2012	\$ 118,680	28%	\$ 618,716
June 30, 2011	213,631	22%	531,395
June 30, 2010	201,597	16%	366,135

Funded Status and Funding Process

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 revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents information about the actuarial value of plan assets and the unfunded actuarial liability.

<u>Valuation Date</u>	<u>Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAL/ Payroll</u>
August 1, 2010	\$ -	\$ 817,937	\$ 817,937	0%	\$ 7,640,752	10.7%
August 1, 2008	-	1,173,201	1,173,201	0%	6,729,672	17.4%
August 1, 2006	-	1,309,621	1,309,621	0%	-	-

Actuarial Methods and Assumptions

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

In the August 1, 2010 actuarial valuation, the projected unit cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8.5 percent, reduced incrementally to an ultimate rate of 5 percent. The UAAL is being amortized using the level percentage of payroll over an open period of fifteen years.

CITY OF LINCOLN CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2012

9. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 publically 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 – Given that 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 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 received disability allowance as if the member had eight years or more of credible 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 receive 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 0.59 percent of annual covered payroll for Tier1/Tier 2 and .50 percent for OPSRP. The OPERS Board of Trustees sets the employer contribution rate based on the annual requires contributions (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 plan over a period not to exceed thirty years. The City's contributions to RHIA for the year ended June 30, 2012, 2011 and 2010 were included in contributions made to PERS.

10. OTHER INFORMATION

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. In 1981, the League of Oregon Cities joined together with the Association of Oregon Cities to form City County Insurance Services (CCIS), a public entity risk pool currently operating as a common risk management and insurance program for approximately 265 municipal corporations and

CITY OF LINCOLN CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2012

10. OTHER INFORMATION (Continued)

Risk Management (Continued)

associated entities in the State of Oregon. CCIS is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of \$2 million for each insured event.

The City continues to carry commercial insurance for other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

11. INTERFUND TRANSFERS

Cash transfers are indicative of funding for capital projects, debt service, subsidies of various City operations and re-allocations of special revenues. The non-cash transfers occur when a fund purchases a capital asset which will be used in the operation of a different fund's activities, or when a fund receives proceeds from or pays principal on long-term obligations reported in a different fund. The following schedule briefly summarizes the City's transfer activity:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental		
General	\$ 1,281,587	\$ 1,260,271
Other governmental	795,676	777,898
Proprietary		
Water	-	31,906
Sewer	13,517	20,705
	<u>\$ 2,090,780</u>	<u>\$ 2,090,780</u>

12. CONSTRUCTION COMMITMENTS

<u>Project</u>	<u>Contract Amount</u>	<u>FY 10/11 Amount Paid</u>	<u>FY 12 Amount Paid/Accrued</u>	<u>Amount Remaining</u>
WWTP				
Engineering Design/Construction	\$ 1,197,646	\$ 714,675	\$ 438,388	\$ 44,583
General Contractor	6,729,200	316,922	5,192,395	1,219,883
	<u>\$ 7,926,846</u>	<u>\$ 1,031,597</u>	<u>\$ 5,630,783</u>	<u>\$ 1,264,466</u>

CITY OF LINCOLN CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2012

13. SUBSEQUENT EVENTS

Subsequent to June 30, 2012, the City entered into a new construction project totaling approximately \$937,000, to replace and upgrade the Canyon Park Sewer Pump Station.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LINCOLN CITY
Lincoln City, Oregon

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Property taxes	\$ 4,094,098	\$ 4,094,098	\$ 4,062,447	\$ (31,651)
Franchise fees	885,100	885,100	920,967	35,867
Transient room tax	-	1,079,533	992,744	(86,789)
Fees, licenses and permits	510,150	510,150	499,820	(10,330)
Fines, and forfeitures	223,713	223,713	188,035	(35,678)
Intergovernmental	410,012	420,012	439,376	19,364
Interest	15,600	17,600	19,301	1,701
Miscellaneous	907,054	914,254	899,870	(14,384)
TOTAL REVENUES	7,045,727	8,144,460	8,022,560	(121,900)
EXPENDITURES:				
City council	83,142	83,142	44,778	38,364
City administration	500,420	500,420	469,675	30,745
Finance	682,442	717,442	700,929	16,513
Library	866,291	866,291	801,710	64,581
Municipal court	69,895	69,895	58,106	11,789
City attorney	173,521	173,521	162,026	11,495
Planning	447,835	447,835	424,238	23,597
Building inspection	225,935	230,935	229,232	1,703
Police	-	3,794,462	3,419,851	374,611
Recreation department	1,062,941	1,072,741	1,032,731	40,010
Non-departmental	284,087	284,087	267,839	16,248
Contingencies	1,332,755	1,553,475	-	1,553,475
TOTAL EXPENDITURES	5,729,264	9,794,246	7,611,115	2,183,131
EXCESS OF REVENUES OVER EXPENDITURES	1,316,463	(1,649,786)	411,445	2,061,231
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of capital assets	-	6,000	4,914	(1,086)
Transfers in	807,698	963,923	963,923	-
Transfers out	(3,715,152)	(722,152)	(722,152)	-
TOTAL OTHER FINANCING SOURCES (USES)	(2,907,454)	247,771	246,685	(1,086)
NET CHANGE IN FUND BALANCE	(1,590,991)	(1,402,015)	658,130	2,060,145
FUND BALANCE, beginning of year	2,693,368	2,693,368	2,811,450	118,082
FUND BALANCE, end of year	\$ 1,102,377	\$ 1,291,353	\$ 3,469,580	\$ 2,178,227

CITY OF LINCOLN CITY

Lincoln City, Oregon

URBAN RENEWAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
Rents	\$ 3,600	\$ 5,901	\$ 2,301
Interest on investments	5,000	5,055	55
TOTAL REVENUES	<u>8,600</u>	<u>10,956</u>	<u>2,356</u>
EXPENDITURES:			
Personal services	244,599	218,816	25,783
Materials and services	314,766	177,849	136,917
Capital outlay	909,983	272,935	637,048
TOTAL EXPENDITURES	<u>1,469,348</u>	<u>669,600</u>	<u>799,748</u>
NET CHANGE IN FUND BALANCE	<u>(1,460,748)</u>	<u>(658,644)</u>	<u>802,104</u>
FUND BALANCE, beginning of year	<u>1,460,748</u>	<u>1,468,829</u>	<u>8,081</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ 810,185</u>	<u>\$ 810,185</u>

CITY OF LINCOLN CITY, OREGON

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2012

Budget Policies and Budgetary Control

Generally, Oregon Local Budget Law requires annual budgets be adopted for all funds except agency funds. The modified accrual basis of accounting is used for all budgets. All annual appropriations lapse at fiscal year end.

The City begins its budgeting process by appointing Budget Committee members in the fall of each year. Budget recommendations are developed by management through early spring, with the Budget Committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in May or June and the hearing is held in June. The City adopts the budget, makes appropriations, and declares the tax levy no later than June 30.

Expenditure appropriations may not be legally over-expended, except in the case of grant receipts and bond sale proceeds which could not be reasonably estimated at the time the budget was adopted.

The resolution authorizing the appropriations for each fund sets the level at which expenditures and transfers cannot legally exceed appropriations. The City establishes levels of budgetary control at personal services, materials and services, capital outlay, operating contingencies, and debt services for all funds, except the General Fund, where budgetary control is established at the department level.

Budget amounts shown in the basic financial statements have been revised since the original budget amounts were adopted. The City Council must authorize all appropriation transfers and supplementary budgetary appropriations.

OTHER SUPPLEMENTARY INFORMATION

CITY OF LINCOLN CITY
Lincoln City, Oregon

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2012

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Totals
ASSETS:				
Cash and investments	\$ 2,438,353	\$ 76,483	\$ 1,729,288	\$ 4,244,124
Cash with County Treasurer	-	3,269	-	3,269
Receivables	1,493,079	23,156	106,537	1,622,772
TOTAL ASSETS	\$ 3,931,432	\$ 102,908	\$ 1,835,825	\$ 5,870,165
LIABILITIES:				
Accounts payable	\$ 57,194	-	\$ 21,605	\$ 78,799
Deferred revenue	-	23,156	-	23,156
TOTAL LIABILITIES	57,194	23,156	21,605	101,955
FUND BALANCES:				
Nonspendable in form	704,104	-	-	704,104
Restricted for:				
Capital projects	742,840	-	1,401,206	2,144,046
Road construction/maintenance	516,416	-	-	516,416
Tourism promotion	724,818	-	-	724,818
Parks maintenance	454,489	-	-	454,489
Debt service	-	79,752	-	79,752
Committed to:				
Capital projects	-	-	-	-
Affordable housing	680,855	-	-	680,855
Maintenance	19,380	-	-	19,380
Art & Education	31,336	-	-	31,336
Assigned to:				
Capital projects	-	-	413,014	413,014
TOTAL FUND BALANCES	3,874,238	79,752	1,814,220	5,768,210
TOTAL LIABILITIES AND FUND BALANCE	\$ 3,931,432	\$ 102,908	\$ 1,835,825	\$ 5,870,165

CITY OF LINCOLN CITY
Lincoln City, Oregon

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Project Funds</u>	<u>Totals</u>
REVENUES:				
Property taxes	\$ -	\$ 293,837	\$ -	\$ 293,837
Franchise fees	13,010	-	-	13,010
Transient room tax	2,818,791	-	422,134	3,240,925
Rents	203,674	-	-	203,674
Charges for services	3,329	-	54,365	57,694
Intergovernmental	439,210	-	90,969	530,179
Reimbursement from other funds	21,900	-	-	21,900
Interest on investments	11,361	1,286	8,479	21,126
Miscellaneous	114,704	-	697	115,401
TOTAL REVENUES	<u>3,625,979</u>	<u>295,123</u>	<u>576,644</u>	<u>4,497,746</u>
EXPENDITURES:				
Current:				
General government	1,718,985	-	-	1,718,985
Highways and streets	1,002,129	-	-	1,002,129
Culture and recreation	684,429	-	-	684,429
Debt service	-	525,134	-	525,134
Capital outlay	105,359	-	605,159	710,518
TOTAL EXPENDITURES	<u>3,510,902</u>	<u>525,134</u>	<u>605,159</u>	<u>4,641,195</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>115,077</u>	<u>(230,011)</u>	<u>(28,515)</u>	<u>(143,449)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of equipment	11,749	-	-	11,749
Transfers in	130,825	255,000	409,851	795,676
Transfers out	(441,730)	-	(336,168)	(777,898)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(299,156)</u>	<u>255,000</u>	<u>73,683</u>	<u>29,527</u>
NET CHANGE IN FUND BALANCE	<u>(184,079)</u>	<u>24,989</u>	<u>45,168</u>	<u>(113,922)</u>
FUND BALANCE, beginning of year	<u>4,058,317</u>	<u>54,763</u>	<u>1,769,052</u>	<u>5,882,132</u>
FUND BALANCE, end of year	<u>\$ 3,874,238</u>	<u>\$ 79,752</u>	<u>\$ 1,814,220</u>	<u>\$ 5,768,210</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2012

	<u>Affordable Housing</u>	<u>Lincoln Square Operations</u>	<u>Public Education Government Access</u>	<u>Street</u>	<u>Urban Renewal Property Rehabilitation Program</u>	<u>Visitor and Convention Bureau</u>
ASSETS:						
Cash and investments	\$ 681,919	\$ 27,130	\$ 24,755	\$ 271,469	\$ 742,840	\$ 431,040
Receivables	240,878	-	3,251	249,610	463,226	323,793
TOTAL ASSETS	<u>\$ 922,797</u>	<u>\$ 27,130</u>	<u>\$ 28,006</u>	<u>\$ 521,079</u>	<u>\$ 1,206,066</u>	<u>\$ 754,833</u>
LIABILITIES:						
Accounts payable	\$ 1,064	\$ 7,750	\$ -	\$ 4,663	\$ -	\$ 30,015
FUND BALANCES:						
Nonspendable in form	240,878	-	-	-	463,226	-
Restricted for:						
Capital projects	-	-	-	-	742,840	-
Road construction/maintenance	-	-	-	516,416	-	-
Tourism promotion	-	-	-	-	-	724,818
Parks maintenance	-	-	-	-	-	-
Committed to:						
Affordable housing	680,855	-	-	-	-	-
Maintenance	-	19,380	-	-	-	-
Art and education	-	-	28,006	-	-	-
TOTAL FUND BALANCES	<u>921,733</u>	<u>19,380</u>	<u>28,006</u>	<u>516,416</u>	<u>1,206,066</u>	<u>724,818</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 922,797</u>	<u>\$ 27,130</u>	<u>\$ 28,006</u>	<u>\$ 521,079</u>	<u>\$ 1,206,066</u>	<u>\$ 754,833</u>

<u>Parks Maintenance</u>	<u>Percent for Art</u>	<u>Totals</u>
\$ 255,870	\$ 3,330	\$ 2,438,353
212,321	-	1,493,079
-	-	-
<u>\$ 468,191</u>	<u>\$ 3,330</u>	<u>\$ 3,931,432</u>
\$ 13,702	\$ -	\$ 57,194
-	-	704,104
-	-	742,840
-	-	516,416
-	-	724,818
454,489	-	454,489
-	-	680,855
-	-	19,380
-	3,330	31,336
<u>454,489</u>	<u>3,330</u>	<u>3,874,238</u>
<u>\$ 468,191</u>	<u>\$ 3,330</u>	<u>\$ 3,931,432</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2012

	Affordable Housing	Lincoln Square Operations	Public Education and Government Access	Street	Urban Renewal Property Rehabilitation Program	Visitor and Convention Bureau
REVENUES:						
Franchise fees	\$ -	\$ -	\$ 13,010	\$ -	\$ -	\$ -
Transient room tax	-	-	-	844,269	-	1,287,509
Rents	16,625	187,049	-	-	-	-
Charges for services	-	-	-	3,329	-	-
Intergovernmental	-	1,907	551	428,552	-	-
Reimbursement from other funds	-	21,900	-	-	-	-
Interest on investments	3,027	126	138	1,399	2,576	2,693
Miscellaneous	-	28,465	-	41	-	82,249
TOTAL REVENUES	19,652	239,447	13,699	1,277,590	2,576	1,372,451
EXPENDITURES:						
Current						
General government	27,609	370,226	21,866	-	-	1,299,284
Highways and streets	-	-	-	1,002,129	-	-
Culture and recreation	-	-	-	-	-	-
Capital outlay	28,324	-	-	47,281	-	5,329
TOTAL EXPENDITURES	55,933	370,226	21,866	1,049,410	-	1,304,613
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(36,281)	(130,779)	(8,167)	228,180	2,576	67,838
OTHER FINANCING SOURCES (USES):						
Proceeds from sale of capital assets	-	-	-	11,349	-	-
Transfers in	-	128,510	-	-	-	-
Transfers out	-	-	-	(418,390)	-	(23,340)
TOTAL OTHER FINANCING SOURCES (USES)	-	128,510	-	(407,041)	-	(23,340)
NET CHANGE IN FUND BALANCE	(36,281)	(2,269)	(8,167)	(178,861)	2,576	44,498
FUND BALANCE, beginning of year	958,014	21,649	36,173	695,277	1,203,490	680,320
FUND BALANCE, end of year	\$ 921,733	\$ 19,380	\$ 28,006	\$ 516,416	\$ 1,206,066	\$ 724,818

<u>Parks Maintenance</u>	<u>Percent for Art</u>	<u>Totals</u>
\$ -	\$ -	\$ 13,010
687,013	-	2,818,791
-	-	203,674
-	-	3,329
8,200	-	439,210
-	-	21,900
1,361	21	11,361
3,949	-	114,704
<u>700,543</u>	<u>21</u>	<u>3,625,979</u>
-	-	1,718,985
-	-	1,002,129
684,214	215	684,429
18,344	6,081	105,359
<u>702,558</u>	<u>6,296</u>	<u>3,510,902</u>
<u>(2,015)</u>	<u>(6,275)</u>	<u>115,077</u>
400	-	11,749
-	2,315	130,825
-	-	(441,730)
<u>400</u>	<u>2,315</u>	<u>(299,156)</u>
<u>(1,615)</u>	<u>(3,960)</u>	<u>(184,079)</u>
<u>456,104</u>	<u>7,290</u>	<u>4,058,317</u>
<u>\$ 454,489</u>	<u>\$ 3,330</u>	<u>\$ 3,874,238</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

AFFORDABLE HOUSING FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
Rents	\$ 15,000	\$ 16,625	\$ 1,625
Intergovernmental	400,000	-	(400,000)
Interest on investments	3,025	3,027	2
Loan repayments	-	75,000	75,000
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	418,025	94,652	(323,373)
	<hr/>	<hr/>	<hr/>
EXPENDITURES:			
Materials and services	11,261	7,609	3,652
Capital outlay	679,151	28,324	650,827
Other payments	400,000	-	400,000
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	1,090,412	35,933	1,054,479
	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCE	(672,387)	58,719	731,106
	<hr/>	<hr/>	<hr/>
FUND BALANCE, beginning of year	672,387	622,136	(50,251)
	<hr/>	<hr/>	<hr/>
FUND BALANCE, end of year	\$ -	\$ 680,855	\$ 680,855
	<hr/>	<hr/>	<hr/>
Fund balance - budgetary basis		\$ 680,855	
Balance of loans receivable		<hr/>	
Fund balance - GAAP basis		<hr/>	
		<hr/>	
Change in fund balance - budgetary basis		\$ 58,719	
Loan repayments reported as reduction in receivable		(75,000)	
Receivable written off		<hr/>	
		<hr/>	
Change in fund balance - GAAP basis		<hr/>	
		<hr/>	

CITY OF LINCOLN CITY

Lincoln City, Oregon

LINCOLN SQUARE OPERATIONS FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Rents	\$ 200,000	\$ 200,000	\$ 187,049	\$ (12,951)
Reimbursement from other funds	21,900	21,900	21,900	-
Intergovernmental	-	1,750	1,907	157
Interest on investments	200	200	126	(74)
Miscellaneous	28,000	28,000	28,465	465
TOTAL REVENUES	250,100	251,850	239,447	(12,403)
EXPENDITURES:				
Personal services	159,061	165,061	166,046	(985)
Materials and services	224,119	224,119	204,180	19,939
Contingency	14,136	9,886	-	9,886
TOTAL EXPENDITURES	397,316	399,066	370,226	28,840
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(147,216)	(147,216)	(130,779)	16,437
OTHER FINANCING SOURCES:				
Transfers in	128,510	128,510	128,510	-
NET CHANGE IN FUND BALANCE	(18,706)	(18,706)	(2,269)	16,437
FUND BALANCE, beginning of year	18,706	18,706	21,649	2,943
FUND BALANCE, end of year	\$ -	\$ -	\$ 19,380	\$ 19,380

CITY OF LINCOLN CITY
Lincoln City, Oregon

PUBLIC EDUCATION AND GOVERNMENT ACCESS FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Franchise fees	\$ 13,159	\$ 13,159	\$ 13,010	\$ (149)
Intergovernmental	-	-	551	551
Interest on investments	120	120	138	18
TOTAL REVENUES	<u>13,279</u>	<u>13,279</u>	<u>13,699</u>	<u>420</u>
EXPENDITURES:				
Personal services	6,648	6,648	3,192	3,456
Materials and services	15,583	17,983	18,674	(691)
Capital outlay	8,500	8,500	-	8,500
Contingency	11,770	9,370	-	9,370
TOTAL EXPENDITURES	<u>42,501</u>	<u>42,501</u>	<u>21,866</u>	<u>20,635</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES AND NET CHANGE IN FUND BALANCE	(29,222)	(29,222)	(8,167)	21,055
FUND BALANCE, beginning of year	<u>29,222</u>	<u>29,222</u>	<u>36,173</u>	<u>6,951</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,006</u>	<u>\$ 28,006</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

STREET FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Transient room tax	\$ -	\$ 896,864	\$ 844,269	\$ (52,595)
Charges for services	4,000	4,000	3,329	(671)
Intergovernmental	444,175	444,175	428,552	(15,623)
Interest on investments	2,000	2,000	1,399	(601)
Miscellaneous	-	-	41	41
TOTAL REVENUES	450,175	1,347,039	1,277,590	(69,449)
EXPENDITURES:				
Personal services	557,144	557,144	525,507	31,637
Materials and services	385,552	412,552	420,732	(8,180)
Capital outlay	55,000	55,000	47,281	7,719
Contingency	386,795	359,795	-	359,795
TOTAL EXPENDITURES	1,384,491	1,384,491	993,520	390,971
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(934,316)	(37,452)	284,070	321,522
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of equipment	-	-	11,349	11,349
Transfers in	896,864	-	-	-
Transfers out	(474,280)	(474,280)	(474,280)	-
TOTAL OTHER FINANCING SOURCES (USES)	422,584	(474,280)	(462,931)	11,349
NET CHANGE IN FUND BALANCE	(511,732)	(511,732)	(178,861)	332,871
FUND BALANCE, beginning of year	511,732	511,732	695,277	183,545
FUND BALANCE, end of year	\$ -	\$ -	\$ 516,416	\$ 516,416

CITY OF LINCOLN CITY
Lincoln City, Oregon

URBAN RENEWAL PROPERTY REHABILITATION PROGRAM FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Original/Final Budget	Actual	Variance
REVENUES:			
Loan repayments	\$ 130,000	\$ 119,736	\$ (10,264)
Interest on investments	2,700	2,576	(124)
TOTAL REVENUES	132,700	122,312	(10,388)
EXPENDITURES:			
Capital outlay	774,528	30,500	744,028
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE	(641,828)	91,812	733,640
FUND BALANCE, beginning of year	641,828	651,028	9,200
FUND BALANCE, end of year	\$ -	\$ 742,840	\$ 742,840
Fund balance - budgetary basis		\$ 742,840	
Balance of loans receivable		463,226	
Fund balance - GAAP basis		\$ 1,206,066	
Change in fund balance - budgetary basis		\$ 91,812	
Loan repayments reported as reduction in receivable		(119,736)	
Capital outlay reported as increases in receivable		30,500	
Changes in fund balance - GAAP basis		\$ 2,576	

CITY OF LINCOLN CITY
Lincoln City, Oregon

VISITOR AND CONVENTION BUREAU FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Transient room tax	\$ -	\$ 1,373,348	\$ 1,287,509	\$ (85,839)
Interest on investments	1,700	1,700	2,693	993
Miscellaneous	68,400	68,400	82,249	13,849
TOTAL REVENUES	<u>70,100</u>	<u>1,443,448</u>	<u>1,372,451</u>	<u>(70,997)</u>
EXPENDITURES:				
Personal services	535,094	535,094	493,167	41,927
Materials and services	974,032	974,032	775,761	198,271
Capital outlay	31,000	31,000	5,329	25,671
Contingency	222,749	222,749	-	222,749
TOTAL EXPENDITURES	<u>1,762,875</u>	<u>1,762,875</u>	<u>1,274,257</u>	<u>488,618</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,692,775)</u>	<u>(319,427)</u>	<u>98,194</u>	<u>417,621</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	1,373,348	-	-	-
Transfers out	(53,696)	(53,696)	(53,696)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,319,652</u>	<u>(53,696)</u>	<u>(53,696)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(373,123)</u>	<u>(373,123)</u>	<u>44,498</u>	<u>417,621</u>
FUND BALANCE, beginning of year	<u>373,123</u>	<u>373,123</u>	<u>680,320</u>	<u>307,197</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 724,818</u>	<u>\$ 724,818</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

PARKS MAINTENANCE FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Transient room tax	\$ -	\$ 739,609	\$ 687,013	\$ (52,596)
Intergovernmental	8,200	8,200	8,200	-
Interest on investments	1,500	1,500	1,381	(119)
Miscellaneous	23,500	23,500	3,949	(19,551)
TOTAL REVENUES	<u>33,200</u>	<u>772,809</u>	<u>700,543</u>	<u>(72,266)</u>
EXPENDITURES:				
Personal services	512,468	512,468	483,699	28,769
Materials and services	234,374	234,374	182,286	52,088
Capital outlay	20,000	20,000	18,344	1,656
Other expenditures	840	840	-	840
Contingency	272,213	272,213	-	272,213
TOTAL EXPENDITURES	<u>1,039,895</u>	<u>1,039,895</u>	<u>684,329</u>	<u>355,566</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,006,695)</u>	<u>(267,086)</u>	<u>16,214</u>	<u>283,300</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of equipment	-	-	400	400
Transfers in	739,609	-	-	-
Transfers out	(18,229)	(18,229)	(18,229)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>721,380</u>	<u>(18,229)</u>	<u>(17,829)</u>	<u>400</u>
NET CHANGE IN FUND BALANCE	<u>(285,315)</u>	<u>(285,315)</u>	<u>(1,615)</u>	<u>283,700</u>
FUND BALANCE, beginning of year	<u>285,315</u>	<u>285,315</u>	<u>456,104</u>	<u>170,789</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 454,489</u>	<u>\$ 454,489</u>

CITY OF LINCOLN CITY

Lincoln City, Oregon

PERCENT FOR ART FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
Charges for services	\$ 1,500	\$ -	\$ (1,500)
Interest on investments	500	21	(479)
TOTAL REVENUES	<u>2,000</u>	<u>21</u>	<u>(1,979)</u>
EXPENDITURES:			
Materials and services	1,000	215	785
Capital outlay	20,115	6,081	14,034
TOTAL EXPENDITURES	<u>21,115</u>	<u>6,296</u>	<u>14,819</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(19,115)	(6,275)	12,840
OTHER FINANCING SOURCES:			
Transfers in	5,000	2,315	(2,685)
NET CHANGE IN FUND BALANCE	(14,115)	(3,960)	10,155
FUND BALANCE, beginning of year	14,115	7,290	(6,825)
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ 3,330</u>	<u>\$ 3,330</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

TRANSIENT ROOM TAX FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
Transient room tax	\$ 4,537,786	\$ -	\$ (4,537,786)
EXPENDITURES:			
Materials and services	45,000	-	45,000
EXCESS OF REVENUES OVER EXPENDITURES	4,492,786	-	(4,492,786)
OTHER FINANCING USES:			
Transfers out	4,492,786	-	4,492,786
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE, beginning of year	-	-	-
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

NONMAJOR DEBT SERVICE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2012

	Open Space Bonds	2008 Bond Redemption	Totals
ASSETS:			
Cash and investments	\$ 56,465	\$ 20,018	\$ 76,483
Cash with County Treasurer	3,269	-	3,269
Receivables	23,156	-	23,156
TOTAL ASSETS	\$ 82,890	\$ 20,018	\$ 102,908
LIABILITIES:			
Deferred revenue	\$ 23,156	\$ -	\$ 23,156
TOTAL LIABILITIES	23,156	-	23,156
FUND BALANCES:			
Restricted for debt service	59,734	20,018	79,752
TOTAL LIABILITIES AND FUND BALANCE	\$ 82,890	\$ 20,018	\$ 102,908

CITY OF LINCOLN CITY
Lincoln City, Oregon

NONMAJOR DEBT SERVICE FUNDS

COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Open Space Bonds</u>	<u>2008 Bond Redemption</u>	<u>Totals</u>
REVENUES:			
Property taxes	\$ 293,837	\$ -	\$ 293,837
Interest on investments	912	374	1,286
TOTAL REVENUES	<u>294,749</u>	<u>374</u>	<u>295,123</u>
EXPENDITURES:			
Debt service	<u>274,033</u>	<u>251,101</u>	<u>525,134</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	20,716	(250,727)	(230,011)
OTHER FINANCING SOURCES:			
Transfers in	<u>-</u>	<u>255,000</u>	<u>255,000</u>
NET CHANGE IN FUND BALANCE	20,716	4,273	24,989
FUND BALANCE, beginning of year	<u>39,018</u>	<u>15,745</u>	<u>54,763</u>
FUND BALANCE, end of year	<u>\$ 59,734</u>	<u>\$ 20,018</u>	<u>\$ 79,752</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

URBAN RENEWAL TAX INCREMENT FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
Property taxes	\$ 2,982,168	\$ 2,990,055	\$ 7,887
Interest on investments	15,500	10,824	(4,676)
TOTAL REVENUES	<u>2,997,668</u>	<u>3,000,879</u>	<u>3,211</u>
EXPENDITURES:			
Debt service	<u>3,332,844</u>	<u>2,336,090</u>	<u>996,754</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(335,176)	664,789	999,965
OTHER FINANCING USES:			
Bond reserves	<u>(1,300,000)</u>	-	<u>(1,300,000)</u>
NET CHANGE IN FUND BALANCE	(1,635,176)	664,789	2,299,965
FUND BALANCE, beginning of year	<u>1,635,176</u>	<u>1,656,060</u>	<u>20,884</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ 2,320,849</u>	<u>\$ 2,320,849</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

OPEN SPACE BONDS FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Original/Final Budget	Actual	Variance
REVENUES:			
Property taxes	\$ 290,000	\$ 293,837	\$ 3,837
Interest on investments	550	912	362
TOTAL REVENUES	<u>290,550</u>	<u>294,749</u>	<u>4,199</u>
EXPENDITURES:			
Debt Service	<u>327,026</u>	<u>274,033</u>	<u>52,993</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE	(36,476)	20,716	57,192
FUND BALANCE, beginning of year	<u>36,476</u>	<u>39,018</u>	<u>2,542</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ 59,734</u>	<u>\$ 59,734</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

2008 BOND REDEMPTION FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Original/Final Budget	Actual	Variance
REVENUES:			
Interest on investments	\$ 400	\$ 374	\$ (26)
EXPENDITURES:			
Debt Service	781,206	761,101	20,105
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(780,806)	(760,727)	20,079
OTHER FINANCING SOURCES:			
Transfers in	765,000	765,000	-
NET CHANGE IN FUND BALANCE	(15,806)	4,273	20,079
FUND BALANCE, beginning of year	15,806	15,745	(61)
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ 20,018</u>	<u>\$ 20,018</u>
Debt services - budget basis		\$ 761,101	
Payments reported in Water Fund		(510,000)	
Debt service - GAAP basis		<u>\$ 251,101</u>	
Transfer in - budget basis		\$ 765,000	
Payments reported in Water Fund		(510,000)	
Transfers in - GAAP basis		<u>\$ 255,000</u>	

CITY OF LINCOLN CITY
Lincoln City, Oregon

NONMAJOR CAPITAL PROJECTS FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2012

	<u>Transportation Development</u>	<u>Storm Drainage Development</u>	<u>Park System Development Charge Improvement</u>	<u>Open Space Acquisition</u>
ASSETS:				
Cash and investments	\$ 485,915	\$ 80,621	\$ 66,751	\$ 552,862
Receivables	-	-	377	-
TOTAL ASSETS	<u>\$ 485,915</u>	<u>\$ 80,621</u>	<u>\$ 67,128</u>	<u>\$ 552,862</u>
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
FUND BALANCES:				
Restricted for:				
Capital projects	485,915	80,621	67,128	552,862
Assigned to:				
Capital projects	-	-	-	-
TOTAL LIABILITY AND FUND BALANCES	<u>\$ 485,915</u>	<u>\$ 80,621</u>	<u>\$ 67,128</u>	<u>\$ 552,862</u>

<u>Facilities Capital</u>	<u>Street Capital</u>	<u>Total</u>
\$ 125,467	\$ 417,672	\$ 1,729,288
106,160	-	106,537
<u>\$ 231,627</u>	<u>\$ 417,672</u>	<u>\$ 1,835,825</u>
\$ 16,947	\$ 4,658	\$ 21,605
214,680	-	1,401,206
-	413,014	413,014
<u>\$ 231,627</u>	<u>\$ 417,672</u>	<u>\$ 1,835,825</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

NONMAJOR CAPITAL PROJECTS FUNDS

SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Transportation Development</u>	<u>Storm Drainage Development</u>	<u>Parks Development</u>	<u>Parks System Development Charge Improvement</u>
REVENUES:				
Transient room tax	\$ -	\$ -	\$ -	\$ -
Charges for services	11,146	853	-	42,366
Intergovernmental	-	-	-	4,329
Interest on investments	2,207	368	-	326
Miscellaneous	-	-	-	697
	<u>13,353</u>	<u>1,221</u>	<u>-</u>	<u>47,718</u>
TOTAL REVENUES				
EXPENDITURES:				
Materials and services	-	-	-	-
Capital outlay	2,808	-	-	60,354
	<u>2,808</u>	<u>-</u>	<u>-</u>	<u>60,354</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>10,545</u>	<u>1,221</u>	<u>-</u>	<u>(12,636)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	9,851
Transfers out	-	-	(9,852)	-
	<u>-</u>	<u>-</u>	<u>(9,852)</u>	<u>9,851</u>
TOTAL OTHER FINANCING SOURCES (USES)				
NET CHANGE IN FUND BALANCE	10,545	1,221	(9,852)	(2,785)
FUND BALANCE, beginning of year	<u>475,370</u>	<u>79,400</u>	<u>9,852</u>	<u>69,913</u>
FUND BALANCE, end of year	<u>\$ 485,915</u>	<u>\$ 80,621</u>	<u>\$ -</u>	<u>\$ 67,128</u>

Open Space Acquisition	Facilities Capital	Street Capital	Totals
\$ -	\$ 422,134	\$ -	\$ 422,134
-	-	-	54,365
-	-	86,640	90,969
2,531	616	2,431	8,479
-	-	-	697
<u>2,531</u>	<u>422,750</u>	<u>89,071</u>	<u>576,644</u>
-	-	406,558	406,558
-	49,352	86,087	198,601
-	49,352	492,645	605,159
<u>2,531</u>	<u>373,398</u>	<u>(403,574)</u>	<u>(28,515)</u>
-	-	400,000	409,851
-	(326,316)	-	(336,168)
-	(326,316)	400,000	73,683
2,531	47,082	(3,574)	45,168
<u>550,331</u>	<u>167,598</u>	<u>416,588</u>	<u>1,769,052</u>
<u>\$ 552,862</u>	<u>\$ 214,680</u>	<u>\$ 413,014</u>	<u>\$ 1,814,220</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

TRANSPORTATION DEVELOPMENT FUND

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2012

	Original/Final Budget	Actual	Variance
REVENUES:			
Improvement fee	\$ 18,900	\$ 11,146	\$ (7,754)
Interest on investments	2,300	2,207	(93)
TOTAL REVENUES	21,200	13,353	(7,847)
EXPENDITURES:			
Capital outlay	482,351	2,808	479,543
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE	(461,151)	10,545	471,696
FUND BALANCE, beginning of year	461,151	475,370	14,219
FUND BALANCE, end of year	\$ -	\$ 485,915	\$ 485,915

CITY OF LINCOLN CITY
Lincoln City, Oregon

STORM DRAINAGE DEVELOPMENT FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Original/Final Budget	Actual	Variance
REVENUES:			
Improvement fee	\$ 1,500	\$ 853	\$ (647)
Interest on investments	400	368	(32)
TOTAL REVENUES	1,900	1,221	(679)
EXPENDITURES:			
Capital outlay	81,223	-	81,223
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE	(79,323)	1,221	80,544
FUND BALANCE, beginning of year	79,323	79,400	77
FUND BALANCE, end of year	\$ -	\$ 80,621	\$ 80,621

CITY OF LINCOLN CITY
Lincoln City, Oregon

PARKS DEVELOPMENT FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Interest on investments	\$ 50	\$ -	\$ -	\$ -
Miscellaneous	1,500	-	-	-
TOTAL REVENUES	<u>1,550</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES:				
Capital Outlay	11,755	-	-	-
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(10,205)	-	-	-
OTHER FINANCING USES:				
Transfers out	-	9,852	9,852	-
NET CHANGE IN FUND BALANCE	(10,205)	(9,852)	(9,852)	-
FUND BALANCE, beginning of year	<u>10,205</u>	<u>9,852</u>	<u>9,852</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

PARKS SYSTEM DEVELOPMENT CHARGE IMPROVEMENT FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Improvement fee	\$ 54,180	\$ 54,180	\$ 42,366	\$ (11,814)
Intergovernmental	649,500	649,500	4,329	(645,171)
Interest on investments	500	500	326	(174)
Miscellaneous	-	-	697	697
TOTAL REVENUES	<u>704,180</u>	<u>704,180</u>	<u>47,718</u>	<u>(656,462)</u>
EXPENDITURES:				
Capital outlay	<u>780,550</u>	<u>790,402</u>	<u>60,354</u>	<u>730,048</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(76,370)	(86,222)	(12,636)	73,586
OTHER FINANCING SOURCES:				
Transfers in	-	9,852	9,851	(1)
NET CHANGE IN FUND BALANCE	(76,370)	(76,370)	(2,785)	73,585
FUND BALANCE, beginning of year	<u>76,370</u>	<u>76,370</u>	<u>69,913</u>	<u>(6,457)</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,128</u>	<u>\$ 67,128</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

OPEN SPACE ACQUISITION FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Original/Final Budget	Actual	Variance
REVENUES:			
Interest on investments	\$ 2,500	\$ 2,531	\$ 31
EXPENDITURES:			
Capital outlay	552,932	-	552,932
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE	(550,432)	2,531	552,963
FUND BALANCE, beginning of year	550,432	550,331	(101)
FUND BALANCE, end of year	\$ -	\$ 552,862	\$ 552,862

CITY OF LINCOLN CITY
Lincoln City, Oregon

FACILITIES CAPITAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Transient room tax	\$ -	\$ 448,432	\$ 422,134	\$ (26,298)
Interest on investments	500	500	616	116
TOTAL REVENUES	<u>500</u>	<u>448,932</u>	<u>422,750</u>	<u>(26,182)</u>
EXPENDITURES:				
Capital outlay	<u>177,044</u>	<u>177,044</u>	<u>49,352</u>	<u>127,692</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(176,544)</u>	<u>271,888</u>	<u>373,398</u>	<u>101,510</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	448,432	-	-	-
Transfers out	<u>(326,316)</u>	<u>(326,316)</u>	<u>(326,316)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>122,116</u>	<u>(326,316)</u>	<u>(326,316)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(54,428)	(54,428)	47,082	101,510
FUND BALANCE, beginning of year	<u>54,428</u>	<u>54,428</u>	<u>167,598</u>	<u>113,170</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 214,680</u>	<u>\$ 214,680</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

STREET CAPITAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original/Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
Intergovernmental	\$ 86,639	\$ 86,640	\$ 1
Interest on investments	2,000	2,431	431
TOTAL REVENUES	<u>88,639</u>	<u>89,071</u>	<u>432</u>
EXPENDITURES:			
Materials & services	407,000	406,558	442
Capital outlay	433,592	86,087	347,505
TOTAL EXPENDITURES	<u>840,592</u>	<u>492,645</u>	<u>347,947</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(751,953)	(403,574)	348,379
OTHER FINANCING SOURCES:			
Transfers in	400,000	400,000	-
NET CHANGE IN FUND BALANCE	(351,953)	(3,574)	348,379
FUND BALANCE, beginning of year	351,953	416,588	64,635
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ 413,014</u>	<u>\$ 413,014</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

WATER FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Charges for services	\$ 3,108,706	\$ 3,108,706	\$ 3,167,180	\$ 58,474
Intergovernmental	156,000	156,000	86,713	(69,287)
Interest on investments	500	500	(530)	(1,030)
Miscellaneous	1,000	1,000	(232)	(1,232)
TOTAL REVENUES	3,266,206	3,266,206	3,253,131	(13,075)
EXPENDITURES:				
Personal services	1,052,277	1,082,277	1,090,918	(8,641)
Materials and services	841,407	851,407	732,339	119,068
Capital outlay	51,000	51,000	56,880	(5,880)
Contingency	305,016	265,016	-	265,016
TOTAL EXPENDITURES	2,249,700	2,249,700	1,880,137	369,563
EXCESS OF REVENUES OVER EXPENDITURES	1,016,506	1,016,506	1,372,994	356,488
OTHER FINANCING SOURCES (USES):				
Transfers out	(1,372,681)	(1,372,681)	(1,372,681)	-
Proceeds from sale of equipment	-	-	570	570
TOTAL OTHER FINANCING SOURCES (USES)	(1,372,681)	(1,372,681)	(1,372,111)	570
NET CHANGE IN FUND BALANCE	(356,175)	(356,175)	883	357,058
FUND BALANCE, beginning of year	356,175	356,175	501,656	145,481
FUND BALANCE, end of year	\$ -	\$ -	\$ 502,539	\$ 502,539

CITY OF LINCOLN CITY
Lincoln City, Oregon

WATER CAPITAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
System development charges	\$ 84,735	\$ 57,650	\$ (27,085)
Interest on investments	1,700	807	(893)
TOTAL REVENUES	<u>86,435</u>	<u>58,457</u>	<u>(27,978)</u>
EXPENDITURES:			
Capital outlay	229,375	15,734	213,641
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(142,940)</u>	<u>42,723</u>	<u>185,663</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	50,000	-	(50,000)
Transfers out	<u>(70,000)</u>	<u>(70,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(20,000)</u>	<u>(70,000)</u>	<u>(50,000)</u>
NET CHANGE IN FUND BALANCE	(162,940)	(27,277)	135,663
FUND BALANCE, beginning of year	<u>162,940</u>	<u>222,374</u>	<u>59,434</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ 195,097</u>	<u>\$ 195,097</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

2006 WATER REFUNDING BOND FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Original/Final Budget	Actual	Variance
REVENUES:			
Interest on investments	\$ 200	\$ 195	\$ (5)
EXPENDITURES:			
Debt service	307,216	290,998	16,218
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(307,016)	(290,803)	16,213
OTHER FINANCING SOURCES:			
Transfers in	294,000	294,000	-
NET CHANGE IN FUND BALANCE	(13,016)	3,197	16,213
FUND BALANCE, beginning of year	13,016	17,082	4,066
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ 20,279</u>	<u>\$ 20,279</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

2007 WATER REFUNDING BOND FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
Interest on investments	<u>\$ 200</u>	<u>\$ 173</u>	<u>\$ (27)</u>
EXPENDITURES:			
Debt service	<u>439,730</u>	<u>434,897</u>	<u>4,833</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(439,530)</u>	<u>(434,724)</u>	<u>4,806</u>
OTHER FINANCING SOURCES:			
Transfers in	<u>435,000</u>	<u>435,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(4,530)</u>	<u>276</u>	<u>4,806</u>
FUND BALANCE, beginning of year	<u>4,530</u>	<u>12,990</u>	<u>8,460</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ 13,266</u>	<u>\$ 13,266</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

SEWER FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Charges for services	\$ 2,802,139	\$ 2,802,139	\$ 2,755,752	\$ (46,387)
Interest on investments	2,000	2,000	782	(1,218)
Miscellaneous	85,155	85,155	84,328	(827)
TOTAL REVENUES	<u>2,889,294</u>	<u>2,889,294</u>	<u>2,840,862</u>	<u>(48,432)</u>
EXPENDITURES:				
Personal services	1,076,439	1,076,439	1,045,605	30,834
Materials and services	1,068,867	1,137,867	1,045,029	92,838
Capital outlay	62,000	62,000	34,896	27,104
Contingency	412,219	343,219	-	343,219
TOTAL EXPENDITURES	<u>2,619,525</u>	<u>2,619,525</u>	<u>2,125,530</u>	<u>493,995</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>269,769</u>	<u>269,769</u>	<u>715,332</u>	<u>445,563</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(759,428)	(759,428)	(756,743)	2,685
Proceeds from sale of equipment	-	-	987	987
TOTAL OTHER FINANCING SOURCES (USES)	<u>(759,428)</u>	<u>(759,428)</u>	<u>(755,756)</u>	<u>3,672</u>
NET CHANGE IN FUND BALANCE	(489,659)	(489,659)	(40,424)	449,235
FUND BALANCE, beginning of year	489,659	489,659	535,682	46,023
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 495,258</u>	<u>\$ 495,258</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

SEWER CAPITAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
System development charges	\$ 169,050	\$ 125,805	\$ (43,245)
Interest on investments	11,000	17,557	6,557
TOTAL REVENUES	<u>180,050</u>	<u>143,362</u>	<u>(36,688)</u>
EXPENDITURES:			
Capital outlay	1,974,505	728,441	1,246,064
Debt service	1,223,266	-	1,223,266
TOTAL EXPENDITURES	<u>3,197,771</u>	<u>728,441</u>	<u>2,469,330</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(3,017,721)</u>	<u>(585,079)</u>	<u>2,432,642</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	400,000	400,000	-
Transfers out	<u>(1,300,000)</u>	<u>(300,000)</u>	<u>1,000,000</u>
TOTAL OTHER FINANCING SOURCE	<u>(900,000)</u>	<u>100,000</u>	<u>1,000,000</u>
NET CHANGE IN FUND BALANCE	<u>(3,917,721)</u>	<u>(485,079)</u>	<u>3,432,642</u>
FUND BALANCE, beginning of year	<u>3,917,721</u>	<u>4,058,499</u>	<u>140,778</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ 3,573,420</u>	<u>\$ 3,573,420</u>

CITY OF LINCOLN CITY

Lincoln City, Oregon

2005 SEWER BOND FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
Property taxes	\$ 1,006,000	\$ 1,024,473	\$ 18,473
Interest on investments	3,000	3,321	321
TOTAL REVENUES	<u>1,009,000</u>	<u>1,027,794</u>	<u>18,794</u>
EXPENDITURES:			
Debt service	<u>1,782,958</u>	<u>1,613,565</u>	<u>169,393</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES AND NET CHANGE IN FUND BALANCE	<u>(773,958)</u>	<u>(585,771)</u>	<u>188,187</u>
OTHER FINANCING SOURCES:			
Transfers in	<u>500,000</u>	<u>500,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(273,958)</u>	<u>(85,771)</u>	<u>188,187</u>
FUND BALANCE, beginning of year	<u>273,958</u>	<u>375,879</u>	<u>101,921</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ 290,108</u>	<u>\$ 290,108</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

2005 SEWER CONSTRUCTION FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Original/Final Budget	Actual	Variance
REVENUES:			
Interest on investments	\$ 25,000	\$ 18,787	\$ (6,213)
EXPENDITURES:			
Capital outlay	8,081,257	5,781,002	2,300,255
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(8,056,257)	(5,762,215)	2,294,042
OTHER FINANCING SOURCES:			
Transfers in	1,000,000	-	(1,000,000)
NET CHANGE IN FUND BALANCE	(7,056,257)	(5,762,215)	1,294,042
FUND BALANCE, beginning of year	7,056,257	6,893,626	(162,631)
FUND BALANCE, end of year	\$ -	\$ 1,131,411	\$ 1,131,411

CITY OF LINCOLN CITY

Lincoln City, Oregon

**RECONCILIATION OF REVENUES AND
EXPENDITURES TO CHANGES IN FUND NET ASSETS - WATER FUND**

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Revenues</u>	<u>Expenditures</u>	<u>Revenues Over (Under) Expenditures</u>
BUDGETARY BASIS REVENUES AND EXPENDITURES:			
Water Fund	\$ 3,253,131	\$ 1,880,137	\$ 1,372,994
Water Capital Fund	58,457	15,734	42,723
2006 Water Refunding Bond Fund	195	290,998	(290,803)
2007 Water Refunding Bond Fund	173	434,897	(434,724)
TOTAL	<u>\$ 3,311,956</u>	<u>\$ 2,621,766</u>	690,190
 ADD (DEDUCT) ITEMS TO RECONCILE TO AN ENTERPRISE FUND REPORTING BASIS:			
Depreciation			(1,069,560)
Capital asset additions			72,614
Loss on sale of assets			(13,913)
Change in accrued interest payable			137
Interest expense reported as transfers on budget basis			(33,788)
Change in accrued compensated absences			(11,296)
Change in other postemployment benefit obligation			(8,366)
Principal payments			583,332
Support services			(185,291)
Transfers out			(18,389)
Transfer of capital assets to Sewer Fund			(13,517)
 CHANGES IN FUND NET ASSETS - GAAP			<u>\$ (7,847)</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

**RECONCILIATION OF REVENUES AND
EXPENDITURES TO CHANGES IN FUND NET ASSETS - SEWER FUND**

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Revenues</u>	<u>Expenditures</u>	<u>Revenues Over (Under) Expenditures</u>
BUDGETARY BASIS REVENUES AND EXPENDITURES:			
Sewer Fund	\$ 2,840,862	\$ 2,125,530	\$ 715,332
Sewer Capital Fund	143,362	728,441	(585,079)
2005 Sewer Bond Fund	1,027,794	1,613,565	(585,771)
2005 Sewer Construction Fund	<u>18,787</u>	<u>5,781,002</u>	<u>(5,762,215)</u>
TOTAL	<u>\$ 4,030,805</u>	<u>\$ 10,248,538</u>	(6,217,733)
 ADD (DEDUCT) ITEMS TO RECONCILE TO AN ENTERPRISE FUND REPORTING BASIS:			
Depreciation			(1,267,078)
Capital asset additions			6,544,339
Gain on sale of assets			987
Change in accrued interest payable			2,607
Change in accrued compensated absences			281
Change in other postemployment benefit obligation			(7,256)
Principal payments			773,273
Support services			(136,038)
Transfers of capital assets from Water Fund			13,517
Transfers out			<u>(20,705)</u>
 CHANGES IN FUND NET ASSETS - GAAP			<u>\$ (313,806)</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

INTERNAL SERVICE FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2012

	Original/Final Budget	Actual	Variance
REVENUES:			
Charges for services	\$ 797,863	\$ 771,218	\$ (26,645)
EXPENDITURES:			
Vehicle maintenance	245,111	227,515	17,596
Information tech	447,730	412,673	35,057
Geographical info systems	105,022	95,981	9,041
TOTAL EXPENDITURES	797,863	736,169	61,694
EXCESS OF REVENUES OVER EXPENDITURES	-	35,049	35,049
OTHER FINANCING SOURCES:			
Gain from sale of equipment	-	317	317
NET CHANGE IN FUND BALANCE	-	35,366	35,366
FUND BALANCE, beginning of year	-	-	-
FUND BALANCE, end of year	\$ -	\$ 35,366	\$ 35,366
Fund balance - budgetary basis		\$ 35,366	
Depreciation		(682)	
Capital assets purchased		34,522	
Capital assets transferred		34,932	
Fund balance - GAAP basis		<u>\$ 104,138</u>	

CITY OF LINCOLN CITY
Lincoln City, Oregon

COMBINING BALANCE SHEET

GENERAL FUND

JUNE 30, 2012

	<u>General</u>	<u>Agate Beach Closure</u>	<u>Unbonded Assessments</u>	<u>Public Safety Dispatch</u>	<u>Totals</u>
ASSETS:					
Cash and investments	\$ 3,692,153	\$ 776,383	\$ 83,377	\$ 36,789	\$ 4,588,702
Cash with County Treasurer	43,999	-	-	-	43,999
Receivables	886,370	-	-	9,775	896,145
TOTAL ASSETS	<u>\$ 4,622,522</u>	<u>\$ 776,383</u>	<u>\$ 83,377</u>	<u>\$ 46,564</u>	<u>\$ 5,528,846</u>
LIABILITIES:					
Accounts payable	\$ 146,753	\$ -	\$ 388	\$ 2,246	\$ 149,387
Other accrued liabilities	452,257	-	-	-	452,257
Deferred revenue	553,832	-	1,604	-	555,536
TOTAL LIABILITIES	<u>1,152,942</u>	<u>-</u>	<u>1,992</u>	<u>2,246</u>	<u>1,157,180</u>
FUND BALANCES:					
Restricted for:					
Post-closure landfill costs	-	776,383	-	-	776,383
Committed to:					
Capital projects	-	-	81,385	-	81,385
Assigned to:					
Public safety	-	-	-	44,318	44,318
Unassigned	3,469,580	-	-	-	3,469,580
TOTAL FUND BALANCES	<u>3,469,580</u>	<u>776,383</u>	<u>81,385</u>	<u>44,318</u>	<u>4,371,666</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 4,622,522</u>	<u>\$ 776,383</u>	<u>\$ 83,377</u>	<u>\$ 46,564</u>	<u>\$ 5,528,846</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

COMBINING SCHEDULE OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2012

	<u>General</u>	<u>Public Safety Police</u>	<u>D.A.R.E Program</u>	<u>Agate Beach Closure</u>	<u>Unbonded Assessments</u>	<u>Public Safety Dispatch</u>	<u>Totals</u>
REVENUES:							
Property taxes	\$ 4,062,447	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,062,447
Franchise fees	920,967	-	-	-	-	-	920,967
Transient room tax	992,744	-	-	-	-	-	992,744
Fees, licenses and permits	499,820	-	-	-	-	-	499,820
Fines and forfeitures	188,035	-	-	-	-	-	188,035
Charges for services	425,804	-	-	-	-	19,096	444,900
Intergovernmental	439,376	-	-	-	-	38,854	478,230
Interest on investments	19,301	-	-	-	404	292	19,997
Miscellaneous	899,870	-	-	-	-	-	899,870
TOTAL REVENUES	<u>8,448,364</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>404</u>	<u>58,242</u>	<u>8,507,010</u>
EXPENDITURES:							
Current							
General government	2,501,222	-	-	12,864	13,779	-	2,527,865
Public safety	3,244,118	-	-	-	-	747,608	3,991,726
Culture and recreation	1,761,377	-	-	-	-	-	1,761,377
Capital outlay	104,398	-	-	-	-	17,690	122,088
TOTAL EXPENDITURES	<u>7,611,115</u>	<u>-</u>	<u>-</u>	<u>12,864</u>	<u>13,779</u>	<u>765,298</u>	<u>8,403,056</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>837,249</u>	<u>-</u>	<u>-</u>	<u>(12,864)</u>	<u>(13,375)</u>	<u>(707,056)</u>	<u>103,954</u>
OTHER FINANCING SOURCES (USES):							
Proceeds from sale of capital assets	4,914	-	-	-	-	-	4,914
Transfers in	538,119	-	-	-	71,316	672,152	1,281,587
Transfers out	(722,152)	(531,122)	(6,997)	-	-	-	(1,260,271)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(179,119)</u>	<u>(531,122)</u>	<u>(6,997)</u>	<u>-</u>	<u>71,316</u>	<u>672,152</u>	<u>26,230</u>
NET CHANGE IN FUND BALANCE	658,130	(531,122)	(6,997)	(12,864)	57,941	(34,904)	130,184
FUND BALANCE, beginning of year	2,811,450	531,122	6,997	789,247	23,444	79,222	4,241,482
FUND BALANCE, end of year	<u>\$ 3,469,580</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 776,383</u>	<u>\$ 81,385</u>	<u>\$ 44,318</u>	<u>\$ 4,371,666</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

PUBLIC SAFETY - POLICE FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Charges for services	\$ 6,800	\$ -	\$ -	\$ -
Intergovernmental	10,000	-	-	-
Interest on investments	2,000	-	-	-
Miscellaneous	400	-	-	-
TOTAL REVENUES	19,200	-	-	-
EXPENDITURES:				
Personal services	3,151,155	-	-	-
Materials and services	570,307	-	-	-
Capital outlay	73,000	-	-	-
Contingencies	243,523	-	-	-
TOTAL EXPENDITURES	4,037,985	-	-	-
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(4,018,785)	-	-	-
OTHER FINANCING SOURCES (USES):				
Transfers in	3,645,639	-	-	-
Transfers out	-	(531,122)	(531,122)	-
Proceeds from sale of capital assets	6,000	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	3,651,639	(531,122)	(531,122)	-
NET CHANGE IN FUND BALANCE	(367,146)	(531,122)	(531,122)	-
FUND BALANCE, beginning of year	367,146	531,122	531,122	-
FUND BALANCE, end of year	\$ -	\$ -	\$ -	\$ -

CITY OF LINCOLN CITY
Lincoln City, Oregon

D.A.R.E. PROGRAM FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Interest on investments	\$ 25	\$ -	\$ -	\$ -
EXPENDITURES:				
Materials and services	5,150	-	-	-
Contingency	1,758	-	-	-
TOTAL EXPENDITURES	6,908	-	-	-
DEFICIENCY OF REVENUES UNDER EXPENDITURES AND NET CHANGE IN FUND BALANCE	(6,883)	-	-	-
OTHER FINANCING USES:				
Transfers out	-	6,997	6,997	-
NET CHANGE IN FUND BALANCE	(6,883)	(6,997)	(6,997)	-
FUND BALANCE, beginning of year	6,883	6,997	6,997	-
FUND BALANCE, end of year	\$ -	\$ -	\$ -	\$ -

CITY OF LINCOLN CITY
Lincoln City, Oregon

AGATE BEACH CLOSURE FUND

SCHEDULE OF EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES:			
Materials and services	\$ 40,000	\$ 12,864	\$ 27,136
Contingency	10,000	-	10,000
TOTAL EXPENDITURES	<u>50,000</u>	<u>12,864</u>	<u>37,136</u>
NET CHANGE IN FUND BALANCE	(50,000)	(12,864)	37,136
FUND BALANCE, beginning of year	<u>794,674</u>	<u>789,247</u>	<u>(5,427)</u>
FUND BALANCE, end of year	<u>\$ 744,674</u>	<u>\$ 776,383</u>	<u>\$ 31,709</u>

CITY OF LINCOLN CITY

Lincoln City, Oregon

UNBONDED ASSESSMENTS FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
Intergovernmental	\$ 150,370	\$ -	\$ (150,370)
Interest	2,000	404	(1,596)
TOTAL REVENUES	<u>152,370</u>	<u>404</u>	<u>(151,966)</u>
EXPENDITURES:			
Materials and services	150,370	13,779	136,591
Capital outlay	30,041	-	30,041
TOTAL EXPENDITURES	<u>180,411</u>	<u>13,779</u>	<u>166,632</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(28,041)</u>	<u>(13,375)</u>	<u>14,666</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	71,316	71,316	-
Transfers out	(50,000)	-	50,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>21,316</u>	<u>71,316</u>	<u>50,000</u>
NET CHANGE IN FUND BALANCE	<u>(6,725)</u>	<u>57,941</u>	<u>64,666</u>
FUND BALANCE, beginning of year	<u>6,725</u>	<u>23,444</u>	<u>16,719</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ 81,385</u>	<u>\$ 81,385</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

PUBLIC SAFETY DISPATCH FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Charges for services	\$ 22,810	\$ 22,810	\$ 19,096	\$ (3,714)
Intergovernmental	39,218	39,218	38,854	(364)
Interest on investments	60	60	292	232
TOTAL REVENUES	62,088	62,088	58,242	(3,846)
EXPENDITURES:				
Personal services	679,256	679,256	666,868	12,388
Materials and services	93,671	92,749	80,740	12,009
Capital outlay	-	18,000	17,690	310
Contingency	17,078	-	-	-
TOTAL EXPENDITURES	790,005	790,005	765,298	24,707
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(727,917)	(727,917)	(707,056)	20,861
OTHER FINANCING SOURCES:				
Transfers in	672,152	672,152	672,152	-
NET CHANGE IN FUND BALANCE	(55,765)	(55,765)	(34,904)	20,861
FUND BALANCE, beginning of year	55,765	55,765	79,222	23,457
FUND BALANCE, end of year	\$ -	\$ -	\$ 44,318	\$ 44,318

CITY OF LINCOLN CITY
Lincoln City, Oregon

AGENCY FUNDS

COMBINING STATEMENT OF ASSETS AND LIABILITIES

JUNE 30, 2012

	<u>Recreation Scholarship</u>	<u>Miscellaneous Trust</u>	<u>Roads End Sanitary District</u>	<u>Recreation Trust</u>	<u>Total</u>
ASSETS:					
Cash and investments	\$ 1,737	\$ 1,473	\$ 10,957	\$ 1,007	\$ 15,174
Receivables	-	-	4,492	-	4,492
TOTAL ASSETS	<u>\$ 1,737</u>	<u>\$ 1,473</u>	<u>\$ 15,449</u>	<u>\$ 1,007</u>	<u>\$ 19,666</u>
LIABILITIES:					
Accounts payable	-	\$ 213	\$ 8,322	-	\$ 8,535
Funds held in trust	1,737	1,260	7,127	1,007	11,131
TOTAL LIABILITIES	<u>\$ 1,737</u>	<u>\$ 1,473</u>	<u>\$ 15,449</u>	<u>\$ 1,007</u>	<u>\$ 19,666</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

AGENCY FUNDS

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Balances</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>June 30, 2012</u>
RECREATION SCHOLARSHIP:				
Assets				
Cash and investments	\$ 805	\$ 932	\$ -	\$ 1,737
Liabilities				
Funds held in trust	\$ 805	\$ 932	\$ -	\$ 1,737
MISCELLANEOUS TRUST:				
Assets				
Cash and investments	\$ 2,473	\$ -	\$ 1,000	\$ 1,473
Liabilities				
Accounts payable	\$ 122	\$ 91	\$ -	\$ 213
Funds held in trust	2,351	-	1,091	1,260
Total liabilities	\$ 2,473	\$ 91	\$ 1,091	\$ 1,473
ROADS END SANITARY DISTRICT:				
Assets				
Cash and investments	\$ 14,542	\$ -	\$ 3,585	\$ 10,957
Receivables	4,279	213	-	4,492
Total assets	\$ 18,821	\$ 213	\$ 3,585	\$ 15,449
Liabilities				
Accounts payable	\$ 13,000	\$ -	\$ 4,678	\$ 8,322
Funds held in trust	5,821	1,306	-	7,127
Total liabilities	\$ 18,821	\$ 1,306	\$ 4,678	\$ 15,449
RECREATION TRUST:				
Assets				
Cash and investments	\$ 683	\$ 324	\$ -	\$ 1,007
Liabilities				
Funds held in trust	\$ 683	\$ 324	\$ -	\$ 1,007

ADDITIONAL SCHEDULES

ANNUAL DISCLOSURE INFORMATION

\$3,000,000

City of Lincoln City
General Obligation Bonds
Series 1999

\$15,000,000

City of Lincoln City
General Obligation Bonds
Series 2005

In conformance with SEC Rule 15c2-12, as amended (17 CFR Part 240, ~240.15c212), the City is providing annually the information presented in this section to all NRMSIRs and SIDs, if any.

BASIS OF ACCOUNTING

The City's governmental fund types are maintained on the modified accrual basis of accounting. The enterprise fund types are accounted for using the accrual basis of accounting. The City's accounting practices conform to generally accepted accounting principles.

FISCAL YEAR: July 1 to June 30

BASIS OF ACCOUNTING

The Oregon Municipal Audit Law (ORS 297.405 – 297.555) requires an audit and examination to be made of the accounts and financial affairs of every municipal corporation at least once a year. Unless the municipality elects to have the audit performed by the State Division of Audits, the audit shall be made by accountants whose names are included on the roster prepared by the State Board of Accountancy.

The City's audits for fiscal years 1995-96 to 2008-09 were performed by Boldt, Carlisle & Smith, LLC, Salem, Oregon. The City's audits for 2009-10 to 2011-12 were performed by Talbot, Korvola & Warwick, Portland, Oregon. The auditors did not review the statistical tables and offer no opinion regarding the statistical tables.

LONG-TERM BORROWING

Table 11 - City of Lincoln City - Outstanding General Obligation Bonds (as of June 30, 2012)

General Obligation Bond <i>Supported in Whole or in Part by Taxes</i>	Dated Date	Maturity Date	Principal Issued As of 6/30/12	Outstanding As of 6/30/12
Series 2005 Sewer	4/12/2005	6/1/2030	15,000,000	12,465,000
Series 1999 Open Space	7/1/1999	6/1/2014	3,000,000	350,000
Series 2011 Sewer	3/17/2011	3/1/2026	7,000,000	6,554,230
Total			25,000,000	19,369,230
Net Direct Debt				19,369,230
<i>Self Supporting</i>				
Series 2007 Water Bonds	6/28/2007	12/1/2018	4,000,000	2,463,371
Total				
Total general obligation bonds			29,000,000	21,832,601
Gross Direct Debt				<u>\$ 21,832,601</u>

The Series 1993 Lincoln Square Bonds were refunded 4/2003.

The Series 2003 Lincoln Square Bonds were repaid 10/2008

Source: City of Lincoln City

SHORT-TERM BORROWING

None.

FUTURE DEBT PLANS

Long-Term

None.

Table 15 - 2011-12 Representative Consolidated Tax Rates for Code Area 402 (1)

District	Tax Rate for Operations(2)	Tax Rate for Bonds	Total
Schools			
Lincoln County Unified School District No.	\$ 4.0856	\$ 0.6221	\$ 4.7077
Linn-Benton-Lincoln ESD	0.2538	-	0.2538
Oregon Coast Community College	0.1463	0.2585	0.4048
Total Schools	4.4857	.8806	5.3663
Local Government			
Lincoln County	2.4571		2.4571
Lincoln County Extension	0.0376	-	0.0376
Lincoln County Transportation	0.0811	-	0.0811
City of Lincoln City	3.4118	1.1015	4.5133
Lincoln City Urban Renewal Agency	2.5163	-	2.5163
North Lincoln Fire and Rescue	0.5645	0.3033	0.8678
Devils Lake Water District	0.1006	-	0.1006
North Lincoln Hospital District	0.4315	-	0.4315
Total Local Government	9.6005	1.4048	11.0053
Totals	\$ 14.0862	\$ 2.2854	\$ 16.3716

(1) The total Assessed Value to compute tax rate of tax code area 402 is \$698,220,180 which is equal to approximately 57 percent of the City's total Taxable Assessed Value without adjustments.

(2) The Tax Rates for Operations are the combined Measure 50 permanent tax rates and local option levies (if any) which are then applied to the Assessed Value net of urban renewal valuation to obtain the amount of taxes to be collected. These are not the Measure 5 tax rates which determine if there is "compression" and which are calculated using Real Market Value; Measure 5 tax rates cannot exceed \$5 for schools and \$10 for local governments.

Source: Lincoln County Assessor's Office

Table 16 - City of Lincoln City - Historical Property Values

Fiscal Year	Assessed Value (1,2)	Percent Change	Total Levy (3)	Total Real Market Value	Percent Change
1999-00	\$595,361,463	5.30	\$3,430,413	\$905,223,504	5.88
2000-01	619,475,221	4.05	3,530,185	928,439,148	2.56
2001-02	638,947,588	3.14	3,529,705	938,953,191	1.13
2002-03	661,582,167	3.54	3,012,187	943,616,369	0.50
2003-04	712,457,843	7.69	3,220,807	1,001,857,980	6.17
2004-05	738,016,108	3.59	3,325,570	1,067,743,042	6.58
2005-06	763,874,965	3.50	4,032,389	1,206,108,750	12.96
2006-07	800,823,341	4.84	4,183,043	1,682,610,403	39.51
2007-08	857,181,131	7.04	4,475,295	2,050,417,570	21.86
2008-09	908,968,555	6.04	4,726,304	2,217,401,456	8.14
2009-10	959,653,655	5.58	4,984,515	2,091,318,252	-5.69
2010-11	996,712,565	3.86	5,186,115	1,877,069,647	-10.24
2011-12	1,019,912,885	2.33	5,532,944	1,738,085,538	-7.40

(1) Includes Lincoln City values with all adjustments to the tax rolls. Does not include urban renewal values.

(2) The Taxable Assessed Value for 1997-98 and thereafter is not comparable to prior years because in previous years properties were assessed at Real Market Value. From 1997-98 on, the Taxable Assessed Value is not the real market value but a generally lower Assessed Value for tax purposes. Currently Taxable Assessed Value is limited to a 3% maximum increase plus new growth before tax rates are applied because of Measure 50.

(3) The levy used in this table has been adjusted by certain offsets before calculation of the tax rate.

(4) Real market value includes urban renewal values.

Sources: Lincoln County Department of Assessment and Taxation and City of Lincoln City.

Table 17 - City of Lincoln City - Tax Collection Record

Fiscal Year	Lincoln City Assessed Value (1,2)	Percent Change	Total Levy (3)	Tax Rate Per \$1000(4)	Percent Collected Year of Levy	Percent Collected as of 6/30/2012
1999-00	\$ 595,361,463	5.30	\$ 3,430,413	\$ 4.0991	91.33	99.99
2000-01	619,475,221	4.05	3,530,185	4.0996	91.34	99.99
2001-02	638,947,588	3.14	3,529,705	4.0996	91.32	99.98
2002-03	661,582,167	3.54	3,012,187	4.0996	91.61	99.97
2003-04	712,457,843	7.69	3,220,807	4.0996	91.78	98.98
2004-05	738,016,108	3.59	3,325,570	4.0996	93.73	99.98
2005-06	763,874,965	3.50	4,032,389	4.0996	94.06	99.98
2006-07	800,823,341	4.84	4,183,043	4.0996	94.46	99.95
2007-08	857,181,131	7.04	4,475,295	4.0996	94.45	99.92
2008-09	908,968,555	6.04	4,726,304	4.0996	93.00	99.41
2009-10	959,653,655	5.58	4,984,515	4.0996	91.66	98.36
2010-11	996,712,565	3.86	5,186,115	4.0996	92.10	97.20
2011-12	1,019,912,885	2.33	5,532,944	4.0996	92.00	94.87

(1) Includes Lincoln City values with all adjustments to the tax rolls. Does not include urban renewal values.

(2) The Taxable Assessed Value for 1997-98 and thereafter is not comparable to prior years because in previous years properties were assessed at Real Market Value. From 1997-98 on, the Taxable Assessed Value is not the real market value but a generally lower Assessed Value for tax purposes. Currently Taxable Assessed Value is limited to a 3% maximum increase plus new growth before tax rates are applied because of Measure 50.

(3) The levy used in this table has been adjusted by certain offsets before calculation of the tax rate.

(4) Tax rate is for operations only and does not include bonds or adjustments for the urban renewal values.

Sources: Lincoln County Department of Assessment and Taxation and City of Lincoln City.

Table 18 - City of Lincoln City - Total Taxable Assessed Value

Fiscal Year	Taxable Assessed Value without Adjustments	Adjustments (1)	Taxable Assessed Value with Adjustments(2)	Percent Change
1999-00	\$ 708,077,818	\$ 112,716,355	\$595,361,463	5.30
2000-01	745,516,106	126,040,885	619,475,221	4.05
2001-02	769,009,560	130,061,972	638,947,588	3.14
2002-03	797,739,809	136,157,642	661,582,167	3.54
2003-04	855,730,360	143,272,517	712,457,843	7.69
2004-05	885,860,792	147,844,684	738,016,108	3.59
2005-06	916,413,070	152,538,105	763,874,965	3.50
2006-07	964,318,686	163,495,345	800,823,341	4.84
2007-08	1,030,249,106	173,067,975	857,181,131	7.04
2008-09	1,093,993,410	185,024,855	908,968,555	6.04
2009-10	1,152,078,610	192,424,955	959,653,655	5.58
2010-11	1,197,246,890	200,534,325	996,712,565	3.86
2011-12	1,225,532,150	205,619,265	1,019,912,885	2.33

(1) Adjustments include Urban Renewal Values for the City.

(2) This value is used to calculate tax rates.

Sources: Lincoln County Department of Assessment and Taxation and City of Lincoln City.

CITY OF LINCOLN CITY
SDC FUNDS IN ACCORDANCE WITH
ORS 223.311
YEAR ENDED JUNE 30, 2012

	TRANSPORTATION DEVELOPMENT <u>FUND</u>	STORM DRAINAGE DEVELOPMENT <u>FUND</u>	PARKS IMPROVEMENT <u>FUND</u>
REVENUES:			
SYSTEM DEVELOPMENT			
CHARGE - IMPROVEMENT	\$ 11,146	\$ 853	\$ 42,366
MOTOR VEHICLE GAS TAX	\$ -		\$ 4,329
STATE PARKS GRANT			\$ -
REIMBURSEMENT-DEVELOPER			\$ -
INTEREST	\$ 1,133	\$ 368	\$ 324
	<hr/>	<hr/>	<hr/>
TOTAL REVENUE	\$ 12,279	\$ 1,221	\$ 47,019
EXPENDITURES:			
MASTER PLANS	\$ 2,808	\$ -	\$ -
HEAD TO BAY TRAIL			\$ 50,354
PARK IMPROVEMENTS			\$ -
	\$ -	\$ -	\$ -
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	\$ 2,808	\$ -	\$ 50,354
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 9,471	\$ 1,221	\$ (3,335)
BEGINNING FUND BALANCE	\$ 241,927	\$ 79,401	\$ 69,912
	<hr/>	<hr/>	<hr/>
ENDING FUND BALANCE	\$ 251,398	\$ 80,622	\$ 66,577

CITY OF LINCOLN CITY
 WATER SDC FUNDS
 YEAR ENDED JUNE 30, 2012

	WATER REPLACEMENT <u>FUND</u>	WATER SDC REIMBURSEMENT <u>FUND</u>	WATER SDC IMPROVEMENT <u>FUND</u>
REVENUES:			
SYSTEM DEVELOPMENT CHARGE	\$ -	\$ 17,126	\$ 40,524
TRF WATER OPERATING FUND	\$ -		
INTERFUND LOAN		\$ -	
INTEREST	<u>\$ 594</u>	<u>\$ 63</u>	<u>\$ 151</u>
 TOTAL REVENUE	 \$ 594	 \$ 17,189	 \$ 40,675
EXPENDITURES:			
WATER SYSTEM TELEMTRY	\$ 15,734	\$ -	\$ -
DEBT SERVICE 2006 WATER BONDS	\$ -		\$ 70,000
PORT DRIVE WATER LINE	\$ -	\$ -	
DRIFT CREEK RD WATER LINE REPLACE	\$ -	\$ -	
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 TOTAL EXPENDITURES	 \$ 15,734	 \$ -	 \$ 70,000
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 \$ (15,140)	 \$ 17,189	 \$ (29,325)
BEGINNING FUND BALANCE	<u>\$ 139,250</u>	<u>\$ 3,825</u>	<u>\$ 79,300</u>
 ENDING FUND BALANCE	 \$ 124,110	 \$ 21,014	 \$ 49,975

CITY OF LINCOLN CITY
 SEWER SDC FUNDS
 YEAR ENDED JUNE 30, 2012

	SEWER REPLACEMENT <u>FUND</u>	SEWER SDC REIMBURSEMENT <u>FUND</u>	SEWER SDC IMPROVEMENT <u>FUND</u>
REVENUES:			
SYSTEM DEVELOPMENT CHARGE	\$ -	\$ 16,504	\$ 109,302
TRANSFER FROM SEWER OPERATING FUND	\$ 400,000		
INTEREST	<u>\$ 4,577</u>	<u>\$ 2,593</u>	<u>\$ 10,387</u>
 TOTAL REVENUE	 \$ 404,577	 \$ 19,097	 \$ 119,689
EXPENDITURES:			
BUILDING - SEWER SHOP	\$ 528,242		\$ -
SEWER SYSTEM TELEMTRY	\$ 67,785		
PUMP STATION UPGRADES-CANYON DR	\$ 98,212	\$ -	
DEBT SERVICE - SEWER BONDS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300,000</u>
 TOTAL EXPENDITURES	 \$ 694,239	 \$ -	 \$ 300,000
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 \$ (289,662)	 \$ 19,097	 \$ (180,311)
 BEGINNING FUND BALANCE	 <u>\$ 1,143,176</u>	 <u>\$ 553,762</u>	 <u>\$ 2,361,561</u>
 ENDING FUND BALANCE	 \$ 853,514	 \$ 572,859	 \$ 2,181,250

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



Talbot, Korvola
& Warwick, LLP

Chartered Certified Public Accountants
and Licensed CPAs

4800 Meadows Road, Suite 200
Lake Oswego, Oregon 97035-4293

P 503.274.2849
F 503.274.2853

www.tkw.com

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

December 6, 2012

Honorable Mayor and Members of City Council
City of Lincoln City
Lincoln City, 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 Lincoln City, Oregon (the City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 6, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

COMPLIANCE

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

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

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

**INDEPENDENT AUDITOR'S REPORT REQUIRED
BY OREGON STATE REGULATIONS (Continued)**

COMPLIANCE (Continued)

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

The following over-expenditures of budget appropriation were noted:

Fund	Category/Dept	Amount
Lincoln Square Operations Fund	Personal Services	985
Public Education and Government Access Fund	Materials and Services	691
Water Fund	Personal Services	8,641
Street Fund	Materials and Services	7,876

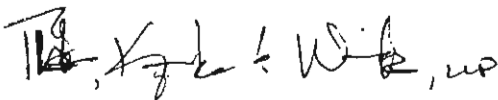
OAR 162-10-230 INTERNAL CONTROL

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

In a separate report dated December 6, 2012, we have issued a Letter of Recommendations based on an audit of the basic financial statements.

* * * * *

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.



Certified Public Accountants

Appendix B
FORM OF BOND DECLARATION

BOND DECLARATION

City of Lincoln City, Oregon

**\$ _____
General Obligation Refunding Bonds, Series 2013**

Executed on behalf of City of Lincoln City

as of _____, 2013

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<i>Exhibit A</i>	<i>Bond Form</i>	

BOND DECLARATION

THIS BOND DECLARATION is executed as of _____, 2013, on behalf of the City of Lincoln City, Oregon (the "City") by its City Recorder, acting as the "City Official" pursuant to City Resolution No. 2012-23 that was adopted by the City Council on October 22, 2012, as defined below. The Resolution authorizes the City Official to execute a bond declaration which contains the terms of the Bonds, and the covenants of the City relating to those Bonds.

Section 1. Definitions.

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

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

"Bond Declaration" means this Bond Declaration, including any amendments made in accordance with Section 8 of this Bond Declaration.

"Bonds" means the general obligation refunding bonds issued by the City that are described in Section 2 of this Bond Declaration and that are authorized by the Resolution.

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

"Code" means the Internal Revenue Code of 1986, as amended.

"City Official" means the City Manager, the Financial Planner, the Finance Director, or the person designated by the City Manager authorized to act on behalf of the City pursuant to the Resolution.

"DTC" means The Depository Trust Company, New York, New York ("DTC"), acting as securities depository for the Bonds.

"Event of Default" refers to an Event of Default listed in Section 9(1) of this Bond Declaration.

"Government Obligations" means direct noncallable obligations of the United States, or obligations the principal of and interest on which are fully and unconditionally guaranteed by the United States.

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

“Owner” means the person shown on the Bond register maintained by the Paying Agent as the registered owner of a Bond.

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

“Resolution” means City Resolution No. 2012-23 which was adopted by the City Council on October 22, 2012, and which authorizes the execution of this Bond Declaration and the issuance and sale of the Bonds.

Section 2. Bonds Authorized.

- (1) Pursuant to the authority granted by Oregon Revised Statutes Sections 287A.360 through 287A.375 and the Resolution, the City hereby authorizes the issuance, sale and delivery of its General Obligation Refunding Bonds, Series 2013, in accordance with this Bond Declaration and in a principal amount of \$_____. The Bonds shall be dated _____, 2013, shall bear interest which is payable on June 1 and December 1 of each year commencing June 1, 2013, and shall mature as follows:

<u>Due</u> <u>June 1</u>	<u>Principal</u> <u>Amount (\$)</u>	<u>Interest</u> <u>Rate (%)</u>	<u>CUSIP No.</u> <u>(Base _____)</u>
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[* Term bond subject to mandatory redemption, see below.]

- (2) Bond proceeds shall be used to refund a portion of the callable maturities of the City’s outstanding General Obligation Sewer Bonds, Series 2005, and to pay costs of issuing the Bonds.

Section 3. Security for Bonds.

- (1) The Bonds shall be general obligations of the City. The City hereby pledges its full faith and credit to pay the Bonds, and the City covenants for the benefit of the Bondowners 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 Bonds promptly as they mature.

- (2) This Bond Declaration shall constitute a contract with the Owners and shall be enforceable by the Owners.

Section 4. Tax Covenants.

The City covenants for the benefit of the owners of the Bonds to comply with all provisions of the Code that are required for Bond interest to be excluded from gross income for federal income tax purposes. The City also covenants for the benefit of the owners of the Bonds that it will comply with all of the covenants and agreements that the City makes in the "Tax Certificate" was prepared in connection with the closing of the Bonds.

Section 5. Book Entry System

The Bonds shall be initially issued in BEO form and shall be governed by this Section 5. While Bonds are in BEO form no physical Bonds shall be provided to the Owners. A representative of the City has executed and delivered a Blanket Issuer Letter of Representations to DTC (the "Letter of Representations"). While the Bonds are in BEO form, registration and transfer of beneficial interests in the Bonds shall be governed by the Letter of Representations and the Operational Arrangements of DTC, as they may be amended from time to time. So long as Bonds are in BEO form:

- (1) DTC shall be treated as the Owner for all purposes, including payment and the giving of notices to Owners of Bonds. Bond payments shall be made, and notices shall be given, to DTC in accordance with the Letter of Representations. Any failure of DTC to advise any of its participants, or of any participant to notify the beneficial owner, of any such notice and its content or effect will not affect the validity of the redemption of Bonds or of any other action premised on such notice.
- (2) The City may discontinue maintaining the Bonds in the BEO form at any time. The City shall discontinue maintaining the Bonds in BEO form if DTC determines not to continue to act as securities depository for the Bonds, or fails to perform satisfactorily as depository, and a satisfactory substitute depository cannot reasonably be found.
- (3) If the City discontinues maintaining the Bonds in book-entry only form, the City shall cause the Paying Agent to authenticate and deliver replacement Bonds in fully registered form in authorized denominations in the names of the beneficial owners or their nominees; thereafter the provisions set forth in Section 7 below, regarding registration, transfer and exchange of Bonds shall apply.
- (4) The City and the Paying Agent shall have no responsibility or obligation to any participant or correspondent of DTC or to any beneficial owner on behalf of which such participants or correspondents act as agent for the beneficial owner with respect to:

- (A) the accuracy of the records of DTC, the nominee or any participant or correspondent with respect to any beneficial owner's interest in the Bonds;
- (B) the delivery to any participant or correspondent or any other person of any notice with respect to the Bonds, including any notice of prepayment;
- (C) the selection by DTC of the beneficial interest in Bonds to be redeemed prior to maturity; or
- (D) the payment to any participant, correspondent, or any other person other than the registered owner of the Bonds as shown in the registration books maintained by the Paying Agent, of any amount with respect to principal, any premium or interest on the Bonds.
- (E) The provisions of this Section 5 may be modified without the consent of the beneficial owners in order to conform this Section to the standard practices of DTC or any successor depository for bonds issued in book-entry only form.

Section 6. Redemption of Bonds.

- (1) Optional redemption. The Bonds maturing in years 2013 through 2023, inclusive, are not subject to optional redemption prior to maturity. The Bonds maturing on June 1, 2024 and on any date thereafter are subject to redemption at the option of the City prior to their stated maturity dates at any time on or after June 1, 2023, as a whole or in part, and if in part, with maturities to be selected by the City at a price of par, plus accrued interest, if any, to the date of redemption. [A Term Bond subject to optional redemption and redeemed in part will have the principal amount within the respective mandatory redemption dates selected by the City.]

Mandatory redemption. [If not previously redeemed under the provisions for optional redemption, the Term Bonds maturing on June 1 in the years ____ and ____ are subject to mandatory redemption (in such manner as the Paying Agent and DTC will determine or by lot by the Paying Agent) on June 1 of the following years in the following principal amounts, at a price of par plus accrued interest to the date of redemption:

Bonds Maturing ____
June 1 Amount

- (2) For Bonds subject to mandatory redemption, the City may credit against the mandatory redemption requirement any Bonds of the same maturity which the City has previously purchased or which the City has previously redeemed pursuant to any optional redemption provision.]

- (3) The City reserves the right to purchase Bonds in the open market.
- (4) Any notice of optional redemption given for the Bonds pursuant to this Section 6 may state that the optional redemption is conditional upon receipt by the Paying Agent of moneys sufficient to pay the redemption price of such Bonds or upon the satisfaction of any other condition, and/or that such notice may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such redemption price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission or of the failure of any such condition shall be given by the Paying Agent to affected owners of the Bonds as promptly as practicable.
- (5) So long as Bonds are in book-entry only form, and unless DTC consents to a shorter period the Paying Agent shall notify DTC of any early redemption not less than 20 days nor more than 60 days prior to the date fixed for redemption, and shall provide such information in connection therewith as required by the Letter of Representations.
- (6) During any period in which the Bonds are not in book-entry only form, unless waived by any Owner of the Bonds to be redeemed, official notice of any redemption of Bonds shall be given by the Paying Agent on behalf of the City by mailing a copy of an official redemption notice by first class mail postage prepaid at least 30 days and not more than 60 days prior to the date fixed for redemption to the Owner of the Bond or Bonds to be redeemed at the address shown on the Bond register or at such other address as is furnished in writing by such Owner to the Paying Agent. All such official notices of redemption shall be dated and shall state:
 - (A) the redemption date,
 - (B) the redemption price,
 - (C) if less than all outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed,
 - (D) that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and
 - (E) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Paying Agent.

Unless waived by the Paying Agent, the City shall provide written notice of the intended redemption to the Paying Agent not less than 40 days before the stated redemption date.

Section 7. Authentication, Registration and Transfer.

- (1) No Bond shall be entitled to any right or benefit under this Bond Declaration unless it shall have been authenticated by an authorized officer of the Paying Agent. The Paying Agent shall authenticate all Bonds to be delivered at closing of the Bonds, and shall additionally authenticate all Bonds properly surrendered for exchange or transfer pursuant to this Bond Declaration.
- (2) The ownership of all Bonds shall be entered in the Bond register maintained by the Paying Agent, and the City and the Paying Agent may treat the person listed as owner in the Bond register as the owner of the Bond for all purposes.
- (3) While the Bonds are in book-entry only form, the Paying Agent shall transfer Bond principal and interest payments in the manner required by DTC.
- (4) If the Bonds cease to be in book-entry only form, the Paying Agent shall mail each interest payment on the interest payment date (or the next Business Day if the payment date is not a Business Day) to the name and address of the Owners as they appear on the Bond register as of the record date for the Bonds. The record date for the Bonds is as of the close of business on the 15th day of the calendar month immediately preceding the applicable payment date. If payment is so mailed, neither the City nor the Paying Agent shall have any further liability to any party for such payment.
- (5) Bonds may be exchanged for an equal principal amount of Bonds of the same maturity which are in different denominations, and Bonds may be transferred to other Owners if the Owner submits the following to the Paying Agent:
 - (A) written instructions for exchange or transfer satisfactory to the Paying Agent, signed by the Owner or attorney in fact and guaranteed or witnessed in a manner satisfactory to the Paying Agent and
 - (B) the Bonds to be exchanged or transferred.
- (6) The Paying Agent shall not be required to exchange or transfer any Bonds submitted to it during any period beginning with a record date and ending on the next following payment date; however, such Bonds shall be exchanged or transferred promptly following that payment date.
- (7) The Paying Agent shall note the date of authentication on each Bond. The date of authentication shall be the date on which the Owner's name is listed on the Bond register.
- (8) For purposes of this Section 7, Bonds shall be considered submitted to the Paying Agent on the date the Paying Agent actually receives the materials described in Section 7(5), above.
- (9) The City may alter these provisions regarding registration and transfer by mailing notification of the altered provisions to all Owners. The altered provisions shall take

effect on the date stated in the notice, which shall not be earlier than 45 days after notice is mailed.

Section 8. Amendment of Bond Declaration.

- (1) The City may amend this Bond Declaration without the consent of any Owner for any one or more of the following purposes:
 - (A) To cure any ambiguity or formal defect or omission in this Bond Declaration;
 - (B) To add to the covenants and agreements of the City in this Bond Declaration other covenants and agreements to be observed by the City which are not contrary to or inconsistent with this Bond Declaration as theretofore in effect;
 - (C) To confirm, as further assurance, any security interest or pledge created under this Bond Declaration or any Supplemental Declaration;
 - (D) To make any change which, in the reasonable judgment of the City, does not materially and adversely affect the rights of the Owners.
- (2) This Bond Declaration may be amended for any other purpose only upon consent of Owners representing not less than fifty-one percent (51%) in aggregate principal amount of the adversely affected Bonds then Outstanding. However, no amendment shall be valid which:
 - (A) Extends the maturity of any Bonds, reduces the rate of interest upon any Bonds, extends the time of payment of interest on any Bonds, reduces the amount of principal payable on any Bonds, or reduces any premium payable on any Bonds, without the consent of the affected Owner; or
 - (B) Reduces the percent of Owners required to approve amendments to this Bond Declaration.

Section 9. Default and Remedies.

- (1) The occurrence of one or more of the following shall constitute an Event of Default under this Bond Declaration:
 - (A) Failure by the City to pay Bond principal, interest or premium when due (whether at maturity, or upon redemption after a Bond has been properly called for redemption); or
 - (B) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed for the benefit of Owners of Bonds, for a period of 60 days after written notice to the City by the Owners of fifty-one percent or more of the principal amount of Bonds then Outstanding specifying such failure and requesting that it be remedied; provided however, that if the failure stated in the notice cannot be corrected within such 60 day period, it shall

not constitute an Event of Default so long as corrective action is instituted by the City within the 60 day period and diligently pursued, and the default is corrected as promptly as practicable after the written notice referred to in this Section 9(1)(B); or

- (C) The City is adjudged insolvent by a court of competent jurisdiction, admits in writing its inability to pay its debts generally as they become due, files a petition in bankruptcy, or consents to the appointment of a receiver for the payments.
- (2) The Owners of fifty-one percent or more of the principal amount of Bonds then Outstanding may waive any Event of Default and its consequences, except a Event of Default described in Section 9(1)(A).
- (3) Upon the occurrence and continuance of any Event of Default hereunder the Owners of fifty-one percent or more of the principal amount of Bonds then Outstanding may take whatever action may appear necessary or desirable to enforce or to protect any of the rights of the Owners of Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Bond Declaration or in aid of the exercise of any power granted in this Bond Declaration or for the enforcement of any other legal or equitable right vested in the Owners of Bonds by this Bond Declaration or by law. However, the Bonds shall not be subject to acceleration.
- (4) No remedy in this Bond Declaration conferred upon or reserved to Owners of Bonds is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Bond Declaration or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. To entitle the Owners of Bonds to exercise any remedy reserved to them, it shall not be necessary to give any notice other than such notice as may be required by this Bond Declaration or by law.

Section 10. Defeasance.

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

- (1) irrevocably deposits money or noncallable Government Obligations in escrow with an independent trustee or escrow agent which are calculated to be sufficient without reinvestment for the payment of Bonds which are to be defeased; and
- (2) files with the escrow agent or trustee an opinion from an independent, certified public accountant to the effect that the money and the principal and interest to be received from

the Government Obligations are calculated to be sufficient, without further reinvestment, to pay the defeased Bonds when due; and

- (3) files with the escrow agent or trustee an opinion of nationally recognized bond counsel that the proposed defeasance will not cause the interest component of the Bonds to be includable in gross income under the Code.

Section 11. Form.

The Bonds shall be issued in substantially the form attached to this Bond Declaration as Exhibit A, with any changes that are approved by a City Official. The Bonds shall be executed on behalf of the City with the manual or facsimile signatures of the Mayor and Financial Planner.

Section 12. Rules of Construction.

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

- (1) References to section numbers shall be construed as references to sections of this Bond Declaration unless otherwise indicated.
- (2) References to one gender shall include all genders.
- (3) References to the singular shall include the plural, and references to the plural shall include the singular.

Dated as of the ____ day of _____, 2013.

City of Lincoln City, Oregon

By: _____
City Official

Exhibit A

No. R-«BondNumber»

\$«PrincipalAmtNumber»

United States of America
State of Oregon
County of Lincoln
City of Lincoln City
General Obligation Refunding Bond
Series 2013

Dated Date: _____, 2013
Interest Rate Per Annum: «CouponRate»%
Maturity Date: June 1, «MaturityYear»
CUSIP Number: _____«CUSIPNumbr»
Registered Owner: -----Cede & Co.-----
Principal Amount: -----«PrincipalAmtSpelled» Dollars-----

City of Lincoln City, Oregon (the "City"), a municipal corporation of the State of Oregon, for value received, acknowledges itself indebted and hereby promises to pay to the Registered Owner hereof, or registered assigns, the Principal Amount indicated above on the Maturity Date indicated above together with interest thereon from the date hereof at the Interest Rate Per Annum indicated above, computed on the basis of a 360-day year of twelve 30-day months. Interest is payable semiannually on the first days of June and December in each year until maturity or prior redemption, commencing June 1, 2013. Payment of each installment of principal or interest shall be made to the Registered Owner hereof whose name appears on the registration books of the City maintained by the City's paying agent and registrar, which is currently U.S. Bank National Association (the "Paying Agent") as of the close of business on the fifteenth day of the calendar month immediately preceding the applicable interest payment date. For so long as this Bond is subject to a book-entry-only system, principal and interest payments shall be payable in same-day funds on each payment date to the nominee of the securities depository for the Bonds. On the date of issuance of this Bond, the securities depository for the Bonds is The Depository Trust Company, New York, New York ("DTC"), and Cede & Co. is the nominee of DTC. Such payments shall be made payable to the order of "Cede & Co."

This Bond is one of a duly authorized series of bonds of the City aggregating \$_____ in principal amount and designated as General Obligation Refunding Bonds, Series 2013 (the "Bonds"). The Bonds are issued pursuant to Oregon Revised Statutes Sections 287A.360 to 287A.380, Resolution No. 2012-23 adopted by the City Council on October 22, 2012, and a Bond Declaration dated as of _____, 2013 (collectively, the "Resolution"); and under the authority of and in full compliance with the Constitution and Statutes of the State of Oregon. Capitalized terms used but not defined herein shall have the meanings assigned them in the Resolution.

The Bonds are general obligations of the City. The City has pledged its full faith and credit to pay the Bonds, and the City covenants for the benefit of the Bondowners 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 Bonds promptly as they mature. The Bonds do not constitute a debt or indebtedness of Lincoln County, the State of Oregon, or any political subdivision thereof other than the City.

The Bonds are initially issued as a book-entry-only security issue with no certificates provided to the beneficial owners. Records of ownership of beneficial interests in the Bonds will be maintained by DTC and its participants. Should the book-entry-only security system be discontinued, the City shall cause the Paying Agent to authenticate and deliver replacement Bonds in fully registered form in authorized denominations in the names of the beneficial owners or their nominees, as provided in the Resolution.

The Bonds shall mature and be subject to redemption as described in the final Official Statement for the Bonds that is dated _____, 2013.

Unless the book-entry-only system is discontinued, notice of any call for redemption shall be given as required by the Blanket Issuer Letter of Representations to DTC, as referenced in the Resolution. The Resolution authorizes the City to give conditional notices of redemption. Unless conditional notice was given, interest on any Bond or Bonds so called for redemption shall cease on the redemption date designated in the notice. If the book-entry-only system is discontinued, notice of redemption shall be given as described in the Resolution; however, any failure to give notice shall not invalidate the redemption of the Bonds.

Any exchange or transfer of this Bond must be registered, as provided in the Resolution, upon the Bond register kept for that purpose by the Paying Agent. The exchange or transfer of this Bond may be registered only by surrendering it, together with a written instrument of exchange or transfer which is satisfactory to the Paying Agent and which is executed by the registered owner or duly authorized attorney. Upon registration, a new registered Bond, 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 Paying Agent may treat the person in whose name this Bond is registered on the Bond register as its absolute owner for all purposes, as provided in the Resolution.

Unless this Bond is presented by an authorized representative of DTC to the City or the Paying Agent for registration of transfer, exchange or payment, and any Bond issued is registered in the name of Cede & Co. or such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entry 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.

This Bond shall remain in the Paying Agent's custody subject to the provisions of the FAST Balance Certificate Agreement currently in effect between the Paying Agent and DTC.

It is hereby certified, recited and declared that all acts, conditions and things required by the Constitution and Statutes of the State of Oregon to exist, to have happened and to have been performed precedent to and in the issuance of this Bond to exist, have happened and have been performed in due time, form and manner as prescribed by law, and that the amount of this Bond, together with all other obligations or indebtedness of the City, does not exceed any constitutional or statutory limitations of indebtedness.

IN WITNESS WHEREOF, City of Lincoln City, Oregon, by its City Council has caused this Bond to be executed in its name with the facsimile signature of its Mayor and attested with the facsimile signature of its City Official, all as of the date indicated above.

City of Lincoln City, Oregon

Mayor

Attest:

City Official

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

CERTIFICATE OF AUTHENTICATION

This Bond is one of the \$ _____ aggregate principal amount of City of Lincoln City, Oregon, General Obligation Refunding Bonds, Series 2013, and is authorized to be issued under the terms of the Resolution described herein.

Date of authentication: _____, 2013.

U.S. Bank National Association, as Paying Agent

Authorized Officer

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____

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

this Bond and does hereby irrevocably constitute and appoint _____ as attorney to transfer this Bond 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 Bond in every particular, without alteration or enlargement or any change whatever.

NOTICE: Signature(s) must be guaranteed by a member of the New York Stock Exchange or a commercial bank or trust company

Signature Guaranteed

(Bank, Trust Company or Brokerage Firm)

Authorized Officer

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

TEN COM -- 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

(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.

Appendix C
BOOK-ENTRY-ONLY SYSTEM

**Sample Offering Document Language
Describing DTC and Book-Entry-Only Issuance**

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 a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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



*The Depository Trust &
Clearing Corporation*

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



*The Depository Trust &
Clearing Corporation*

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.



*The Depository Trust &
Clearing Corporation*

Appendix D
FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

§ _____
City of Lincoln City, Oregon
General Obligation Refunding Bonds
Series 2013

This Continuing Disclosure Certificate (the "Certificate") is executed and delivered by the City of Lincoln City, Oregon (the "Issuer") in connection with the issuance of the Issuer's General Obligation Refunding Bonds, Series 2013 (the "Securities").

Section 1. Purpose of Certificate. This Certificate constitutes the Issuer's written undertaking for the benefit of the holders of the Securities and to assist the underwriters of the Securities in complying with paragraph (b)(5) of the United States Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. § 240.15c2-12) as amended (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 Securities, including persons holding Securities through nominees or depositories.

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

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

"Official Statement" means the final official statement for the Securities dated _____, 2013.

"Rule" means the Commission's Rule 15c2-12 under the Securities Exchange Act of 1934, as it has been and may be amended.

Section 3. Financial Information. The Issuer agrees to provide or cause to be provided to the MSRB, 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 under the heading "Basic Financial Statements for Fiscal Year Ended June 30, 2012" (Appendix A).

To the extent not included in its annual financial statements, the Issuer shall also provide information, of the type set forth in the Official 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 assessor); (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 obligations 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 2012-2013. The information described in the preceding paragraph will be provided in the form of audited financial statements if they are then available, and otherwise will be provided in the form of unaudited financial statements. 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. In lieu of providing this annual financial information separately, the Issuer may cross-reference to other documents provided to the MSRB.

The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB 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) and in accordance with generally accepted accounting principles so prescribed by the Governmental Accounting Standards Board (or its successors) when and if available to the MSRB.

Section 5. Material Events. The Issuer agrees to provide or cause to be provided to the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the Securities:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the Security;
7. Modifications to the rights of Security holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;

10. Release, substitution or sale of property securing repayment of the Securities, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the obligated person; (Note: For the purposes of the event identified in this paragraph 12, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.);

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

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Section 6. Termination. The Issuer's obligation to provide notices of material events shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Securities. 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 provision of this Certificate, are invalid, have been repealed retroactively or otherwise do not apply to the Securities; and (b) notifies the MSRB of such opinion and the termination of its obligations under this Certificate.

Section 7. Amendment. Notwithstanding any other provision of this Certificate, the Issuer may amend this Certificate, provided that the following conditions are satisfied:

A. If the amendment 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 Securities, or the type of business conducted; and,

B. If this Certificate, as amended, 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 Securities, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

C. The amendment either (i) is approved by the owners of the Securities pursuant to the terms of the governing instrument as it is in effect at the time of the amendment or (ii) does not materially impair the interests of the owners or Beneficial Owners of the Securities as determined by a party unaffiliated with the Obligated Person.

In the event of any amendment of a provision of this Certificate, the Issuer shall describe such amendment in its next annual filing pursuant to Section 3 of this Certificate, and shall include, as applicable, a narrative explanation of the reason for the amendment 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 the amendment shall be given in the same manner as for a material event under Section 5 hereof, and (ii) the annual filing pursuant to Section 3 of this Certificate for the first fiscal year that is affected by the change in accounting principles 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 8. Securities Owner's Remedies Under This Certificate. The right of any holder of Securities or Beneficial Owner of Securities 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 9. Form of Information. All information required to be provided under this certificate will be provided in an electronic format as prescribed by the MSRB and with the identifying information prescribed by the MSRB.

Section 10. Submitting Information Through EMMA. So long as the MSRB continues to approve the use of the Electronic Municipal Market Access ("EMMA") continuing disclosure service, any information required to be provided to the MSRB under this Certificate may be provided through EMMA. As of the date of this Certificate, the web portal for EMMA is emma.msrb.org.

Section 11. 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 _____ day of _____, 2013.

City of Lincoln City, Oregon

By: _____
City Official

Appendix E
FORM OF BOND COUNSEL OPINION

On the date of issuance of the Bonds, Hawkins Delafield & Wood LLP, Bond Counsel, proposes to issue its approving opinion in substantially the following form:

_____, 2013

City of Lincoln City
P.O. Box 50
Lincoln City, Oregon 97367

Subject: \$ _____ City of Lincoln City, Oregon
General Obligation Refunding Bonds, Series 2013

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Lincoln City, Oregon (the "City") of its General Obligation Bonds, Series 2013 (the "Bonds"), which are dated as of the date of their delivery and are in the aggregate principal amount of \$ _____. The Bonds are authorized by Oregon Revised Statutes Chapter 287A, City Resolution No. 2012-23 adopted October 22, 2012 (the "Resolution"), and a Bond Declaration for the Bonds that is dated as of the date of delivery of the Bonds (the "Declaration").

We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering materials which have been or may be supplied to the purchasers of the Bonds, and we express no opinion relating thereto, excepting only the matters set forth as our opinion in the official statement.

Regarding questions of fact material to our opinion, we have relied on representations of the City in the Resolution and in the certified proceedings and on other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Bonds have been legally authorized, sold and issued under and pursuant to the Constitution and Statutes of the State of Oregon, the Resolution and the Declaration. The Bonds constitute valid and legally binding general obligations of the City that are enforceable in accordance with their terms.
2. The City has pledged its full faith and credit and taxing power to the payment of the Bonds. In addition, the Bonds are payable from ad valorem taxes which may be levied without limitation as to rate or amount on all taxable property within the boundaries of the City.
3. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. [Bond counsel further is of the opinion that, for any Bonds having original issue discount (a "Discount Bond"), original issue discount that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the

Bonds.] In rendering our opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City, and others in connection with the Bonds, and we have assumed compliance by the City and others with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that, for Federal income tax purposes, interest on the Bonds not be included in gross income pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Bonds, restrictions on the investment of proceeds of the Bonds prior to expenditure and the requirement that certain earnings be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Bonds to become subject to Federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of delivery of the Bonds, the City will execute a Tax Certificate (the "Tax Certificate") containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the City covenants that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things required by the Code to assure that interest paid on the Bonds will, for Federal income tax purposes, be excluded from gross income.

In rendering the opinion in paragraph 3 hereof, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of interest paid on the Bonds, and (ii) compliance by the City with the procedures and covenants set forth in the Tax Certificate as to such tax matters.

4. Interest on the Bonds is exempt from Oregon personal income tax.

We note that the City has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code.

Except as stated in paragraphs 3 and 4 above, we express no opinion as to any other Federal, state or local tax consequences arising with respect to the Bonds or the ownership or disposition thereof. We render our opinion under existing statutes and court decisions as of the issue date, and we assume no obligation to update, revise or supplement this opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances, or any change in law or in interpretations thereof, or otherwise, that may hereafter arise or occur, or for any other reason. Furthermore, we express no opinion herein as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves on the exclusion from gross income for Federal income tax purposes of interest on the Bonds.

The portion of this opinion that is set forth in paragraph 1, above, is qualified only to the extent that enforceability of the Bonds may be limited by or rendered ineffective by (i) bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other laws affecting creditors' rights generally; (ii) the application of equitable principles and the exercise of judicial discretion in appropriate cases; (iii) common law and statutes affecting the enforceability of contractual obligations generally; and (iv) principles of public policy concerning, affecting or limiting the enforcement of rights or remedies against governmental entities such as the City.

This opinion is given as of the date hereof and is based on existing law, and we assume no obligation to update, revise, or supplement this opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention or any changes in law or interpretations thereof that may hereafter arise or occur, or for any other reason.

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

This opinion is provided to you as a legal opinion only, and not as a guaranty or warranty of the matters discussed herein. No opinions may be inferred or implied beyond the matters expressly stated herein. No qualification, limitation or exception contained herein shall be construed in any way to limit the scope of the other qualifications, limitations and exceptions. For purposes of this opinion, the terms "law" and "laws" do not include unpublished judicial decisions, and we disclaim the effect of any such decision on this opinion.

We have served as bond counsel only to the City in connection with the Bonds and have not represented and are not representing any other party in connection with the Bonds. This opinion is given solely for the benefit of the City in connection with the Bonds and may not be relied on in any manner or for any purpose by any person or entity other than the City, the owners of the Bonds, and any person to whom we may send a formal reliance letter indicating that the recipient is entitled to rely on this opinion.

Very truly yours,

**Supplement to Preliminary Official Statement for the
CITY OF LINCOLN CITY
LINCOLN COUNTY, OREGON**

\$9,040,000*
General Obligation Refunding Bonds
Series 2013

This supplement is dated February 11, 2013, and supplements the preliminary official statement for the captioned bonds that is dated February 4, 2013 (the "Preliminary Official Statement").

The following change is made to the Preliminary Official Statement:

The "Continuing Disclosure" section on page 29 of the Preliminary Official Statement is replaced by the following:

Continuing Disclosure

Pursuant to SEC Rule 15c2-12, as amended (17 CFR Part 240, § 240.15c2-12) (the "Rule"), the City, as the "obligated person" within the meaning of the Rule, will execute and deliver a Continuing Disclosure Certificate, substantially in the form attached hereto as Appendix D for the benefit of the Bond Owners.

To the best of the City's knowledge, during the past five years, the City has complied with all of its prior continuing disclosure requirements except as described here. The City filed its fiscal year 2008, 2009 and 2010 audits, however they were filed later than nine months after the end of the City's fiscal year.

All references to the "Preliminary Official Statement" are deemed to be references to the Preliminary Official Statement dated February 4, 2013, as supplemented by this supplement which is dated February 11, 2013.

* Preliminary; subject to change.

-end of supplement to Preliminary Official Statement dated February 4, 2013-

Bid Results

Lincoln City
\$9,040,000 General Obligation Refunding Bonds, Series 2013

The following bids were submitted using **PARITY**[®] and displayed ranked by lowest TIC.
 Click on the name of each bidder to see the respective bids.

Bid Award*	Bidder Name	TIC
<input checked="" type="checkbox"/> Reoffering	Robert W. Baird & Co., Inc.	2.453711
<input type="checkbox"/>	Guggenheim Securities, LLC	2.512001
<input type="checkbox"/>	BOSC, Inc.	2.517042
<input type="checkbox"/>	Piper Jaffray	2.553035
<input type="checkbox"/>	KeyBanc Capital Markets	2.669529
<input type="checkbox"/>	Citigroup Global Markets Inc.	2.765551

*Awarding the Bonds to a specific bidder will provide you with the Reoffering Prices and Yields.

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Result

**Robert W. Baird & Co., Inc.'s Reoffering Scale
Lincoln City**



\$9,040,000 General Obligation Refunding Bonds, Series 2013

Maturity Date	Amount \$	Coupon %	Yield %	Dollar Price	Call Date
06/01/2013	105M	2.0000	0.3500	100.434	
06/01/2019	80M	2.0000	1.2000	104.812	
06/01/2020	635M	2.0000	1.4000	104.129	
06/01/2021	665M	2.0000	1.6000	103.083	
06/01/2022	695M	2.0000	1.8500	101.270	
06/01/2023	730M	2.0000	2.0000	100.000	
06/01/2024	760M	2.1250	2.1500	99.749	
06/01/2025	795M	2.2500	2.3000	99.466	
06/01/2026	835M	2.3750	2.4000	99.715	
06/01/2027	870M	2.5000	2.5000	100.000	
06/01/2028	910M	2.5000	2.5700	99.118	
06/01/2029	985M	3.0000	2.6300	103.306	06/01/2023
06/01/2030	975M	3.0000	2.7000	102.671	06/01/2023

Accrued Interest: \$0.00

Gross Production: \$9,141,900.40

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Upcoming Calendar	Overview	Result	Excel
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**Robert W. Baird & Co., Inc. - Red Bank , NJ's Bid
Lincoln City**



\$9,040,000 General Obligation Refunding Bonds, Series 2013

For the aggregate principal amount of \$9,040,000.00, we will pay you \$9,048,189.90, plus accrued interest from the date of issue to the date of delivery. The Bonds are to bear interest at the following rate(s):

Maturity Date	Amount \$	Coupon %
06/01/2013	105M	2.0000
06/01/2019	80M	2.0000
06/01/2020	635M	2.0000
06/01/2021	665M	2.0000
06/01/2022	695M	2.0000
06/01/2023	730M	2.0000
06/01/2024	760M	2.1250
06/01/2025	795M	2.2500
06/01/2026	835M	2.3750
06/01/2027	870M	2.5000
06/01/2028	910M	2.5000
06/01/2029	985M	3.0000
06/01/2030	975M	3.0000

Total Interest Cost:	\$2,798,739.67
Premium:	\$8,189.90
Net Interest Cost:	\$2,790,549.77
TIC:	2.453711
Time Last Bid Received On: 02/12/2013 9:53:21 PST	

This proposal is made subject to all of the terms and conditions of the Official Bid Form, the Official Notice of Sale, and the Preliminary Official Statement, all of which are made a part hereof.

Bidder: Robert W. Baird & Co., Inc., Red Bank , NJ
 Contact: charles massaro
 Title: director
 Telephone: 732-576-4410
 Fax: 732-576-4420

Issuer Name: City of Lincoln City Company Name: _____

Accepted By: _____ Accepted By: _____

Upcoming Calendar | Overview | Result | Excel

Guggenheim Securities, LLC - New York , NY's Bid
Lincoln City



\$9,040,000 General Obligation Refunding Bonds, Series 2013

For the aggregate principal amount of \$9,040,000.00, we will pay you \$9,215,242.40, plus accrued interest from the date of issue to the date of delivery. The Bonds are to bear interest at the following rate(s):

Maturity Date	Amount \$	Coupon %
06/01/2013	105M	2.5000
06/01/2019	80M	2.5000
06/01/2020	635M	2.5000
06/01/2021	665M	3.0000
06/01/2022	695M	3.0000
06/01/2023	730M	3.0000
06/01/2024	760M	3.0000
06/01/2025	795M	3.0000
06/01/2026	835M	2.3750
<u>06/01/2027</u>		
<u>06/01/2028</u>	1,780M	2.5000
<u>06/01/2029</u>		
<u>06/01/2030</u>	1,960M	2.6250

Total Interest Cost: \$3,043,544.36
Premium: \$175,242.40
Net Interest Cost: \$2,868,301.96
TIC: 2.512001
Time Last Bid Received On:02/12/2013 9:59:52 PST

This proposal is made subject to all of the terms and conditions of the Official Bid Form, the Official Notice of Sale, and the Preliminary Official Statement, all of which are made a part hereof.

Bidder: Guggenheim Securities, LLC, New York , NY
Contact: Jay Murphy
Title:
Telephone:212-319-2596
Fax:

Issuer Name: City of Lincoln City Company Name: _____

Accepted By: _____ Accepted By: _____

Upcoming Calendar	Overview	Result	Excel
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BOSC, Inc. - Menomonee Falls , WI's Bid
Lincoln City
\$9,040,000 General Obligation Refunding Bonds, Series 2013



For the aggregate principal amount of \$9,040,000.00, we will pay you \$8,990,970.05, plus accrued interest from the date of issue to the date of delivery. The Bonds are to bear interest at the following rate(s):

Maturity Date	Amount \$	Coupon %
06/01/2013	105M	2.0000
06/01/2019	80M	2.0000
06/01/2020	635M	2.0000
06/01/2021	665M	2.0000
06/01/2022	695M	2.0000
06/01/2023	730M	2.2500
06/01/2024	760M	2.2500
06/01/2025	795M	2.3000
06/01/2026	835M	2.5000
06/01/2027	870M	2.5000
06/01/2028	910M	2.7500
06/01/2029	985M	2.7500
06/01/2030	975M	2.7500

Total Interest Cost: \$2,799,485.83
 Discount: \$49,029.95
 Net Interest Cost: \$2,848,515.78
 TIC: 2.517042
 Time Last Bid Received On: 02/12/2013 9:58:14 PST

This proposal is made subject to all of the terms and conditions of the Official Bid Form, the Official Notice of Sale, and the Preliminary Official Statement, all of which are made a part hereof.

Bidder: BOSC, Inc., Menomonee Falls , WI
 Contact: Dustin Siehr
 Title:
 Telephone: 414-203-6558
 Fax:

Issuer Name: City of Lincoln City Company Name: _____

Accepted By: _____ Accepted By: _____

Upcoming Calendar | Overview | Result | Excel

Piper Jaffray - Minneapolis , MN's Bid



**Lincoln City
\$9,040,000 General Obligation Refunding Bonds, Series 2013**

For the aggregate principal amount of \$9,040,000.00, we will pay you \$8,967,343.10, plus accrued interest from the date of issue to the date of delivery. The Bonds are to bear interest at the following rate(s):

Maturity Date	Amount \$	Coupon %
06/01/2013	105M	2.0000
06/01/2019	80M	2.0000
06/01/2020	635M	2.0000
06/01/2021	665M	2.0000
06/01/2022	695M	2.0000
06/01/2023	730M	2.0000
06/01/2024	760M	2.1250
06/01/2025	795M	2.2500
06/01/2026	835M	2.3750
06/01/2027	870M	2.5000
06/01/2028	910M	2.6250
06/01/2029	985M	3.0000
06/01/2030	975M	3.0000

Total Interest Cost: \$2,816,102.34
 Discount: \$72,656.90
 Net Interest Cost: \$2,888,759.24
 TIC: 2.553035
 Time Last Bid Received On: 02/12/2013 9:58:05 PST

This proposal is made subject to all of the terms and conditions of the Official Bid Form, the Official Notice of Sale, and the Preliminary Official Statement, all of which are made a part hereof.

Bidder: Piper Jaffray, Minneapolis , MN
 Contact: Chris Coleman
 Title:
 Telephone: 612-303-2051
 Fax:

Issuer Name: City of Lincoln City Company Name: _____

Accepted By: _____ Accepted By: _____

Upcoming Calendar	Overview	Result	Excel
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**KeyBanc Capital Markets - Cleveland , OH's Bid
Lincoln City**



\$9,040,000 General Obligation Refunding Bonds, Series 2013

For the aggregate principal amount of \$9,040,000.00, we will pay you \$8,822,011.95, plus accrued interest from the date of issue to the date of delivery. The Bonds are to bear interest at the following rate(s):

Maturity Date	Amount \$	Coupon %
06/01/2013	105M	2.0000
06/01/2019	80M	2.0000
06/01/2020	635M	2.0000
06/01/2021	665M	2.0000
06/01/2022	695M	2.0000
06/01/2023	730M	2.0000
06/01/2024	760M	2.1250
06/01/2025	795M	2.2500
06/01/2026	835M	2.3750
06/01/2027	870M	2.5000
06/01/2028	910M	2.6000
06/01/2029	985M	2.7500
06/01/2030	975M	3.0000

Total Interest Cost: \$2,772,579.98
 Discount: \$217,988.05
 Net Interest Cost: \$2,990,568.03
 TIC: 2.669529
 Time Last Bid Received On: 02/12/2013 9:59:37 PST

This proposal is made subject to all of the terms and conditions of the Official Bid Form, the Official Notice of Sale, and the Preliminary Official Statement, all of which are made a part hereof.

Bidder: KeyBanc Capital Markets, Cleveland , OH
 Contact: Bob Centa
 Title: Director
 Telephone: 216-689-0389
 Fax: 216-689-0987

Issuer Name: City of Lincoln City Company Name: _____

Accepted By: _____ Accepted By: _____

NEW ISSUE
Book-Entry-Only

RATING: Moody's A1
See "Rating" herein.

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the City ("Bond Counsel"), under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In the opinion of Bond Counsel, interest on the Bonds is exempt from Oregon personal income tax under existing law. See "TAX MATTERS" herein for a discussion of the opinion of Bond Counsel. The City has designated the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3)(B) of the Code.

CITY OF LINCOLN CITY LINCOLN COUNTY, OREGON

\$9,885,000 General Obligation Refunding Bonds, Series 2013

Dated: Date of Delivery

Due: June 1, as shown inside cover

The \$9,885,000 General Obligation Refunding Bonds, Series 2013 (the "Bonds") are valid general obligations of the City of Lincoln City, Oregon (the "City"). The Bonds are general obligations of the City. The City has pledged its full faith and credit to pay the Bonds, and the City covenants for the benefit of the Bondowners 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 Bonds promptly as they mature.

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

The Bonds are issued in book-entry-only form in denominations of \$5,000 within a single maturity or integral multiples thereof. The Bonds are registered bonds issued in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. (See "Appendix C -- Book-Entry-Only System" herein.) Interest is payable semiannually on June 1 and December 1 of each year, commencing June 1, 2013, through the principal trust offices of the City's registrar and paying agent, currently U.S. Bank National Association, Portland, Oregon (the "Paying Agent").

The proceeds of the sale of the Bonds will be used to refund certain outstanding maturities of the City's General Obligation Sewer Bonds, Series 2005 and to pay the costs of issuing the Bonds.

Some maturities of the Bonds are subject to optional redemption. See "Description of the Bonds -- Redemption Provisions" herein.

Maturity Schedule On Inside Cover

Robert W. Baird & Co. Incorporated purchased the Bonds via competitive sale on February 12, 2013. The Bonds are offered for sale to the original purchaser subject to the approving opinion of Hawkins Delafield & Wood LLP, Portland, Oregon, Bond Counsel. The City expects that the Bonds will be available for delivery to the Paying Agent for Fast Automated Securities Transfer on behalf of DTC, on or about February 26, 2013 ("Date of Delivery").

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

Maturity Schedule

Due June 1	Principal Amount	Interest Rates	Price or Yield	CUSIP 533080[†]	Due June 1	Principal Amount	Interest Rates	Price or Yield	CUSIP 533080[†]
2013	\$135,000	2.000%	0.350%	KV8	2025	\$875,000	2.250%	2.300%	LC9
2019	130,000	2.000	1.200	KW6	2026	900,000	2.375	2.400	LD7
2020	730,000	2.000	1.400	KX4	2027	925,000	2.500	2.500	LE5
2021	760,000	2.000	1.600	KY2	2028	950,000	2.500	2.570	LF2
2022	795,000	2.000	1.850	KZ9	2029	1,010,000	3.000	2.630	LG0
2023	830,000	2.000	2.000	LA3	2030	995,000	3.000	2.700	LH8
2024	850,000	2.125	2.150	LB1					

[†] CUSIP is a registered trademark of the American Bankers Association. The CUSIP numbers are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers are included on the inside cover of this Official Statement for convenience of the holders and potential holders of the Bonds. No assurance can be given that the CUSIP numbers for the Bonds will remain the same after the date of issuance and delivery of the Bonds. Neither the City nor the Underwriters take any responsibility for the accuracy of such CUSIP numbers.

**OFFICIAL STATEMENT
OF
CITY OF LINCOLN CITY, OREGON**

P.O. Box 50
Lincoln City, Oregon 97367
(541) 996-1212

RELATING TO

\$9,885,000 GENERAL OBLIGATION REFUNDING BONDS, SERIES 2013

CITY COUNCIL

Mayor	Dick Anderson
Council Member	Henry Quandt
Council Member	Gordon Eggleton
Council Member	Wes Ryan
Council Member	Chester Noreikis
Council Member	Roger Sprague
Council Member	Gary Ellingson

ADMINISTRATIVE STAFF

David Hawker	City Manager
Debbie Mammone	Finance Director
Ron Tierney	Financial Planner
Joan Kelsey	City Attorney
Lila Bradley	Public Works Operations Manager
Joe Whisler	Wastewater Treatment Supervisor

BOND COUNSEL

Hawkins Delafield & Wood LLP, Portland, Oregon

FINANCIAL ADVISOR

Economic & Financial Analysis, Vancouver, Washington

PAYING AGENT, REGISTRAR, ESCROW AGENT

U.S. Bank National Association, Portland, Oregon

No dealer, broker, salesperson or other person is authorized by the City to give any information or to make any representation 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 any of the foregoing.

The information set forth in this Official Statement has been furnished by the City and includes information obtained from other sources, all of which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. Such information and expressions of opinion are made for the purpose of providing information to prospective investors and are not to be used for any other purpose or relied on by any other party.

No website mentioned in this Official Statement is part of this Official Statement, and readers should not rely upon any information presented on any such website in determining whether to purchase the Bonds. Any references to any website mentioned in this Official Statement are not hyperlinks and do not incorporate such websites by reference.

In connection with this offering, the Underwriters may over allot or effect transactions that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The public offering prices or yields set forth on the inside cover pages hereof may be changed from time to time by the Underwriters. The Underwriters may offer and sell the Bonds to certain dealers, unit investment trusts or money market funds at prices lower than the public offering prices stated on the inside cover pages hereof.

Certain statements contained in this Official Statement do not reflect historical facts but are forecasts and "forward-looking statements." No assurance is given that any future results discussed herein will be achieved, and actual results may differ materially from any forecasts described herein. The words such as "estimate," "project," "forecast," "anticipate," "expect," "intend," "plan," "believe" and similar expressions identify forward-looking statements. All projections, forecasts, assumptions, expressions of opinion and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement.

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OFFICIAL STATEMENT FOR
City of Lincoln City
Lincoln County, Oregon
\$9,885,000 GENERAL OBLIGATION REFUNDING BONDS, SERIES 2013

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to provide certain information with respect to the sale and delivery of the General Obligation Refunding Bonds, Series 2013 (the "Bonds") in the aggregate principal amounts shown on the cover hereof.

CHANGES SINCE THE PRELIMINARY OFFICIAL STATEMENT

At the request of the purchaser of the Bonds, the City is disclosing that the City filed its fiscal year 2007 audit, however, it was filed later than nine months after the end of the City's fiscal year.

THE BONDS

General Description

The Bonds are being executed and delivered in the aggregate principal amount of \$9,885,000 and mature as set forth on the inside cover. The Bonds will be issued in fully registered form without coupons in denominations of \$5,000 each or any integral multiple thereof.

Authorization

The Bonds are authorized by Resolution 2012-23 adopted on October 22, 2012 (the "Resolution"), pursuant to the Constitution of the State of Oregon, the City Charter and Oregon Revised Statutes Chapter 287A. The Bonds are also issued pursuant to a Bond Declaration dated the Date of Delivery of the Bonds (the "Bond Declaration"), in the form attached as Appendix B hereto.

Payment and Registration Features

The Bonds will mature on June 1 of the years and in the principal amounts shown on the inside front cover, and will bear interest from the Date of Delivery (payable on June 1 and December 1 of each year, commencing June 1, 2013) at the rates set forth on the inside cover. The Bonds will be issued initially in book-entry-only form. Principal and interest components due with respect to the Bonds will be payable by the Paying Agent, currently U.S. Bank National Association, Portland, Oregon, to The Depository Trust Company ("DTC") which, in turn, will remit such principal and interest components to DTC Participants for subsequent disbursement to the beneficial owners of the Bonds, as further described in Appendix C attached hereto.

Book-Entry System. The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co. as owner and as nominee for DTC. DTC will act as securities depository for the Bonds. Individual purchases and sales of the Bonds may be made in book-entry form only in minimum denominations of \$5,000 within a single maturity and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds. See "Appendix C -- Book-Entry-Only System" for additional information.

Procedure in the Event of Revisions of Book-Entry Transfer System. If DTC ceases to act as depository for the Bonds, the provisions outlined in the Bond Declaration shall apply, including the ability to amend the Bond Declaration to provide for an alternative system of registration and payment for the Bonds that is of general acceptance in the municipal bond markets. If no better system is then available, the Paying Agent and the City shall amend the Bond Declaration to provide that printed, registered Bonds shall be issued to Beneficial Owners of the Bonds, and shall give notice of those amendments to all Bondowners.

Redemption Provisions

Optional Redemption. The Bonds maturing in years 2013 through 2023, inclusive, are not subject to optional redemption prior to maturity. The Bonds maturing on June 1, 2024 and on any date thereafter are subject to redemption at the option of the City prior to their stated maturity dates at any time on or after June 1, 2023, as a whole or in part, and if in part, with maturities to be selected by the City at a price of par, plus accrued interest, if any, to the date of redemption.

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

Notice of Redemption (Book-Entry). So long as the Bonds are in book-entry-only form, and unless DTC consents to a shorter period the Paying Agent shall notify DTC of an early redemption no fewer than 20 calendar days nor more than 60 calendar days prior to the date fixed for redemption, and shall provide such information as required by a letter of representation submitted to DTC in connection with the issuance of the Bonds. The City reserves the right to rescind any redemption notice as allowed in the Bond Declaration.

Notice of Redemption (No Book-Entry). During any period in which the Bonds are not in book-entry-only form, unless waived by any Owner of the Bonds to be redeemed, official notice of any redemption of Bonds shall be given by the Paying Agent on behalf of the City by mailing a copy of an official redemption notice by first class mail, postage prepaid, no fewer than 30 calendar days nor more than 60 calendar days prior to the date fixed for redemption, to the Bondowners to be redeemed at the address shown on the bond register or at such other address as is furnished in writing by such Owner to the Paying Agent. The City reserves the right to rescind any redemption notice as allowed in the Bond Declaration.

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

SECURITY FOR THE BONDS

The Bonds are general obligations of the City. The City has pledged its full faith and credit to pay the Bonds, and the City covenants for the benefit of the Bondowners 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 Bonds promptly as they mature.

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

PURPOSE AND USE OF PROCEEDS

Purpose

The proceeds of the sale of the Bonds will be used to refund a portion of the callable maturities of the City's outstanding General Obligation Sewer Bonds, Series 2005 (the "2005 Bonds") which were originally issued in the amount of \$15,000,000 and to pay costs of issuing the Bonds. The 2005 Bonds financed the improvement and expansion of the City's sewage treatment plant and collection system. The Bonds are being issued so that the City can obtain a benefit of savings in total debt service requirements.

Refunding Procedure

The advance refunding of a portion of the callable maturities of the 2005 Bonds (the "Refunded Bonds") is contingent upon the City's receipt of actual, cumulative debt service savings of not less than the amount required under Oregon law and advance refunding plan approval by the State Treasurer.

A portion of the proceeds of the Bonds will be used to provide funds to establish an irrevocable escrow pursuant to an escrow deposit agreement (the "Escrow Deposit Agreement") between the City and U.S. Bank National Association, as escrow agent thereunder (the "Escrow Agent") to refund the Refunded Bonds, as shown below, and to defease the Refunded Bonds to their redemption date:

Refunded Bonds

Table 1 -- Refunded Bonds

Series	Original Principal	Refunded Maturities	Amount Refunded	Call Date	Call Price ⁽¹⁾
2005	\$15,000,000	2019-2030	\$8,880,000	06/01/2015	100%
Refunded Maturities	Amount Refunded	CUSIP 533079	Refunded Maturities	Amount Refunded ⁽¹⁾	CUSIP 533079
2019	\$20,000	BS7	2025	\$795,000	BY4
2020	620,000	BT5	2026	835,000	BZ1
2021	655,000	BU2	2027	875,000	CA5
2022	685,000	BV0	2028	920,000	CB3
2023	720,000	BW8	2029	1,000,000	CC1
2024	755,000	BX6	2030	1,000,000	CD9

(1) Call price is expressed as a percentage of the principal amount.

From the proceeds of the Bonds, the City will purchase certain direct noncallable obligations of the United States or obligations the principal and interest on which are fully and unconditionally guaranteed by the United States (referred to herein collectively as "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 payment of interest on the Refunded Bonds beginning June 1, 2013 and provide funds sufficient to redeem all remaining principal on the Refunded Bonds on June 1, 2015.

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 Refunded Bonds by the Escrow Agent, pursuant to the Escrow Deposit Agreement.

Verification of Mathematical Calculations

Talbot, Korvola & Warwick, LLP, a firm of independent public accountants (the "Verification Agent"), will deliver to the City, on or before the Date of Delivery, its verification report indicating that it has verified, in accordance with attestation standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Government Obligations, to pay, when due, the maturing principal of, interest on and related call premium requirements of the Refunded Bonds and (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes.

The verification performed by the Verification Agent will be solely based upon data, information and documents provided to the Verification Agent by the City and its representatives. The Verification Agent has restricted its procedures to recalculating the computations provided by the City and its representatives and has not evaluated or examined the assumptions or information used in the computations.

Sources and Uses of Funds

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

Table 2 -- Estimated Sources and Uses of Funds

Sources of Funds	Series 2013
Par Amount	\$9,885,000.00
Original Issue Discount	(17,750.00)
Net Premium	130,477.55
Total sources of funds	\$9,997,727.55

Uses of Funds	
Escrow Requirements	\$9,818,238.06
Costs of Issuance	72,738.50
Underwriter's Discount	102,469.89
Additional Proceeds	4,281.10
Total uses of funds	\$9,997,727.55

THE SEWER SYSTEM

The City owns, operates and maintains its own sewage collection and treatment system. The sewer system (the "System") provides municipal sewer services for the City, and the Roads End Sanitary District. (See "PROPERTY TAX INFORMATION -- Potential Addition to City's Assessed Value" for a discussion of proposed annexation in this area.) The total number of accounts was 5,188 for fiscal year 2012. Facilities of the System include 28 pump stations and a sewage treatment plant. Total gross System sales revenue for fiscal year 2012 was \$2,752,752. The City reviews its sewer rates on a regular basis. Sewer rates for fiscal year 2012 increased by 4.0 percent. The City intends to use a mix of systems development charges, to the extent permitted under Oregon law, and sewer fees and charges to make future improvements to the System, and does not currently intend to borrow money to pay for System improvements.

PROPERTY TAX INFORMATION

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 any local option levies.

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. The local government ordinarily must notify the county assessor of its levies by July 15.

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

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

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

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

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

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

Tax Rate Limitation – Measure 5. A tax rate limitation was established in 1990 as the result of a constitutional amendment. That amendment (now Article XI, Section 11b, often called "Measure 5") separates property taxes into two categories: one to fund the public school system (kindergarten through grade twelve school districts, education service districts and community college districts, collectively, "Education Taxes") and one to fund government operations other than the public school system ("General Government Taxes"). Education Taxes are limited to \$5 per \$1,000 and General Government taxes are limited to \$10 per \$1,000 of the Taxable Real Market Value of property (the "Measure 5 Limits"). If the taxes on a property exceed the Measure 5 Limit for Education or General Government, then tax rates are compressed to the Measure 5 Limit. Local Option Levy rates compress to zero before there is any compression of Permanent Rates. In Fiscal Year 2013, there was \$28.48 of compression of the City's Permanent Rate due to the tax rate limitation.

Taxes imposed to pay the principal and interest on the following bonded indebtedness are not subject to Measure 5 Limits: (1) bonded indebtedness authorized by a specific provision of the Oregon Constitution; and (2) general obligation bonded indebtedness incurred for capital costs approved by the electors of the issuer and bonds issued to refund such bonds. The Bonds are secured by taxes that may be levied outside Measure 5 limits.

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 unsegregated pool, and each taxing district 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.

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

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

The following tables represent historical tax information for the City.

Table 3 -- Bond and Levy Election History

Year	Purpose	Amount Requested	Votes			Passed (Failed)
			Yes	No	Margin	
2004	Sanitary (Sewer System)	\$22,000,000	2,237	1,092	1,145	67.20

Source: City of Lincoln City.

Table 4-- Real Market Value of Taxable Property in City of Lincoln City⁽¹⁾

Fiscal Year	Real Market Value (RMV)	Percent Increase	Taxable Assessed Value (TAV)	Percent Increase	TAV as a Percent of RMV
2006-07	\$1,682,610,403	39.51%	\$964,318,686	5.23%	57.31%
2007-08	2,050,417,570	21.86	1,030,249,106	6.84	50.25
2008-09	2,217,401,456	8.14	1,093,993,410	6.19	49.34
2009-10	2,091,318,252	-5.69	1,152,078,610	5.31	55.09
2010-11	1,877,069,647	-10.24	1,197,246,890	3.92	63.78
2011-12	1,738,085,538	-7.40	1,225,532,150	2.36	70.51
2012-13	1,590,620,412	-8.48	1,253,733,405	2.30	78.82

(1) Total Real Market Values and Taxable Assessed Values include Urban Renewal Values and other offsets. Table 5 which follows, reflects Taxable Assessed Values which does not include Urban Renewal and other assets as calculated by the Lincoln County Assessor.

Source: City of Lincoln City.

Table 5 -- Tax Collection Record

Fiscal Year	Taxable Assessed Value ⁽¹⁾	Percent Change	Total Levy	Tax Rate Per \$1,000	Percent Collected Year of Levy	Percent Collected as of 6/30/2012
2006-07	\$800,823,341	4.84%	\$3,283,078	4.0996	94.46%	99.95%
2007-08	857,181,131	7.04	3,514,133	4.0996	92.85	99.92
2008-09	908,968,555	6.04	3,726,410	4.0996	92.95	99.41
2009-10	959,653,655	5.58	3,934,205	4.0996	91.66	98.36
2010-11	996,712,565	3.86	4,086,178	4.0996	92.08	97.20
2011-12	1,019,912,885	2.33	4,181,233	4.0996	92.00	92.00
2012-13	1,044,755,460	2.44	4,283,079	4.0996	N/A	N/A

(1) Excludes Urban Renewal Value and other Offsets.

Source: City of Lincoln City.

Impact of Tax Limitation on the City

Table 6 -- Historical Impact of the \$10/\$1,000 Tax Limitation on City Property Tax Revenues

Fiscal Year	Taxes Imposed	Compression Loss
2006-07	\$3,283,078	\$(42.00)
2007-08	3,514,133	(48.25)
2008-09	3,726,410	(60.00)
2009-10	3,934,205	(28.29)
2010-11	4,086,178	(25.91)
2011-12	4,181,233	(38.20)
2012-13	4,283,079	(28.48)

Source: City of Lincoln City.

Consolidated Tax Rates

The following table shows consolidated tax rates for one of many tax code areas located within the City of Lincoln City.

Table 7 -- 2012-13 Representative Consolidated Tax Rates for Tax Code Area 402⁽¹⁾

Area	Tax Rate for Operations ⁽²⁾	Tax Rate for Bonds	Tax Rate Total
Within the City of Lincoln City			
Education			
Lincoln County Unified School District	\$4.0910	\$0.7597	\$4.8507
Linn-Benton-Lincoln ESD	0.2541	--	0.2541
Oregon Coast Community College	0.1465	0.2374	0.3839
Total Education	\$4.4916	\$0.9971	\$5.4887
Local Government			
Lincoln County	\$2.4602	--	\$2.4602
Lincoln County Extension	0.0376	--	0.0376
Lincoln County Transportation	0.0812	--	0.0812
City of Lincoln City	3.4163	1.0887	4.5050
Lincoln City Urban Renewal Agency ⁽³⁾	2.3778	--	2.3778
North Lincoln Fire and Rescue	0.7548	0.3145	1.0693
Devils Lake Water District	0.1008	--	0.1008
North Lincoln Hospital District	0.4320	--	0.4320
Total Local Government	\$9.6607	\$1.4032	\$11.0639
Total Consolidated Tax Rate	\$14.1523	\$2.4003	\$16.5526

(1) The 2012-13 Assessed Value to compute the tax rate of code area 402 is \$712,752,025 which is 56.85% of the total Assessed Value of the City.

(2) The Tax Rates for Operations are the combined Measure 50 permanent tax rates and local option levies which are then applied to the Assessed Value adjusted for Urban Renewal to obtain the amount of taxes to be collected. These are not the Measure 5 tax rates which determine if there is "compression" and which are calculated using Real Market Value.

(3) See "PROPERTY TAX INFORMATION -- Potential Addition to City's Assessed Value" for a discussion of the expected date on which Lincoln City Urban Renewal Area will cease to collect tax increment revenues.

Source: City of Lincoln City.

Table 8 -- 2011-12 Major Taxpayers in the City of Lincoln City

Name	2011-12 Taxes	Assessed Value	Percent of City AV ⁽¹⁾
Coroc/Lincoln City LLC	\$564,503.17	\$34,103,600	2.78%
Charter Communications	180,373.71	10,897,000	.89
Gorge Leasing Co.	133,154.90	8,044,350	.66
Confederated Tribes	129,692.78	7,783,500	.64
PacifiCorp	122,874.69	7,408,000	.60
Westover Inns. Inc.	109,842.29	6,635,950	.54
CenturyLink	108,530.41	6,552,800	.53
Lincoln City Senior Living LLC	102,701.40	6,159,190	.50
Cho, William T. and Lorna	81,776.63	4,940,410	.40
Northwest Natural Gas Co.	81,603.71	4,919,100	.40
Total	\$1,615,053.69	\$97,443,900.00	7.94%

(1) The 2011-12 Taxable Assessed Value in the City including Urban Renewal Values and other offsets was \$1,225,532,150.

Source: Lincoln County Assessor.

Potential Additions to City's Assessed Value

Urban Renewal Agency. Under Oregon's division of taxes system of collecting revenues for urban renewal agencies, the taxes imposed by overlapping taxing bodies on a portion of the assessed value inside the urban renewal area are retained by the urban renewal agency and used to pay for costs of urban renewal projects. When the urban renewal area ceases to collect tax increment revenues under the division of taxes system, that portion of the assessed value becomes taxable by the overlapping taxing bodies. The City's urban renewal agency currently plans to stop collecting tax increment revenues on June 30, 2014. If tax increment collections are terminated, approximately \$209,000,000 of assessed value will be added to the assessed value that the City is able to tax, increasing the City tax collections by approximately \$950,000 beginning in fiscal year 2014-15. The decision by the City's Agency to cease tax increment revenue collections on June 30, 2014 can be reversed by the Agency, however, neither the City nor the Agency currently expect that date will change.

Potential Annexation. On December 10, 2012, the City adopted an ordinance to annex land into the City. The land, referred to as the "Roads End Area," consists of approximately 906 tax lots which together have an approximate assessed value of \$242,103,960. Petitioners have appealed the annexation to the Oregon Land Use Board of Appeals. Any action of the Land Use Board of Appeals could itself be appealed to the Oregon Court of Appeals and any decision of the Oregon Court of Appeals could be appealed to the Oregon Supreme Court. The City expects to prevail in the appeal, however, it cannot estimate when the case will ultimately be decided. Nor can the City assure that the annexation will be successful.

If the case is decided in the City's favor, the ordinance would implement phased in property taxes for the Roads End Area that would impose 70%, 85% and finally 100% of the ad valorem real property tax levied inside the City over a three year period. If 100% of the taxes were levied on the Roads End Area, the City expects to eventually receive approximately \$1,000,000 of general fund revenues from its permanent rate annually from the annexed property based on current assessed values.

The City imposes additional charges for services on property outside of the City limits. Therefore, if the annexation is successful, the City will collect less fees for services from properties within the Roads End Area than it currently collects. The City does not expect the loss of revenue to materially offset the gain in property taxes.

THE CITY

General Description

The City, with an estimated 2011 population of 7,960, is located on the Pacific Coast in Lincoln County, Oregon, about 81 miles southwest of Portland. Incorporated as a home-rule city on March 3, 1965, the City consolidated the incorporated cities of Taft, Delake and Oceanlake, and the unincorporated communities of Cutler City and Nelscott.

Government

The government of the City is vested in a mayor and six council members. Two council members are elected from each of three wards for four-year terms. The mayor is elected for a four-year term.

The City Council appoints a City Manager who is the chief administrative officer of the City. The City Manager appoints the heads of all City departments, including a Finance Director who supervises the financial affairs of the City. The Finance Director is responsible for operating a general accounting system for City government in conformity with generally accepted accounting principles and practice, and for receipt, custody and disbursement of all City funds and monies. Current members of the City Council are shown in the following table.

Table 9 -- City Council

City Council	Occupation	Service Began	Term Expires
Dick Anderson, Mayor	Retired	01/01/2007	12/31/2014
Henry Quandt	Small Business Owner	11/01/2011	12/31/2014
Gordon Eggleton	Small Business Owner	01/01/2011	12/31/2014
Wes Ryan	Retired	01/01/2013	12/31/2016
Chester Noreikis	Retired	01/01/2003	12/31/2016
Roger Sprague	Retired	01/01/2009	12/31/2016
Gary Ellingson	Motel owner	11/01/2003	12/31/2014

Source: City of Lincoln City.

Administration

Dick Anderson, Mayor, has been Mayor since January 2010 after serving two years as a city councilor. He is retired after working 35 years in the financial services industry. He holds a BA degree from Pacific University Oregon and has executive management certificates from the University of Washington and Duke University.

David Hawker, City Manager, has been with the City since December 1999. He holds a Masters of Public Administration from the University of Colorado. He has 32 years experience as a city manager with previous positions in the Colorado cities of Rifle, Northglenn and Federal Heights.

Debbie Mammone, Finance Director, has served the City as Finance Director since September 2007, previously she served as Finance Director of Nampa, Idaho.

Ron Tierney, Financial Planner, has served the City since January 1991, and served as Finance Director from January 1995 to October 2005. He holds a Bachelor of Business Administration degree in Public Accounting from Gonzaga University. Currently, he is still employed on a part-time basis by the City as a financial advisor for special projects.

Joan Kelsey, City Attorney, has practiced government and municipal law in Oregon for 17 years and for the City since January 2005. She is in the process of retiring from her role. The City conducted a search to replace her and has decided to hire Richard Appicello, an attorney with experience with local government law in Oregon, as the new City Attorney. Mr. Appicello is expected to begin working for the City in late February."

Lila Bradley, Public Works Director, has served the City for the past 23 years. She has developed the experience and technical skills in operations and maintenance, geographic information systems and capital project management that include all aspects of public works. She has been involved with American Public Works' Oregon Chapter since 1993 and was the President Elect in 2005.

Joe Whisler, Wastewater Treatment Plant Supervisor, has been with the City since 1981 and in his current position since 1990. He holds an Associates of Applied Science degree in Water/Wastewater Treatment from Linn Benton Community College.

Staff

As of September 30, 2012, the City employed a total of 160 people, including 112 full-time career employees, 28 part-time career employees, and 20 seasonal and part-time temporary employees. The majority of City employees who are eligible under State law to be represented by a labor organization are employed under provisions of negotiated contracts with two major labor organizations. The City enters into written bargaining agreements with each of the bargaining organizations; agreements contain provisions on such matters as salaries, vacation, sick leave, medical and dental insurance, working conditions and grievance procedures. Labor relations between the City and the bargaining staffs are good. The bargaining units which represent City employees, the number of employees represented by each and the date each current contract expires are shown in the following table.

Table 10 -- Sources and Uses of Funds

Bargaining Unit	Number of Employees	Termination Date of Current Contract	Status of Contract
Lincoln City Police Association	34	June 30, 2014	Settled
Oregon AFSCME Council 75	61	June 30, 2015	Settled

Source: City of Lincoln City.

Accrued Vacation

Each employee earns vacation at rates determined by their length of employment. An employee can accumulate a maximum of 320 hours. Accumulated vested vacation is accrued as it is earned. As of June 30, 2012, the audited total accrued leave liability in the General Fund and Other Funds was \$682,159. Citywide accrued leave is fully funded.

FINANCIAL INFORMATION

Basis of Accounting

The City's governmental fund types and agency funds are maintained on the modified accrual basis of accounting. The proprietary fund types are accounted for using the accrual basis of accounting. The City's accounting practices conform to generally accepted accounting principles.

Fiscal Year

July 1 to June 30.

Audits

The Oregon Municipal Audit Law (ORS 297.405 - 297.555) requires an audit and examination to be made of the accounts and financial affairs of every municipal corporation at least once a year. Unless the municipality elects to have the audit performed by the State Division of Audits, the audit shall be made by accountants whose names are included on the roster prepared by the State Board of Accountancy.

The City's audits for fiscal years 2009-2010 through 2011-12 were performed by Talbot, Korvola & Warwick, LLP, Portland, Oregon. The auditors were not requested to review the official statement and offer no opinion regarding the official statement. A complete copy of the City's annual financial statements may be obtained from the City's website. The City's audit for fiscal year 2012 is attached to this Official Statement as Appendix A.

Table 11 -- Summary of 2011-12 and 2012-13 General Fund Adopted Budget

	Adopted 2011-12	Adopted 2012-13
Revenues		
Taxes ⁽¹⁾	\$5,432,131	\$5,496,626
Fees, Licenses & Permits	1,136,750	1,192,350
Intergovernmental	420,012	465,161
Fines and Forfeitures	223,713	185,813
Miscellaneous Revenue	937,854	949,402
Transfers In	425,804	438,579
Total Revenues⁽²⁾	\$8,576,264	\$8,727,931
Expenditures		
City Council	\$83,142	\$45,148
Administration	500,420	511,510
Finance	717,442	755,148
Library	866,291	861,371
Municipal court	69,895	66,696
City Attorney	173,521	160,386
Planning	447,835	438,221
Building	230,935	236,728
Police	3,794,462	3,830,916
Recreation	1,072,741	1,174,448
General Fund Non-Departmental	284,087	308,982
Transfers out	722,152	755,760
Total Expenditures⁽³⁾	\$8,962,923	\$9,145,314

(1) See "PROPERTY TAX INFORMATION -- Potential Addition to City's Assessed Value" for a discussion of proposed developments that may impact the City's assessed value figure in the future.

(2) "Total Revenues" do not include Beginning Fund Balances.

(3) "Total Expenditures" do not include Contingencies and Unappropriated Ending Fund Balances.

Source: City of Lincoln City Adopted Budgets.

Table 12 -- Five-Year General Fund and Police Fund Consecutive Balance Sheets⁽¹⁾

	2007-08	2008-09	2009-10	2010-11	2011-12
Assets					
Cash and investments	\$3,859,464	\$3,790,273	\$3,751,858	\$3,600,156	\$3,692,153
Receivables	348,153	542,754	684,103	909,132	930,369
Total Assets	\$4,207,617	\$4,333,027	\$4,435,961	\$4,509,288	\$4,622,522
Liabilities & Fund Balances					
Vouchers Payable	\$242,040	\$138,315	\$180,960	\$165,385	\$146,753
Accrued Payroll and Related Taxes	592,156	493,109	479,529	475,010	452,257
Unearned Revenue	195,246	332,136	357,683	-	-
Deferred Revenue	43,904	43,904	162,540	526,320	553,932
Total liabilities	\$1,073,346	\$1,007,464	\$1,180,712	\$1,166,715	\$1,152,942
Fund Balance	\$3,134,271	\$3,325,563	\$3,255,249	\$3,342,573	\$3,469,580
Total liabilities and Fund Balances	\$4,207,617	\$4,333,027	\$4,435,961	\$4,509,288	\$4,622,522

(1) The Police Fund became a Department in the General Fund during fiscal year 2011-12. The above information combines the Police Fund and General Fund for all 5 years.

Source: City of Lincoln City Audited Financial Statements.

**Table 13 -- Five-Year General Fund and Police Fund Statement of Revenues,
Expenditures, and Changes in Fund Balances**

	2007-08	2008-09	2009-10	2010-11	2011-12
Revenues					
Property Taxes	\$3,391,882	\$3,599,549	\$3,785,374	\$3,950,429	\$4,062,447
Franchises and Fees	1,625,844	1,434,538	1,335,025	889,097	920,967
Fees, Licenses & Permits ⁽¹⁾				519,259	499,820
Fines and forfeitures	216,206	206,192	229,041	213,758	187,674
Charges for Services	28,886	27,414	13,844	8,300	10,553
Intergovernmental	422,131	491,712	583,178	502,579	439,376
Transient Room Tax	756,049	948,262	968,624	1,028,408	992,744
Interest on Investments	163,381	83,308	25,762	23,164	19,301
Miscellaneous	696,978	810,462	853,434	894,274	889,678
Total Revenues	\$7,301,357	\$7,601,437	\$7,794,282	\$8,029,268	\$8,022,560
Expenditures					
General Government	\$2,502,413	\$2,709,444	\$2,460,645	\$2,510,928	\$2,501,222
Public Safety	2,696,968	2,966,868	3,284,253	3,363,629	3,244,118
Culture and Recreation	1,594,049	1,700,658	1,783,662	1,869,908	1,761,377
Capital Outlay	396,121	191,353	152,825	150,836	104,398
Total Expenditures	\$2,502,413	\$2,709,444	\$2,460,645	\$2,510,928	\$2,501,222
Excess (deficiency) of revenues over expenditures	\$111,806	\$33,114	\$112,897	\$133,967	\$411,445
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	\$12,478	\$278,277	\$6,148	\$7,493	\$4,914
Operating Transfers In	519,742	482,901	497,388	655,864	432,800
Operating Transfers Out	(645,000)	(603,000)	(686,747)	(710,000)	(722,152)
Total other financing sources (uses)	\$(112,780)	\$158,178	\$(183,211)	\$(46,643)	\$(284,438)
Net change in fund balances	\$(974)	\$191,292	\$(70,314)	\$87,324	\$127,007
Fund Balances at beginning of year	\$3,135,245	\$3,134,271	\$3,325,563	\$3,255,249	\$3,342,573
Fund Balances at end of year	\$3,134,271	\$3,325,563	\$3,255,249	\$3,342,573	\$3,469,580

(1) Prior to 2010-11 "Fees, Licenses and Permits" were subsumed in "Franchises and Fees".

Source: Derived from the City's audited financial statements 2008-2012.

Budgeting Process

The City prepares an annual budget in accordance with provisions of the Oregon Local Budget Law (ORS Chapter 294), which provides standard procedures for the preparation, presentation, administration and appraisal of budgets. In the months of January through April of each year a proposed budget is prepared by the City's Budget Officer. The budget is presented to the City's Budget Committee in May. The committee consists of the seven elected Council Members (the Mayor and six Councilors), and an equal number of appointed citizens of the City. The Budget Committee receives the proposed budget from the City Manager, holds meetings and receives citizen comment, and deliberates on the budget proposal during a series of meetings open to the public. The approval of the budget requires a majority vote of the members with all members of the Budget Committee having an equal vote.

After the Budget Committee has approved the budget, the governing body enters into the adoption stage of the budget process. The City Council, by law, has the power (1) to limit the amount of tax that may be levied by the local government, and (2) to establish a maximum for total expenditures for each fund. A budget summary and notice of hearing are published following strict requirements as to time and mode. A final hearing is held at which time the City Council considers citizen testimony and, if necessary, alters the budget subject to statutory limitations upon increasing taxes or fund allocations without further publication and hearing.

Supplemental budgets may be prepared as needed during the fiscal year. Supplemental budgets are considered and adopted by the City Council.

Deposits and Investments

ORS Chapter 294 authorizes the City to invest in U.S. Government obligations and its agencies or instrumentalities, collateralized repurchase agreements, insured or collateralized certificates of deposit, government pools and certain other types of investments. As of June 30, 2012, the City had \$17,458,590 in the State Treasurer's Local Government Investment Pool.

Table 14 -- Investments as of June 30, 2012

Investment Instrument	Carrying Value	Market Value
Oregon State Local Government Investment Pool	\$17,458,590	\$17,458,590

Source: City of Lincoln City.

Insurance

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. In 1981, the League of Oregon Cities joined together with the Association of Oregon Cities to form City County Insurance Services ("CCIS"), a public entity risk pool currently operating as a common risk management and insurance program for approximately 265 municipal corporations and associated entities in the State of Oregon. CCIS is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of \$2 million for each insured event.

The City continues to carry commercial insurance for other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

PENSION AND OPEB LIABILITY

PERS Pension System

General. The City participates in a retirement pension benefit program under the State of Oregon Public Employees Retirement System ("PERS" or the "System"). After six full months of employment, all City employees are required to participate in PERS.

T1/T2 Pension Programs. Employees hired before August 29, 2003 participate in the "Tier 1" and "Tier 2" pension programs (the "T1/T2 Pension Programs"). The benefits provided through the T1/T2 Pension Programs are based primarily on a defined benefit pension model and provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Different benefit structures apply to participants depending on their date of hire. Effective January 1, 2004, T1/T2 Pension Program participant contributions fund individual retirement accounts under the separate defined contribution program described below.

OPSRP. Employees hired on or after August 29, 2003 participate in the Oregon Public Service Retirement Plan ("OPSRP") unless membership was previously established in the T1/T2 Pension Programs. OPSRP is a hybrid 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. Effective January 1, 2004, T1/T2 Pension Program participant contributions also 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 2009 and 2011, the Public Employees Retirement Board ("PERB") establishes the contribution rates that employers will pay to fund the T1/T2 Pension Programs, OPSRP and the PERS-sponsored Retirement Health Insurance Account program ("RHIA") described herein. Actuarial valuations are performed annually as of December 31 of each year, with the valuations as of December 31 of even-numbered years (such as 2010) used for advisory purposes only. Actuarial valuations are performed for the entire System (the "System Valuation"), and for each participating employer, including the City (the "City Valuation"). Valuations are released approximately one year after the valuation date. PERS' current actuary is Milliman, Inc. ("Milliman") which replaced the prior actuary, Mercer (US), Inc. in January 2012.

Valuation	Release Date	Rates Effective
December 31, 2009	September 2010	July 1, 2011-June 30, 2013
December 31, 2010	November 2011	Advisory only
December 31, 2011	November 2012	July 1, 2012 - June 30, 2015

Employer Assets, Liabilities, and Unfunded Actuarial Liabilities. An employer's unfunded actuarial liability ("UAL") is the excess of the actuarially determined present value of the employer's benefit obligations to employees over the existing actuarially determined assets available to pay those benefits. For the T1/T2 Pension Programs, the City is pooled with the State of Oregon and other local governments and community college district public employers (the "State and Local Government Rate Pool" or "SLGRP"). The City's portion of T1/T2 Pension Programs' assets and liabilities is based on the City's proportionate share of the SLGRP's pooled payroll ("City Allocated T1/T2 UAL").

OPSRP's assets and liabilities are pooled on a program-wide basis. These assets and liabilities are not tracked or calculated on an employer basis. The City's allocated share of OPSRP's assets and liabilities is based on the City's proportionate share of OPSRP's pooled payroll (the "City Allocated OPSRP UAL").

Changes in the City's relative growth in payroll will cause and other pool participants' failure to pay their full employer contributions may cause the City Allocated T1/T2 UAL and City Allocated OPSRP UAL to shift.

The City's net unfunded pension UAL is the total of the City's Allocated T1/T2 UAL and Allocated OPSRP UAL. The City's net unfunded pension UAL as of the 2009 City Valuation which is as of December 31, 2009 and the 2011 City Valuation which is as of December 31, 2011 is shown in the below table:

	2009 Valuation	2011 Valuation
Allocated pooled SLGRP T1/T2 UAL	\$ 8,970,484	\$ 10,841,792
Allocated pre-SLGRP pooled liability/(surplus) ⁽¹⁾	0	0
Transition liability/(surplus) ⁽²⁾	(4,978,121)	(4,662,489)
Allocated Pooled OPSRP UAL	70,2732	116,041
Net unfunded pension actuarial accrued liability/(surplus)	\$ 4,062,636	\$ 6,295,344

(1) The Allocated pre-SLGRP pooled liability represents the allocation to the City of the liability/surplus that remained when the local government rate pool (LGRP) was disbanded and the SLGRP was created. The City shares this liability/surplus with other former participants in the LGRP, and it is allocated based on the City's proportionate share of the former participants' payroll.

(2) The transition surplus represents the surplus that was created when the City joined the LGRP. The transition surplus is solely the City's.

Source: 2011 City Valuation and 2009 City Valuation

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

Significant actuarial assumptions and methods used in the valuations included: (a) Projected Unit Credit actuarial cost method, (b) asset valuation method based on market value, (c) rate of return on the investment of present and future assets of 8%, (d) payroll growth rate of 3.75%, (e) consumer price inflation of 2.75% per year, and (f) UAL amortization method of a level percentage of payroll over 20 years (fixed) for the T1/T2 Pension Programs and 16 years (fixed) for OPSRP.

Employer Contribution Rates. Employer contribution rates are calculated as a percent of covered payroll. The rates are based on the current and projected cost of benefits and the anticipated level of funding available from the Oregon Public Employees Retirement Fund (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. Employers are allowed to pay the employees' contribution in addition to the required employers' contribution. The City has elected to make the employee contribution. Employer contribution rate changes from one period to the next are limited by a contribution rate collar.

Contribution Rate Collar. In January 2010 the PERS Board adopted a revised implementation of the rate collar limiting increases in employer contribution rates from biennium to biennium (the "Rate Collar"). Under normal conditions, the Rate Collar is the greater of three percent of payroll or 20 percent of the current base rate. If the

City's funded status is below 80 percent, the Rate Collar increases by an additional 0.3 percent for every percentage point under the 80 percent funded level until the aggregate Rate Collar reaches six percent at the 70 percent funded level. The Rate Collar limits increases in employer contribution rates before rate reductions from side accounts are deducted, and does not cover charges associated with PERS Retirement Health Insurance Account (RHIA).

City Contribution Rates. The City's current contribution rates are based on the 2009 Valuation. The following table shows the City's contribution rates effective July 1, 2011 to June 30, 2013 (2009 Valuation) and the rates effective July 1, 2013 through June 30, 2015 (2011 Valuation).

Table 15 -- 2011 City of Lincoln City Pension Contribution Rates

	2009 Valuation			2011 Valuation		
	T1/T2	OPSRP General Service	OPSRP Police & Fire	T1/T2	OPSRP General Service	OPSRP Police & Fire
Normal cost rate	9.78%	6.13%	8.84%	9.77%	6.27%	9.00%
Tier 1/Tier 2 UAL rate	6.10%	6.10%	6.10%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.08%	0.08%	0.08%	0.15%	0.15%	0.15%
Transition liability/(surplus) rate ⁽¹⁾	(5.94%)	(5.94%)	(5.94%)	(5.90%)	(5.90%)	(5.90%)
Side account rate relief ⁽¹⁾	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net retiree healthcare rate	<u>0.59%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>0.59%</u>	<u>0.49%</u>	<u>0.49%</u>
Total net employer contribution rate	<u>10.61%</u>	<u>6.87%</u>	<u>9.58%</u>	<u>14.97%</u>	<u>11.37%</u>	<u>14.10%</u>

(1) The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Source: 2009 City Valuation and 2011 City Valuation.

Other Post-Employment Benefits

GASB 45 requires the City to determine the extent of its liability for post employment benefits ("OPEB") 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 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 reviewed its OPEB for liability under GASB 45, and Milliman, an independent actuary, has determined that the City has no OPEB liability under GASB 45 based on the information the City provided.

Retirement Health Insurance Account. PERS retirees who receive benefits through the T1/T2 Pension Programs 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. According to the 2011 System Valuation, this program has a UAL of approximately \$221.5 million and has a funded ratio of approximately 52%. The RHIA program's assets and liabilities are pooled on a system-wide basis and are not tracked or calculated on an employer basis. 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 2011 City Valuation, the City's allocated share of the RHIA program's UAL is \$176,183. Based on the 2011 City Valuation, the City's employer contribution rates to fund RHIA benefits are 0.59% for the T1/T2 Pension Programs and 0.49% for the OPSRP Program, which are included in the City's employer contribution rates described above.

DEBT INFORMATION

Table 16 -- Debt Ratios⁽¹⁾

	Values	Per Capita	Percent of RMV
2011 Estimated Population	7,960	--	--
2012-13 Real Market Value (RMV)	\$1,590,620,412	\$199,827	--
Gross Direct Debt	22,760,189	2,859	1.43%
Net Direct Debt	12,815,000	1,610	0.81%
Net Overlapping Debt	27,140,054	3,410	1.71%
Net Direct Debt and Net Overlapping Debt	39,955,054	5,019	2.52%

(1) Reflects the 2005 Bonds before a portion is refunded with the Bonds. Does not reflect the Bonds.

Source: City of Lincoln City; Population Research Center, Portland State University.

Debt Limitations

ORS 287A.050 limits the general obligation debt which an Oregon city may have outstanding at any time to three percent of the real market value of the City. Self-supporting debt, revenue bonds, general obligation improvement bonds, bonds issued for water, sanitary or storm sewers, sewage disposal plants, hospitals, infirmaries, gas, power or lighting purposes, and certain parking facility bonds are legally exempt from this debt limitation. The Bonds are exempt from this limitation.

2012-13 RMV	\$1,590,620,412
Debt limitation (3.00 % of RMV)	47,718,612
Applicable bonded debt	0
Debt margin	0
Percent of limit issued	0%

Payment of Debt Service on the Bonds

The Bonds are general obligations of the City to which the City has pledged its full faith, credit and resources and for which the City covenants to levy annually an ad valorem tax upon all taxable property that is sufficient, with other available funds, to pay principal and interest on the Bonds when due. However, the City also has identified certain other revenues including net sewer revenues and system development charges which it anticipates using to repay portions of debt service on the Bonds. These revenues are not specifically pledged to the Bonds and the City may substitute other revenues and may use these revenues for other purposes.

Debt Management

The City has never defaulted on any debt or lease obligation.

Future Debt Plans

The City has no authorized but unissued debt.

Table 17 -- Outstanding Obligations

	Dated Date	Maturity Date	Amount Issued	Amount Outstanding as of 6/30/12
GENERAL OBLIGATION BONDS⁽¹⁾				
Series 2005 Sewer ⁽²⁾	4/12/2005	6/1/2030	\$15,000,000	\$12,465,000
Series 2007 Water ⁽³⁾	6/28/2007	12/1/2018	4,000,000	2,463,371
Series 2011 Sewer ⁽⁴⁾	3/17/2011	3/1/2026	<u>7,000,000</u>	<u>6,554,230</u>
Total General Obligation Bonds			\$26,000,000	\$21,482,601
FULL FAITH AND CREDIT BORROWINGS				
Series 2008 Library ⁽⁵⁾	9/30/2008	9/1/2013	\$1,000,000	\$311,421
Series 2008 Water ⁽⁶⁾	9/30/2008	9/1/2013	<u>2,000,000</u>	<u>616,167</u>
Total Full Faith and Credit-Backed			\$3,000,000	\$927,588
REVENUE BONDS				
Series 2006 Water Refunding Bonds	2/13/2006	6/1/2015	\$2,679,421	\$821,394
TOTAL BORROWINGS⁽⁷⁾			\$31,679,421	\$23,231,583

- (1) The City also had a series of Open Spaces General Obligation Bonds, Series 1999 that were outstanding as of June 30, 2012 and that were repaid on December 1, 2012. Does not include the Bonds.
- (2) A portion of the callable maturities to be refunded with the Bonds. Does not reflect this refunding.
- (3) The City has been paying debt service on this bond from revenues of the water system rather than from a tax levy.
- (4) The City has been paying debt service on this bond from revenues of the sewer system rather than from a tax levy.
- (5) The City has been paying debt service on this borrowing from the City's transient room tax revenues rather than general fund sources.
- (6) The City has been paying debt service on this borrowing from revenues of the water system rather than general fund sources.
- (7) Excludes short term borrowings. The City's Urban Renewal Agency has outstanding debt totaling \$2,781,244 as of June 30, 2012. Urban Renewal Agency debt is secured by the tax increment revenue of the Agency and is not a debt of the City.

Source: City of Lincoln City.

The following table presents the debt service on voter-approved general obligation debt of the City. Because the Bonds are being issued to refund a portion of the callable maturities of the 2005 Bonds and the debt service on the 2005 Bonds is presented here, the debt service on the Bonds is not presented separately.

Table 18 -- General Obligation Bond Debt Service Payments⁽¹⁾

Fiscal Year Ending 30-June	2005 Bonds		2007 Bonds		2011 Bonds		Total Payments
	Principal	Interest	Principal	Interest	Principal	Interest	
2013	\$440,000	\$272,801	\$172,092	\$44,507	\$183,236	\$129,747	\$1,242,383
2014	465,000	528,001	354,498	78,700	377,877	248,089	2,052,165
2015	490,000	509,401	368,709	64,488	393,610	232,356	2,058,564
2016	510,000	489,801	383,491	49,707	409,998	215,969	2,058,966
2017	540,000	469,401	398,864	34,333	427,068	198,898	2,068,564
2018	565,000	447,801	414,854	18,343	444,849	181,118	2,071,965
2019	595,000	424,071	203,828	2,976	463,370	162,596	1,851,841
2020	620,000	398,784			482,662	143,304	1,644,750
2021	655,000	372,434			502,758	123,209	1,653,401
2022	685,000	344,269			523,690	102,276	1,655,235
2023	720,000	314,300			545,494	80,473	1,660,267
2024	755,000	282,620			568,205	57,761	1,663,586
2025	795,000	249,400			591,862	34,104	1,670,366
2026	835,000	213,625			460,013	9,462	1,518,100
2027	875,000	176,050					1,051,050
2028	920,000	135,800					1,055,800
2029	1,000,000	93,250					1,093,250
2030	1,000,000	46,250					1,046,250
	\$12,465,000	\$5,768,059	\$2,296,336	\$293,054	\$6,374,692	\$1,919,362	\$29,116,503

(1) The payments reflect those that come due after December 1, 2012. Any payments of principal or interest occurring prior to this date have been excluded from this table. Includes all voter approved general obligation bonds. The 2007 Bonds and the 2011 Bonds have historically been paid from utility revenues rather than a tax levy. The 2007 Bonds have been paid from revenues of the City's water system and the 2011 Bonds have been paid from revenues of the City's sewer system.

Source: City of Lincoln City.

The following table outlines the outstanding debt of overlapping entities.

Table 19 -- Overlapping Debt⁽¹⁾

Issuer	Real Market Value	Percent Overlapping	Gross	Net
Lincoln County Unified SD	\$9,052,023,147	19.20%	\$19,672,856	\$19,672,856
North Lincoln Fire & Rescue District #1	2,624,544,146	66.22	3,764,851	3,764,851
Oregon Coast Community College	9,001,783,560	19.31	4,124,232	3,702,347
Total			\$27,561,939	\$27,140,054

(1) As of October 1, 2012. Gross Direct Debt includes all unlimited (general obligation bonds) and limited (full faith and credit obligations) tax supported debt. Net Debt is Gross Direct Debt less self-supporting limited and unlimited tax supported debt.

Source: Debt Management Division.

ECONOMIC AND DEMOGRAPHIC INFORMATION

The City is located on the Pacific Coast in Lincoln County, Oregon, about 81 miles southwest of Portland. Incorporated as a home-rule city on March 3, 1965, the City consolidated the incorporated cities of Taft, Delake and Oceanlake, and the unincorporated communities of Cutler City and Nelscott.

Land Use Planning

State law requires comprehensive land use planning to be accomplished at the city and county levels. To provide common direction and consistency within each city and county comprehensive plan, the Oregon Legislature directed the Department of Land Conservation and Development Commission (LCDC) to adopt statewide planning goals and guidelines. All zoning and development within a city or county must conform to the appropriate comprehensive plan. Fifteen statewide planning goals have been adopted, dealing with matters that include economy; air, water and land resources quality; housing; agricultural lands; urbanization; and public facilities. As part of a comprehensive plan, an urban growth boundary for the 20-year planning period must be established. This boundary is designed to contain urban sprawl and should encompass adequate land in each zoning category to support predicted population growth.

The City adopted its comprehensive plan in 1980, and LCDC acknowledged it in 1984 after revisions were made and a revised plan sent by the City in 1982. The City reviews the plan periodically.

Population

The estimated population in 2011 for the City was 7,960.

Table 20 -- Population Estimates

Year	City of Lincoln City	Percent Change	Lincoln County	Percent Change	State of Oregon	Percent Change
2002	7,420		44,700		3,502,588	
2003	7,420	0.00	45,000	0.67	3,538,591	1.03
2004	7,470	0.67	44,400	-1.33	3,578,895	1.14
2005	7,615	1.94	44,405	0.01	3,626,938	1.34
2006	7,615	0.00	44,520	0.26	3,685,206	1.61
2007	7,615	0.00	44,630	0.25	3,739,359	1.47
2008	7,875	3.41	44,715	0.19	3,784,182	1.20
2009	7,930	0.70	44,700	-0.03	3,815,775	0.83
2010	7,955	0.32	44,620	-0.18	3,837,300	0.56
2011	7,960	0.06	46,155	3.44	3,857,625	0.53

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

	1990	2000	2010
City of Lincoln City	5,903	7,437	7,930
Lincoln County	38,889	44,479	46,034
State of Oregon	2,842,321	3,421,399	3,831,074

Source: Population Research Center, Portland State University. October 26, 2012.

Employment

Lincoln County's economic and employment base relies on many elements, including the service industry, as well as government, retail trade and transportation.

Table 21 -- Lincoln County Labor Force, Unemployment & Total Employment by Place of Residence

Year	Civilian Labor Force	Unemployment	Unemployment as a Percent of Labor Force ⁽¹⁾	Total Employment ⁽²⁾
2002	21,521	1,744	8.1	19,777
2003	21,743	1,955	9.0	19,788
2004	22,200	1,799	8.1	20,401
2005	22,053	1,536	7.0	20,517
2006	22,166	1,329	6.0	20,837
2007	22,502	1,241	5.5	21,261
2008	22,870	1,502	6.6	21,368
2009	23,274	2,421	10.4	20,853
2010	23,345	2,486	10.6	20,859
2011	23,299	2,296	9.9	21,003

(1) Totals may not foot due to rounding. The State of Oregon Employment Department reported a seasonally adjusted unemployment rate of 9.0% in Lincoln County for the month of September 2012, the most current information available. See "UNEMPLOYMENT."

(2) Includes nonagricultural wage and salary, self-employed, unpaid family workers, domestics, agricultural workers, and labor disputants.

Source: Oregon Employment Department. October 26, 2012.

Lincoln County experienced a slight shift in nonfarm employment between 2001 and 2011. Employment in the manufacturing sector experienced a slight decrease over that period, while employment in the education and health services increased.

Table 22 -- Lincoln County Nonfarm Employment

	2001 Annual Average	2001 Percent of Total	2011 Annual Average	2011 Percent of Total
Total Nonfarm Wage & Salary Employment	17,280	100.00%	17,370	100.00%
Manufacturing	1,120	6.48%	1,040	5.99%
Durable goods	240	1.39	180	1.04
Nondurable goods	870	5.03	870	5.01
Nonmanufacturing	16,160	93.52%	16,330	94.01%
Construction & mining	810	4.69	810	4.66
Trade, transportation & utilities	3,230	18.69	3,200	18.42
Information	260	1.50	170	0.98
Financial activities	730	4.22	770	4.43
Professional & business services	920	5.32	930	5.35
Educational & health services	1,030	5.96	1,870	10.77
Leisure & hospitality	4,210	24.36	4,030	23.20
Other services	580	3.36	610	3.51
Government	4,400	25.46	3,930	22.63

Note: Totals may not foot due to rounding.

Source: Oregon Employment Department. October 26, 2012.

Unemployment

As reflected in the table below, Lincoln County, like the State and the nation, experienced an increase in the jobless rate in 2008, 2009 and 2010. The State of Oregon Employment Department reported a seasonally adjusted unemployment rate of 9.0% in Lincoln County for the month of September 2012, the most current information available.

Table 23 -- Lincoln County Average Annual Unemployment as a Percent of Labor Force

Year	Lincoln County ⁽¹⁾	State of Oregon	USA ⁽²⁾
2002	8.1	7.6	5.7
2003	9.0	8.1	6.0
2004	8.1	7.3	5.5
2005	7.0	6.2	5.0
2006	6.0	5.3	4.4
2007	5.5	5.2	4.7
2008	6.6	6.5	6.5
2009	10.4	11.1	10.0
2010	10.6	10.7	9.5
2011	9.9	9.5	8.9
2012			7.9

(1) The State of Oregon Employment Department reported a seasonally adjusted unemployment rate of 9.0% in Lincoln County for the month of September 2012, the most current information available.

(2) As of October of each year.

Source: Oregon Employment Department, October 26, 2012 for Lincoln County and State of Oregon; Bureau of Labor Statistics, November 20, 2012 for USA.

Table 24 -- Lincoln County Major Employers

Employer	Product or Service	Estimated Employment
Confederated Tribes of Siletz Indians	Casino	999
Samaritan Health Services	Health Care	800
Lincoln County School District	Education	500
Lincoln County	Government	350
Georgia Pacific Toledo	Paper Manufacturing	420
OSU Hatfield Marine Science Ctr	Government	401
Fred Meyer	Retail	240
Wal Mart	Retail	200
Pacific Shrimp	Shrimp Processing	200
NOAA	Federal Agency	175

Source: Economic Development Alliance of Lincoln County, November 14, 2012. Fred Meyers, November 15, 2012. Pacific Shrimp, November 15, 2012.

Development Activity

A new Bi-Mart store opened in late 2011. Built at a cost of over \$3.8 million, it boasts more than 42,000 square feet of retail space. Further, many tenant spaces at the Tanger Outlet Mall were remodeled. Dutch Bros. started on a new retail coffee facility.

Among the other construction in Lincoln City, in 2012 the following remodeling and expansions of the high school and both elementary schools occurred:

- Taft High School got a \$1.4 million remodeling;
- Taft Elementary School got a \$1.6 million expansion and remodeling;
- Oceanlake Elementary School got a \$3.3 million remodeling and expansion.

Additionally Samaritan Health System built an early learning/childcare center in late 2011. The early Learning center was a partnership between the City, North Lincoln Health District, North Lincoln Hospital Foundation and Samaritan North Lincoln Hospital. Total cost with land and furnishings was \$1,300,000.

Income

The following table shows personal income and per capita income for Lincoln County, compared to similar data for the State and nation. According to the Bureau of Economic Analysis, Lincoln County per capita personal income was estimated at \$33,681 in 2010.

Table 25 -- Income Estimates

Year	Lincoln County	Per Capita Income		
	Total Personal Income (thousands) ⁽¹⁾	Lincoln County ⁽¹⁾	State of Oregon ⁽²⁾	United States ⁽²⁾
2001	\$1,171,433	\$26,712	\$29,250	\$31,157
2002	1,236,922	27,940	29,797	31,481
2003	1,252,012	28,185	30,582	32,295
2004	1,312,356	29,243	31,650	33,909
2005	1,345,992	29,682	32,557	35,452
2006	1,438,426	31,594	34,706	37,725
2007	1,497,500	32,698	35,950	39,506
2008	1,557,404	33,919	37,407	40,947
2009	1,502,053	32,661	35,159	38,637
2010	1,550,294	33,681	35,906	39,791
2011	N/A	N/A	37,527	41,560

(1) As of April 25, 2012.

(2) As of September 25, 2012.

Source: U.S. Department of Commerce, Bureau of Economic Analysis and Census Bureau; Bureau of Business and Economic Research, University of New Mexico. November 13, 2012.

Agriculture

In Lincoln County, the top commodities include farm forest products and cattle. Agricultural Commodity Sales for Lincoln County in 2011 were \$43,742,000, which unlike previous years included fisheries and farmed oysters.

Table 26 -- Lincoln County Agricultural Commodity Sales (\$000)

Year	Lincoln County			State of Oregon		
	Crops	Animal Products	Total	Crops	Animal Products	Total
2002	7,572	1,585	9,157	2,377,183	886,479	3,263,662
2003	8,118	1,626	9,744	2,487,646	978,136	3,465,782
2004	9,627	1,726	11,353	2,717,855	1,081,179	3,799,034
2005	16,250	1,778	18,028	2,916,722	1,149,162	4,065,884
2006	10,823	1,824	12,647	3,235,782	1,164,806	4,400,588
2007	10,474	1,833	12,307	3,520,922	1,372,309	4,893,231
2008	9,588	1,845	11,433	3,496,244	1,387,060	4,883,304
2009	7,921	2,070	9,991	2,855,037	1,251,827	4,106,864
2010	8,150	2,077	10,227	2,859,371	1,422,286	4,281,657
2011 ⁽¹⁾	13,407	30,335	43,742	3,521,241	1,678,335	5,199,576

(1) Commercial Fisheries and Farmed Oysters were added to livestock beginning 2011.

Source: Oregon State University Extension Economic Information Office. October 26, 2012.

Forestry

Based on the Oregon Department of Forestry's Western Oregon Harvests report for calendar year 2011 (the most recent data available), 166,002 thousand board feet of timber was harvested in Lincoln County.

Table 27 -- Timber Harvest (in thousand board feet)

Year	Lincoln County	State of Oregon
2002	164,725	3,922,358
2003	176,052	4,001,818
2004	183,606	4,451,195
2005	209,367	4,411,428
2006	212,132	4,327,704
2007	192,881	3,798,554
2008	145,188	3,441,403
2009	81,531	2,748,479
2010	121,445	3,226,550
2011	166,002	3,649,130

Source: Oregon Department of Forestry, November 27, 2012.

Housing

The following table shows building permit activity in the area.

Table 28 -- Building Activity

Calendar Year	Lincoln City Residential Building Permits		
	Single Family Units	Multi-family Units	Construction Cost (\$000)
2002	34	7	6,142
2003	43	0	7,931
2004	82	0	16,536
2005	122	2	23,991
2006	135	5	30,282
2007	136	5	27,581
2008	54	41	15,988
2009	25	0	4,870
2010	23	0	4,798
2011	20	0	3,960

Source: U.S. Census Bureau. November 1, 2012.

Transportation

Highway 101, the principal north-south highway on the West Coast, passes through the City. A small general aviation airport located at Salishan, which is approximately 3 miles south of the city limits, provides private and chartered air service from the City.

Utilities

NW Natural supplies natural gas to the area; electricity is provided by Pacific Power and Light Company. Centurytel, Inc. provides telephone service.

Public Facilities

Sewer and Water. The City owns and operates its own water system, primarily drawing its water from Schooner Creek. The City provides water within city limits and in the unincorporated areas at Roads End and around Devils Lake, as well as all other areas within the urban growth boundary. (See "PROPERTY TAX INFORMATION -- Potential Addition to City's Assessed Value" for a discussion proposed annexation in the Roads End Area). In June 2010 the City completed a water project that provides for an additional water source and transmission line in case of failure of the main system. The City purchased water rights in Drift Creek, built a pump station and piping

to the water treatment plant. In 2011, the City constructed a new distribution line from the water treatment plant through Cutler City that would give the City a redundant transmission line into the main part of the City.

The City owns, operates and maintains its own sewage collection and treatment system. Proceeds from the 2005 Bonds and a series of general obligation bonds issued in 2011 were used to replace the Sewer Treatment Plant and upgrade the sewer system.

Public Safety. The City's Police Department has mutual aid agreements with surrounding communities, as well as with the Lincoln County Sheriff's Office and the Oregon State Police. Beach and ocean emergencies are handled by the department, North Lincoln Fire & Rescue and the U.S. Coast Guard stationed in Newport and Depoe Bay, with rescue helicopters and boats. A privately-owned company provides ambulance service. The dispatch center handles fire, police and ambulance calls.

The North Lincoln Fire and Rescue District is staffed by volunteers and provides fire protection in the City and surrounding area. This new district was formed in early 1997 by merging the Devils Lake Rural Fire Protection District and the Taft-Nelscott-Delake Rural Fire Protection District.

Education. The Lincoln County School District serves the City. There are seven elementary schools, four middle schools and four high schools in the District.

Health Care. The Samaritan North Lincoln Hospital is a 25-bed critical care hospital built in 1967 and expanded in 1982. The hospital is part of a five-hospital regional group administered by Samaritan Health Services in Corvallis, Oregon. The hospital was remodeled in 1990, adding an intensive care unit, and again in 1994, adding a family birthing center. The Hospital provides a wide range of health care services, as well as a variety of programs for the community through ongoing health and wellness education programs, home health services, and Lifeline.

Tourism

Dubbed the kite flying capital of the world, the City is a popular tourist destination with 7½ miles of public beaches. It is located approximately 2 hours from Portland and 1 hour from Salem, the state capital. The City owns and maintains 11 beach access points, some with parking and some partially wheelchair accessible.

The City also owns and manages a Culinary Center, opened in 2007, for visitor recreational cooking and a glass blowing facility, the Jennifer Sears Glass Art Studio, opened in 2005. Both are important parts of the City's tourism brand. Recent renovations of the City-owned Driftwood Public Library and the Community Center have made both state-of-the-art facilities for tourists and locals alike.

The City has formed public-private partnerships with other attractions like the North Lincoln County Historical Museum. Through the efforts of the Coastal Communities Cultural Center, a 1929 schoolhouse owned by the City was transformed into the Lincoln City Cultural Center, a modern venue for visual and performing arts, continuing education, and community service.

Known for outdoor recreation, the area offers boating, fishing, and other water sports in the Salmon and Siletz Rivers and on Siletz Bay and Devils Lake, a 680-acre fresh water lake located on the City's northeast border. Crabbing and clamming are significant parts of the area's cultural and culinary fabric.

Major resorts in the area include Salishan Lodge, located three miles south of the City on Hwy 101, and Chinook Winds Casino Resort, located on the north end of the City and owned and operated by the Confederated Tribes of Siletz Indians.

The Confederated Tribes of Siletz Indians is the second federally recognized tribe in the nation and an important part of the City's identity. The confederation is composed of many bands and tribes whose members are the descendents of aboriginal peoples who inhabited all of Western Oregon from what is now known as Northern California north to the north shore of the Columbia River in SW Washington State. Chinook Winds Casino Resort includes 158,000 square feet of gaming, restaurants, and meeting space (7000 sq. ft.), 247 hotel rooms, and an 18-hole golf course.

Located in the center of the City, the Tanger Outlet Center is one of the region's largest shopping malls, boasting 62 brand name stores. And *Country Home* magazine has identified the City as one of the 10 best undiscovered antiquing towns in the nation.

Transient Room Tax

The City's transient room tax ordinance imposes a tax in the amount of 9.5% of the rent charged on certain short term dwellings. The short term dwellings impacted by the tax are generally those that are intended or designed

for transient occupancy for thirty days or less, including hotels, motels, and vacation rentals. The following table reflects City collections from this tax and shows a general increase in receipts.

Table 29 -- Transient Room Tax Revenues

Allocation	Fiscal Year 2008	Fiscal Year 2009⁽²⁾	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
General Fund	\$321,266	\$372,545	\$371,658	\$365,627	\$380,650
General Fund - Police ⁽¹⁾	434,783	575,717	596,965	614,529	612,094
Street Fund	869,565	871,024	822,929	847,144	844,268
Parks Fund	731,365	706,424	657,029	693,329	687,013
Facility Capital Fund ⁽³⁾	-	194,176	411,660	423,771	422,134
City Hall Bond Fund ⁽³⁾	434,783	241,484	-	-	-
Visitor & Convention Bureau	<u>869,565</u>	<u>1,197,528</u>	<u>1,254,918</u>	<u>1,291,844</u>	<u>1,287,508</u>
	\$3,661,327	\$4,158,898	\$4,115,159	\$4,236,244	\$4,233,667

(1) The Police Department was accounted for as a special revenue fund until fiscal year 2012 when it became part of the General Fund.

(2) The transient room tax rate was increased in fiscal year 2009 from 8% to 9.5%. These dollars were dedicated to Police and the Visitor and Convention Bureau.

(3) The Lincoln Square was repaid in full in December 2009. That bond issue was for the purchase of the City Hall complex in 1992. The transient room tax that was dedicated to that bond is now dedicated to any capital project in the City.

Source: City of Lincoln City.

Information Sources

Historical data has been collected from generally accepted standard sources, usually from public bodies. In Oregon, data are frequently available for counties and also, to a lesser degree, for cities. This statement presents data for the City, Lincoln County, and the State of Oregon.

The Initiative and Referendum Process

Article IV, Section 1 of the Oregon Constitution reserves to the people of the State the initiative power to amend the State Constitution or to enact legislation by placing measures on the statewide general election ballot for consideration by the voters. Oregon law therefore permits any registered Oregon voter to file a proposed initiative with the Oregon Secretary of State's office without payment of fees or other burdensome requirements. Consequently, a large number of initiative measures are submitted to the Oregon Secretary of State's office, and a much smaller number of petitions obtain sufficient signatures to be placed on the ballot.

Because many proposed statewide initiative measures are submitted to the Oregon Secretary of State's office that do not qualify for the ballot, the City does not formally or systematically monitor the impact of those measures or estimate their financial effect prior to the time the measures qualify for the ballot. The City also does not formally or systematically monitor efforts to qualify measures for the ballot that would initiate new provisions for, or amend, the City's charter and ordinances. Consequently, the City does not ordinarily disclose information about proposed initiative measures that have not qualified for the ballot.

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.

Initiative Process

To place a proposed statewide initiative on a general election ballot, the proponents must submit to the Secretary of State initiative petitions signed by the number of qualified voters equal to a specified percentage of the total number of votes cast for all candidates for governor at the gubernatorial election at which a governor was elected for a term of four years next preceding the filing of the petition with the Secretary of State. For the 2012 general election, the requirement was eight percent (116,284 signatures) for a constitutional amendment measure and six percent (87,213 signatures) for a statutory initiative. The last day for submitting signed initiative petitions for the 2012 general election was July 6, 2012. Any elector may sign an initiative petition for any measure on which the elector is entitled to vote. Statewide initiatives may only be filed for general elections in even-numbered years. The next general election for which statewide initiative petitions may be filed will be in November 2014.

A statewide initiative petition must be submitted to 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. Once an initiative measure has gathered a sufficient number of signatures and qualified for placement on the ballot, the State is required to prepare a formal estimate of the measure's financial impact. Typically, this estimate is limited to an evaluation of the direct dollar impact.

Historical Initiative Petitions. Historically, a larger number of initiative measures have qualified for the ballot than have been approved by the electors. According to the Elections Division of the Secretary of State, the total number of initiative petitions that qualified for the ballot and the numbers that passed in recent general elections are as follows:

Table 30 -- Historical Initiative Petitions

Number of Year of General Election	Number of Initiatives that Qualified	Initiatives that were Approved
2004	6	2
2006	10	3
2008	8	0
2010	4	2
2012	7	2

NOTE: The Secretary of State posts a listing of initiatives on its web site: www.sos.state.or.us.
 Source: Elections Division, Oregon Secretary of State, Initiative, Referendum and Referral Log, Elections Division.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the City, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City in connection with the Bonds, and Bond Counsel has assumed compliance by the City with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the City, under existing statutes, interest on the Bonds is exempt from State of Oregon personal income tax.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Bonds, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The City has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Bonds.

Prospective owners of the Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity means the first price at which a substantial amount of the Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Bond is expected to be the initial public offering price set forth on the inside cover page of the Official Statement. Bond Counsel further is of the opinion that, for any Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Qualified Tax-Exempt Obligations

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

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law or otherwise prevent beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

LITIGATION

There is no litigation pending or threatened against the City that contests the validity of the Bonds. In addition, there is no litigation pending against the City, which, if successfully prosecuted against the City, would have a material and adverse effect on the general financial condition of the City.

RATING

Moody's Investors Service has assigned a rating of A1 on the Bonds. An explanation of the significance of the rating can be obtained from the rating agency. There are no assurances that the rating will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of the ratings may adversely affect the market price of the Bonds.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Official Statement, including the appendices, do not reflect historical facts but are forecasts and "forward-looking statements." 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. In this respect, words such as "estimate," "forecast," "anticipate," "expect," "intend," "plan," "believe," and similar expressions are intended to identify forward-looking statements. All projections, forecasts, assumptions and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement.

UNDERWRITING

Robert W. Baird & Co. Incorporated, as purchaser, successfully bid for the Bonds in a competitive sale on February 12, 2013. The bid provides that the purchaser will purchase all of the Bonds, if any Bonds are purchased, at a price of 100.104% of the par value of the Bonds. The Bonds will be re-offered at an average price of 101.140% of the par value of the Bonds. After the initial public offering, the public offering prices may vary from time to time.

CONTINUING DISCLOSURE

Pursuant to SEC Rule 15c2-12, as amended (17 CFR Part 240, § 240.15c2-12) (the "Rule"), the City, as the "obligated person" within the meaning of the Rule, will execute and deliver a Continuing Disclosure Certificate, substantially in the form attached hereto as Appendix D for the benefit of the Bond Owners.

To the best of the City's knowledge, during the past five years, the City has complied with all of its prior continuing disclosure requirements except as described here. The City filed its fiscal year 2007, 2008, 2009 and 2010 audits, however they were filed later than nine months after the end of the City's fiscal year.

CERTAIN LEGAL MATTERS

Hawkins Delafield & Wood LLP, Portland, Oregon, Bond Counsel to the City, will render its opinion with respect to the authorization, validity and enforceability of the Bonds in substantially the form set forth in Appendix E. Bond Counsel has reviewed this document only to confirm that the portions of it describing the Bonds and the authority to issue them conform to the Bonds and the applicable laws under which they are issued.

FINANCIAL ADVISOR

The City has retained Economic & Financial Analysis (the "Financial Advisor"), as financial advisor with respect to the issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken, to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

MISCELLANEOUS

All quotations from and summaries and explanations of provisions of law herein do not purport to be complete and reference is made to those laws for full and complete statements of their provisions. This Official Statement is not to be construed as a contract or agreement between the City and the purchaser or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City, since the date hereof.

CONCLUDING STATEMENT

At the time of the delivery of the Bonds, the City will deliver a certificate of the Authorized Official addressed to the Underwriters to the effect that he has examined the Official Statement and the financial and other data concerning the City contained herein and that, to the best of his knowledge and belief, (i) this Official Statement, both as of its date and as of the Delivery Date of the Bonds, does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein, in light of the circumstances under which the statements were made, and (ii) between the date of the Official Statement and the Delivery Date of the Bonds, there has been no material change in the affairs (financial or otherwise), financial condition or results of operations of the City except as set forth in this Official Statement.

Appendix A

BASIC FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2012

CITY OF LINCOLN CITY
Lincoln City, Oregon
Annual Financial Report
Year Ended June 30, 2012

CITY OF LINCOLN CITY

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INTRODUCTORY SECTION

CITY OF LINCOLN CITY

CITY COUNCIL

JUNE 30, 2012

	<u>Term Expires</u>
Dick Anderson (Mayor) 960 SW Hwy. 101, #347 Lincoln City, Oregon 97367	December 31, 2014
Henry Quandt 2717 NW Jetty Ave Lincoln City, Oregon 97367	December 31, 2014
Gordon Eggleton 1225 NW 16 th St. Lincoln City, Oregon 97367	December 31, 2014
Roger Sprague PO Box 286 Lincoln City, Oregon 97367	December 31, 2012
Gary Ellingson 3417 SW Anchor Ave. Lincoln City, Oregon 97367	December 31, 2014
Chester Noreikis 1421 NW 19 th Lincoln City, Oregon 97367	December 31, 2012
Alex Ward 1287 NW 14th Street Lincoln City, OR 97367	December 31, 2012

City Manager

David Hawker

Finance Director

Debbie Mammone

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT



Talbot, Korvola
& Warwick, LLP

Chartered Public Accountants
LLC, 1991005

4800 Meadows Road, Suite 200
Lake Oswego, Oregon 97035-4293

P 503.274.2849
F 503.274.2853

www.tkw.com

INDEPENDENT AUDITOR'S REPORT

December 6, 2012

Honorable Mayor and Members of City Council
City of Lincoln City
Lincoln City, 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 Lincoln City, Oregon (the City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements, as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2012, 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.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the

INDEPENDENT AUDITOR'S REPORT (Continued)

City of Lincoln City
December 6, 2012

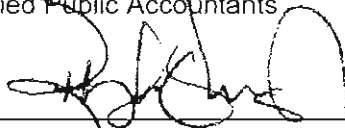
required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 budgetary comparison information for the General Fund and Property Rehabilitation Fund, listed in the Table of Contents as Required Supplementary Information, is not a required part of the basic financial statements and is presented for purposes of additional analysis as required by the Governmental Accounting Standards Board, who considers it to be an essential part of basic financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other procedures in accordance with auditing procedures generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Other Supplementary Information and Additional Schedules, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Other Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing procedures generally accepted in the United States of America. In our opinion, the Other Supplementary Information and Additional Schedule are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

TALBOT, KORVOLA & WARWICK, LLP
Certified Public Accountants

By _____


Robert G. Moody, Jr., Partner

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF LINCOLN CITY, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis presents the highlights of financial activities and financial position for the City of Lincoln City (City) and the Lincoln City Urban Renewal Agency (Agency), a component unit of the City, for the fiscal year ended June 30, 2012. The analysis focuses on significant financial issues, major financial activities and resulting changes in financial position, budget changes and variances from the budget. Please read this analysis in conjunction with the City's financial statements, which follow.

FINANCIAL HIGHLIGHTS

The City's combined net assets (total assets less total liabilities) were \$117,583,258 at June 30, 2012, an increase of \$693,217 (or ½%) over the prior year. The City's General Fund reported an ending fund balance of \$4,371,666, an increase of \$130,184 (or 3.1%) over the prior year.

During the fiscal year ending June 30, 2012, neither the City nor the Agency issued any new debt. The City's Urban Renewal Agency has budgeted to issue \$2,500,000 in bonds during the fiscal year ending June 30, 2013.

REPORT LAYOUT

This discussion and analysis is intended to serve as an introduction to the City of Lincoln City's basic financial statements. The City's annual financial report consists of several sections. Taken together, they provide a comprehensive financial look at the City. The components of the report include the following:

Independent auditor's report

Management's discussion and analysis (this report)

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business, and use the accrual basis of accounting.

- 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 net assets amount is separated into amounts restricted for specific purposes and unrestricted amounts. This statement focuses on resources available for future operations.
- The Statement of Activities presents revenue and expense information showing how the City's net assets changed during the most recent fiscal year. This statement focuses on gross and net costs of City programs and the extent to which such programs rely upon general tax and other revenues.

CITY OF LINCOLN CITY, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Fund financial statements

Fund financial statements focus separately on major governmental funds and proprietary funds (water/sewer). Governmental fund statements follow the more traditional presentation of financial statements. The City's major governmental funds are presented in their own column and the remaining funds are combined into a column titled "Other Governmental funds." This section also includes reconciliations of the fund statements to the government-wide statements.

Statements for the City's proprietary funds include the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows.

The City is the trustee, or fiduciary, for certain funds. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets. These activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

Notes to basic financial statements

The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition.

Required Supplementary Information

Budget information for the general and major special revenue funds are included in this section. These schedules report revenues, expenditures, changes in fund balances, and related budgetary information.

Other Supplementary Information

This section includes combining balance sheets, revenues, expenditures, and changes in fund balances, and budgetary information for the non-major governmental funds, which includes non-major special revenue funds, debt service funds, and capital projects funds. Following the governmental fund schedules are revenues, expenditures, and changes in fund balances, budgetary information, and reconciliation of revenues and expenditure to changes in fund net assets for the City's proprietary funds. Also included are revenues, expenditures, and changes in fund balances for the City's internal service fund, and a combining statement of assets and liabilities for the City's agency funds.

Additional Schedules

This section contains property tax information, and annual disclosure information in conformance with SEC Rule 15c2-12 and System Development Charges in accordance with ORS 223.311.

Disclosures and independent auditor's comments. Supplemental communication on City compliance and internal controls as required by Oregon statutes.

CITY OF LINCOLN CITY, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Statement of Net Assets. The City's combined net assets (total assets less total liabilities) were \$117,583,258 at June 30, 2012, an increase of \$693,217 (or ½ %) over the prior year.

Table 1
NET ASSETS

	June 30, 2012			June 30, 2011		
	Governmental Activities	Business-type Activities	Totals	Governmental Activities	Business-type Activities	Totals
Assets:						
Cash and investments	\$ 12,044,407	\$ 5,660,428	\$ 17,704,835	\$ 12,057,769	\$ 11,976,110	\$ 24,033,879
Receivables, net	2,911,344	1,041,124	3,952,468	2,992,254	868,559	3,860,813
Prepaid Items	-	-	-	4,250	-	4,250
Inventories	-	230,380	230,380	-	297,360	297,360
Capital assets net of depreciation	<u>69,434,728</u>	<u>56,135,311</u>	<u>125,570,039</u>	<u>71,148,764</u>	<u>51,869,477</u>	<u>123,018,241</u>
Total assets	<u>84,390,479</u>	<u>63,067,243</u>	<u>147,457,722</u>	<u>86,203,037</u>	<u>65,011,506</u>	<u>151,214,543</u>
Liabilities:						
Accounts payable and accrued expenses	1,265,323	885,488	2,150,811	1,426,293	688,158	2,114,451
Accrued interest payable	-	80,320	80,320	-	83,064	83,064
Landfill closure and postclosure care costs	661,790	-	661,790	749,183	-	749,183
Net other postemployment benefit	501,219	117,497	618,716	429,520	101,875	531,395
Long-term obligations	<u>3,442,666</u>	<u>22,920,161</u>	<u>26,362,827</u>	<u>6,093,430</u>	<u>24,752,979</u>	<u>30,846,409</u>
Total liabilities	<u>5,870,998</u>	<u>24,003,466</u>	<u>29,874,464</u>	<u>8,698,426</u>	<u>25,626,076</u>	<u>34,324,502</u>
Net assets:						
Invested in capital assets net of related debt	64,439,200	33,215,150	97,654,350	65,055,334	27,116,498	92,171,832
Restricted for:						
Capital projects	1,814,220	4,899,928	6,714,148	1,769,052	4,280,873	6,049,925
Debt service	2,400,601	323,653	2,724,254	2,616,539	405,951	3,022,490
Highways and streets	516,416	-	516,416	695,277	-	695,277
Unrestricted	<u>9,349,044</u>	<u>625,046</u>	<u>9,974,090</u>	<u>7,368,409</u>	<u>7,582,108</u>	<u>14,950,517</u>
Total net assets	<u>\$ 78,519,481</u>	<u>\$ 39,063,777</u>	<u>\$ 117,583,258</u>	<u>\$ 77,504,611</u>	<u>\$ 39,385,430</u>	<u>\$ 116,890,041</u>

Approximately 85% of the City's total assets are invested in capital assets. 5.7% of the City's net assets are restricted for capital projects (\$6,714,148), including proceeds from system development charges and bond proceeds net of associated long-term debt that are restricted for capital projects. The \$2,724,254 represents reserves in the bond funds and can only be spent in repaying outstanding debt. \$9,974,090 of the City's net assets is unrestricted and represents resources available to fund the programs of the City.

CITY OF LINCOLN CITY, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Changes in Net Assets. The City's total revenues were \$23,448,016, a decrease of 5.0% from the prior year. Of the City's total revenue, \$8,422,868 (or 35.9%) is from property taxes, \$4,233,669 (or 18.1%) is from transient room taxes, \$7,344,856 (or 31.3%) is from charges for services and \$3,446,623 (or 14.7%) is from grants, interest earnings and other non-tax sources. More detailed information is presented in table 2 below.

The total cost of all programs and services was \$22,754,799, a decrease of \$503,419 (or 2.2%) from the prior year. Expenditures for Governmental Activities decreased by 5.9% while expenditures for Business-Type Activities increased by 6.3%. Of the total costs, \$7,625,320 (or 33.5%) was for Business-type Activities, and \$15,129,479 (or 66.5%) was for general government, public safety, highways and streets, cultural and recreation and interest.

Table 2
CHANGE IN NET ASSETS

	Year Ended June 30, 2012			Year Ended June 30, 2011		
	Governmental Activities	Business-type Activities	Totals	Governmental Activities	Business-type Activities	Totals
Program revenues:						
Charges for services	\$ 1,421,924	\$ 5,922,932	\$ 7,344,856	\$ 1,715,306	\$ 5,572,633	\$ 7,287,939
Operating grants and contributions	921,769	86,713	1,008,482	1,571,638	71,201	1,642,839
Capital grants and contributions	106,585	183,455	290,040	226,709	1,159,474	1,386,183
General revenues:						
Property taxes, general purposes	4,114,503	-	4,114,503	3,972,851	-	3,972,851
Property taxes, debt service	3,283,892	1,024,473	4,308,365	3,197,064	757,385	3,954,449
Franchise taxes	933,977	-	933,977	901,908	-	901,908
Transient room taxes	4,233,669	-	4,233,669	4,260,154	-	4,260,154
Other	1,088,936	125,188	1,214,124	1,159,590	109,929	1,269,519
Total program and general revenues	16,105,255	7,342,761	23,448,016	17,005,220	7,670,622	24,675,842
Program expenses:						
General government	5,504,541	-	5,504,541	6,142,297	-	6,142,297
Public safety	4,133,715	-	4,133,715	4,226,757	-	4,226,757
Highways and streets	2,346,118	-	2,346,118	2,295,508	-	2,295,508
Cultural and recreation	2,934,645	-	2,934,645	3,089,918	-	3,089,918
Water and sewer	-	7,625,320	7,625,320	-	7,175,597	7,175,597
Interest on long-term debt	210,460	-	210,460	328,141	-	328,141
Total program expenses	15,129,479	7,625,320	22,754,799	16,082,621	7,175,597	23,258,218
Increase (decrease) in net assets						
before transfers	975,776	(282,559)	693,217	922,599	495,025	1,417,624
Transfers	39,094	(39,094)	-	(373,130)	373,130	-
Change in net assets	1,014,870	(321,653)	693,217	549,469	868,155	1,417,624
Net assets - beginning	77,504,611	39,385,430	116,890,041	76,955,142	38,517,275	115,472,417
Net assets - ending	\$ 78,519,481	\$ 39,063,777	\$ 117,583,258	\$ 77,504,611	\$ 39,385,430	\$ 116,890,041

CITY OF LINCOLN CITY, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

The City's General fund reported an ending fund balance of \$4,371,666, an increase of \$130,184 (or 3.1%) over the prior year. Total General fund revenues decreased by 1.2% from the prior fiscal year, while General fund expenditures decreased by 5.6%, primarily in General Government expenditures and Culture and Recreation expenditures.

Transient Room Taxes (TRT) are a significant source of revenue for governmental funds. TRT revenues decreased slightly, by \$26,485 (0.6%) from the previous fiscal year, showing a continued tight economy where people are spending less on travel.

Business-type Activities

The City's water funds reported an ending net asset total of \$19,410,647, a slight decrease of \$7,847 (0.04%) over the previous fiscal year. There were no significant changes to the Water operating revenues and expenses.

The City's Sewer funds reported an ending net asset total of \$19,653,130, a decrease of \$313,806 (1.6%) over the previous fiscal year. There are no significant changes to the Sewer operating revenues and expenses. Interest expense in the Sewer funds is \$177,659 higher than in the previous fiscal year, due to having a full year of interest on the bonds issued in March 2011. System development charges, which are generated from new building activity, continue to be very low and are \$23,932 lower than the previous fiscal year, reflective of the continued economic environment which sees little new construction.

BUDGETARY HIGHLIGHTS

City Council approved three changes to the FY2011-2012 General Fund adopted budget. These changes moved amounts from contingency into operating expenditure categories to reflect actual spending patterns. The supplemental budget also closed the DARE Fund and moved budgeted amounts into the Police Fund. The Police Fund was closed and budgeted amounts were moved to the Police department in the General Fund. The Parks Playground Fund was also closed and budgeted amounts were moved into the Parks SDC Improvement Fund.

CITY OF LINCOLN CITY, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of fiscal year 2012, the City had a net investment of \$125,570,039 in a broad range of capital assets, including land, infrastructure, equipment, buildings and vehicles. This amount represents a net increase (including additions and deductions) of \$2,551,798 (or 2.1%). More detailed information is presented in note 4 of the notes to basic financial statements.

Table 3
CHANGE IN CAPITAL ASSETS

	Governmental Activities	Business-type Activities	Totals	Governmental Activities	Business-type Activities	Totals
Beginning balance	\$ 71,148,764	\$ 51,869,477	\$ 123,018,241	\$ 71,265,030	\$ 50,582,316	\$ 121,847,346
Additions	1,701,048	7,848,610	9,549,658	2,658,539	3,739,592	6,398,131
Retirements	(1,204,574)	(1,373,372)	(2,577,946)	(320,929)	(284,417)	(605,346)
Depreciation, net	<u>(2,210,510)</u>	<u>(2,209,404)</u>	<u>(4,419,914)</u>	<u>(2,453,876)</u>	<u>(2,168,014)</u>	<u>(4,621,890)</u>
Ending balance	<u>\$ 69,434,728</u>	<u>\$ 56,135,311</u>	<u>\$ 125,570,039</u>	<u>\$ 71,148,764</u>	<u>\$ 51,869,477</u>	<u>\$ 123,018,241</u>

Governmental Funds

Capital assets from governmental activities increased by \$1,701,048. These additions included (1) Completion of Urban Renewal's Festive 15th Street Project \$739,912, (2) Manufactured House & lot improvements \$197,633, (3) Trillium Sidewalk and Wall \$86,086, (4) two Police vehicles \$63,366, (5) Head to Bay Trail addition of \$50,354, and (6) John Deer Compact Excavator \$47,281.

Business-type Activities

Capital assets from business-type activities increased \$7,848,610 before depreciation. These additions included (1) Engineering and construction for the Wastewater Treatment Plant phase 1B \$5,659,109, (2) New Wastewater Collection Building \$599,697, (3) Completion of Wastewater Treatment Plant Road Access Improvement \$161,959, (4) Canyon Drive Pump Station \$98,211, and (5) Sewer Telemetry \$67,785.

CITY OF LINCOLN CITY, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Long-term Obligations

At the end of fiscal year 2012, the City had \$26,362,827 in outstanding debt, a decrease of \$4,483,582 resulting from principal payments. During the fiscal year, neither the City of Lincoln City nor the City's Urban Renewal Agency issued any bonds.

Table 4
LONG-TERM OBLIGATIONS

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Governmental:		
General Obligation		
Open Space, Series 1999	\$ 350,000	\$ 595,000
Full Faith and Credit Note Series 2008	311,422	549,528
Urban Renewal Bonds		
Series 2003	-	862,433
Series 2004	1,165,196	1,713,914
Series 2007	<u>1,616,048</u>	<u>2,372,555</u>
Total governmental activities	<u>3,442,666</u>	<u>6,093,430</u>
Business-type:		
General Obligation Bonds		
Sewer Bonds - Series 2005	12,465,000	12,890,000
Water Bonds - Series 2007	2,463,370	2,792,972
Sewer Bonds - Series 2011	6,554,229	6,902,502
Full Faith and Credit Revenue Refunding - 2006	821,395	1,075,125
Full Faith and Credit Note Series 2008	<u>616,167</u>	<u>1,092,380</u>
Total business-type activities	<u>22,920,161</u>	<u>24,752,979</u>
Total long-term obligations	<u>\$ 26,362,827</u>	<u>\$ 30,846,409</u>

Governmental Funds

The City's Series 1999 Open Space bonds carry a Moody's A1 rating and are insured by MBIA Insurance Corp. See additional schedules for the annual disclosure statement in conformance with SEC Rule 15c2-12.

The City of Lincoln City's fiscal year 2012-13 budget does not include any new bond sales. The City's Urban Renewal Agency fiscal year 2012-13 budget includes \$2,500,000 of bond sales.

Business-type Activities

The City's Series 2005 Sewer Bonds carry a Moody's A1 rating and are insured by Financial Guarantee Insurance Company. See additional schedules for the annual disclosure statement in conformance with SEC Rule 15c2-12.

For additional information on the City's long-term outstanding obligations, see note 5 of the notes to basic financial statements.

CITY OF LINCOLN CITY, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

ECONOMIC FACTORS, NEXT YEAR'S BUDGET AND RATES

Governmental Activities

Property taxes comprise almost 50% of the City's General Fund revenue (excluding beginning fund balances). Since 1997 increases in taxable assessed values have been limited by state statute to an increase of 3% a year plus the value of new construction. The City's projected General Fund revenue for fiscal year 2012-2013 is \$8,727,931 and expenditures are budgeted at \$9,145,314, with the difference to be funded by reserves. The projected ending General Fund reserves for fiscal year 2012-2013 total \$2,757,241 (or 30% of budgeted expenditures).

Another major source of revenue for governmental activities is the Transient Room Tax (TRT). These revenues are up slightly from the previous fiscal year (a decrease of \$26,485, or 0.6%). It is anticipated that with an improving economy, TRT revenues will improve in the next fiscal year.

During the fiscal year ending June 30, 2012, three funds were closed. The remaining balance in the DARE fund was moved into the Police budget; the Police fund was moved into the General fund, and the remaining balance in the Parks Playground fund was moved into the Parks SDC fund. The Police fund was moved into the General Fund because over 80% of its funding was from the General Fund. The other two funds were closed due to little to no future activity expected.

For the fiscal year ending June 30, 2013, the City's Urban Renewal Agency has budgeted \$500,000 for property acquisition, \$1,491,704 for capital reserves, and \$1,412,627 for capital projects including Sidewalk Construction, Nelscott Renovation Projects, DeLake Renovation Projects, Cutler City Renovation Projects, and Property Rehab and Economic Development Programs.

Business-type Activities

All of the revenue for business-type activities is from user charges and system development charges. Water rates were budgeted to increase by 5% and sewer rates were budgeted to increase by 4% for fiscal year 2012-2013. This continues the City's program to increase rates in increments each year, and to encourage water conservation.

For fiscal year 2012-2013, the City's Water Capital funds have budgeted \$181,866 in capital outlay for the water system maintenance and replacements as needed.

For fiscal year 2012-2013, the City's Wastewater Capital funds have budgeted \$3,188,695 in capital outlay for: continued construction on phase 1-B of the sewer treatment plant upgrade, access road to the Wastewater Treatment Plant, Canyon Drive pump station upgrade, Telemetry for pump stations, Land acquisition for biosolids application, SW Coast lift station upgrade, and other sewer line replacements and projects as needed.

REQUESTS FOR INFORMATION

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional information, please contact the City's Finance Director at City Hall, 801 SW Highway 101, Lincoln City, Oregon 97367. Copies of this report are also available at the Driftwood Library, and on the City's website at www.lincolncity.org.

BASIC FINANCIAL STATEMENTS

CITY OF LINCOLN CITY
Lincoln City, Oregon

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Government Activities	Business-type Activities	Total
ASSETS:			
Cash and investments	\$ 12,044,407	\$ 5,660,428	\$ 17,704,835
Cash with County Treasurer	79,743	9,789	89,532
Receivables, net	2,831,601	1,031,335	3,862,936
Inventories	-	230,380	230,380
Capital assets:			
Land, improvements and construction in progress	36,131,333	7,051,349	43,182,682
Other capital assets, net	33,303,395	49,083,962	82,387,357
TOTAL ASSETS	84,390,479	63,067,243	147,457,722
LIABILITIES:			
Accounts payable and accrued expenses	305,842	710,553	1,016,395
Other accrued liabilities	452,257	-	452,257
Accrued interest payable	-	80,320	80,320
Accrued compensated absences	507,224	174,935	682,159
Landfill closure and postclosure care costs	661,790	-	661,790
Net other postemployment benefit obligation	501,219	117,497	618,716
Long-term obligations:			
Due with in one year	1,862,653	1,899,424	3,762,077
Due in more than one year	1,580,013	21,020,737	22,600,750
TOTAL LIABILITIES	5,870,998	24,003,466	29,874,464
NET ASSETS:			
Invested in capital assets, net of related debt	64,439,200	33,215,150	97,654,350
Restricted for:			
Capital improvements	1,814,220	4,899,928	6,714,148
Debt service	2,400,601	323,653	2,724,254
Highways and streets	516,416	-	516,416
Unrestricted	9,349,044	625,046	9,974,090
TOTAL NET ASSETS	\$ 78,519,481	\$ 39,063,777	\$ 117,583,258

See notes to basic financial statements.

CITY OF LINCOLN CITY
Lincoln City, Oregon

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

ACTIVITIES	Expenses	Program Revenues			Net Revenue (Expense) and Change in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 5,504,541	\$ 1,357,133	\$ 441,834	\$ 19,945	\$ (3,685,629)	\$ -	\$ (3,685,629)
Public safety	4,133,715	19,096	38,854	-	(4,075,765)	-	(4,075,765)
Highways and streets	2,346,118	3,329	428,552	86,640	(1,827,597)	-	(1,827,597)
Culture and recreation	2,934,645	42,366	12,529	-	(2,879,750)	-	(2,879,750)
Interest on long-term obligations	210,460	-	-	-	(210,460)	-	(210,460)
Total governmental activities	15,129,479	1,421,924	921,769	106,585	(12,679,201)	-	(12,679,201)
Business-type activities:							
Water	3,287,897	3,167,180	86,713	57,650	-	23,646	23,646
Sewer	4,337,423	2,755,752	-	125,805	-	(1,455,866)	(1,455,866)
Total business-type activities	7,625,320	5,922,932	86,713	183,455	-	(1,432,220)	(1,432,220)
Total	\$ 22,754,799	\$ 7,344,856	\$ 1,008,482	\$ 290,040	(12,679,201)	(1,432,220)	(14,111,421)
GENERAL REVENUES							
Property taxes levied for:							
General purposes					4,114,503	-	4,114,503
Debt service					3,283,892	1,024,473	4,308,365
Franchise taxes and fees					933,977	-	933,977
Transient room taxes					4,233,669	-	4,233,669
Unrestricted investment earnings					57,002	41,092	98,094
Miscellaneous					1,031,934	84,096	1,116,030
TRANSFERS					39,094	(39,094)	-
Total general revenues and transfers					13,694,071	1,110,567	14,804,638
CHANGE IN NET ASSETS					1,014,870	(321,653)	693,217
NET ASSETS, June 30, 2011					77,504,611	39,385,430	116,890,041
NET ASSETS, June 30, 2012					\$ 78,519,481	\$ 39,063,777	\$ 117,583,258

See notes to basic financial statements.

CITY OF LINCOLN CITY
Lincoln City, Oregon

BALANCE SHEET GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Urban Renewal	Urban Renewal Tax Increment	Other Governmental Funds	Totals
ASSETS:					
Cash and investments	\$ 4,588,702	\$ 814,744	\$ 2,288,374	\$ 4,244,124	\$ 11,935,944
Cash with County Treasurer	43,999	-	32,475	3,269	79,743
Receivables	896,145	-	312,684	1,622,772	2,831,601
TOTAL ASSETS	<u>\$ 5,528,846</u>	<u>\$ 814,744</u>	<u>\$ 2,633,533</u>	<u>\$ 5,870,165</u>	<u>\$ 14,847,288</u>
LIABILITIES:					
Accounts payable and accrued expenses	\$ 149,387	\$ 4,559	\$ -	\$ 78,799	\$ 232,745
Other accrued liabilities	452,257	-	-	-	452,257
Deferred revenue	555,536	-	312,684	23,156	891,376
TOTAL LIABILITIES	<u>1,157,180</u>	<u>4,559</u>	<u>312,684</u>	<u>101,955</u>	<u>1,576,378</u>
FUND BALANCES:					
Nonspendable in form	-	-	-	704,104	704,104
Restricted for:					
Capital projects	-	810,185	-	2,144,046	2,954,231
Post closure landfill costs	776,383	-	-	-	776,383
Debt service	-	-	2,320,849	79,752	2,400,601
Road construction/maintenance	-	-	-	516,416	516,416
Tourism promotion	-	-	-	724,818	724,818
Parks maintenance	-	-	-	454,489	454,489
Committed to:					
Capital projects	81,385	-	-	-	81,385
Affordable housing	-	-	-	680,855	680,855
Maintenance services	-	-	-	19,380	19,380
Arts and education	-	-	-	31,336	31,336
Assigned to:					
Capital projects	-	-	-	413,014	413,014
Public safety	44,318	-	-	-	44,318
Unassigned	3,469,580	-	-	-	3,469,580
TOTAL FUND BALANCES	<u>4,371,666</u>	<u>810,185</u>	<u>2,320,849</u>	<u>5,768,210</u>	<u>13,270,910</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 5,528,846</u>	<u>\$ 814,744</u>	<u>\$ 2,633,533</u>	<u>\$ 5,870,165</u>	<u>\$ 14,847,288</u>

See notes to basic financial statements.

CITY OF LINCOLN CITY
Lincoln City, Oregon

**RECONCILIATION OF STATEMENT OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF ASSETS**

FOR THE YEAR ENDED JUNE 30, 2012

TOTAL FUND BALANCE	\$ 13,270,910
Total net assets shown in the Statement of Net Assets are different because:	
Capital assets are not financial resources for budgetary purposes and therefore are not reported in the governmental funds.	69,365,956
A portion of the County's receivables are collected after year-end but they are not collected soon enough to be available as financial resources for the current year. The revenues related to these receivables are deferred and not reported in the governmental funds.	891,376
Compensated absences not payable in the current year are not recorded as governmental fund liabilities.	(507,224)
Other post-employment benefits are not recognized as a governmental fund liability.	(501,219)
Long-term assets, such as bond discount and issuance costs, are not reported as governmental fund assets and liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expense when it is due. These long-term assets and liabilities consist of:	
Bonds and note payable	\$ (3,442,666)
Landfill closure and post closure costs	<u>(661,790)</u>
Total	(4,104,456)
The internal service fund is used by management to charge the cost of services to individual funds. The assets and liabilities are included in the Statement of Net Assets.	<u>104,138</u>
TOTAL NET ASSETS	<u>\$ 78,519,481</u>

See notes to basic financial statements.

CITY OF LINCOLN CITY
Lincoln City, Oregon

GOVERNMENTAL FUNDS

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE**

FOR THE YEAR ENDED JUNE 30, 2012

	Generai	Urban Renewal	Urban Renewal Tax Increment	Other Governmental Funds	Totals
REVENUES:					
Property Taxes	\$ 4,062,447	\$ -	\$ 2,990,055	\$ 293,837	\$ 7,346,339
Franchises and fees	920,967	-	-	13,010	933,977
Transient room tax	992,744	-	-	3,240,925	4,233,669
Fines and forfeitures	188,035	-	-	-	188,035
Fees, licenses and permits	499,820	-	-	-	499,820
Rents	-	5,901	-	203,674	209,575
Charges for services	444,900	-	-	57,694	502,594
Intergovernmental	478,230	-	-	530,179	1,008,409
Reimbursement from other funds	-	-	-	21,900	21,900
Interest on investments	19,997	5,055	10,824	21,126	57,002
Miscellaneous	899,870	-	-	115,401	1,015,271
TOTAL REVENUES	8,507,010	10,956	3,000,879	4,497,746	16,016,591
EXPENDITURES:					
Current:					
General government	2,527,865	396,665	-	1,718,985	4,643,515
Public safety	3,991,726	-	-	-	3,991,726
Highways and streets	-	-	-	1,002,129	1,002,129
Culture and recreation	1,761,377	-	-	684,429	2,445,806
Debt service	-	-	2,336,090	525,134	2,861,224
Capital outlay	122,088	272,935	-	710,518	1,105,541
TOTAL EXPENDITURES	8,403,056	669,600	2,336,090	4,641,195	16,049,941
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	103,954	(658,644)	664,789	(143,449)	(33,350)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	4,914	-	-	11,749	16,663
Transfers in	1,281,587	-	-	795,676	2,077,263
Transfers out	(1,260,271)	-	-	(777,898)	(2,038,169)
TOTAL OTHER FINANCING SOURCES (USES)	26,230	-	-	29,527	55,757
NET CHANGE IN FUND BALANCES	130,184	(658,644)	664,789	(113,922)	22,407
FUND BALANCES, beginning of year	4,241,482	1,468,829	1,656,060	5,882,132	13,248,503
FUND BALANCES, end of year	\$ 4,371,666	\$ 810,185	\$ 2,320,849	\$ 5,768,210	\$ 13,270,910

See notes to basic financial statements.

CITY OF LINCOLN CITY
Lincoln City, Oregon

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 22,407

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

Governmental funds report capital assets additions as expenditures while
governmental activities report depreciation expense to allocate those expenditures
over the life of the assets. The difference between these two amounts is:

Capital outlay	\$ 654,731	
Depreciation	<u>(2,457,483)</u>	(1,802,752)

The net effect of transactions involving capital assets, i.e, gain/loss on sales, donations. These transactions are not reported in the governmental funds.	19,945
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Receivables that do not meet the measurable and available criteria are not recognized as revenue in the current year in governmental funds. In the Statement of Activities they are recognized as revenue when levied or earned.	52,056
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OPEB expense not recognized on the governmental statement	(71,699)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	2,650,764
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Payments for landfill post closure costs are reported as expenditures in the governmental fund statements, but reduce the liability in the Statement of Net Assets.	87,392
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Internal service fund is used by management to charge the costs of services to individual governmental funds. The net income of the internal service fund is reported as a governmental activity.	104,138
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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.	
Compensated absences	<u>(47,381)</u>

CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 1,014,870

CITY OF LINCOLN CITY
Lincoln City, Oregon

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2012

	<u>Enterprise Funds</u>			<u>Internal Service Fund</u>
	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>	
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 38,663	\$ 5,621,765	\$ 5,660,428	\$ 108,463
Cash with County Treasurer	-	9,789	9,789	-
Receivables, net	519,630	511,705	1,031,335	-
Inventories	214,727	15,653	230,380	-
Total current assets	773,020	6,158,912	6,931,932	108,463
Capital assets:				
Land, improvements and construction in progress	191,571	6,859,778	7,051,349	-
Other capital assets, net	22,555,208	26,528,754	49,083,962	68,772
Total capital assets	22,746,779	33,388,532	56,135,311	68,772
TOTAL ASSETS	23,519,799	39,547,444	63,067,243	177,235
LIABILITIES:				
Current liabilities:				
Accounts payable and accrued expenses	41,838	668,715	710,553	73,097
Accrued interest payable	12,460	67,860	80,320	-
Accrued compensated absences	95,945	78,990	174,935	-
Current portion of long-term obligations	1,096,651	802,773	1,899,424	-
Total current liabilities	1,246,894	1,618,338	2,865,232	73,097
Long-term liabilities	2,804,281	18,216,456	21,020,737	-
Net other postemployment benefit obligation	57,977	59,520	117,497	-
TOTAL LIABILITIES	4,109,152	19,894,314	24,003,466	73,097
NET ASSETS:				
Invested in capital assets, net of related debt	18,845,847	14,369,303	33,215,150	68,772
Restricted for:				
Capital improvement	195,097	4,704,831	4,899,928	-
Debt service	33,545	290,108	323,653	-
Unrestricted	336,158	288,888	625,046	35,366
TOTAL NET ASSETS	\$ 19,410,647	\$ 19,653,130	\$ 39,063,777	\$ 104,138

See notes to basic financial statements.

CITY OF LINCOLN CITY
Lincoln City, Oregon

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

YEAR ENDED JUNE 30, 2012

	Enterprise Funds			Internal Service Fund
	Water	Sewer	Totals	
OPERATING REVENUES:				
Charges for services	\$ 3,167,180	\$ 2,755,752	\$ 5,922,932	\$ 771,218
Intergovernmental	86,713	-	86,713	-
Miscellaneous	(232)	84,328	84,096	-
TOTAL OPERATING REVENUES	3,253,661	2,840,080	6,093,741	771,218
OPERATING EXPENSES:				
Personal services	1,110,580	1,052,580	2,163,160	421,088
Materials and services	732,339	1,045,029	1,777,368	280,559
Support services	185,291	136,038	321,329	-
Depreciation	1,069,560	1,267,078	2,336,638	682
TOTAL OPERATING EXPENSES	3,097,770	3,500,725	6,598,495	702,329
OPERATING INCOME (LOSS)	155,891	(660,645)	(504,754)	68,889
NONOPERATING INCOME (EXPENSE):				
System development charges	57,650	125,805	183,455	-
Interest earned on investments	645	40,447	41,092	-
Gain (loss) from sale of asset	(13,913)	987	(12,926)	317
Property taxes	-	1,024,473	1,024,473	-
Interest	(176,214)	(837,685)	(1,013,899)	-
TOTAL NONOPERATING INCOME (EXPENSE)	(131,832)	354,027	222,195	317
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	24,059	(306,618)	(282,559)	69,206
TRANSFERS AND CONTRIBUTIONS:				
Transfers in	-	13,517	13,517	34,932
Transfers out	(31,906)	(20,705)	(52,611)	-
TOTAL TRANSFERS AND CONTRIBUTIONS	(31,906)	(7,188)	(39,094)	34,932
CHANGE IN NET ASSETS	(7,847)	(313,806)	(321,653)	104,138
NET ASSETS, June 30, 2011	19,418,494	19,966,936	39,385,430	-
NET ASSETS, June 30, 2012	\$ 19,410,647	\$ 19,653,130	\$ 39,063,777	\$ 104,138

See notes to basic financial statements.

CITY OF LINCOLN CITY
Lincoln City, Oregon

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

JUNE 30, 2012

	Enterprise Funds			Internal Service Fund
	Water	Sewer	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 3,148,628	\$ 2,772,548	\$ 5,921,176	\$ 771,218
Payments to suppliers	(683,900)	(840,173)	(1,524,073)	(210,749)
Payments to employees	(1,090,918)	(1,045,605)	(2,136,523)	(421,088)
Support services	(185,291)	(136,038)	(321,329)	-
NET CASH FROM OPERATING ACTIVITIES	1,188,519	750,732	1,939,251	139,381
CASH FLOWS FROM NON FINANCING ACTIVITIES:				
Property taxes	-	1,024,473	1,024,473	-
Transfers out	(18,389)	(20,705)	(39,094)	-
NET CASH FROM NON FINANCING ACTIVITIES	(18,389)	1,003,768	985,379	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	(72,618)	(6,544,339)	(6,616,957)	(34,522)
Proceeds received from sale of capital assets	572	987	1,559	317
System development charges	57,650	125,805	183,455	-
Proceeds received from long-term obligations	-	-	-	-
Principal paid on long-term obligations	(1,059,545)	(773,273)	(1,832,818)	-
Interest paid on long-term obligations	(176,351)	(840,292)	(1,016,643)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(1,250,292)	(8,031,112)	(9,281,404)	(34,205)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	645	40,447	41,092	-
NET DECREASE IN CASH	(79,517)	(6,236,165)	(6,315,682)	105,176
CASH, beginning of year	118,180	11,857,930	11,976,110	3,287
CASH, end of year	<u>\$ 38,663</u>	<u>\$ 5,621,765</u>	<u>\$ 5,660,428</u>	<u>\$ 108,463</u>
RECONCILIATION TO THE STATEMENT OF NET ASSETS				
Operating income (loss)	\$ 155,891	\$ (660,645)	\$ (504,754)	\$ 68,889
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,069,560	1,267,078	2,336,638	682
Decrease (increase) in assets				
Receivables, net	(105,033)	(64,633)	(169,666)	-
Inventories	68,965	(1,985)	66,980	-
Cash with County Treasurer	-	(2,899)	(2,899)	-
Increase (decrease) in liabilities				
Accounts payable and accrued expenses	(20,526)	206,841	186,315	69,810
Compensated absences payable	11,296	(281)	11,015	-
Net other postemployment benefit obligation	8,366	7,256	15,622	-
NET CASH FROM OPERATING ACTIVITIES	\$ 1,188,519	\$ 750,732	\$ 1,939,251	\$ 139,381
NON CASH TRANSACTIONS				
Transfer of capital assets	\$ (13,517)	\$ 13,517	\$ -	\$ -

See notes to basic financial statements.

CITY OF LINCOLN CITY
Lincoln City, Oregon

AGENCY FUND

STATEMENT OF ASSETS AND LIABILITIES

JUNE 30, 2012

ASSETS:	
Cash and investments	\$ 15,174
Receivables	<u>4,492</u>
TOTAL ASSETS	<u>\$ 19,666</u>
LIABILITIES:	
Accounts payable	\$ 8,535
Funds held in trust	<u>11,131</u>
TOTAL LIABILITIES	<u>\$ 19,666</u>

See notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF LINCOLN CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Lincoln City, Oregon (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting entity for establishing governmental accounting and financial reporting standards.

Organization

The City was incorporated as a home-rule city on March 3, 1965, consolidating the incorporated cities of Taft, Delake and Oceanlake, and the unincorporated communities of Cutler City and Nelscott.

Control of the City is vested in its mayor and Council members who are elected to office by voters within the City. Administrative functions are delegated to individuals who report to and are responsible to the Council. The chief administrative officer is the City Manager.

Reporting Entity

The accompanying financial statements present the government and component unit for which the City is considered to be financially accountable. The criteria used in making this determination includes appointment of a voting majority, imposition of will, financial benefit or burden on the primary government, and fiscal dependency on the primary government.

The City Council serves as the governing board of the Lincoln City Urban Renewal Agency (the Agency). Therefore, the accounts of the Agency are included in the financial statements of the City as a blended component unit.

Complete financial statements for the Lincoln City Urban Renewal Agency may be viewed on the City's website.

Basis of Presentation

The basic financial statements include both government-wide and fund based financial statements. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally financed through 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

The government-wide financial statements display information about all of the nonfiduciary activities of the City, and its component unit.

CITY OF LINCOLN CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Financial Statements (Continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for the City's programs. Direct expenses are those that are clearly allocable with a specific function or segment. The City does not allocate indirect expenses. 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 properly included among program revenues are reported instead as general revenues.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary funds financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The proprietary funds have applied all Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, unless that guidance conflicts with or contradicts GASB guidance. The City has chosen not to apply subsequent FASB guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the functions of the City, the elimination of which would distort the direct costs and program revenues reported for the various functions concerned.

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. The principal operating revenues are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF LINCOLN CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if they are collected within thirty days after year end. Property taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments, which are recognized as expenditures to the extent they have been incurred. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general long-term debt are reported as other financing sources.

The bases of accounting described above are in accordance with accounting principles generally accepted in the United States of America.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Each fund is considered to be a separate accounting entity. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund 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 Other Supplementary Information section of this report.

The City reports the following major governmental funds:

General Fund – accounts for the financial operations of the City except those required to be accounted for in another fund. Principal sources of revenue are property taxes, fees, licenses and state apportionments.

Urban Renewal Fund – accounts for the general administration of the Urban Renewal Agency and for the acquisition and rehabilitation of blighted and deteriorated areas within the designated urban renewal district, as well as debt service related to the Agency's operations.

Urban Renewal Tax Increment Fund – accounts for the payment of principal and interest on urban renewal bonds. Resources are provided from tax increment proceeds which are restricted for payment of debt service and interest earnings.

The City reports the following major proprietary funds:

Water Fund – accounts for the water system operations. This fund is predominantly self-supported through user charges to customers.

CITY OF LINCOLN CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

Sewer Fund – accounts for the sewer system operations. This fund is predominantly self-supported through user charges to customers.

Additionally, the City reports the following fiduciary fund:

Agency Fund – accounts for assets held in a purely custodial capacity for others (assets equal liabilities).

The City also reports activity within the following nonmajor governmental funds types:

- Special revenue funds
- Debt service funds
- Capital projects funds

Use of Estimates

The preparation of 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 and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Inventories

Inventories consisting of water and sewer system supplies and materials are stated at the lower cost, on a first-in, first-out basis.

Receivables

User charges receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to user charges receivable. Changes in the valuation allowance have not been material to the financial statements.

The City's permanent tax rate is 4.0996 per \$1,000 assessed value as limited by the Constitution of the State of Oregon.

CITY OF LINCOLN CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables (Continued)

The Lincoln City Urban Renewal Agency levied 100 percent of the amount of its authority under option one of ORS 457.435(2)(a) for the retirement of long-term obligations principal and interest without making a special levy in 2011-12.

The City makes loans to third parties for rehabilitation of properties consistent with the establishment of the City's Urban Renewal Agency. Loans receivable are recorded when the borrower has signed a promissory note and disbursements are made in accordance with the loan agreement. As the City obtains liens against the affected properties, no allowance is deemed necessary.

Capital Assets

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are charged to expenditures as purchased in the governmental fund statements, and capitalized in the proprietary fund statements. Capital assets are recorded at historical cost or estimated historical cost. Donated assets are recorded at estimated fair value as of the date of the donation.

Capital assets are defined by the City as assets with an initial, individual cost of \$1,000 or more, and an estimated useful life of greater than one year. Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Other costs for repairs and maintenance are expensed as incurred.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets and is calculated on the straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	25 to 40
Improvements other than buildings	10 to 20
Machinery and equipment	5 to 10
Vehicles	5 to 10
Utility systems	25 to 40
Infrastructure	20 to 50
Intangibles	25 to 40

Depreciation is taken in the year the assets are acquired or retired based upon the number of days held. Gains or losses from sales or retirements of capital assets are included in operations of the current period.

CITY OF LINCOLN CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term obligations

In the government-wide financial statements, and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund Statement of Net Assets. Bond premiums and discounts as well as bond issue costs are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued as well as any 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.

Compensated Absences

The City has a policy which permits full-time employees to accumulate unused sick leave at the rate of one day per month over their working careers. The City does not compensate the employees for unused accumulations upon termination of employment. Sick leave, which does not vest, is recognized in funds when leave is taken.

Each employee earns vacation at rates determined by their length of employment. An employee can accumulate a maximum of 320 hours, except for utilities personnel, which may accrue 340 hours.

Accumulated vested vacation leave is accrued as it is earned. In the government-wide and proprietary fund financial statements, all vacation and compensatory time is accrued when incurred. In the governmental funds, a liability for compensated absences is reported only if they have matured, and thus become due. Compensated absences are considered a current liability in the entity-wide and proprietary fund statements as they are susceptible to liquidation at any time.

Fund Balance

The City reports fund balances within the governmental funds based on the hierarchy of constraints to which those balances are subject. Fund balances in the governmental funds are reported within the following categories:

- Non-Spendable – Includes items not in spendable form, such as prepaid items and inventory
- Restricted – Includes items that are restricted by external creditors, grantors or contributors, or restricted by constitutional provisions or enabling legislation.
- Committed – Includes items committed by the City Council, by formal board action.

CITY OF LINCOLN CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

- Assigned – Includes items assigned for specific uses, authorized by the City's Finance Director or City Manager.
- Unassigned – This is the residual classification used in the General Fund for those balances not assigned to another category.

The City has adopted the following order of spending regarding fund balance categories: Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and lastly, unassigned fund balance.

2. DEPOSITS AND INVESTMENTS

The City maintains a pool of cash and investments that are available for use by all funds. Each fund's portion of this pool is displayed on the financial statements as cash and investments. Additionally, several funds hold separate cash and investment accounts. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

Investments with a remaining maturity of more than one year, at the time of purchase are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value.

The Oregon State Treasury administers the LGIP. The LGIP is an unrated, 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. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the City's position in the LGIP is the same as the value of the pool shares.

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, checking, savings and money market accounts, and any highly-liquid debt instruments purchased with a maturity of three months or less.

CITY OF LINCOLN CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2012

2. DEPOSITS AND INVESTMENTS (Continued)

At June 30, 2012, the City's cash and investments were comprised of the following:

Cash on hand	\$ 1,299
Deposits with financial institutions	260,120
Oregon State Treasurer's Local Government Investment Pool	<u>17,458,590</u>
Total pooled cash and investments	<u>\$ 17,720,009</u>

Reported as:

Governmental activities	\$ 12,044,407
Business-type activities	<u>5,660,428</u>
Total per Statement of Net Assets	17,704,835
Agency Fund	<u>15,174</u>
	<u>\$ 17,720,009</u>

Interest Rate Risk

The City does not have a formal policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from changes in interest rates.

Credit Risk

The City does not have a formal policy that places a limit on the amount that may be invested in any one institution. 100 percent of the City's investments are in the State Treasurer's Investment Pool.

The City does not have a policy which limits the amount of investments that can be held with counterparties.

The City's deposits with financial institutions insured by the Federal Depository Insurance Corporation (FDIC). The City's bank balance as of June 30, 2012, was \$343,859 and was fully covered by the FDIC. As required by Oregon Revised Statutes, deposits were held at a qualified depository of 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.

CITY OF LINCOLN CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2012

2. DEPOSITS AND INVESTMENTS (Continued)

Oregon statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the state treasurer's investment pool.

As of June 30, 2012, the City's investments consisted solely of deposits in the Oregon State Local Government Investment Pool.

3. ACCOUNTS RECEIVABLE

Receivables as of June 30, 2012, for the City's governmental activities/funds are as follows:

	<u>General</u>	<u>Urban Renewal Tax Increment</u>	<u>Other Governmental</u>	<u>Totals</u>
Property taxes	\$ 459,461	\$ 312,684	\$ 23,156	\$ 795,301
Intergovernmental	23,398	-	37,666	61,064
Fines and warrants	98,664	-	-	98,664
Transient room taxes	207,015	-	854,595	1,061,610
Notes-housing rehabilitation	-	-	704,104	704,104
Miscellaneous other	107,607	-	3,251	110,858
	<u>\$ 896,145</u>	<u>\$ 312,684</u>	<u>\$ 1,622,772</u>	<u>\$ 2,831,601</u>

Rehabilitation loans receivable are comprised of loans to qualified borrowers for the rehabilitation and restoration of single family and multi-family residences, and commercial loans to small business to promote economic development. Both are collateralized by real property. Net loans receivable are as follows:

<u>Fund and Program</u>	<u>Maximum Term</u>	<u>Interest Rate</u>	<u>Loans Receivable</u>
Property Rehabilitation Fund:			
Urban development:			
Rehabilitation loans	10 years	0%	\$ 463,226
Affordable Housing Fund:			
Habitat and Housing Rehabilitation	15 years	0%	\$ 240,878

Receivables as of June 30, 2012, for the City's business-type activities/funds are as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
User charges	\$ 519,630	\$ 436,888	\$ 956,518
Property taxes	-	70,554	70,554
Miscellaneous	-	4,263	4,263
	<u>\$ 519,630</u>	<u>\$ 511,705</u>	<u>\$ 1,031,335</u>

CITY OF LINCOLN CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2012

4. CAPITAL ASSETS

Transactions for the year ended June 30, 2012 of the governmental activities, were as follows:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets not being depreciated:				
Land	\$ 13,717,268	\$ 22,808	\$ -	\$ 13,740,076
Public right-of-way	22,328,786	-	-	22,328,786
Construction in progress	745,832	274,184	(957,545)	62,471
Total capital assets not being depreciated	<u>36,791,886</u>	<u>296,992</u>	<u>(957,545)</u>	<u>36,131,333</u>
Capital assets being depreciated:				
Buildings	14,357,102	253,879	-	14,610,981
Heavy equipment	599,756	47,281	(78,749)	568,288
Urban renewal projects	1,457,537	-	-	1,457,537
System improvements	46,714,714	909,196	-	47,623,910
Vehicles	841,456	81,709	(154,758)	768,407
Equipment and furnitures	3,311,417	87,910	(13,522)	3,385,805
Books and art	1,162,833	24,081	-	1,186,914
Total capital assets being depreciated	68,444,815	1,404,056	(247,029)	69,601,842
Accumulated depreciation	<u>(34,087,937)</u>	<u>(2,457,483)</u>	<u>246,973</u>	<u>(36,298,447)</u>
Total capital assets being depreciated, net	<u>34,356,878</u>	<u>(1,053,427)</u>	<u>(56)</u>	<u>33,303,395</u>
Total capital assets, net	<u>\$ 71,148,764</u>	<u>\$ (756,435)</u>	<u>\$ (957,601)</u>	<u>\$ 69,434,728</u>

Depreciation expense for governmental activities is charged to functions as follows:

General government	\$ 482,666
Public safety	141,989
Highway and streets	1,343,989
Culture and recreation	488,839
Total	<u>\$ 2,457,483</u>

CITY OF LINCOLN CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2012

4. CAPITAL ASSETS (Continued)

Transactions for the year ended June 30, 2012 of the business-type activities, were as follows:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets not being depreciated:				
Land and improvements	\$ 186,798	\$ -	\$ -	\$ 186,798
Construction in progress	1,654,549	6,441,658	(1,231,656)	6,864,551
Total capital assets not being depreciated	<u>1,841,347</u>	<u>6,441,658</u>	<u>(1,231,656)</u>	<u>7,051,349</u>
Capital assets being depreciated:				
Buildings	484,281	599,697	-	1,083,978
Facilities	79,022,902	664,588	(33,436)	79,654,054
Equipment	2,009,076	142,667	(108,280)	2,043,463
Intangibles	120,868	-	-	120,868
Total capital assets being depreciated	<u>81,637,127</u>	<u>1,406,952</u>	<u>(141,716)</u>	<u>82,902,363</u>
Accumulated depreciation	<u>(31,608,997)</u>	<u>(2,336,638)</u>	<u>127,234</u>	<u>(33,818,401)</u>
Total capital assets being depreciated, net	<u>50,028,130</u>	<u>(929,686)</u>	<u>(14,482)</u>	<u>49,083,962</u>
Total capital assets, net	<u>\$ 51,869,477</u>	<u>\$ 5,511,972</u>	<u>\$ (1,246,138)</u>	<u>\$ 56,135,311</u>

Depreciation expense for business-type activities is charged to functions as follows:

Water	\$ 1,069,560
Sewer	<u>1,267,078</u>
Total	<u>\$ 2,336,638</u>

CITY OF LINCOLN CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2012

5. LONG-TERM OBLIGATIONS

Transactions for the year ended June 30, 2012 of the governmental activities, were as follows:

<u>Note</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances</u> <u>June 30, 2012</u>	<u>Due within</u> <u>one year</u>
Full Faith and Credit Note, Series 2008, Original issue amount \$1 million, final maturity September 2013, interest at 3.4 percent					
Principal	\$ 549,528	\$ -	\$ 238,106	\$ 311,422	\$ 246,306
<u>General Obligation Bonds</u>					
Open Space Bonds, Series 1999, Original issue amount \$3 million, final maturity June 2014, interest from 4.0 to 5.0 percent					
Principal	595,000	-	245,000	350,000	255,000
<u>Tax Increment Bonds</u>					
Urban Renewal Bonds, Series 2003 Original issue amount \$3 million, paid off during 2012, interest at 3.9 percent					
Principal	862,433	-	862,433	-	-
Urban Renewal Bonds, Series 2004 Original issue amount \$5 million, final maturity June 2014, interest at 4.0 percent					
Principal	1,713,914	-	548,718	1,165,196	570,999
Urban Renewal Bonds, Series 2007 Original issue amount \$5 million, final maturity June 2014, interest at 4.40 percent					
Principal	2,372,555	-	756,507	1,616,048	790,348
	<u>\$ 6,093,430</u>	<u>\$ -</u>	<u>\$ 2,650,764</u>	<u>\$ 3,442,666</u>	<u>\$ 1,862,653</u>
Compensated absences	<u>\$ 459,843</u>	<u>\$ 507,224</u>	<u>\$ 459,843</u>	<u>\$ 507,224</u>	<u>\$ 507,224</u>

The future maturities for governmental activity long-term obligations outstanding as of June 30, 2012, are as follows:

Fiscal Year	Full Faith and Credit Note, Series 2008		General Obligation Open Space Bonds, Series 1999		Urban Renewal Series 2004	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 246,306	\$ 7,394	\$ 255,000	\$ 17,150	\$ 570,999	\$ 38,113
2014	65,116	535	95,000	4,655	594,197	14,928
	<u>\$ 311,422</u>	<u>\$ 7,929</u>	<u>\$ 350,000</u>	<u>\$ 21,805</u>	<u>\$ 1,165,196</u>	<u>\$ 53,041</u>

CITY OF LINCOLN CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2012

5. LONG-TERM OBLIGATIONS (Continued)

Fiscal Year	Urban Renewal Series 2007		Totals	
	Principal	Interest	Principal	Interest
2013	\$ 790,348	\$ 58,184	\$ 1,862,653	\$ 120,841
2014	825,700	22,831	1,580,013	42,949
	<u>\$ 1,616,048</u>	<u>\$ 81,015</u>	<u>\$ 3,442,666</u>	<u>\$ 163,790</u>

Transactions for the year ended June 30, 2012 of the business-type activities, were as follows:

	Balance June 30, 2011	Additions	Reductions	Balances June 30, 2012	Due within one year
<u>Revenue Bonds</u>					
Full Faith and Credit Revenue Refunding Bond, Series 2006, Original issue amount \$2.4 million, final maturity June 2015, interest at 3.80 percent					
Principal	\$ 1,075,125	\$ -	\$ 253,730	\$ 821,395	\$ 263,510
Full Faith and Credit Note, Series 2008, Original issue amount \$2 million, final maturity September 2013, interest at 3.40 percent					
Principal	1,092,380	-	476,213	616,167	492,611
<u>General Obligation Bonds</u>					
Sewer Bonds, Series 2005, Original issue amount \$15 million, final maturity June 2030, interest from 3 to 4.625 percent					
Principal	12,890,000	-	425,000	12,465,000	440,000
Sewer Bonds, Series 2011, Original issue amount \$7 million, final maturity March 2026, interest at 4.1 percent					
Principal	6,902,502	-	348,273	6,554,229	362,773
Water Bonds, Series 2007 Original issue amount \$4 million, final maturity December 2018, interest at 3.95 percent					
Principal	2,792,972	-	329,602	2,463,370	340,530
	<u>\$ 24,752,979</u>	<u>\$ -</u>	<u>\$ 1,832,818</u>	<u>\$ 22,920,161</u>	<u>\$ 1,899,424</u>
Compensated absences	<u>\$ 163,920</u>	<u>\$ 174,935</u>	<u>\$ 163,920</u>	<u>\$ 174,935</u>	<u>\$ 174,935</u>

CITY OF LINCOLN CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2012

5. LONG-TERM OBLIGATIONS (Continued)

The future maturities for business-type activity long-term obligations outstanding as of June 30, 2012, are as follows:

Fiscal Year	Full Faith and Credit Revenue Refunding Bond Series 2006		Full Faith and Credit Note Series 2008		General Obligation Sewer Bonds Series 2005	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 263,510	\$ 27,488	\$ 492,611	\$ 14,789	\$ 440,000	\$ 545,601
2014	273,667	17,331	123,556	1,069	465,000	528,001
2015	284,218	6,782	-	-	490,000	509,401
2016	-	-	-	-	510,000	489,801
2017	-	-	-	-	540,000	469,401
2018-22	-	-	-	-	3,120,000	1,987,359
2023-27	-	-	-	-	3,980,000	1,235,995
2028-30	-	-	-	-	2,920,000	275,300
	<u>\$ 821,395</u>	<u>\$ 51,601</u>	<u>\$ 616,167</u>	<u>\$ 15,858</u>	<u>\$ 12,465,000</u>	<u>\$ 6,040,859</u>

Fiscal Year	General Obligation Water Bonds Series 2007		General Obligation Sewer Bonds Series 2011		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 340,530	\$ 92,667	\$ 362,773	\$ 263,193	\$ 1,899,424	\$ 943,738
2014	354,182	79,016	377,877	248,089	1,594,282	873,506
2015	368,380	64,817	393,610	232,357	1,536,208	813,357
2016	383,148	50,049	409,999	215,969	1,303,147	755,819
2017	398,508	34,689	427,068	199,199	1,365,576	703,289
2018-22	618,622	21,880	2,417,330	712,503	6,155,952	2,721,742
2023-27	-	-	2,165,572	181,800	6,145,572	1,417,795
2028-30	-	-	-	-	2,920,000	275,300
	<u>\$ 2,463,370</u>	<u>\$ 343,118</u>	<u>\$ 6,554,229</u>	<u>\$ 2,053,110</u>	<u>\$ 22,920,161</u>	<u>\$ 8,504,546</u>

The City is in compliance with all covenants relating to outstanding debt and obligations.

CITY OF LINCOLN CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2012

6. DEFERRED REVENUE

Resources to the City, which are measurable but not available, are deferred in the governmental funds. As of June 30, 2012, deferred revenue consists of the following:

	General Fund	Urban Renewal Tax Increment Fund	Other Governmental Funds	Totals
Property taxes	\$ 459,461	\$ 312,684	\$ 23,156	\$ 795,301
Fines and warrants	94,471	-	-	94,471
Other	1,604	-	-	1,604
	<u>\$ 555,536</u>	<u>\$ 312,684</u>	<u>\$ 23,156</u>	<u>\$ 891,376</u>

7. LANDFILL CLOSURE AND POST CLOSURE COSTS

The City is a member of the Lincoln County Consortium for Solid Waste Management, which was organized in 1984 to assume responsibility for the management and closure of the Agate Beach Landfill site.

State and Federal laws and regulations require the Consortium to place a final cover on the Agate Beach Landfill site when it stops accepting waste, and to perform certain maintenance and monitoring functions at the site for thirty (30) years subsequent to closure. The City is responsible for a 25.3% share of Consortium's estimated unfunded costs, which is based on submissions of engineering estimates, construction bids, and projected monitoring costs over the next thirty (30) years. The estimated liability is based on the assumption that the least expensive disposal alternative will be used.

During 1993-1994, the City began charging a surcharge to its solid waste franchisee in order to fund its share of costs. This surcharge was discontinued July 1, 2005. At June 30, 2012, the City reports a restricted fund balance amount related to these post-closure requirements of \$776,383.

8. DEFINED BENEFIT PENSION PLAN

Pension Plan Description

The City contributes to the Oregon Public Employees Retirement System (OPERS) and to the Oregon Public Service Retirement Plan (OPSRP). OPERS is a cost sharing 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

CITY OF LINCOLN CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2012

8. DEFINED BENEFIT PENSION PLAN (Continued)

Pension Plan Description (Continued)

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 OPERS. 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. This level is 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. OPERS also provides death and disability benefits. These benefit provisions and other requirements are established by state statutes.

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

Funding Policy

Members of OPERS 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 annual required contribution rate for fiscal 2012 was 10.02 percent for PERS, and 6.37 percent for general OPSRP and 9.08 percent for OPSRP police and fire. 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

The City's contribution to the plan for the years ending June 30, 2012, 2011 and 2010 were equal to the City's required contributions for each year as follows:

<u>Year Ended June 30,</u>	<u>City Contribution</u>	<u>City paid Member Contribution</u>	<u>Member paid Contributions</u>	<u>Totals</u>
2012	\$ 622,049	\$ 407,400	\$ 522	\$ 1,029,971
2011	332,376	428,541	596	761,513
2010	293,649	403,611	596	697,856

CITY OF LINCOLN CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2012

9. OTHER POSTEMPLOYMENT BENEFITS

The City provides other post-employment benefits (OPEB) for employees, retirees, spouses and dependents through a single employer defined contribution plan in the form of group health insurance benefits. As required by ORS 243.303(2) retirees who were hired after July 1, 2003 are allowed to continue, at the retirees' expense, coverage under the group health insurance plan until age 65. The difference between the premium actually paid by retirees under the group insurance plan and the premium that they would pay if they were not included in the plan is considered to be an implicit subsidy under the provisions of GASB 45. The "plan" does not issue a separate stand-alone financial report.

Annual OPEB Cost and Net OPEB Obligation

The City's contributions for these benefits are funded on a "pay-as-you-go" basis. The City has not established an irrevocable trust to accumulate assets to fund the cost of the net OPEB obligation that arises from the implicit subsidy.

The City had its actuarial valuation performed as of August 1, 2010 to determine the unfunded accrued actuarial liability (UAAL), annual required contribution (ARC) and net other post-employment benefit obligation (OPEB) as of that date. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed fifteen years.

The annual OPEB cost is equal to the ARC as follows:

Normal cost	\$ 73,810
Amortization of UAAL	59,782
Annual required contribution	<u>\$ 133,592</u>

The net OPEB obligation as of June 30, 2012 was calculated as follows:

Annual required contribution	\$ 133,592
Interest on prior year net OPEB Obligation	21,334
Adjustment to ARC	(36,246)
Implicit benefit payments	<u>(33,310)</u>
Increase in net OPEB Obligation	85,370
OPEB Obligation at beginning of year	<u>533,346</u>
OPEB obligation at end of year	<u>\$ 618,716</u>

CITY OF LINCOLN CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2012

9. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The City's annual OPEB cost, percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2012 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2012	\$ 118,680	28%	\$ 618,716
June 30, 2011	213,631	22%	531,395
June 30, 2010	201,597	16%	366,135

Funded Status and Funding Process

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 revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents information about the actuarial value of plan assets and the unfunded actuarial liability.

<u>Valuation Date</u>	<u>Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAL/ Payroll</u>
August 1, 2010	\$ -	\$ 817,937	\$ 817,937	0%	\$ 7,640,752	10.7%
August 1, 2008	-	1,173,201	1,173,201	0%	6,729,672	17.4%
August 1, 2006	-	1,309,621	1,309,621	0%	-	-

Actuarial Methods and Assumptions

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

In the August 1, 2010 actuarial valuation, the projected unit cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8.5 percent, reduced incrementally to an ultimate rate of 5 percent. The UAAL is being amortized using the level percentage of payroll over an open period of fifteen years.

CITY OF LINCOLN CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2012

9. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 publically 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 – Given that 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 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 received disability allowance as if the member had eight years or more of credible 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 receive 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 0.59 percent of annual covered payroll for Tier1/Tier 2 and .50 percent for OPSRP. The OPERS Board of Trustees sets the employer contribution rate based on the annual requires contributions (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 plan over a period not to exceed thirty years. The City's contributions to RHIA for the year ended June 30, 2012, 2011 and 2010 were included in contributions made to PERS.

10. OTHER INFORMATION

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. In 1981, the League of Oregon Cities joined together with the Association of Oregon Cities to form City County Insurance Services (CCIS), a public entity risk pool currently operating as a common risk management and insurance program for approximately 265 municipal corporations and

CITY OF LINCOLN CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2012

10. OTHER INFORMATION (Continued)

Risk Management (Continued)

associated entities in the State of Oregon. CCIS is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of \$2 million for each insured event.

The City continues to carry commercial insurance for other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

11. INTERFUND TRANSFERS

Cash transfers are indicative of funding for capital projects, debt service, subsidies of various City operations and re-allocations of special revenues. The non-cash transfers occur when a fund purchases a capital asset which will be used in the operation of a different fund's activities, or when a fund receives proceeds from or pays principal on long-term obligations reported in a different fund. The following schedule briefly summarizes the City's transfer activity:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental		
General	\$ 1,281,587	\$ 1,260,271
Other governmental	795,676	777,898
Proprietary		
Water	-	31,906
Sewer	13,517	20,705
	<u>\$ 2,090,780</u>	<u>\$ 2,090,780</u>

12. CONSTRUCTION COMMITMENTS

<u>Project</u>	<u>Contract Amount</u>	<u>FY 10/11 Amount Paid</u>	<u>FY 12 Amount Paid/Accrued</u>	<u>Amount Remaining</u>
WWTP				
Engineering Design/Construction	\$ 1,197,646	\$ 714,675	\$ 438,388	\$ 44,583
General Contractor	6,729,200	316,922	5,192,395	1,219,883
	<u>\$ 7,926,846</u>	<u>\$ 1,031,597</u>	<u>\$ 5,630,783</u>	<u>\$ 1,264,466</u>

CITY OF LINCOLN CITY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2012

13. SUBSEQUENT EVENTS

Subsequent to June 30, 2012, the City entered into a new construction project totaling approximately \$937,000, to replace and upgrade the Canyon Park Sewer Pump Station.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LINCOLN CITY
Lincoln City, Oregon

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Property taxes	\$ 4,094,098	\$ 4,094,098	\$ 4,062,447	\$ (31,651)
Franchise fees	885,100	885,100	920,967	35,867
Transient room tax	-	1,079,533	992,744	(86,789)
Fees, licenses and permits	510,150	510,150	499,820	(10,330)
Fines, and forfeitures	223,713	223,713	188,035	(35,678)
Intergovernmental	410,012	420,012	439,376	19,364
Interest	15,600	17,600	19,301	1,701
Miscellaneous	907,054	914,254	899,870	(14,384)
TOTAL REVENUES	7,045,727	8,144,460	8,022,560	(121,900)
EXPENDITURES:				
City council	83,142	83,142	44,778	38,364
City administration	500,420	500,420	469,675	30,745
Finance	682,442	717,442	700,929	16,513
Library	866,291	866,291	801,710	64,581
Municipal court	69,895	69,895	58,106	11,789
City attorney	173,521	173,521	162,026	11,495
Planning	447,835	447,835	424,238	23,597
Building inspection	225,935	230,935	229,232	1,703
Police	-	3,794,462	3,419,851	374,611
Recreation department	1,062,941	1,072,741	1,032,731	40,010
Non-departmental	284,087	284,087	267,839	16,248
Contingencies	1,332,755	1,553,475	-	1,553,475
TOTAL EXPENDITURES	5,729,264	9,794,246	7,611,115	2,183,131
EXCESS OF REVENUES OVER EXPENDITURES	1,316,463	(1,649,786)	411,445	2,061,231
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of capital assets	-	6,000	4,914	(1,086)
Transfers in	807,698	963,923	963,923	-
Transfers out	(3,715,152)	(722,152)	(722,152)	-
TOTAL OTHER FINANCING SOURCES (USES)	(2,907,454)	247,771	246,685	(1,086)
NET CHANGE IN FUND BALANCE	(1,590,991)	(1,402,015)	658,130	2,060,145
FUND BALANCE, beginning of year	2,693,368	2,693,368	2,811,450	118,082
FUND BALANCE, end of year	\$ 1,102,377	\$ 1,291,353	\$ 3,469,580	\$ 2,178,227

CITY OF LINCOLN CITY
Lincoln City, Oregon

URBAN RENEWAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
Rents	\$ 3,600	\$ 5,901	\$ 2,301
Interest on investments	5,000	5,055	55
TOTAL REVENUES	<u>8,600</u>	<u>10,956</u>	<u>2,356</u>
EXPENDITURES:			
Personal services	244,599	218,816	25,783
Materials and services	314,766	177,849	136,917
Capital outlay	909,983	272,935	637,048
TOTAL EXPENDITURES	<u>1,469,348</u>	<u>669,600</u>	<u>799,748</u>
NET CHANGE IN FUND BALANCE	(1,460,748)	(658,644)	802,104
FUND BALANCE, beginning of year	<u>1,460,748</u>	<u>1,468,829</u>	<u>8,081</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ 810,185</u>	<u>\$ 810,185</u>

CITY OF LINCOLN CITY, OREGON

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2012

Budget Policies and Budgetary Control

Generally, Oregon Local Budget Law requires annual budgets be adopted for all funds except agency funds. The modified accrual basis of accounting is used for all budgets. All annual appropriations lapse at fiscal year end.

The City begins its budgeting process by appointing Budget Committee members in the fall of each year. Budget recommendations are developed by management through early spring, with the Budget Committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in May or June and the hearing is held in June. The City adopts the budget, makes appropriations, and declares the tax levy no later than June 30.

Expenditure appropriations may not be legally over-expended, except in the case of grant receipts and bond sale proceeds which could not be reasonably estimated at the time the budget was adopted.

The resolution authorizing the appropriations for each fund sets the level at which expenditures and transfers cannot legally exceed appropriations. The City establishes levels of budgetary control at personal services, materials and services, capital outlay, operating contingencies, and debt services for all funds, except the General Fund, where budgetary control is established at the department level.

Budget amounts shown in the basic financial statements have been revised since the original budget amounts were adopted. The City Council must authorize all appropriation transfers and supplementary budgetary appropriations.

OTHER SUPPLEMENTARY INFORMATION

CITY OF LINCOLN CITY
Lincoln City, Oregon

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2012

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Totals
ASSETS:				
Cash and investments	\$ 2,438,353	\$ 76,483	\$ 1,729,288	\$ 4,244,124
Cash with County Treasurer	-	3,269	-	3,269
Receivables	1,493,079	23,156	106,537	1,622,772
TOTAL ASSETS	<u>\$ 3,931,432</u>	<u>\$ 102,908</u>	<u>\$ 1,835,825</u>	<u>\$ 5,870,165</u>
LIABILITIES:				
Accounts payable	\$ 57,194	-	\$ 21,605	\$ 78,799
Deferred revenue	-	23,156	-	23,156
TOTAL LIABILITIES	<u>57,194</u>	<u>23,156</u>	<u>21,605</u>	<u>101,955</u>
FUND BALANCES:				
Nonspendable in form	704,104	-	-	704,104
Restricted for:				
Capital projects	742,840	-	1,401,206	2,144,046
Road construction/maintenance	516,416	-	-	516,416
Tourism promotion	724,818	-	-	724,818
Parks maintenance	454,489	-	-	454,489
Debt service	-	79,752	-	79,752
Committed to:				
Capital projects	-	-	-	-
Affordable housing	680,855	-	-	680,855
Maintenance	19,380	-	-	19,380
Art & Education	31,336	-	-	31,336
Assigned to:				
Capital projects	-	-	413,014	413,014
TOTAL FUND BALANCES	<u>3,874,238</u>	<u>79,752</u>	<u>1,814,220</u>	<u>5,768,210</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 3,931,432</u>	<u>\$ 102,908</u>	<u>\$ 1,835,825</u>	<u>\$ 5,870,165</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2012

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Totals
REVENUES:				
Property taxes	\$ -	\$ 293,837	\$ -	\$ 293,837
Franchise fees	13,010	-	-	13,010
Transient room tax	2,818,791	-	422,134	3,240,925
Rents	203,674	-	-	203,674
Charges for services	3,329	-	54,365	57,694
Intergovernmental	439,210	-	90,969	530,179
Reimbursement from other funds	21,900	-	-	21,900
Interest on investments	11,361	1,286	8,479	21,126
Miscellaneous	114,704	-	697	115,401
TOTAL REVENUES	<u>3,625,979</u>	<u>295,123</u>	<u>576,644</u>	<u>4,497,746</u>
EXPENDITURES:				
Current:				
General government	1,718,985	-	-	1,718,985
Highways and streets	1,002,129	-	-	1,002,129
Culture and recreation	684,429	-	-	684,429
Debt service	-	525,134	-	525,134
Capital outlay	105,359	-	605,159	710,518
TOTAL EXPENDITURES	<u>3,510,902</u>	<u>525,134</u>	<u>605,159</u>	<u>4,641,195</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>115,077</u>	<u>(230,011)</u>	<u>(28,515)</u>	<u>(143,449)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of equipment	11,749	-	-	11,749
Transfers in	130,825	255,000	409,851	795,676
Transfers out	(441,730)	-	(336,168)	(777,898)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(299,156)</u>	<u>255,000</u>	<u>73,683</u>	<u>29,527</u>
NET CHANGE IN FUND BALANCE	(184,079)	24,989	45,168	(113,922)
FUND BALANCE, beginning of year	<u>4,058,317</u>	<u>54,763</u>	<u>1,769,052</u>	<u>5,882,132</u>
FUND BALANCE, end of year	<u>\$ 3,874,238</u>	<u>\$ 79,752</u>	<u>\$ 1,814,220</u>	<u>\$ 5,768,210</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2012

	<u>Affordable Housing</u>	<u>Lincoln Square Operations</u>	<u>Public Education Government Access</u>	<u>Street</u>	<u>Urban Renewal Property Rehabilitation Program</u>	<u>Visitor and Convention Bureau</u>
ASSETS:						
Cash and investments	\$ 681,919	\$ 27,130	\$ 24,755	\$ 271,469	\$ 742,840	\$ 431,040
Receivables	240,878	-	3,251	249,610	463,226	323,793
TOTAL ASSETS	<u>\$ 922,797</u>	<u>\$ 27,130</u>	<u>\$ 28,006</u>	<u>\$ 521,079</u>	<u>\$ 1,206,066</u>	<u>\$ 754,833</u>
LIABILITIES:						
Accounts payable	\$ 1,064	\$ 7,750	\$ -	\$ 4,663	\$ -	\$ 30,015
FUND BALANCES:						
Nonspendable in form	240,878	-	-	-	463,226	-
Restricted for:						
Capital projects	-	-	-	-	742,840	-
Road construction/maintenance	-	-	-	516,416	-	-
Tourism promotion	-	-	-	-	-	724,818
Parks maintenance	-	-	-	-	-	-
Committed to:						
Affordable housing	680,855	-	-	-	-	-
Maintenance	-	19,380	-	-	-	-
Art and education	-	-	28,006	-	-	-
TOTAL FUND BALANCES	<u>921,733</u>	<u>19,380</u>	<u>28,006</u>	<u>516,416</u>	<u>1,206,066</u>	<u>724,818</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 922,797</u>	<u>\$ 27,130</u>	<u>\$ 28,006</u>	<u>\$ 521,079</u>	<u>\$ 1,206,066</u>	<u>\$ 754,833</u>

<u>Parks Maintenance</u>	<u>Percent for Art</u>	<u>Totals</u>
\$ 255,870	\$ 3,330	\$ 2,438,353
212,321	-	1,493,079
-	-	-
<u>\$ 468,191</u>	<u>\$ 3,330</u>	<u>\$ 3,931,432</u>
\$ 13,702	\$ -	\$ 57,194
-	-	704,104
-	-	742,840
-	-	516,416
-	-	724,818
454,489	-	454,489
-	-	680,855
-	-	19,380
-	3,330	31,336
<u>454,489</u>	<u>3,330</u>	<u>3,874,238</u>
<u>\$ 468,191</u>	<u>\$ 3,330</u>	<u>\$ 3,931,432</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2012

	Affordable Housing	Lincoln Square Operations	Public Education and Government Access	Street	Urban Renewal Property Rehabilitation Program	Visitor and Convention Bureau
REVENUES:						
Franchise fees	\$ -	\$ -	\$ 13,010	\$ -	\$ -	\$ -
Transient room tax	-	-	-	844,269	-	1,287,509
Rents	16,625	187,049	-	-	-	-
Charges for services	-	-	-	3,329	-	-
Intergovernmental	-	1,907	551	428,552	-	-
Reimbursement from other funds	-	21,900	-	-	-	-
Interest on investments	3,027	126	138	1,399	2,576	2,693
Miscellaneous	-	28,465	-	41	-	82,249
TOTAL REVENUES	19,652	239,447	13,699	1,277,590	2,576	1,372,451
EXPENDITURES:						
Current						
General government	27,609	370,226	21,866	-	-	1,299,284
Highways and streets	-	-	-	1,002,129	-	-
Culture and recreation	-	-	-	-	-	-
Capital outlay	28,324	-	-	47,281	-	5,329
TOTAL EXPENDITURES	55,933	370,226	21,866	1,049,410	-	1,304,613
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(36,281)	(130,779)	(8,167)	228,180	2,576	67,838
OTHER FINANCING SOURCES (USES):						
Proceeds from sale of capital assets	-	-	-	11,349	-	-
Transfers in	-	128,510	-	-	-	-
Transfers out	-	-	-	(418,390)	-	(23,340)
TOTAL OTHER FINANCING SOURCES (USES)	-	128,510	-	(407,041)	-	(23,340)
NET CHANGE IN FUND BALANCE	(36,281)	(2,269)	(8,167)	(178,861)	2,576	44,498
FUND BALANCE, beginning of year	958,014	21,649	36,173	695,277	1,203,490	680,320
FUND BALANCE, end of year	\$ 921,733	\$ 19,380	\$ 28,006	\$ 516,416	\$ 1,206,066	\$ 724,818

Parks Maintenance	Percent for Art	Totals
\$ -	\$ -	\$ 13,010
687,013	-	2,818,791
-	-	203,674
-	-	3,329
8,200	-	439,210
-	-	21,900
1,381	21	11,361
3,949	-	114,704
<u>700,543</u>	<u>21</u>	<u>3,625,979</u>
-	-	1,718,985
-	-	1,002,129
684,214	215	684,429
18,344	6,081	105,359
<u>702,558</u>	<u>6,296</u>	<u>3,510,902</u>
<u>(2,015)</u>	<u>(6,275)</u>	<u>115,077</u>
400	-	11,749
-	2,315	130,825
-	-	(441,730)
<u>400</u>	<u>2,315</u>	<u>(299,156)</u>
(1,615)	(3,960)	(184,079)
<u>456,104</u>	<u>7,290</u>	<u>4,058,317</u>
<u>\$ 454,489</u>	<u>\$ 3,330</u>	<u>\$ 3,874,238</u>

CITY OF LINCOLN CITY

Lincoln City, Oregon

AFFORDABLE HOUSING FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Original/Final Budget	Actual	Variance
REVENUES:			
Rents	\$ 15,000	\$ 16,625	\$ 1,625
Intergovernmental	400,000	-	(400,000)
Interest on investments	3,025	3,027	2
Loan repayments	-	75,000	75,000
TOTAL REVENUES	418,025	94,652	(323,373)
EXPENDITURES:			
Materials and services	11,261	7,609	3,652
Capital outlay	679,151	28,324	650,827
Other payments	400,000	-	400,000
TOTAL EXPENDITURES	1,090,412	35,933	1,054,479
NET CHANGE IN FUND BALANCE	(672,387)	58,719	731,106
FUND BALANCE, beginning of year	672,387	622,136	(50,251)
FUND BALANCE, end of year	\$ -	\$ 680,855	\$ 680,855
Fund balance - budgetary basis		\$ 680,855	
Balance of loans receivable		240,878	
Fund balance - GAAP basis		<u>\$ 921,733</u>	
Change in fund balance - budgetary basis		\$ 58,719	
Loan repayments reported as reduction in receivable		(75,000)	
Receivable written off		<u>(20,000)</u>	
Change in fund balance - GAAP basis		<u>\$ (36,281)</u>	

CITY OF LINCOLN CITY
Lincoln City, Oregon

LINCOLN SQUARE OPERATIONS FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Rents	\$ 200,000	\$ 200,000	\$ 187,049	\$ (12,951)
Reimbursement from other funds	21,900	21,900	21,900	-
Intergovernmental	-	1,750	1,907	157
Interest on investments	200	200	126	(74)
Miscellaneous	28,000	28,000	28,465	465
TOTAL REVENUES	<u>250,100</u>	<u>251,850</u>	<u>239,447</u>	<u>(12,403)</u>
EXPENDITURES:				
Personal services	159,061	165,061	166,046	(985)
Materials and services	224,119	224,119	204,180	19,939
Contingency	14,136	9,886	-	9,886
TOTAL EXPENDITURES	<u>397,316</u>	<u>399,066</u>	<u>370,226</u>	<u>28,840</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(147,216)</u>	<u>(147,216)</u>	<u>(130,779)</u>	<u>16,437</u>
OTHER FINANCING SOURCES:				
Transfers in	128,510	128,510	128,510	-
NET CHANGE IN FUND BALANCE	<u>(18,706)</u>	<u>(18,706)</u>	<u>(2,269)</u>	<u>16,437</u>
FUND BALANCE, beginning of year	<u>18,706</u>	<u>18,706</u>	<u>21,649</u>	<u>2,943</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,380</u>	<u>\$ 19,380</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

PUBLIC EDUCATION AND GOVERNMENT ACCESS FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Franchise fees	\$ 13,159	\$ 13,159	\$ 13,010	\$ (149)
Intergovernmental	-	-	551	551
Interest on investments	120	120	138	18
TOTAL REVENUES	<u>13,279</u>	<u>13,279</u>	<u>13,699</u>	<u>420</u>
EXPENDITURES:				
Personal services	6,648	6,648	3,192	3,456
Materials and services	15,583	17,983	18,674	(691)
Capital outlay	8,500	8,500	-	8,500
Contingency	11,770	9,370	-	9,370
TOTAL EXPENDITURES	<u>42,501</u>	<u>42,501</u>	<u>21,866</u>	<u>20,635</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES AND NET CHANGE IN FUND BALANCE	<u>(29,222)</u>	<u>(29,222)</u>	<u>(8,167)</u>	<u>21,055</u>
FUND BALANCE, beginning of year	<u>29,222</u>	<u>29,222</u>	<u>36,173</u>	<u>6,951</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,006</u>	<u>\$ 28,006</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

STREET FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Transient room tax	\$ -	\$ 896,864	\$ 844,269	\$ (52,595)
Charges for services	4,000	4,000	3,329	(671)
Intergovernmental	444,175	444,175	428,552	(15,623)
Interest on investments	2,000	2,000	1,399	(601)
Miscellaneous	-	-	41	41
TOTAL REVENUES	450,175	1,347,039	1,277,590	(69,449)
EXPENDITURES:				
Personal services	557,144	557,144	525,507	31,637
Materials and services	385,552	412,552	420,732	(8,180)
Capital outlay	55,000	55,000	47,281	7,719
Contingency	386,795	359,795	-	359,795
TOTAL EXPENDITURES	1,384,491	1,384,491	993,520	390,971
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(934,316)	(37,452)	284,070	321,522
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of equipment	-	-	11,349	11,349
Transfers in	896,864	-	-	-
Transfers out	(474,280)	(474,280)	(474,280)	-
TOTAL OTHER FINANCING SOURCES (USES)	422,584	(474,280)	(462,931)	11,349
NET CHANGE IN FUND BALANCE	(511,732)	(511,732)	(178,861)	332,871
FUND BALANCE, beginning of year	511,732	511,732	695,277	183,545
FUND BALANCE, end of year	\$ -	\$ -	\$ 516,416	\$ 516,416

CITY OF LINCOLN CITY
Lincoln City, Oregon

URBAN RENEWAL PROPERTY REHABILITATION PROGRAM FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
Loan repayments	\$ 130,000	\$ 119,736	\$ (10,264)
Interest on investments	2,700	2,576	(124)
TOTAL REVENUES	<u>132,700</u>	<u>122,312</u>	<u>(10,388)</u>
EXPENDITURES:			
Capital outlay	<u>774,528</u>	<u>30,500</u>	<u>744,028</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE	(641,828)	91,812	733,640
FUND BALANCE, beginning of year	<u>641,828</u>	<u>651,028</u>	<u>9,200</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ 742,840</u>	<u>\$ 742,840</u>
Fund balance - budgetary basis		\$ 742,840	
Balance of loans receivable		<u>463,226</u>	
Fund balance - GAAP basis		<u>\$ 1,206,066</u>	
Change in fund balance - budgetary basis		\$ 91,812	
Loan repayments reported as reduction in receivable		(119,736)	
Capital outlay reported as increases in receivable		<u>30,500</u>	
Changes in fund balance - GAAP basis		<u>\$ 2,576</u>	

CITY OF LINCOLN CITY

Lincoln City, Oregon

VISITOR AND CONVENTION BUREAU FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Transient room tax	\$ -	\$ 1,373,348	\$ 1,287,509	\$ (85,839)
Interest on investments	1,700	1,700	2,693	993
Miscellaneous	68,400	68,400	82,249	13,849
TOTAL REVENUES	70,100	1,443,448	1,372,451	(70,997)
EXPENDITURES:				
Personal services	535,094	535,094	493,167	41,927
Materials and services	974,032	974,032	775,761	198,271
Capital outlay	31,000	31,000	5,329	25,671
Contingency	222,749	222,749	-	222,749
TOTAL EXPENDITURES	1,762,875	1,762,875	1,274,257	488,618
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,692,775)	(319,427)	98,194	417,621
OTHER FINANCING SOURCES (USES):				
Transfers in	1,373,348	-	-	-
Transfers out	(53,696)	(53,696)	(53,696)	-
TOTAL OTHER FINANCING SOURCES (USES)	1,319,652	(53,696)	(53,696)	-
NET CHANGE IN FUND BALANCE	(373,123)	(373,123)	44,498	417,621
FUND BALANCE, beginning of year	373,123	373,123	680,320	307,197
FUND BALANCE, end of year	\$ -	\$ -	\$ 724,818	\$ 724,818

CITY OF LINCOLN CITY

Lincoln City, Oregon

PARKS MAINTENANCE FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Transient room tax	\$ -	\$ 739,609	\$ 687,013	\$ (52,596)
Intergovernmental	8,200	8,200	8,200	-
Interest on investments	1,500	1,500	1,381	(119)
Miscellaneous	23,500	23,500	3,949	(19,551)
TOTAL REVENUES	<u>33,200</u>	<u>772,809</u>	<u>700,543</u>	<u>(72,266)</u>
EXPENDITURES:				
Personal services	512,468	512,468	483,699	28,769
Materials and services	234,374	234,374	182,286	52,088
Capital outlay	20,000	20,000	18,344	1,656
Other expenditures	840	840	-	840
Contingency	272,213	272,213	-	272,213
TOTAL EXPENDITURES	<u>1,039,895</u>	<u>1,039,895</u>	<u>684,329</u>	<u>355,566</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,006,695)</u>	<u>(267,086)</u>	<u>16,214</u>	<u>283,300</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of equipment	-	-	400	400
Transfers in	739,609	-	-	-
Transfers out	(18,229)	(18,229)	(18,229)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>721,380</u>	<u>(18,229)</u>	<u>(17,829)</u>	<u>400</u>
NET CHANGE IN FUND BALANCE	<u>(285,315)</u>	<u>(285,315)</u>	<u>(1,615)</u>	<u>283,700</u>
FUND BALANCE, beginning of year	<u>285,315</u>	<u>285,315</u>	<u>456,104</u>	<u>170,789</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 454,489</u>	<u>\$ 454,489</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

PERCENT FOR ART FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
Charges for services	\$ 1,500	\$ -	\$ (1,500)
Interest on investments	500	21	(479)
TOTAL REVENUES	<u>2,000</u>	<u>21</u>	<u>(1,979)</u>
EXPENDITURES:			
Materials and services	1,000	215	785
Capital outlay	20,115	6,081	14,034
TOTAL EXPENDITURES	<u>21,115</u>	<u>6,296</u>	<u>14,819</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(19,115)	(6,275)	12,840
OTHER FINANCING SOURCES:			
Transfers in	5,000	2,315	(2,685)
NET CHANGE IN FUND BALANCE	(14,115)	(3,960)	10,155
FUND BALANCE, beginning of year	<u>14,115</u>	<u>7,290</u>	<u>(6,825)</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ 3,330</u>	<u>\$ 3,330</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

TRANSIENT ROOM TAX FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
Transient room tax	<u>\$ 4,537,786</u>	<u>\$ -</u>	<u>\$ (4,537,786)</u>
EXPENDITURES:			
Materials and services	<u>45,000</u>	<u>-</u>	<u>45,000</u>
EXCESS OF REVENUES OVER EXPENDITURES	4,492,786	-	(4,492,786)
OTHER FINANCING USES:			
Transfers out	<u>4,492,786</u>	<u>-</u>	<u>4,492,786</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

NONMAJOR DEBT SERVICE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2012

	<u>Open Space Bonds</u>	<u>2008 Bond Redemption</u>	<u>Totals</u>
ASSETS:			
Cash and investments	\$ 56,465	\$ 20,018	\$ 76,483
Cash with County Treasurer	3,269	-	3,269
Receivables	23,156	-	23,156
TOTAL ASSETS	<u>\$ 82,890</u>	<u>\$ 20,018</u>	<u>\$ 102,908</u>
LIABILITIES:			
Deferred revenue	\$ 23,156	\$ -	\$ 23,156
TOTAL LIABILITIES	<u>23,156</u>	<u>-</u>	<u>23,156</u>
FUND BALANCES:			
Restricted for debt service	59,734	20,018	79,752
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 82,890</u>	<u>\$ 20,018</u>	<u>\$ 102,908</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

NONMAJOR DEBT SERVICE FUNDS

COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Open Space Bonds</u>	<u>2008 Bond Redemption</u>	<u>Totals</u>
REVENUES:			
Property taxes	\$ 293,837	\$ -	\$ 293,837
Interest on investments	912	374	1,286
TOTAL REVENUES	<u>294,749</u>	<u>374</u>	<u>295,123</u>
EXPENDITURES:			
Debt service	<u>274,033</u>	<u>251,101</u>	<u>525,134</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	20,716	(250,727)	(230,011)
OTHER FINANCING SOURCES:			
Transfers in	<u>-</u>	<u>255,000</u>	<u>255,000</u>
NET CHANGE IN FUND BALANCE	20,716	4,273	24,989
FUND BALANCE, beginning of year	<u>39,018</u>	<u>15,745</u>	<u>54,763</u>
FUND BALANCE, end of year	<u>\$ 59,734</u>	<u>\$ 20,018</u>	<u>\$ 79,752</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

URBAN RENEWAL TAX INCREMENT FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
Property taxes	\$ 2,982,168	\$ 2,990,055	\$ 7,887
Interest on investments	15,500	10,824	(4,676)
TOTAL REVENUES	<u>2,997,668</u>	<u>3,000,879</u>	<u>3,211</u>
EXPENDITURES:			
Debt service	<u>3,332,844</u>	<u>2,336,090</u>	<u>996,754</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(335,176)	664,789	999,965
OTHER FINANCING USES:			
Bond reserves	<u>(1,300,000)</u>	-	<u>(1,300,000)</u>
NET CHANGE IN FUND BALANCE	(1,635,176)	664,789	2,299,965
FUND BALANCE, beginning of year	<u>1,635,176</u>	<u>1,656,060</u>	<u>20,884</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ 2,320,849</u>	<u>\$ 2,320,849</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

OPEN SPACE BONDS FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Original/Final Budget	Actual	Variance
REVENUES:			
Property taxes	\$ 290,000	\$ 293,837	\$ 3,837
Interest on investments	550	912	362
TOTAL REVENUES	<u>290,550</u>	<u>294,749</u>	<u>4,199</u>
EXPENDITURES:			
Debt Service	<u>327,026</u>	<u>274,033</u>	<u>52,993</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE	(36,476)	20,716	57,192
FUND BALANCE, beginning of year	<u>36,476</u>	<u>39,018</u>	<u>2,542</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ 59,734</u>	<u>\$ 59,734</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

2008 BOND REDEMPTION FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Original/Final Budget	Actual	Variance
REVENUES:			
Interest on investments	\$ 400	\$ 374	\$ (26)
EXPENDITURES:			
Debt Service	781,206	761,101	20,105
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(780,806)	(760,727)	20,079
OTHER FINANCING SOURCES:			
Transfers in	765,000	765,000	-
NET CHANGE IN FUND BALANCE	(15,806)	4,273	20,079
FUND BALANCE , beginning of year	15,806	15,745	(61)
FUND BALANCE , end of year	\$ -	\$ 20,018	\$ 20,018
Debt services - budget basis		\$ 761,101	
Payments reported in Water Fund		(510,000)	
Debt service - GAAP basis		\$ 251,101	
Transfer in - budget basis		\$ 765,000	
Payments reported in Water Fund		(510,000)	
Transfers in - GAAP basis		\$ 255,000	

CITY OF LINCOLN CITY
Lincoln City, Oregon

NONMAJOR CAPITAL PROJECTS FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2012

	<u>Transportation Development</u>	<u>Storm Drainage Development</u>	<u>Park System Development Charge Improvement</u>	<u>Open Space Acquisition</u>
ASSETS:				
Cash and investments	\$ 485,915	\$ 80,621	\$ 66,751	\$ 552,862
Receivables	-	-	377	-
TOTAL ASSETS	<u>\$ 485,915</u>	<u>\$ 80,621</u>	<u>\$ 67,128</u>	<u>\$ 552,862</u>
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
FUND BALANCES:				
Restricted for:				
Capital projects	485,915	80,621	67,128	552,862
Assigned to:				
Capital projects	-	-	-	-
TOTAL LIABILITY AND FUND BALANCES	<u>\$ 485,915</u>	<u>\$ 80,621</u>	<u>\$ 67,128</u>	<u>\$ 552,862</u>

<u>Facilities Capital</u>	<u>Street Capital</u>	<u>Total</u>
\$ 125,467	\$ 417,672	\$ 1,729,288
106,160	-	106,537
<u>\$ 231,627</u>	<u>\$ 417,672</u>	<u>\$ 1,835,825</u>
<u>\$ 16,947</u>	<u>\$ 4,658</u>	<u>\$ 21,605</u>
214,680	-	1,401,206
-	413,014	413,014
<u>\$ 231,627</u>	<u>\$ 417,672</u>	<u>\$ 1,835,825</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

NONMAJOR CAPITAL PROJECTS FUNDS

SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Transportation Development</u>	<u>Storm Drainage Development</u>	<u>Parks Development</u>	<u>Parks System Development Charge Improvement</u>
REVENUES:				
Transient room tax	\$ -	\$ -	\$ -	\$ -
Charges for services	11,146	853	-	42,366
Intergovernmental	-	-	-	4,329
Interest on investments	2,207	368	-	326
Miscellaneous	-	-	-	697
TOTAL REVENUES	<u>13,353</u>	<u>1,221</u>	<u>-</u>	<u>47,718</u>
EXPENDITURES:				
Materials and services	-	-	-	-
Capital outlay	2,808	-	-	60,354
TOTAL EXPENDITURES	<u>2,808</u>	<u>-</u>	<u>-</u>	<u>60,354</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>10,545</u>	<u>1,221</u>	<u>-</u>	<u>(12,636)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	9,851
Transfers out	-	-	(9,852)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(9,852)</u>	<u>9,851</u>
NET CHANGE IN FUND BALANCE	10,545	1,221	(9,852)	(2,785)
FUND BALANCE, beginning of year	<u>475,370</u>	<u>79,400</u>	<u>9,852</u>	<u>69,913</u>
FUND BALANCE, end of year	<u>\$ 485,915</u>	<u>\$ 80,621</u>	<u>\$ -</u>	<u>\$ 67,128</u>

<u>Open Space Acquisition</u>	<u>Facilities Capital</u>	<u>Street Capital</u>	<u>Totals</u>
\$ -	\$ 422,134	\$ -	\$ 422,134
-	-	-	54,365
-	-	86,640	90,969
2,531	616	2,431	8,479
-	-	-	697
<u>2,531</u>	<u>422,750</u>	<u>89,071</u>	<u>576,644</u>
-	-	406,558	406,558
-	49,352	86,087	198,601
-	49,352	492,645	605,159
<u>2,531</u>	<u>373,398</u>	<u>(403,574)</u>	<u>(28,515)</u>
-	-	400,000	409,851
-	(326,316)	-	(336,168)
-	(326,316)	400,000	73,683
2,531	47,082	(3,574)	45,168
<u>550,331</u>	<u>167,598</u>	<u>416,588</u>	<u>1,769,052</u>
<u>\$ 552,862</u>	<u>\$ 214,680</u>	<u>\$ 413,014</u>	<u>\$ 1,814,220</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

TRANSPORTATION DEVELOPMENT FUND

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2012

	Original/Final Budget	Actual	Variance
REVENUES:			
Improvement fee	\$ 18,900	\$ 11,146	\$ (7,754)
Interest on investments	2,300	2,207	(93)
TOTAL REVENUES	21,200	13,353	(7,847)
EXPENDITURES:			
Capital outlay	482,351	2,808	479,543
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE	(461,151)	10,545	471,696
FUND BALANCE, beginning of year	461,151	475,370	14,219
FUND BALANCE, end of year	\$ -	\$ 485,915	\$ 485,915

CITY OF LINCOLN CITY
Lincoln City, Oregon

STORM DRAINAGE DEVELOPMENT FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
Improvement fee	\$ 1,500	\$ 853	\$ (647)
Interest on investments	400	368	(32)
TOTAL REVENUES	<u>1,900</u>	<u>1,221</u>	<u>(679)</u>
EXPENDITURES:			
Capital outlay	<u>81,223</u>	<u>-</u>	<u>81,223</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE	(79,323)	1,221	80,544
FUND BALANCE, beginning of year	<u>79,323</u>	<u>79,400</u>	<u>77</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ 80,621</u>	<u>\$ 80,621</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

PARKS DEVELOPMENT FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Interest on investments	\$ 50	\$ -	\$ -	\$ -
Miscellaneous	1,500	-	-	-
TOTAL REVENUES	<u>1,550</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES:				
Capital Outlay	11,755	-	-	-
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(10,205)	-	-	-
OTHER FINANCING USES:				
Transfers out	-	9,852	9,852	-
NET CHANGE IN FUND BALANCE	(10,205)	(9,852)	(9,852)	-
FUND BALANCE, beginning of year	<u>10,205</u>	<u>9,852</u>	<u>9,852</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

PARKS SYSTEM DEVELOPMENT CHARGE IMPROVEMENT FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Improvement fee	\$ 54,180	\$ 54,180	\$ 42,366	\$ (11,814)
Intergovernmental	649,500	649,500	4,329	(645,171)
Interest on investments	500	500	326	(174)
Miscellaneous	-	-	697	697
TOTAL REVENUES	<u>704,180</u>	<u>704,180</u>	<u>47,718</u>	<u>(656,462)</u>
EXPENDITURES:				
Capital outlay	<u>780,550</u>	<u>790,402</u>	<u>60,354</u>	<u>730,048</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(76,370)	(86,222)	(12,636)	73,586
OTHER FINANCING SOURCES:				
Transfers in	-	9,852	9,851	(1)
NET CHANGE IN FUND BALANCE	(76,370)	(76,370)	(2,785)	73,585
FUND BALANCE, beginning of year	<u>76,370</u>	<u>76,370</u>	<u>69,913</u>	<u>(6,457)</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,128</u>	<u>\$ 67,128</u>

CITY OF LINCOLN CITY

Lincoln City, Oregon

OPEN SPACE ACQUISITION FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
Interest on investments	<u>\$ 2,500</u>	<u>\$ 2,531</u>	<u>\$ 31</u>
EXPENDITURES:			
Capital outlay	<u>552,932</u>	<u>-</u>	<u>552,932</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE	<u>(550,432)</u>	<u>2,531</u>	<u>552,963</u>
FUND BALANCE, beginning of year	<u>550,432</u>	<u>550,331</u>	<u>(101)</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ 552,862</u>	<u>\$ 552,862</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

FACILITIES CAPITAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Transient room tax	\$ -	\$ 448,432	\$ 422,134	\$ (26,298)
Interest on investments	500	500	616	116
TOTAL REVENUES	<u>500</u>	<u>448,932</u>	<u>422,750</u>	<u>(26,182)</u>
EXPENDITURES:				
Capital outlay	<u>177,044</u>	<u>177,044</u>	<u>49,352</u>	<u>127,692</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(176,544)</u>	<u>271,888</u>	<u>373,398</u>	<u>101,510</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	448,432	-	-	-
Transfers out	<u>(326,316)</u>	<u>(326,316)</u>	<u>(326,316)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>122,116</u>	<u>(326,316)</u>	<u>(326,316)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(54,428)	(54,428)	47,082	101,510
FUND BALANCE, beginning of year	<u>54,428</u>	<u>54,428</u>	<u>167,598</u>	<u>113,170</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 214,680</u>	<u>\$ 214,680</u>

CITY OF LINCOLN CITY

Lincoln City, Oregon

STREET CAPITAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
Intergovernmental	\$ 86,639	\$ 86,640	\$ 1
Interest on investments	2,000	2,431	431
TOTAL REVENUES	<u>88,639</u>	<u>89,071</u>	<u>432</u>
EXPENDITURES:			
Materials & services	407,000	406,558	442
Capital outlay	433,592	86,087	347,505
TOTAL EXPENDITURES	<u>840,592</u>	<u>492,645</u>	<u>347,947</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(751,953)</u>	<u>(403,574)</u>	<u>348,379</u>
OTHER FINANCING SOURCES:			
Transfers in	<u>400,000</u>	<u>400,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(351,953)</u>	<u>(3,574)</u>	<u>348,379</u>
FUND BALANCE, beginning of year	<u>351,953</u>	<u>416,588</u>	<u>64,635</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ 413,014</u>	<u>\$ 413,014</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

WATER FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Charges for services	\$ 3,108,706	\$ 3,108,706	\$ 3,167,180	\$ 58,474
Intergovernmental	156,000	156,000	86,713	(69,287)
Interest on investments	500	500	(530)	(1,030)
Miscellaneous	1,000	1,000	(232)	(1,232)
TOTAL REVENUES	<u>3,266,206</u>	<u>3,266,206</u>	<u>3,253,131</u>	<u>(13,075)</u>
EXPENDITURES:				
Personal services	1,052,277	1,082,277	1,090,918	(8,641)
Materials and services	841,407	851,407	732,339	119,068
Capital outlay	51,000	51,000	56,880	(5,880)
Contingency	305,016	265,016	-	265,016
TOTAL EXPENDITURES	<u>2,249,700</u>	<u>2,249,700</u>	<u>1,880,137</u>	<u>369,563</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,016,506</u>	<u>1,016,506</u>	<u>1,372,994</u>	<u>356,488</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(1,372,681)	(1,372,681)	(1,372,681)	-
Proceeds from sale of equipment	-	-	570	570
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,372,681)</u>	<u>(1,372,681)</u>	<u>(1,372,111)</u>	<u>570</u>
NET CHANGE IN FUND BALANCE	(356,175)	(356,175)	883	357,058
FUND BALANCE, beginning of year	<u>356,175</u>	<u>356,175</u>	<u>501,656</u>	<u>145,481</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 502,539</u>	<u>\$ 502,539</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

WATER CAPITAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
System development charges	\$ 84,735	\$ 57,650	\$ (27,085)
Interest on investments	1,700	807	(893)
TOTAL REVENUES	<u>86,435</u>	<u>58,457</u>	<u>(27,978)</u>
EXPENDITURES:			
Capital outlay	<u>229,375</u>	<u>15,734</u>	<u>213,641</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(142,940)</u>	<u>42,723</u>	<u>185,663</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	50,000	-	(50,000)
Transfers out	<u>(70,000)</u>	<u>(70,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(20,000)</u>	<u>(70,000)</u>	<u>(50,000)</u>
NET CHANGE IN FUND BALANCE	(162,940)	(27,277)	135,663
FUND BALANCE, beginning of year	<u>162,940</u>	<u>222,374</u>	<u>59,434</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ 195,097</u>	<u>\$ 195,097</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

2006 WATER REFUNDING BOND FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
Interest on investments	<u>\$ 200</u>	<u>\$ 195</u>	<u>\$ (5)</u>
EXPENDITURES:			
Debt service	<u>307,216</u>	<u>290,998</u>	<u>16,218</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(307,016)</u>	<u>(290,803)</u>	<u>16,213</u>
OTHER FINANCING SOURCES:			
Transfers in	<u>294,000</u>	<u>294,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(13,016)</u>	<u>3,197</u>	<u>16,213</u>
FUND BALANCE, beginning of year	<u>13,016</u>	<u>17,082</u>	<u>4,066</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ 20,279</u>	<u>\$ 20,279</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

2007 WATER REFUNDING BOND FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
Interest on investments	\$ 200	\$ 173	\$ (27)
EXPENDITURES:			
Debt service	439,730	434,897	4,833
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(439,530)	(434,724)	4,806
OTHER FINANCING SOURCES:			
Transfers in	435,000	435,000	-
NET CHANGE IN FUND BALANCE	(4,530)	276	4,806
FUND BALANCE, beginning of year	4,530	12,990	8,460
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ 13,266</u>	<u>\$ 13,266</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

SEWER FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Charges for services	\$ 2,802,139	\$ 2,802,139	\$ 2,755,752	\$ (46,387)
Interest on investments	2,000	2,000	782	(1,218)
Miscellaneous	85,155	85,155	84,328	(827)
TOTAL REVENUES	<u>2,889,294</u>	<u>2,889,294</u>	<u>2,840,862</u>	<u>(48,432)</u>
EXPENDITURES:				
Personal services	1,076,439	1,076,439	1,045,605	30,834
Materials and services	1,068,867	1,137,867	1,045,029	92,838
Capital outlay	62,000	62,000	34,896	27,104
Contingency	412,219	343,219	-	343,219
TOTAL EXPENDITURES	<u>2,619,525</u>	<u>2,619,525</u>	<u>2,125,530</u>	<u>493,995</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>269,769</u>	<u>269,769</u>	<u>715,332</u>	<u>445,563</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(759,428)	(759,428)	(756,743)	2,685
Proceeds from sale of equipment	-	-	987	987
TOTAL OTHER FINANCING SOURCES (USES)	<u>(759,428)</u>	<u>(759,428)</u>	<u>(755,756)</u>	<u>3,672</u>
NET CHANGE IN FUND BALANCE	<u>(489,659)</u>	<u>(489,659)</u>	<u>(40,424)</u>	<u>449,235</u>
FUND BALANCE, beginning of year	<u>489,659</u>	<u>489,659</u>	<u>535,682</u>	<u>46,023</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 495,258</u>	<u>\$ 495,258</u>

CITY OF LINCOLN CITY

Lincoln City, Oregon

SEWER CAPITAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Original/Final Budget	Actual	Variance
REVENUES:			
System development charges	\$ 169,050	\$ 125,805	\$ (43,245)
Interest on investments	11,000	17,557	6,557
TOTAL REVENUES	<u>180,050</u>	<u>143,362</u>	<u>(36,688)</u>
EXPENDITURES:			
Capital outlay	1,974,505	728,441	1,246,064
Debt service	1,223,266	-	1,223,266
TOTAL EXPENDITURES	<u>3,197,771</u>	<u>728,441</u>	<u>2,469,330</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(3,017,721)</u>	<u>(585,079)</u>	<u>2,432,642</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	400,000	400,000	-
Transfers out	(1,300,000)	(300,000)	1,000,000
TOTAL OTHER FINANCING SOURCE	<u>(900,000)</u>	<u>100,000</u>	<u>1,000,000</u>
NET CHANGE IN FUND BALANCE	<u>(3,917,721)</u>	<u>(485,079)</u>	<u>3,432,642</u>
FUND BALANCE, beginning of year	<u>3,917,721</u>	<u>4,058,499</u>	<u>140,778</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ 3,573,420</u>	<u>\$ 3,573,420</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

2005 SEWER BOND FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
Property taxes	\$ 1,006,000	\$ 1,024,473	\$ 18,473
Interest on investments	3,000	3,321	321
TOTAL REVENUES	<u>1,009,000</u>	<u>1,027,794</u>	<u>18,794</u>
EXPENDITURES:			
Debt service	<u>1,782,958</u>	<u>1,613,565</u>	<u>169,393</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES AND NET CHANGE IN FUND BALANCE	<u>(773,958)</u>	<u>(585,771)</u>	<u>188,187</u>
OTHER FINANCING SOURCES:			
Transfers in	<u>500,000</u>	<u>500,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(273,958)</u>	<u>(85,771)</u>	<u>188,187</u>
FUND BALANCE, beginning of year	<u>273,958</u>	<u>375,879</u>	<u>101,921</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ 290,108</u>	<u>\$ 290,108</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

2005 SEWER CONSTRUCTION FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
Interest on investments	<u>\$ 25,000</u>	<u>\$ 18,787</u>	<u>\$ (6,213)</u>
EXPENDITURES:			
Capital outlay	<u>8,081,257</u>	<u>5,781,002</u>	<u>2,300,255</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(8,056,257)</u>	<u>(5,762,215)</u>	<u>2,294,042</u>
OTHER FINANCING SOURCES:			
Transfers in	<u>1,000,000</u>	<u>-</u>	<u>(1,000,000)</u>
NET CHANGE IN FUND BALANCE	<u>(7,056,257)</u>	<u>(5,762,215)</u>	<u>1,294,042</u>
FUND BALANCE, beginning of year	<u>7,056,257</u>	<u>6,893,626</u>	<u>(162,631)</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ 1,131,411</u>	<u>\$ 1,131,411</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

RECONCILIATION OF REVENUES AND
EXPENDITURES TO CHANGES IN FUND NET ASSETS - WATER FUND

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Revenues</u>	<u>Expenditures</u>	<u>Revenues Over (Under) Expenditures</u>
BUDGETARY BASIS REVENUES AND EXPENDITURES:			
Water Fund	\$ 3,253,131	\$ 1,880,137	\$ 1,372,994
Water Capital Fund	58,457	15,734	42,723
2006 Water Refunding Bond Fund	195	290,998	(290,803)
2007 Water Refunding Bond Fund	173	434,897	(434,724)
	<u> </u>	<u> </u>	<u> </u>
TOTAL	<u>\$ 3,311,956</u>	<u>\$ 2,621,766</u>	690,190
ADD (DEDUCT) ITEMS TO RECONCILE TO AN ENTERPRISE FUND REPORTING BASIS:			
Depreciation			(1,069,560)
Capital asset additions			72,614
Loss on sale of assets			(13,913)
Change in accrued interest payable			137
Interest expense reported as transfers on budget basis			(33,788)
Change in accrued compensated absences			(11,296)
Change in other postemployment benefit obligation			(8,366)
Principal payments			583,332
Support services			(185,291)
Transfers out			(18,389)
Transfer of capital assets to Sewer Fund			(13,517)
			<u> </u>
CHANGES IN FUND NET ASSETS - GAAP			<u>\$ (7,847)</u>

CITY OF LINCOLN CITY

Lincoln City, Oregon

**RECONCILIATION OF REVENUES AND
EXPENDITURES TO CHANGES IN FUND NET ASSETS - SEWER FUND**

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Revenues</u>	<u>Expenditures</u>	Revenues Over (Under) <u>Expenditures</u>
BUDGETARY BASIS REVENUES AND EXPENDITURES:			
Sewer Fund	\$ 2,840,862	\$ 2,125,530	\$ 715,332
Sewer Capital Fund	143,362	728,441	(585,079)
2005 Sewer Bond Fund	1,027,794	1,613,565	(585,771)
2005 Sewer Construction Fund	<u>18,787</u>	<u>5,781,002</u>	<u>(5,762,215)</u>
TOTAL	<u>\$ 4,030,805</u>	<u>\$ 10,248,538</u>	(6,217,733)
 ADD (DEDUCT) ITEMS TO RECONCILE TO AN ENTERPRISE FUND REPORTING BASIS:			
Depreciation			(1,267,078)
Capital asset additions			6,544,339
Gain on sale of assets			987
Change in accrued interest payable			2,607
Change in accrued compensated absences			281
Change in other postemployment benefit obligation			(7,256)
Principal payments			773,273
Support services			(136,038)
Transfers of capital assets from Water Fund			13,517
Transfers out			<u>(20,705)</u>
 CHANGES IN FUND NET ASSETS - GAAP			 <u>\$ (313,806)</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

INTERNAL SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2012

	Original/Final Budget	Actual	Variance
REVENUES:			
Charges for services	\$ 797,863	\$ 771,218	\$ (26,645)
EXPENDITURES:			
Vehicle maintenance	245,111	227,515	17,596
Information tech	447,730	412,673	35,057
Geographical info systems	105,022	95,981	9,041
TOTAL EXPENDITURES	797,863	736,169	61,694
EXCESS OF REVENUES OVER EXPENDITURES	-	35,049	35,049
OTHER FINANCING SOURCES:			
Gain from sale of equipment	-	317	317
NET CHANGE IN FUND BALANCE	-	35,366	35,366
FUND BALANCE, beginning of year	-	-	-
FUND BALANCE, end of year	\$ -	\$ 35,366	\$ 35,366
Fund balance - budgetary basis		\$ 35,366	
Depreciation		(682)	
Capital assets purchased		34,522	
Capital assets transferred		34,932	
Fund balance - GAAP basis		\$ 104,138	

CITY OF LINCOLN CITY
Lincoln City, Oregon

COMBINING BALANCE SHEET

GENERAL FUND

JUNE 30, 2012

	<u>General</u>	<u>Agate Beach Closure</u>	<u>Unbonded Assessments</u>	<u>Public Safety Dispatch</u>	<u>Totals</u>
ASSETS:					
Cash and investments	\$ 3,692,153	\$ 776,383	\$ 83,377	\$ 36,789	\$ 4,588,702
Cash with County Treasurer	43,999	-	-	-	43,999
Receivables	886,370	-	-	9,775	896,145
TOTAL ASSETS	<u>\$ 4,622,522</u>	<u>\$ 776,383</u>	<u>\$ 83,377</u>	<u>\$ 46,564</u>	<u>\$ 5,528,846</u>
LIABILITIES:					
Accounts payable	\$ 146,753	\$ -	\$ 388	\$ 2,246	\$ 149,387
Other accrued liabilities	452,257	-	-	-	452,257
Deferred revenue	553,932	-	1,604	-	555,536
TOTAL LIABILITIES	<u>1,152,942</u>	<u>-</u>	<u>1,992</u>	<u>2,246</u>	<u>1,157,180</u>
FUND BALANCES:					
Restricted for:					
Post-closure landfill costs	-	776,383	-	-	776,383
Committed to:					
Capital projects	-	-	81,385	-	81,385
Assigned to:					
Public safety	-	-	-	44,318	44,318
Unassigned	3,469,580	-	-	-	3,469,580
TOTAL FUND BALANCES	<u>3,469,580</u>	<u>776,383</u>	<u>81,385</u>	<u>44,318</u>	<u>4,371,666</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 4,622,522</u>	<u>\$ 776,383</u>	<u>\$ 83,377</u>	<u>\$ 46,564</u>	<u>\$ 5,528,846</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

**COMBINING SCHEDULE OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE**

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2012

	General	Public Safety Police	D.A.R.E Program	Agate Beach Closure	Unbonded Assessments	Public Safety Dispatch	Totals
REVENUES:							
Property taxes	\$ 4,062,447	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,062,447
Franchise fees	920,967	-	-	-	-	-	920,967
Transient room tax	992,744	-	-	-	-	-	992,744
Fees, licenses and permits	499,820	-	-	-	-	-	499,820
Fines and forfeitures	188,035	-	-	-	-	-	188,035
Charges for services	425,804	-	-	-	-	19,096	444,900
Intergovernmental	439,376	-	-	-	-	38,854	478,230
Interest on investments	19,301	-	-	-	404	292	19,997
Miscellaneous	899,870	-	-	-	-	-	899,870
TOTAL REVENUES	8,448,364	-	-	-	404	58,242	8,507,010
EXPENDITURES:							
Current							
General government	2,501,222	-	-	12,864	13,779	-	2,527,865
Public safety	3,244,118	-	-	-	-	747,608	3,991,726
Culture and recreation	1,761,377	-	-	-	-	-	1,761,377
Capital outlay	104,398	-	-	-	-	17,690	122,088
TOTAL EXPENDITURES	7,611,115	-	-	12,864	13,779	765,298	8,403,056
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	837,249	-	-	(12,864)	(13,375)	(707,056)	103,954
OTHER FINANCING SOURCES (USES):							
Proceeds from sale of capital assets	4,914	-	-	-	-	-	4,914
Transfers in	538,119	-	-	-	71,316	672,152	1,281,587
Transfers out	(722,152)	(531,122)	(6,997)	-	-	-	(1,260,271)
TOTAL OTHER FINANCING SOURCES (USES)	(179,119)	(531,122)	(6,997)	-	71,316	672,152	26,230
NET CHANGE IN FUND BALANCE	658,130	(531,122)	(6,997)	(12,864)	57,941	(34,904)	130,184
FUND BALANCE, beginning of year	2,811,450	531,122	6,997	789,247	23,444	79,222	4,241,482
FUND BALANCE, end of year	\$ 3,469,580	\$ -	\$ -	\$ 776,383	\$ 81,385	\$ 44,318	\$ 4,371,666

CITY OF LINCOLN CITY
Lincoln City, Oregon

PUBLIC SAFETY - POLICE FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Charges for services	\$ 6,800	\$ -	\$ -	\$ -
Intergovernmental	10,000	-	-	-
Interest on investments	2,000	-	-	-
Miscellaneous	400	-	-	-
TOTAL REVENUES	19,200	-	-	-
EXPENDITURES:				
Personal services	3,151,155	-	-	-
Materials and services	570,307	-	-	-
Capital outlay	73,000	-	-	-
Contingencies	243,523	-	-	-
TOTAL EXPENDITURES	4,037,985	-	-	-
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(4,018,785)	-	-	-
OTHER FINANCING SOURCES (USES):				
Transfers in	3,645,639	-	-	-
Transfers out	-	(531,122)	(531,122)	-
Proceeds from sale of capital assets	6,000	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	3,651,639	(531,122)	(531,122)	-
NET CHANGE IN FUND BALANCE	(367,146)	(531,122)	(531,122)	-
FUND BALANCE, beginning of year	367,146	531,122	531,122	-
FUND BALANCE, end of year	\$ -	\$ -	\$ -	\$ -

CITY OF LINCOLN CITY
Lincoln City, Oregon

D.A.R.E. PROGRAM FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Interest on investments	\$ 25	\$ -	\$ -	\$ -
EXPENDITURES:				
Materials and services	5,150	-	-	-
Contingency	1,758	-	-	-
TOTAL EXPENDITURES	6,908	-	-	-
DEFICIENCY OF REVENUES UNDER EXPENDITURES AND NET CHANGE IN FUND BALANCE	(6,883)	-	-	-
OTHER FINANCING USES:				
Transfers out	-	6,997	6,997	-
NET CHANGE IN FUND BALANCE	(6,883)	(6,997)	(6,997)	-
FUND BALANCE, beginning of year	6,883	6,997	6,997	-
FUND BALANCE, end of year	\$ -	\$ -	\$ -	\$ -

CITY OF LINCOLN CITY
Lincoln City, Oregon

AGATE BEACH CLOSURE FUND

SCHEDULE OF EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2012

	Original/Final Budget	Actual	Variance
EXPENDITURES:			
Materials and services	\$ 40,000	\$ 12,864	\$ 27,136
Contingency	10,000	-	10,000
TOTAL EXPENDITURES	50,000	12,864	37,136
NET CHANGE IN FUND BALANCE	(50,000)	(12,864)	37,136
FUND BALANCE, beginning of year	794,674	789,247	(5,427)
FUND BALANCE, end of year	\$ 744,674	\$ 776,383	\$ 31,709

CITY OF LINCOLN CITY
Lincoln City, Oregon

UNBONDED ASSESSMENTS FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Original/Final Budget	Actual	Variance
REVENUES:			
Intergovernmental	\$ 150,370	\$ -	\$ (150,370)
Interest	2,000	404	(1,596)
TOTAL REVENUES	<u>152,370</u>	<u>404</u>	<u>(151,966)</u>
EXPENDITURES:			
Materials and services	150,370	13,779	136,591
Capital outlay	30,041	-	30,041
TOTAL EXPENDITURES	<u>180,411</u>	<u>13,779</u>	<u>166,632</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(28,041)</u>	<u>(13,375)</u>	<u>14,666</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	71,316	71,316	-
Transfers out	(50,000)	-	50,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>21,316</u>	<u>71,316</u>	<u>50,000</u>
NET CHANGE IN FUND BALANCE	<u>(6,725)</u>	<u>57,941</u>	<u>64,666</u>
FUND BALANCE, beginning of year	<u>6,725</u>	<u>23,444</u>	<u>16,719</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ 81,385</u>	<u>\$ 81,385</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

PUBLIC SAFETY DISPATCH FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Budget		Actual	Variance
	Original	Final		
REVENUES:				
Charges for services	\$ 22,810	\$ 22,810	\$ 19,096	\$ (3,714)
Intergovernmental	39,218	39,218	38,854	(364)
Interest on investments	60	60	292	232
TOTAL REVENUES	<u>62,088</u>	<u>62,088</u>	<u>58,242</u>	<u>(3,846)</u>
EXPENDITURES:				
Personal services	679,256	679,256	666,868	12,388
Materials and services	93,671	92,749	80,740	12,009
Capital outlay	-	18,000	17,690	310
Contingency	17,078	-	-	-
TOTAL EXPENDITURES	<u>790,005</u>	<u>790,005</u>	<u>765,298</u>	<u>24,707</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(727,917)	(727,917)	(707,056)	20,861
OTHER FINANCING SOURCES:				
Transfers in	672,152	672,152	672,152	-
NET CHANGE IN FUND BALANCE	(55,765)	(55,765)	(34,904)	20,861
FUND BALANCE, beginning of year	<u>55,765</u>	<u>55,765</u>	<u>79,222</u>	<u>23,457</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,318</u>	<u>\$ 44,318</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

AGENCY FUNDS

COMBINING STATEMENT OF ASSETS AND LIABILITIES

JUNE 30, 2012

	<u>Recreation Scholarship</u>	<u>Miscellaneous Trust</u>	<u>Roads End Sanitary District</u>	<u>Recreation Trust</u>	<u>Total</u>
ASSETS:					
Cash and investments	\$ 1,737	\$ 1,473	\$ 10,957	\$ 1,007	\$ 15,174
Receivables	-	-	4,492	-	4,492
TOTAL ASSETS	<u>\$ 1,737</u>	<u>\$ 1,473</u>	<u>\$ 15,449</u>	<u>\$ 1,007</u>	<u>\$ 19,666</u>
LIABILITIES:					
Accounts payable	\$ -	\$ 213	\$ 8,322	\$ -	\$ 8,535
Funds held in trust	1,737	1,260	7,127	1,007	11,131
TOTAL LIABILITIES	<u>\$ 1,737</u>	<u>\$ 1,473</u>	<u>\$ 15,449</u>	<u>\$ 1,007</u>	<u>\$ 19,666</u>

CITY OF LINCOLN CITY
Lincoln City, Oregon

AGENCY FUNDS

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Balances</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>June 30, 2012</u>
RECREATION SCHOLARSHIP:				
Assets				
Cash and investments	\$ 805	\$ 932	\$ -	\$ 1,737
Liabilities				
Funds held in trust	\$ 805	\$ 932	\$ -	\$ 1,737
MISCELLANEOUS TRUST:				
Assets				
Cash and investments	\$ 2,473	\$ -	\$ 1,000	\$ 1,473
Liabilities				
Accounts payable	\$ 122	\$ 91	\$ -	\$ 213
Funds held in trust	2,351	-	1,091	1,260
Total liabilities	\$ 2,473	\$ 91	\$ 1,091	\$ 1,473
ROADS END SANITARY DISTRICT:				
Assets				
Cash and investments	\$ 14,542	\$ -	\$ 3,585	\$ 10,957
Receivables	4,279	213	-	4,492
Total assets	\$ 18,821	\$ 213	\$ 3,585	\$ 15,449
Liabilities				
Accounts payable	\$ 13,000	\$ -	\$ 4,678	\$ 8,322
Funds held in trust	5,821	1,306	-	7,127
Total liabilities	\$ 18,821	\$ 1,306	\$ 4,678	\$ 15,449
RECREATION TRUST:				
Assets				
Cash and investments	\$ 683	\$ 324	\$ -	\$ 1,007
Liabilities				
Funds held in trust	\$ 683	\$ 324	\$ -	\$ 1,007

ADDITIONAL SCHEDULES

ANNUAL DISCLOSURE INFORMATION

\$3,000,000
City of Lincoln City
General Obligation Bonds
Series 1999

\$15,000,000
City of Lincoln City
General Obligation Bonds
Series 2005

In conformance with SEC Rule 15c2-12, as amended (17 CFR Part 240, ~240.15c212), the City is providing annually the information presented in this section to all NRMSIRs and SIDs, if any.

BASIS OF ACCOUNTING

The City's governmental fund types are maintained on the modified accrual basis of accounting. The enterprise fund types are accounted for using the accrual basis of accounting. The City's accounting practices conform to generally accepted accounting principles.

FISCAL YEAR: July 1 to June 30

BASIS OF ACCOUNTING

The Oregon Municipal Audit Law (ORS 297.405 – 297.555) requires an audit and examination to be made of the accounts and financial affairs of every municipal corporation at least once a year. Unless the municipality elects to have the audit performed by the State Division of Audits, the audit shall be made by accountants whose names are included on the roster prepared by the State Board of Accountancy.

The City's audits for fiscal years 1995-96 to 2008-09 were performed by Boldt, Carlisle & Smith, LLC, Salem, Oregon. The City's audits for 2009-10 to 2011-12 were performed by Talbot, Korvola & Warwick, Portland, Oregon. The auditors did not review the statistical tables and offer no opinion regarding the statistical tables.

LONG-TERM BORROWING

Table 11 - City of Lincoln City - Outstanding General Obligation Bonds (as of June 30, 2012)

General Obligation Bond <i>Supported in Whole or in Part by Taxes</i>	Dated Date	Maturity Date	Principal Issued As of 6/30/12	Outstanding As of 6/30/12
Series 2005 Sewer	4/12/2005	6/1/2030	15,000,000	12,465,000
Series 1999 Open Space	7/1/1999	6/1/2014	3,000,000	350,000
Series 2011 Sewer	3/17/2011	3/1/2026	7,000,000	6,554,230
Total			25,000,000	19,369,230
Net Direct Debt				19,369,230
<i>Self Supporting</i>				
Series 2007 Water Bonds	6/28/2007	12/1/2018	4,000,000	2,463,371
Total				
Total general obligation bonds			29,000,000	21,832,601
Gross Direct Debt				<u>\$ 21,832,601</u>

The Series 1993 Lincoln Square Bonds were refunded 4/2003.

The Series 2003 Lincoln Square Bonds were repaid 10/2008

Source: City of Lincoln City

SHORT-TERM BORROWING

None.

FUTURE DEBT PLANS

Long-Term

None.

Table 15 - 2011-12 Representative Consolidated Tax Rates for Code Area 402 (1)

District	Tax Rate for Operations(2)	Tax Rate for Bonds	Total
Schools			
Lincoln County Unified School District No.	\$ 4.0856	\$ 0.6221	\$ 4.7077
Linn-Benton-Lincoln ESD	0.2538	-	0.2538
Oregon Coast Community College	0.1463	0.2585	0.4048
Total Schools	4.4857	.8806	5.3663
Local Government			
Lincoln County	2.4571		2.4571
Lincoln County Extension	0.0376	-	0.0376
Lincoln County Transportation	0.0811	-	0.0811
City of Lincoln City	3.4118	1.1015	4.5133
Lincoln City Urban Renewal Agency	2.5163	-	2.5163
North Lincoln Fire and Rescue	0.5645	0.3033	0.8678
Devils Lake Water District	0.1006	-	0.1006
North Lincoln Hospital District	0.4315	-	0.4315
Total Local Government	9.6005	1.4048	11.0053
Totals	\$ 14.0862	\$ 2.2854	\$ 16.3716

(1) The total Assessed Value to compute tax rate of tax code area 402 is \$698,220,180 which is equal to approximately 57 percent of the City's total Taxable Assessed Value without adjustments.

(2) The Tax Rates for Operations are the combined Measure 50 permanent tax rates and local option levies (if any) which are then applied to the Assessed Value net of urban renewal valuation to obtain the amount of taxes to be collected. These are not the Measure 5 tax rates which determine if there is "compression" and which are calculated using Real Market Value; Measure 5 tax rates cannot exceed \$5 for schools and \$10 for local governments.

Source: Lincoln County Assessor's Office

Table 16 - City of Lincoln City - Historical Property Values

Fiscal Year	Assessed Value (1,2)	Percent Change	Total Levy (3)	Total Real Market Value	Percent Change
1999-00	\$595,361,463	5.30	\$3,430,413	\$905,223,504	5.88
2000-01	619,475,221	4.05	3,530,185	928,439,148	2.56
2001-02	638,947,588	3.14	3,529,705	938,953,191	1.13
2002-03	661,582,167	3.54	3,012,187	943,616,369	0.50
2003-04	712,457,843	7.69	3,220,807	1,001,857,980	6.17
2004-05	738,016,108	3.59	3,325,570	1,067,743,042	6.58
2005-06	763,874,965	3.50	4,032,389	1,206,108,750	12.96
2006-07	800,823,341	4.84	4,183,043	1,682,610,403	39.51
2007-08	857,181,131	7.04	4,475,295	2,050,417,570	21.86
2008-09	908,968,555	6.04	4,726,304	2,217,401,456	8.14
2009-10	959,653,655	5.58	4,984,515	2,091,318,252	-5.69
2010-11	996,712,565	3.86	5,186,115	1,877,069,647	-10.24
2011-12	1,019,912,885	2.33	5,532,944	1,738,085,538	-7.40

(1) Includes Lincoln City values with all adjustments to the tax rolls. Does not include urban renewal values.

(2) The Taxable Assessed Value for 1997-98 and thereafter is not comparable to prior years because in previous years properties were assessed at Real Market Value. From 1997-98 on, the Taxable Assessed Value is not the real market value but a generally lower Assessed Value for tax purposes. Currently Taxable Assessed Value is limited to a 3% maximum increase plus new growth before tax rates are applied because of Measure 50.

(3) The levy used in this table has been adjusted by certain offsets before calculation of the tax rate.

(4) Real market value includes urban renewal values.

Sources: Lincoln County Department of Assessment and Taxation and City of Lincoln City.

Table 17 - City of Lincoln City - Tax Collection Record

Fiscal Year	Lincoln City Assessed Value (1,2)	Percent Change	Total Levy (3)	Tax Rate Per \$1000(4)	Percent Collected Year of Levy	Percent Collected as of 6/30/2012
1999-00	\$ 595,361,463	5.30	\$ 3,430,413	\$ 4.0991	91.33	99.99
2000-01	619,475,221	4.05	3,530,185	4.0996	91.34	99.99
2001-02	638,947,588	3.14	3,529,705	4.0996	91.32	99.98
2002-03	661,582,167	3.54	3,012,187	4.0996	91.61	99.97
2003-04	712,457,843	7.69	3,220,807	4.0996	91.78	98.98
2004-05	738,016,108	3.59	3,325,570	4.0996	93.73	99.98
2005-06	763,874,965	3.50	4,032,389	4.0996	94.06	99.98
2006-07	800,823,341	4.84	4,183,043	4.0996	94.46	99.95
2007-08	857,181,131	7.04	4,475,295	4.0996	94.45	99.92
2008-09	908,968,555	6.04	4,726,304	4.0996	93.00	99.41
2009-10	959,653,655	5.58	4,984,515	4.0996	91.66	98.36
2010-11	996,712,565	3.86	5,186,115	4.0996	92.10	97.20
2011-12	1,019,912,885	2.33	5,532,944	4.0996	92.00	94.87

(1) Includes Lincoln City values with all adjustments to the tax rolls. Does not include urban renewal values.

(2) The Taxable Assessed Value for 1997-98 and thereafter is not comparable to prior years because in previous years properties were assessed at Real Market Value. From 1997-98 on, the Taxable Assessed Value is not the real market value but a generally lower Assessed Value for tax purposes. Currently Taxable Assessed Value is limited to a 3% maximum increase plus new growth before tax rates are applied because of Measure 50.

(3) The levy used in this table has been adjusted by certain offsets before calculation of the tax rate.

(4) Tax rate is for operations only and does not include bonds or adjustments for the urban renewal values.

Sources: Lincoln County Department of Assessment and Taxation and City of Lincoln City.

Table 18 - City of Lincoln City - Total Taxable Assessed Value

Fiscal Year	Taxable Assessed Value without Adjustments		Taxable Assessed Value with Adjustments(2)		Percent Change
		Adjustments (1)			
1999-00	\$ 708,077,818	\$ 112,716,355	\$595,361,463		5.30
2000-01	745,516,106	126,040,885	619,475,221		4.05
2001-02	769,009,560	130,061,972	638,947,588		3.14
2002-03	797,739,809	136,157,642	661,582,167		3.54
2003-04	855,730,360	143,272,517	712,457,843		7.69
2004-05	885,860,792	147,844,684	738,016,108		3.59
2005-06	916,413,070	152,538,105	763,874,965		3.50
2006-07	964,318,686	163,495,345	800,823,341		4.84
2007-08	1,030,249,106	173,067,975	857,181,131		7.04
2008-09	1,093,993,410	185,024,855	908,968,555		6.04
2009-10	1,152,078,610	192,424,955	959,653,655		5.58
2010-11	1,197,246,890	200,534,325	996,712,565		3.86
2011-12	1,225,532,150	205,619,265	1,019,912,885		2.33

(1) Adjustments include Urban Renewal Values for the City.

(2) This value is used to calculate tax rates.

Sources: Lincoln County Department of Assessment and Taxation and City of Lincoln City.

CITY OF LINCOLN CITY
SDC FUNDS IN ACCORDANCE WITH
ORS 223.311
YEAR ENDED JUNE 30, 2012

	TRANSPORTATION DEVELOPMENT <u>FUND</u>	STORM DRAINAGE DEVELOPMENT <u>FUND</u>	PARKS IMPROVEMENT <u>FUND</u>
REVENUES:			
SYSTEM DEVELOPMENT			
CHARGE - IMPROVEMENT	\$ 11,146	\$ 853	\$ 42,366
MOTOR VEHICLE GAS TAX	\$ -		\$ 4,329
STATE PARKS GRANT			\$ -
REIMBURSEMENT-DEVELOPER			\$ -
INTEREST	<u>\$ 1,133</u>	<u>\$ 368</u>	<u>\$ 324</u>
 TOTAL REVENUE	 \$ 12,279	 \$ 1,221	 \$ 47,019
EXPENDITURES:			
MASTER PLANS	\$ 2,808	\$ -	\$ -
HEAD TO BAY TRAIL			\$ 50,354
PARK IMPROVEMENTS			\$ -
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 TOTAL EXPENDITURES	 \$ 2,808	 \$ -	 \$ 50,354
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 \$ 9,471	 \$ 1,221	 \$ (3,335)
 BEGINNING FUND BALANCE	 <u>\$ 241,927</u>	 <u>\$ 79,401</u>	 <u>\$ 69,912</u>
 ENDING FUND BALANCE	 \$ 251,398	 \$ 80,622	 \$ 66,577

CITY OF LINCOLN CITY
WATER SDC FUNDS
YEAR ENDED JUNE 30, 2012

	WATER REPLACEMENT <u>FUND</u>	WATER SDC REIMBURSEMENT <u>FUND</u>	WATER SDC IMPROVEMENT <u>FUND</u>
REVENUES:			
SYSTEM DEVELOPMENT CHARGE	\$ -	\$ 17,126	\$ 40,524
TRF WATER OPERATING FUND	\$ -		
INTERFUND LOAN		\$ -	
INTEREST	\$ 594	\$ 63	\$ 151
TOTAL REVENUE	\$ 594	\$ 17,189	\$ 40,675
EXPENDITURES:			
WATER SYSTEM TELEMTRY	\$ 15,734	\$ -	\$ -
DEBT SERVICE 2006 WATER BONDS	\$ -		\$ 70,000
PORT DRIVE WATER LINE	\$ -	\$ -	
DRIFT CREEK RD WATER LINE REPLACE	\$ -	\$ -	
	\$ -	\$ -	\$ -
TOTAL EXPENDITURES	\$ 15,734	\$ -	\$ 70,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (15,140)	\$ 17,189	\$ (29,325)
BEGINNING FUND BALANCE	\$ 139,250	\$ 3,825	\$ 79,300
ENDING FUND BALANCE	\$ 124,110	\$ 21,014	\$ 49,975

CITY OF LINCOLN CITY
 SEWER SDC FUNDS
 YEAR ENDED JUNE 30, 2012

	SEWER REPLACEMENT FUND	SEWER SDC REIMBURSEMENT FUND	SEWER SDC IMPROVEMENT FUND
REVENUES:			
SYSTEM DEVELOPMENT CHARGE	\$ -	\$ 16,504	\$ 109,302
TRANSFER FROM SEWER OPERATING FUND	\$ 400,000		
INTEREST	\$ 4,577	\$ 2,593	\$ 10,387
TOTAL REVENUE	\$ 404,577	\$ 19,097	\$ 119,689
EXPENDITURES:			
BUILDING - SEWER SHOP	\$ 528,242		\$ -
SEWER SYSTEM TELEMETRY	\$ 67,785		
PUMP STATION UPGRADES-CANYON DR	\$ 98,212	\$ -	
DEBT SERVICE - SEWER BONDS	\$ -	\$ -	\$ 300,000
TOTAL EXPENDITURES	\$ 694,239	\$ -	\$ 300,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (289,662)	\$ 19,097	\$ (180,311)
BEGINNING FUND BALANCE	\$ 1,143,176	\$ 553,762	\$ 2,361,561
ENDING FUND BALANCE	\$ 853,514	\$ 572,859	\$ 2,181,250

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



Talbot, Korvola
& Warwick, LLP

CERTIFIED PUBLIC ACCOUNTANTS
OF OREGON

4800 Meadows Road, Suite 200
Lake Oswego, Oregon 97035-4293

P 503.274.2849
F 503.274.2855

www.tkw.com

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

December 6, 2012

Honorable Mayor and Members of City Council
City of Lincoln City
Lincoln City, 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 Lincoln City, Oregon (the City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 6, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

COMPLIANCE

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

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

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

**INDEPENDENT AUDITOR'S REPORT REQUIRED
BY OREGON STATE REGULATIONS (Continued)**

COMPLIANCE (Continued)

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

The following over-expenditures of budget appropriation were noted:

Fund	Category/Dept	Amount
Lincoln Square Operations Fund	Personal Services	985
Public Education and Government Access Fund	Materials and Services	691
Water Fund	Personal Services	8,641
Street Fund	Materials and Services	7,876

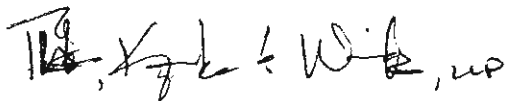
OAR 162-10-230 INTERNAL CONTROL

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

In a separate report dated December 6, 2012, we have issued a Letter of Recommendations based on an audit of the basic financial statements.

* * * * *

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.



Certified Public Accountants

Appendix B
FORM OF BOND DECLARATION

BOND DECLARATION

City of Lincoln City, Oregon

\$9,885,000

General Obligation Refunding Bonds, Series 2013

Executed on behalf of City of Lincoln City

as of February 26, 2013

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This table of contents is not a part of the bond declaration but is provided for reference only.

BOND DECLARATION

THIS BOND DECLARATION is executed as of February 26, 2013, on behalf of the City of Lincoln City, Oregon (the “City”) by its City Recorder, acting as the “City Official” pursuant to City Resolution No. 2012-23 that was adopted by the City Council on October 22, 2012, as defined below. The Resolution authorizes the City Official to execute a bond declaration which contains the terms of the Bonds, and the covenants of the City relating to those Bonds.

Section 1. Definitions.

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

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

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

“Bonds” means the general obligation refunding bonds issued by the City that are described in Section 2 of this Bond Declaration and that are authorized by the Resolution.

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

“Code” means the Internal Revenue Code of 1986, as amended.

“City Official” means the City Manager, the Financial Planner, the Finance Director, or the person designated by the City Manager authorized to act on behalf of the City pursuant to the Resolution.

“DTC” means The Depository Trust Company, New York, New York (“DTC”), acting as securities depository for the Bonds.

“Event of Default” refers to an Event of Default listed in Section 9(1) of this Bond Declaration.

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

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

“Owner” means the person shown on the Bond register maintained by the Paying Agent as the registered owner of a Bond.

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

“Resolution” means City Resolution No. 2012-23 which was adopted by the City Council on October 22, 2012, and which authorizes the execution of this Bond Declaration and the issuance and sale of the Bonds.

Section 2. Bonds Authorized.

- (1) Pursuant to the authority granted by Oregon Revised Statutes Sections 287A.360 through 287A.375 and the Resolution, the City hereby authorizes the issuance, sale and delivery of its General Obligation Refunding Bonds, Series 2013, in accordance with this Bond Declaration and in a principal amount of \$9,885,000. The Bonds shall be dated February 26, 2013, shall bear interest which is payable on June 1 and December 1 of each year commencing June 1, 2013, and shall mature as follows:

<u>Due June 1</u>	<u>Principal Amount (\$)</u>	<u>Interest Rate (%)</u>	<u>CUSIP No. (Base 533080)</u>
2013	135,000	2.000	KV8
2019	130,000	2.000	KW6
2020	730,000	2.000	KX4
2021	760,000	2.000	KY2
2022	795,000	2.000	KZ9
2023	830,000	2.000	LA3
2024	850,000	2.125	LB1
2025	875,000	2.250	LC9
2026	900,000	2.375	LD7
2027	925,000	2.500	LE5
2028	950,000	2.500	LF2
2029	1,010,000	3.000	LG0
2030	995,000	3.000	LH8

- (2) Bond proceeds shall be used to refund a portion of the callable maturities of the City’s outstanding General Obligation Sewer Bonds, Series 2005, and to pay costs of issuing the Bonds.

Section 3. Security for Bonds.

- (1) The Bonds shall be general obligations of the City. The City hereby pledges its full faith and credit to pay the Bonds, and the City covenants for the benefit of the Bondowners 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 Bonds promptly as they mature.

- (2) This Bond Declaration shall constitute a contract with the Owners and shall be enforceable by the Owners.

Section 4. Tax Covenants.

The City covenants for the benefit of the owners of the Bonds to comply with all provisions of the Code that are required for Bond interest to be excluded from gross income for federal income tax purposes. The City also covenants for the benefit of the owners of the Bonds that it will comply with all of the covenants and agreements that the City makes in the "Tax Certificate" was prepared in connection with the closing of the Bonds.

Section 5. Book Entry System

The Bonds shall be initially issued in BEO form and shall be governed by this Section 5. While Bonds are in BEO form no physical Bonds shall be provided to the Owners. A representative of the City has executed and delivered a Blanket Issuer Letter of Representations to DTC (the "Letter of Representations"). While the Bonds are in BEO form, registration and transfer of beneficial interests in the Bonds shall be governed by the Letter of Representations and the Operational Arrangements of DTC, as they may be amended from time to time. So long as Bonds are in BEO form:

- (1) DTC shall be treated as the Owner for all purposes, including payment and the giving of notices to Owners of Bonds. Bond payments shall be made, and notices shall be given, to DTC in accordance with the Letter of Representations. Any failure of DTC to advise any of its participants, or of any participant to notify the beneficial owner, of any such notice and its content or effect will not affect the validity of the redemption of Bonds or of any other action premised on such notice.
- (2) The City may discontinue maintaining the Bonds in the BEO form at any time. The City shall discontinue maintaining the Bonds in BEO form if DTC determines not to continue to act as securities depository for the Bonds, or fails to perform satisfactorily as depository, and a satisfactory substitute depository cannot reasonably be found.
- (3) If the City discontinues maintaining the Bonds in book-entry only form, the City shall cause the Paying Agent to authenticate and deliver replacement Bonds in fully registered form in authorized denominations in the names of the beneficial owners or their nominees; thereafter the provisions set forth in Section 7 below, regarding registration, transfer and exchange of Bonds shall apply.
- (4) The City and the Paying Agent shall have no responsibility or obligation to any participant or correspondent of DTC or to any beneficial owner on behalf of which such participants or correspondents act as agent for the beneficial owner with respect to:
 - (A) the accuracy of the records of DTC, the nominee or any participant or correspondent with respect to any beneficial owner's interest in the Bonds;

- (B) the delivery to any participant or correspondent or any other person of any notice with respect to the Bonds, including any notice of prepayment;
- (C) the selection by DTC of the beneficial interest in Bonds to be redeemed prior to maturity; or
- (D) the payment to any participant, correspondent, or any other person other than the registered owner of the Bonds as shown in the registration books maintained by the Paying Agent, of any amount with respect to principal, any premium or interest on the Bonds.
- (E) The provisions of this Section 5 may be modified without the consent of the beneficial owners in order to conform this Section to the standard practices of DTC or any successor depository for bonds issued in book-entry only form.

Section 6. Redemption of Bonds.

- (1) Optional redemption. The Bonds maturing in years 2013 through 2023, inclusive, are not subject to optional redemption prior to maturity. The Bonds maturing on June 1, 2024 and on any date thereafter are subject to redemption at the option of the City prior to their stated maturity dates at any time on or after June 1, 2023, as a whole or in part, and if in part, with maturities to be selected by the City at a price of par, plus accrued interest, if any, to the date of redemption.
- (2) Mandatory redemption. The Bonds are not subject to mandatory sinking fund redemption.
- (3) The City reserves the right to purchase Bonds in the open market.
- (4) Any notice of optional redemption given for the Bonds pursuant to this Section 6 may state that the optional redemption is conditional upon receipt by the Paying Agent of moneys sufficient to pay the redemption price of such Bonds or upon the satisfaction of any other condition, and/or that such notice may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such redemption price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission or of the failure of any such condition shall be given by the Paying Agent to affected owners of the Bonds as promptly as practicable.
- (5) So long as Bonds are in book-entry only form, and unless DTC consents to a shorter period the Paying Agent shall notify DTC of any early redemption not less than 20 days nor more than 60 days prior to the date fixed for redemption, and shall provide such information in connection therewith as required by the Letter of Representations.
- (6) During any period in which the Bonds are not in book-entry only form, unless waived by any Owner of the Bonds to be redeemed, official notice of any redemption of Bonds shall be given by the Paying Agent on behalf of the City by mailing a copy of an official

redemption notice by first class mail postage prepaid at least 30 days and not more than 60 days prior to the date fixed for redemption to the Owner of the Bond or Bonds to be redeemed at the address shown on the Bond register or at such other address as is furnished in writing by such Owner to the Paying Agent. All such official notices of redemption shall be dated and shall state:

- (A) the redemption date,
- (B) the redemption price,
- (C) if less than all outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed,
- (D) that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and
- (E) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Paying Agent.

Unless waived by the Paying Agent, the City shall provide written notice of the intended redemption to the Paying Agent not less than 40 days before the stated redemption date.

Section 7. Authentication, Registration and Transfer.

- (1) No Bond shall be entitled to any right or benefit under this Bond Declaration unless it shall have been authenticated by an authorized officer of the Paying Agent. The Paying Agent shall authenticate all Bonds to be delivered at closing of the Bonds, and shall additionally authenticate all Bonds properly surrendered for exchange or transfer pursuant to this Bond Declaration.
- (2) The ownership of all Bonds shall be entered in the Bond register maintained by the Paying Agent, and the City and the Paying Agent may treat the person listed as owner in the Bond register as the owner of the Bond for all purposes.
- (3) While the Bonds are in book-entry only form, the Paying Agent shall transfer Bond principal and interest payments in the manner required by DTC.
- (4) If the Bonds cease to be in book-entry only form, the Paying Agent shall mail each interest payment on the interest payment date (or the next Business Day if the payment date is not a Business Day) to the name and address of the Owners as they appear on the Bond register as of the record date for the Bonds. The record date for the Bonds is as of the close of business on the 15th day of the calendar month immediately preceding the applicable payment date. If payment is so mailed, neither the City nor the Paying Agent shall have any further liability to any party for such payment.

- (5) Bonds may be exchanged for an equal principal amount of Bonds of the same maturity which are in different denominations, and Bonds may be transferred to other Owners if the Owner submits the following to the Paying Agent:
 - (A) written instructions for exchange or transfer satisfactory to the Paying Agent, signed by the Owner or attorney in fact and guaranteed or witnessed in a manner satisfactory to the Paying Agent and
 - (B) the Bonds to be exchanged or transferred.
- (6) The Paying Agent shall not be required to exchange or transfer any Bonds submitted to it during any period beginning with a record date and ending on the next following payment date; however, such Bonds shall be exchanged or transferred promptly following that payment date.
- (7) The Paying Agent shall note the date of authentication on each Bond. The date of authentication shall be the date on which the Owner's name is listed on the Bond register.
- (8) For purposes of this Section 7, Bonds shall be considered submitted to the Paying Agent on the date the Paying Agent actually receives the materials described in Section 7(5), above.
- (9) The City may alter these provisions regarding registration and transfer by mailing notification of the altered provisions to all Owners. The altered provisions shall take effect on the date stated in the notice, which shall not be earlier than 45 days after notice is mailed.

Section 8. Amendment of Bond Declaration.

- (1) The City may amend this Bond Declaration without the consent of any Owner for any one or more of the following purposes:
 - (A) To cure any ambiguity or formal defect or omission in this Bond Declaration;
 - (B) To add to the covenants and agreements of the City in this Bond Declaration other covenants and agreements to be observed by the City which are not contrary to or inconsistent with this Bond Declaration as theretofore in effect;
 - (C) To confirm, as further assurance, any security interest or pledge created under this Bond Declaration or any Supplemental Declaration;
 - (D) To make any change which, in the reasonable judgment of the City, does not materially and adversely affect the rights of the Owners.
- (2) This Bond Declaration may be amended for any other purpose only upon consent of Owners representing not less than fifty-one percent (51%) in aggregate principal amount of the adversely affected Bonds then Outstanding. However, no amendment shall be valid which:

- (A) Extends the maturity of any Bonds, reduces the rate of interest upon any Bonds, extends the time of payment of interest on any Bonds, reduces the amount of principal payable on any Bonds, or reduces any premium payable on any Bonds, without the consent of the affected Owner; or
- (B) Reduces the percent of Owners required to approve amendments to this Bond Declaration.

Section 9. Default and Remedies.

- (1) The occurrence of one or more of the following shall constitute an Event of Default under this Bond Declaration:
 - (A) Failure by the City to pay Bond principal, interest or premium when due (whether at maturity, or upon redemption after a Bond has been properly called for redemption); or
 - (B) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed for the benefit of Owners of Bonds, for a period of 60 days after written notice to the City by the Owners of fifty-one percent or more of the principal amount of Bonds then Outstanding specifying such failure and requesting that it be remedied; provided however, that if the failure stated in the notice cannot be corrected within such 60 day period, it shall not constitute an Event of Default so long as corrective action is instituted by the City within the 60 day period and diligently pursued, and the default is corrected as promptly as practicable after the written notice referred to in this Section 9(1)(B); or
 - (C) The City is adjudged insolvent by a court of competent jurisdiction, admits in writing its inability to pay its debts generally as they become due, files a petition in bankruptcy, or consents to the appointment of a receiver for the payments.
- (2) The Owners of fifty-one percent or more of the principal amount of Bonds then Outstanding may waive any Event of Default and its consequences, except a Event of Default described in Section 9(1)(A).
- (3) Upon the occurrence and continuance of any Event of Default hereunder the Owners of fifty-one percent or more of the principal amount of Bonds then Outstanding may take whatever action may appear necessary or desirable to enforce or to protect any of the rights of the Owners of Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Bond Declaration or in aid of the exercise of any power granted in this Bond Declaration or for the enforcement of any other legal or equitable right vested in the Owners of Bonds by this Bond Declaration or by law. However, the Bonds shall not be subject to acceleration.

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

Section 10. Defeasance.

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

- (1) irrevocably deposits money or noncallable Government Obligations in escrow with an independent trustee or escrow agent which are calculated to be sufficient without reinvestment for the payment of Bonds which are to be defeased; and
- (2) files with the escrow agent or trustee an opinion from an independent, certified public accountant to the effect that the money and the principal and interest to be received from the Government Obligations are calculated to be sufficient, without further reinvestment, to pay the defeased Bonds when due; and
- (3) files with the escrow agent or trustee an opinion of nationally recognized bond counsel that the proposed defeasance will not cause the interest component of the Bonds to be includable in gross income under the Code.

Section 11. Form.

The Bonds shall be issued in substantially the form attached to this Bond Declaration as Exhibit A, with any changes that are approved by a City Official. The Bonds shall be executed on behalf of the City with the manual or facsimile signatures of the Mayor and Financial Planner.

Section 12. Rules of Construction.

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

- (1) References to section numbers shall be construed as references to sections of this Bond Declaration unless otherwise indicated.
- (2) References to one gender shall include all genders.
- (3) References to the singular shall include the plural, and references to the plural shall include the singular.

Dated as of the 26th day of February, 2013.

City of Lincoln City, Oregon

By: _____
City Official

Exhibit A

No. R-«BondNumber»

\$«PrincipalAmtNumber»

United States of America
State of Oregon
County of Lincoln
City of Lincoln City
General Obligation Refunding Bond
Series 2013

Dated Date: February 26, 2013

Interest Rate Per Annum: «CouponRate»%

Maturity Date: June 1, «MaturityYear»

CUSIP Number: 533080«CUSIPNumbr»

Registered Owner: -----Cede & Co.-----

Principal Amount: -----«PrincipalAmtSpelled» Dollars-----

City of Lincoln City, Oregon (the "City"), a municipal corporation of the State of Oregon, for value received, acknowledges itself indebted and hereby promises to pay to the Registered Owner hereof, or registered assigns, the Principal Amount indicated above on the Maturity Date indicated above together with interest thereon from the date hereof at the Interest Rate Per Annum indicated above, computed on the basis of a 360-day year of twelve 30-day months. Interest is payable semiannually on the first days of June and December in each year until maturity or prior redemption, commencing June 1, 2013. Payment of each installment of principal or interest shall be made to the Registered Owner hereof whose name appears on the registration books of the City maintained by the City's paying agent and registrar, which is currently U.S. Bank National Association (the "Paying Agent") as of the close of business on the fifteenth day of the calendar month immediately preceding the applicable interest payment date. For so long as this Bond is subject to a book-entry-only system, principal and interest payments shall be payable in same-day funds on each payment date to the nominee of the securities depository for the Bonds. On the date of issuance of this Bond, the securities depository for the Bonds is The Depository Trust Company, New York, New York ("DTC"), and Cede & Co. is the nominee of DTC. Such payments shall be made payable to the order of "Cede & Co."

This Bond is one of a duly authorized series of bonds of the City aggregating \$9,885,000 in principal amount and designated as General Obligation Refunding Bonds, Series 2013 (the "Bonds"). The Bonds are issued pursuant to Oregon Revised Statutes Sections 287A.360 to 287A.380, Resolution No. 2012-23 adopted by the City Council on October 22, 2012, and a Bond Declaration dated as of February 26, 2013 (collectively, the "Resolution"); and under the authority of and in full compliance with the Constitution and Statutes of the State of Oregon. Capitalized terms used but not defined herein shall have the meanings assigned them in the Resolution.

The Bonds are general obligations of the City. The City has pledged its full faith and credit to pay the Bonds, and the City covenants for the benefit of the Bondowners 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 Bonds promptly as they mature. The Bonds do not constitute a debt or indebtedness of Lincoln County, the State of Oregon, or any political subdivision thereof other than the City.

The Bonds are initially issued as a book-entry-only security issue with no certificates provided to the beneficial owners. Records of ownership of beneficial interests in the Bonds will be maintained by DTC and its participants. Should the book-entry-only security system be discontinued, the City shall cause the Paying Agent to authenticate and deliver replacement Bonds in fully registered form in authorized denominations in the names of the beneficial owners or their nominees, as provided in the Resolution.

The Bonds shall mature and be subject to redemption as described in the final Official Statement for the Bonds that is dated February 12, 2013.

Unless the book-entry-only system is discontinued, notice of any call for redemption shall be given as required by the Blanket Issuer Letter of Representations to DTC, as referenced in the Resolution. The Resolution authorizes the City to give conditional notices of redemption. Unless conditional notice was given, interest on any Bond or Bonds so called for redemption shall cease on the redemption date designated in the notice. If the book-entry-only system is discontinued, notice of redemption shall be given as described in the Resolution; however, any failure to give notice shall not invalidate the redemption of the Bonds.

Any exchange or transfer of this Bond must be registered, as provided in the Resolution, upon the Bond register kept for that purpose by the Paying Agent. The exchange or transfer of this Bond may be registered only by surrendering it, together with a written instrument of exchange or transfer which is satisfactory to the Paying Agent and which is executed by the registered owner or duly authorized attorney. Upon registration, a new registered Bond, 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 Paying Agent may treat the person in whose name this Bond is registered on the Bond register as its absolute owner for all purposes, as provided in the Resolution.

Unless this Bond is presented by an authorized representative of DTC to the City or the Paying Agent for registration of transfer, exchange or payment, and any Bond issued is registered in the name of Cede & Co. or such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entry 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.

This Bond shall remain in the Paying Agent's custody subject to the provisions of the FAST Balance Certificate Agreement currently in effect between the Paying Agent and DTC.

It is hereby certified, recited and declared that all acts, conditions and things required by the Constitution and Statutes of the State of Oregon to exist, to have happened and to have been performed precedent to and in the issuance of this Bond to exist, have happened and have been performed in due time, form and manner as prescribed by law, and that the amount of this Bond, together with all other obligations or indebtedness of the City, does not exceed any constitutional or statutory limitations of indebtedness.

IN WITNESS WHEREOF, City of Lincoln City, Oregon, by its City Council has caused this Bond to be executed in its name with the facsimile signature of its Mayor and attested with the facsimile signature of its City Official, all as of the date indicated above.

City of Lincoln City, Oregon

Mayor

Attest:

City Official

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

CERTIFICATE OF AUTHENTICATION

This Bond is one of the \$9,885,000 aggregate principal amount of City of Lincoln City, Oregon, General Obligation Refunding Bonds, Series 2013, and is authorized to be issued under the terms of the Resolution described herein.

Date of authentication: February 26, 2013.

U.S. Bank National Association, as Paying Agent

Authorized Officer

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____

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

this Bond and does hereby irrevocably constitute and appoint _____ as attorney to transfer this Bond 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 Bond in every particular, without alteration or enlargement or any change whatever.

NOTICE: Signature(s) must be guaranteed by a member of the New York Stock Exchange or a commercial bank or trust company

Signature Guaranteed

(Bank, Trust Company or Brokerage Firm)

Authorized Officer

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

- TEN COM -- 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

as custodian for _____ CUST UL OREG _____ MIN
(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.

Appendix C
BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company
A subsidiary of The Depository Trust & Clearing Corporation

**Sample Offering Document Language
Describing DTC and Book-Entry-Only Issuance**

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 a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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



*The Depository Trust &
Clearing Corporation*

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



*The Depository Trust &
Clearing Corporation*

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.



*The Depository Trust &
Clearing Corporation*

Appendix D
FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

\$9,885,000

**City of Lincoln City, Oregon
General Obligation Refunding Bonds
Series 2013**

This Continuing Disclosure Certificate (the "Certificate") is executed and delivered by the City of Lincoln City, Oregon (the "Issuer") in connection with the issuance of the Issuer's General Obligation Refunding Bonds, Series 2013 (the "Securities").

Section 1. Purpose of Certificate. This Certificate constitutes the Issuer's written undertaking for the benefit of the holders of the Securities and to assist the underwriters of the Securities in complying with paragraph (b)(5) of the United States Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. § 240.15c2-12) as amended (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 Securities, including persons holding Securities through nominees or depositories.

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

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

"Official Statement" means the final official statement for the Securities dated February 12, 2013.

"Rule" means the Commission's Rule 15c2-12 under the Securities Exchange Act of 1934, as it has been and may be amended.

Section 3. Financial Information. The Issuer agrees to provide or cause to be provided to the MSRB, 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 under the heading "Basic Financial Statements for Fiscal Year Ended June 30, 2012" (Appendix A).

To the extent not included in its annual financial statements, the Issuer shall also provide information, of the type set forth in the Official 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 assessor); (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 obligations 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 2012-2013. The information described in the preceding paragraph will be provided in the form of audited financial statements if they are then available, and otherwise will be provided in the form of unaudited financial statements. 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. In lieu of providing this annual financial information separately, the Issuer may cross-reference to other documents provided to the MSRB.

The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB 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) and in accordance with generally accepted accounting principles so prescribed by the Governmental Accounting Standards Board (or its successors) when and if available to the MSRB.

Section 5. Material Events. The Issuer agrees to provide or cause to be provided to the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the Securities:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the Security;
7. Modifications to the rights of Security holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;

10. Release, substitution or sale of property securing repayment of the Securities, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the obligated person; (Note: For the purposes of the event identified in this paragraph 12, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.);

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

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Section 6. Termination. The Issuer's obligation to provide notices of material events shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Securities. 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 provision of this Certificate, are invalid, have been repealed retroactively or otherwise do not apply to the Securities; and (b) notifies the MSRB of such opinion and the termination of its obligations under this Certificate.

Section 7. Amendment. Notwithstanding any other provision of this Certificate, the Issuer may amend this Certificate, provided that the following conditions are satisfied:

A. If the amendment 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 Securities, or the type of business conducted; and,

B. If this Certificate, as amended, 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 Securities, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

C. The amendment either (i) is approved by the owners of the Securities pursuant to the terms of the governing instrument as it is in effect at the time of the amendment or (ii) does not materially impair the interests of the owners or Beneficial Owners of the Securities as determined by a party unaffiliated with the Obligated Person.

In the event of any amendment of a provision of this Certificate, the Issuer shall describe such amendment in its next annual filing pursuant to Section 3 of this Certificate, and shall include, as applicable, a narrative explanation of the reason for the amendment 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 the amendment shall be given in the same manner as for a material event under Section 5 hereof, and (ii) the annual filing pursuant to Section 3 of this Certificate for the first fiscal year that is affected by the change in accounting principles 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 8. Securities Owner's Remedies Under This Certificate. The right of any holder of Securities or Beneficial Owner of Securities 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 9. Form of Information. All information required to be provided under this certificate will be provided in an electronic format as prescribed by the MSRB and with the identifying information prescribed by the MSRB.

Section 10. Submitting Information Through EMMA. So long as the MSRB continues to approve the use of the Electronic Municipal Market Access ("EMMA") continuing disclosure service, any information required to be provided to the MSRB under this Certificate may be provided through EMMA. As of the date of this Certificate, the web portal for EMMA is emma.msrb.org.

Section 11. 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 26th day of February, 2013.

City of Lincoln City, Oregon

By: _____
City Official

Appendix E
FORM OF BOND COUNSEL OPINION

On the date of issuance of the Bonds, Hawkins Delafield & Wood LLP, Bond Counsel, proposes to issue its approving opinion in substantially the following form:

February 26, 2013

City of Lincoln City
P.O. Box 50
Lincoln City, Oregon 97367

Subject: \$9,885,000 City of Lincoln City, Oregon
General Obligation Refunding Bonds, Series 2013

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Lincoln City, Oregon (the "City") of its General Obligation Bonds, Series 2013 (the "Bonds"), which are dated as of the date of their delivery and are in the aggregate principal amount of \$9,885,000. The Bonds are authorized by Oregon Revised Statutes Chapter 287A, City Resolution No. 2012-23 adopted October 22, 2012 (the "Resolution"), and a Bond Declaration for the Bonds that is dated as of the date of delivery of the Bonds (the "Declaration").

We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering materials which have been or may be supplied to the purchasers of the Bonds, and we express no opinion relating thereto, excepting only the matters set forth as our opinion in the official statement.

Regarding questions of fact material to our opinion, we have relied on representations of the City in the Resolution and in the certified proceedings and on other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Bonds have been legally authorized, sold and issued under and pursuant to the Constitution and Statutes of the State of Oregon, the Resolution and the Declaration. The Bonds constitute valid and legally binding general obligations of the City that are enforceable in accordance with their terms.
2. The City has pledged its full faith and credit and taxing power to the payment of the Bonds. In addition, the Bonds are payable from ad valorem taxes which may be levied without limitation as to rate or amount on all taxable property within the boundaries of the City.
3. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. Bond counsel further is of the opinion that, for any Bonds having original issue discount (a "Discount Bond"), original issue discount that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the

Bonds. In rendering our opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City, and others in connection with the Bonds, and we have assumed compliance by the City and others with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that, for Federal income tax purposes, interest on the Bonds not be included in gross income pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Bonds, restrictions on the investment of proceeds of the Bonds prior to expenditure and the requirement that certain earnings be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Bonds to become subject to Federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of delivery of the Bonds, the City will execute a Tax Certificate (the "Tax Certificate") containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the City covenants that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things required by the Code to assure that interest paid on the Bonds will, for Federal income tax purposes, be excluded from gross income.

In rendering the opinion in paragraph 3 hereof, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of interest paid on the Bonds, and (ii) compliance by the City with the procedures and covenants set forth in the Tax Certificate as to such tax matters.

4. Interest on the Bonds is exempt from Oregon personal income tax.

We note that the City has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code.

Except as stated in paragraphs 3 and 4 above, we express no opinion as to any other Federal, state or local tax consequences arising with respect to the Bonds or the ownership or disposition thereof. We render our opinion under existing statutes and court decisions as of the issue date, and we assume no obligation to update, revise or supplement this opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances, or any change in law or in interpretations thereof, or otherwise, that may hereafter arise or occur, or for any other reason. Furthermore, we express no opinion herein as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves on the exclusion from gross income for Federal income tax purposes of interest on the Bonds.

The portion of this opinion that is set forth in paragraph 1, above, is qualified only to the extent that enforceability of the Bonds may be limited by or rendered ineffective by (i) bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other laws affecting creditors' rights generally; (ii) the application of equitable principles and the exercise of judicial discretion in appropriate cases; (iii) common law and statutes affecting the enforceability of contractual obligations generally; and (iv) principles of public policy concerning, affecting or limiting the enforcement of rights or remedies against governmental entities such as the City.

This opinion is given as of the date hereof and is based on existing law, and we assume no obligation to update, revise, or supplement this opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention or any changes in law or interpretations thereof that may hereafter arise or occur, or for any other reason.

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

This opinion is provided to you as a legal opinion only, and not as a guaranty or warranty of the matters discussed herein. No opinions may be inferred or implied beyond the matters expressly stated herein. No qualification, limitation or exception contained herein shall be construed in any way to limit the scope of the other qualifications, limitations and exceptions. For purposes of this opinion, the terms "law" and "laws" do not include unpublished judicial decisions, and we disclaim the effect of any such decision on this opinion.

We have served as bond counsel only to the City in connection with the Bonds and have not represented and are not representing any other party in connection with the Bonds. This opinion is given solely for the benefit of the City in connection with the Bonds and may not be relied on in any manner or for any purpose by any person or entity other than the City, the owners of the Bonds, and any person to whom we may send a formal reliance letter indicating that the recipient is entitled to rely on this opinion.

Very truly yours,

BOND DECLARATION

City of Lincoln City, Oregon

\$9,885,000

General Obligation Refunding Bonds, Series 2013

Executed on behalf of City of Lincoln City

as of February 26, 2013

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This table of contents is not a part of the bond declaration but is provided for reference only.

BOND DECLARATION

THIS BOND DECLARATION is executed as of February 26, 2013, on behalf of the City of Lincoln City, Oregon (the “City”) by its City Recorder, acting as the “City Official” pursuant to City Resolution No. 2012-23 that was adopted by the City Council on October 22, 2012, as defined below. The Resolution authorizes the City Official to execute a bond declaration which contains the terms of the Bonds, and the covenants of the City relating to those Bonds.

Section 1. Definitions.

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

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

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

“Bonds” means the general obligation refunding bonds issued by the City that are described in Section 2 of this Bond Declaration and that are authorized by the Resolution.

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

“Code” means the Internal Revenue Code of 1986, as amended.

“City Official” means the City Manager, the Financial Planner, the Finance Director, or the person designated by the City Manager authorized to act on behalf of the City pursuant to the Resolution.

“DTC” means The Depository Trust Company, New York, New York (“DTC”), acting as securities depository for the Bonds.

“Event of Default” refers to an Event of Default listed in Section 9(1) of this Bond Declaration.

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

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

“Owner” means the person shown on the Bond register maintained by the Paying Agent as the registered owner of a Bond.

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

“Resolution” means City Resolution No. 2012-23 which was adopted by the City Council on October 22, 2012, and which authorizes the execution of this Bond Declaration and the issuance and sale of the Bonds.

Section 2. Bonds Authorized.

- (1) Pursuant to the authority granted by Oregon Revised Statutes Sections 287A.360 through 287A.375 and the Resolution, the City hereby authorizes the issuance, sale and delivery of its General Obligation Refunding Bonds, Series 2013, in accordance with this Bond Declaration and in a principal amount of \$9,885,000. The Bonds shall be dated February 26, 2013, shall bear interest which is payable on June 1 and December 1 of each year commencing June 1, 2013, and shall mature as follows:

<u>Due June 1</u>	<u>Principal Amount (\$)</u>	<u>Interest Rate (%)</u>	<u>CUSIP No. (Base 533080)</u>
2013	135,000	2.000	KV8
2019	130,000	2.000	KW6
2020	730,000	2.000	KX4
2021	760,000	2.000	KY2
2022	795,000	2.000	KZ9
2023	830,000	2.000	LA3
2024	850,000	2.125	LB1
2025	875,000	2.250	LC9
2026	900,000	2.375	LD7
2027	925,000	2.500	LE5
2028	950,000	2.500	LF2
2029	1,010,000	3.000	LG0
2030	995,000	3.000	LH8

- (2) Bond proceeds shall be used to refund a portion of the callable maturities of the City’s outstanding General Obligation Sewer Bonds, Series 2005, and to pay costs of issuing the Bonds.

Section 3. Security for Bonds.

- (1) The Bonds shall be general obligations of the City. The City hereby pledges its full faith and credit to pay the Bonds, and the City covenants for the benefit of the Bondowners 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 Bonds promptly as they mature.

- (2) This Bond Declaration shall constitute a contract with the Owners and shall be enforceable by the Owners.

Section 4. Tax Covenants.

The City covenants for the benefit of the owners of the Bonds to comply with all provisions of the Code that are required for Bond interest to be excluded from gross income for federal income tax purposes. The City also covenants for the benefit of the owners of the Bonds that it will comply with all of the covenants and agreements that the City makes in the "Tax Certificate" was prepared in connection with the closing of the Bonds.

Section 5. Book Entry System

The Bonds shall be initially issued in BEO form and shall be governed by this Section 5. While Bonds are in BEO form no physical Bonds shall be provided to the Owners. A representative of the City has executed and delivered a Blanket Issuer Letter of Representations to DTC (the "Letter of Representations"). While the Bonds are in BEO form, registration and transfer of beneficial interests in the Bonds shall be governed by the Letter of Representations and the Operational Arrangements of DTC, as they may be amended from time to time. So long as Bonds are in BEO form:

- (1) DTC shall be treated as the Owner for all purposes, including payment and the giving of notices to Owners of Bonds. Bond payments shall be made, and notices shall be given, to DTC in accordance with the Letter of Representations. Any failure of DTC to advise any of its participants, or of any participant to notify the beneficial owner, of any such notice and its content or effect will not affect the validity of the redemption of Bonds or of any other action premised on such notice.
- (2) The City may discontinue maintaining the Bonds in the BEO form at any time. The City shall discontinue maintaining the Bonds in BEO form if DTC determines not to continue to act as securities depository for the Bonds, or fails to perform satisfactorily as depository, and a satisfactory substitute depository cannot reasonably be found.
- (3) If the City discontinues maintaining the Bonds in book-entry only form, the City shall cause the Paying Agent to authenticate and deliver replacement Bonds in fully registered form in authorized denominations in the names of the beneficial owners or their nominees; thereafter the provisions set forth in Section 7 below, regarding registration, transfer and exchange of Bonds shall apply.
- (4) The City and the Paying Agent shall have no responsibility or obligation to any participant or correspondent of DTC or to any beneficial owner on behalf of which such participants or correspondents act as agent for the beneficial owner with respect to:
 - (A) the accuracy of the records of DTC, the nominee or any participant or correspondent with respect to any beneficial owner's interest in the Bonds;

- (B) the delivery to any participant or correspondent or any other person of any notice with respect to the Bonds, including any notice of prepayment;
- (C) the selection by DTC of the beneficial interest in Bonds to be redeemed prior to maturity; or
- (D) the payment to any participant, correspondent, or any other person other than the registered owner of the Bonds as shown in the registration books maintained by the Paying Agent, of any amount with respect to principal, any premium or interest on the Bonds.
- (E) The provisions of this Section 5 may be modified without the consent of the beneficial owners in order to conform this Section to the standard practices of DTC or any successor depository for bonds issued in book-entry only form.

Section 6. Redemption of Bonds.

- (1) Optional redemption. The Bonds maturing in years 2013 through 2023, inclusive, are not subject to optional redemption prior to maturity. The Bonds maturing on June 1, 2024 and on any date thereafter are subject to redemption at the option of the City prior to their stated maturity dates at any time on or after June 1, 2023, as a whole or in part, and if in part, with maturities to be selected by the City at a price of par, plus accrued interest, if any, to the date of redemption.
- (2) Mandatory redemption. The Bonds are not subject to mandatory sinking fund redemption.
- (3) The City reserves the right to purchase Bonds in the open market.
- (4) Any notice of optional redemption given for the Bonds pursuant to this Section 6 may state that the optional redemption is conditional upon receipt by the Paying Agent of moneys sufficient to pay the redemption price of such Bonds or upon the satisfaction of any other condition, and/or that such notice may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such redemption price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission or of the failure of any such condition shall be given by the Paying Agent to affected owners of the Bonds as promptly as practicable.
- (5) So long as Bonds are in book-entry only form, and unless DTC consents to a shorter period the Paying Agent shall notify DTC of any early redemption not less than 20 days nor more than 60 days prior to the date fixed for redemption, and shall provide such information in connection therewith as required by the Letter of Representations.
- (6) During any period in which the Bonds are not in book-entry only form, unless waived by any Owner of the Bonds to be redeemed, official notice of any redemption of Bonds shall be given by the Paying Agent on behalf of the City by mailing a copy of an official

redemption notice by first class mail postage prepaid at least 30 days and not more than 60 days prior to the date fixed for redemption to the Owner of the Bond or Bonds to be redeemed at the address shown on the Bond register or at such other address as is furnished in writing by such Owner to the Paying Agent. All such official notices of redemption shall be dated and shall state:

- (A) the redemption date,
- (B) the redemption price,
- (C) if less than all outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed,
- (D) that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and
- (E) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Paying Agent.

Unless waived by the Paying Agent, the City shall provide written notice of the intended redemption to the Paying Agent not less than 40 days before the stated redemption date.

Section 7. Authentication, Registration and Transfer.

- (1) No Bond shall be entitled to any right or benefit under this Bond Declaration unless it shall have been authenticated by an authorized officer of the Paying Agent. The Paying Agent shall authenticate all Bonds to be delivered at closing of the Bonds, and shall additionally authenticate all Bonds properly surrendered for exchange or transfer pursuant to this Bond Declaration.
- (2) The ownership of all Bonds shall be entered in the Bond register maintained by the Paying Agent, and the City and the Paying Agent may treat the person listed as owner in the Bond register as the owner of the Bond for all purposes.
- (3) While the Bonds are in book-entry only form, the Paying Agent shall transfer Bond principal and interest payments in the manner required by DTC.
- (4) If the Bonds cease to be in book-entry only form, the Paying Agent shall mail each interest payment on the interest payment date (or the next Business Day if the payment date is not a Business Day) to the name and address of the Owners as they appear on the Bond register as of the record date for the Bonds. The record date for the Bonds is as of the close of business on the 15th day of the calendar month immediately preceding the applicable payment date. If payment is so mailed, neither the City nor the Paying Agent shall have any further liability to any party for such payment.

- (5) Bonds may be exchanged for an equal principal amount of Bonds of the same maturity which are in different denominations, and Bonds may be transferred to other Owners if the Owner submits the following to the Paying Agent:
 - (A) written instructions for exchange or transfer satisfactory to the Paying Agent, signed by the Owner or attorney in fact and guaranteed or witnessed in a manner satisfactory to the Paying Agent and
 - (B) the Bonds to be exchanged or transferred.
- (6) The Paying Agent shall not be required to exchange or transfer any Bonds submitted to it during any period beginning with a record date and ending on the next following payment date; however, such Bonds shall be exchanged or transferred promptly following that payment date.
- (7) The Paying Agent shall note the date of authentication on each Bond. The date of authentication shall be the date on which the Owner's name is listed on the Bond register.
- (8) For purposes of this Section 7, Bonds shall be considered submitted to the Paying Agent on the date the Paying Agent actually receives the materials described in Section 7(5), above.
- (9) The City may alter these provisions regarding registration and transfer by mailing notification of the altered provisions to all Owners. The altered provisions shall take effect on the date stated in the notice, which shall not be earlier than 45 days after notice is mailed.

Section 8. Amendment of Bond Declaration.

- (1) The City may amend this Bond Declaration without the consent of any Owner for any one or more of the following purposes:
 - (A) To cure any ambiguity or formal defect or omission in this Bond Declaration;
 - (B) To add to the covenants and agreements of the City in this Bond Declaration other covenants and agreements to be observed by the City which are not contrary to or inconsistent with this Bond Declaration as theretofore in effect;
 - (C) To confirm, as further assurance, any security interest or pledge created under this Bond Declaration or any Supplemental Declaration;
 - (D) To make any change which, in the reasonable judgment of the City, does not materially and adversely affect the rights of the Owners.
- (2) This Bond Declaration may be amended for any other purpose only upon consent of Owners representing not less than fifty-one percent (51%) in aggregate principal amount

of the adversely affected Bonds then Outstanding. However, no amendment shall be valid which:

- (A) Extends the maturity of any Bonds, reduces the rate of interest upon any Bonds, extends the time of payment of interest on any Bonds, reduces the amount of principal payable on any Bonds, or reduces any premium payable on any Bonds, without the consent of the affected Owner; or
- (B) Reduces the percent of Owners required to approve amendments to this Bond Declaration.

Section 9. Default and Remedies.

- (1) The occurrence of one or more of the following shall constitute an Event of Default under this Bond Declaration:
 - (A) Failure by the City to pay Bond principal, interest or premium when due (whether at maturity, or upon redemption after a Bond has been properly called for redemption); or
 - (B) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed for the benefit of Owners of Bonds, for a period of 60 days after written notice to the City by the Owners of fifty-one percent or more of the principal amount of Bonds then Outstanding specifying such failure and requesting that it be remedied; provided however, that if the failure stated in the notice cannot be corrected within such 60 day period, it shall not constitute an Event of Default so long as corrective action is instituted by the City within the 60 day period and diligently pursued, and the default is corrected as promptly as practicable after the written notice referred to in this Section 9(1)(B); or
 - (C) The City is adjudged insolvent by a court of competent jurisdiction, admits in writing its inability to pay its debts generally as they become due, files a petition in bankruptcy, or consents to the appointment of a receiver for the payments.
- (2) The Owners of fifty-one percent or more of the principal amount of Bonds then Outstanding may waive any Event of Default and its consequences, except a Event of Default described in Section 9(1)(A).
- (3) Upon the occurrence and continuance of any Event of Default hereunder the Owners of fifty-one percent or more of the principal amount of Bonds then Outstanding may take whatever action may appear necessary or desirable to enforce or to protect any of the rights of the Owners of Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Bond Declaration or in aid of the exercise of any power granted in this Bond Declaration or for the enforcement of any other legal or equitable right vested in the Owners of Bonds by this Bond Declaration or by law. However, the Bonds shall not be subject to acceleration.

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

Section 10. Defeasance.

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

- (1) irrevocably deposits money or noncallable Government Obligations in escrow with an independent trustee or escrow agent which are calculated to be sufficient without reinvestment for the payment of Bonds which are to be defeased; and
- (2) files with the escrow agent or trustee an opinion from an independent, certified public accountant to the effect that the money and the principal and interest to be received from the Government Obligations are calculated to be sufficient, without further reinvestment, to pay the defeased Bonds when due; and
- (3) files with the escrow agent or trustee an opinion of nationally recognized bond counsel that the proposed defeasance will not cause the interest component of the Bonds to be includable in gross income under the Code.

Section 11. Form.

The Bonds shall be issued in substantially the form attached to this Bond Declaration as Exhibit A, with any changes that are approved by a City Official. The Bonds shall be executed on behalf of the City with the manual or facsimile signatures of the Mayor and Financial Planner.

Section 12. Rules of Construction.

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

- (1) References to section numbers shall be construed as references to sections of this Bond Declaration unless otherwise indicated.
- (2) References to one gender shall include all genders.
- (3) References to the singular shall include the plural, and references to the plural shall include the singular.

Dated as of the 26th day of February, 2013.

City of Lincoln City, Oregon

By:  _____
Ron Tierney, Financial Planner

Exhibit A

No. R-«BondNumber»

\$«PrincipalAmtNumber»

United States of America
State of Oregon
County of Lincoln
City of Lincoln City
General Obligation Refunding Bond
Series 2013

Dated Date: February 26, 2013

Interest Rate Per Annum: «CouponRate»%

Maturity Date: June 1, «MaturityYear»

CUSIP Number: 533080«CUSIPNumbr»

Registered Owner: ----Cede & Co.----

Principal Amount: ----«PrincipalAmtSpelled» Dollars----

City of Lincoln City, Oregon (the "City"), a municipal corporation of the State of Oregon, for value received, acknowledges itself indebted and hereby promises to pay to the Registered Owner hereof, or registered assigns, the Principal Amount indicated above on the Maturity Date indicated above together with interest thereon from the date hereof at the Interest Rate Per Annum indicated above, computed on the basis of a 360-day year of twelve 30-day months. Interest is payable semiannually on the first days of June and December in each year until maturity or prior redemption, commencing June 1, 2013. Payment of each installment of principal or interest shall be made to the Registered Owner hereof whose name appears on the registration books of the City maintained by the City's paying agent and registrar, which is currently U.S. Bank National Association (the "Paying Agent") as of the close of business on the fifteenth day of the calendar month immediately preceding the applicable interest payment date. For so long as this Bond is subject to a book-entry-only system, principal and interest payments shall be payable in same-day funds on each payment date to the nominee of the securities depository for the Bonds. On the date of issuance of this Bond, the securities depository for the Bonds is The Depository Trust Company, New York, New York ("DTC"), and Cede & Co. is the nominee of DTC. Such payments shall be made payable to the order of "Cede & Co."

This Bond is one of a duly authorized series of bonds of the City aggregating \$9,885,000 in principal amount and designated as General Obligation Refunding Bonds, Series 2013 (the "Bonds"). The Bonds are issued pursuant to Oregon Revised Statutes Sections 287A.360 to 287A.380, Resolution No. 2012-23 adopted by the City Council on October 22, 2012, and a Bond Declaration dated as of February 26, 2013 (collectively, the "Resolution"); and under the authority of and in full compliance with the Constitution and Statutes of the State of Oregon. Capitalized terms used but not defined herein shall have the meanings assigned them in the Resolution.

The Bonds are general obligations of the City. The City has pledged its full faith and credit to pay the Bonds, and the City covenants for the benefit of the Bondowners 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 Bonds promptly as they mature. The Bonds do not constitute a debt or indebtedness of Lincoln County, the State of Oregon, or any political subdivision thereof other than the City.

The Bonds are initially issued as a book-entry-only security issue with no certificates provided to the beneficial owners. Records of ownership of beneficial interests in the Bonds will be maintained by DTC and its participants. Should the book-entry-only security system be discontinued, the City shall cause the Paying Agent to authenticate and deliver replacement Bonds in fully registered form in authorized denominations in the names of the beneficial owners or their nominees, as provided in the Resolution.

The Bonds shall mature and be subject to redemption as described in the final Official Statement for the Bonds that is dated February 12, 2013.

Unless the book-entry-only system is discontinued, notice of any call for redemption shall be given as required by the Blanket Issuer Letter of Representations to DTC, as referenced in the Resolution. The Resolution authorizes the City to give conditional notices of redemption. Unless conditional notice was given, interest on any Bond or Bonds so called for redemption shall cease on the redemption date designated in the notice. If the book-entry-only system is discontinued, notice of redemption shall be given as described in the Resolution; however, any failure to give notice shall not invalidate the redemption of the Bonds.

Any exchange or transfer of this Bond must be registered, as provided in the Resolution, upon the Bond register kept for that purpose by the Paying Agent. The exchange or transfer of this Bond may be registered only by surrendering it, together with a written instrument of exchange or transfer which is satisfactory to the Paying Agent and which is executed by the registered owner or duly authorized attorney. Upon registration, a new registered Bond, 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 Paying Agent may treat the person in whose name this Bond is registered on the Bond register as its absolute owner for all purposes, as provided in the Resolution.

Unless this Bond is presented by an authorized representative of DTC to the City or the Paying Agent for registration of transfer, exchange or payment, and any Bond issued is registered in the name of Cede & Co. or such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entry 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.

This Bond shall remain in the Paying Agent's custody subject to the provisions of the FAST Balance Certificate Agreement currently in effect between the Paying Agent and DTC.

It is hereby certified, recited and declared that all acts, conditions and things required by the Constitution and Statutes of the State of Oregon to exist, to have happened and to have been performed precedent to and in the issuance of this Bond to exist, have happened and have been performed in due time, form and manner as prescribed by law, and that the amount of this Bond, together with all other obligations or indebtedness of the City, does not exceed any constitutional or statutory limitations of indebtedness.

IN WITNESS WHEREOF, City of Lincoln City, Oregon, by its City Council has caused this Bond to be executed in its name with the facsimile signature of its Mayor and attested with the facsimile signature of its City Official, all as of the date indicated above.

City of Lincoln City, Oregon

Mayor

Attest:

City Official

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

CERTIFICATE OF AUTHENTICATION

This Bond is one of the \$9,885,000 aggregate principal amount of City of Lincoln City, Oregon, General Obligation Refunding Bonds, Series 2013, and is authorized to be issued under the terms of the Resolution described herein.

Date of authentication: February 26, 2013.

U.S. Bank National Association, as Paying Agent

Authorized Officer

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____

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

this Bond and does hereby irrevocably constitute and appoint _____ as attorney to transfer this Bond 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 Bond in every particular, without alteration or enlargement or any change whatever.

NOTICE: Signature(s) must be guaranteed by a member of the New York Stock Exchange or a commercial bank or trust company

Signature Guaranteed

(Bank, Trust Company or Brokerage Firm)

Authorized Officer

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

- TEN COM -- 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

as custodian for _____ (name of minor) MIN
- 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.

No. R-«BondNumber»

\$«PrincipalAmtNumber»

United States of America
State of Oregon
County of Lincoln
City of Lincoln City
General Obligation Refunding Bond
Series 2013

Dated Date: February 26, 2013
Interest Rate Per Annum: «CouponRate»%
Maturity Date: June 1, «MaturityYear»
CUSIP Number: 533080«CUSIPNumbr»
Registered Owner: -----Cede & Co.-----
Principal Amount: -----«PrincipalAmtSpelled» Dollars-----

City of Lincoln City, Oregon (the "City"), a municipal corporation of the State of Oregon, for value received, acknowledges itself indebted and hereby promises to pay to the Registered Owner hereof, or registered assigns, the Principal Amount indicated above on the Maturity Date indicated above together with interest thereon from the date hereof at the Interest Rate Per Annum indicated above, computed on the basis of a 360-day year of twelve 30-day months. Interest is payable semiannually on the first days of June and December in each year until maturity or prior redemption, commencing June 1, 2013. Payment of each installment of principal or interest shall be made to the Registered Owner hereof whose name appears on the registration books of the City maintained by the City's paying agent and registrar, which is currently U.S. Bank National Association (the "Paying Agent") as of the close of business on the fifteenth day of the calendar month immediately preceding the applicable interest payment date. For so long as this Bond is subject to a book-entry-only system, principal and interest payments shall be payable in same-day funds on each payment date to the nominee of the securities depository for the Bonds. On the date of issuance of this Bond, the securities depository for the Bonds is The Depository Trust Company, New York, New York ("DTC"), and Cede & Co. is the nominee of DTC. Such payments shall be made payable to the order of "Cede & Co."

This Bond is one of a duly authorized series of bonds of the City aggregating \$9,885,000 in principal amount and designated as General Obligation Refunding Bonds, Series 2013 (the "Bonds"). The Bonds are issued pursuant to Oregon Revised Statutes Sections 287A.360 to 287A.380, Resolution No. 2012-23 adopted by the City Council on October 22, 2012, and a Bond Declaration dated as of February 26, 2013 (collectively, the "Resolution"); and under the authority of and in full compliance with the Constitution and Statutes of the State of Oregon. Capitalized terms used but not defined herein shall have the meanings assigned them in the Resolution.

The Bonds are general obligations of the City. The City has pledged its full faith and credit to pay the Bonds, and the City covenants for the benefit of the Bondowners 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 Bonds promptly as they mature. The Bonds do not constitute a debt or indebtedness of Lincoln County, the State of Oregon, or any political subdivision thereof other than the City.

The Bonds are initially issued as a book-entry-only security issue with no certificates provided to the beneficial owners. Records of ownership of beneficial interests in the Bonds will be maintained by DTC and its participants. Should the book-entry-only security system be discontinued, the City shall cause the Paying Agent to authenticate and deliver replacement Bonds in fully registered form in authorized denominations in the names of the beneficial owners or their nominees, as provided in the Resolution.

The Bonds shall mature and be subject to redemption as described in the final Official Statement for the Bonds that is dated February 12, 2013.

Unless the book-entry-only system is discontinued, notice of any call for redemption shall be given as required by the Blanket Issuer Letter of Representations to DTC, as referenced in the Resolution. The Resolution authorizes the City to give conditional notices of redemption. Unless conditional notice was given, interest on any Bond or Bonds so called for redemption shall cease on the redemption date designated in the notice. If the book-entry-only system is discontinued, notice of redemption shall be given as described in the Resolution; however, any failure to give notice shall not invalidate the redemption of the Bonds.

Any exchange or transfer of this Bond must be registered, as provided in the Resolution, upon the Bond register kept for that purpose by the Paying Agent. The exchange or transfer of this Bond may be registered only by surrendering it, together with a written instrument of exchange or transfer which is satisfactory to the Paying Agent and which is executed by the registered owner or duly authorized attorney. Upon registration, a new registered Bond, 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 Paying Agent may treat the person in whose name this Bond is registered on the Bond register as its absolute owner for all purposes, as provided in the Resolution.

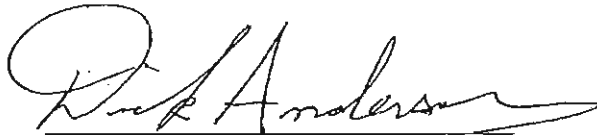
Unless this Bond is presented by an authorized representative of DTC to the City or the Paying Agent for registration of transfer, exchange or payment, and any Bond issued is registered in the name of Cede & Co. or such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entry 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.

This Bond shall remain in the Paying Agent's custody subject to the provisions of the FAST Balance Certificate Agreement currently in effect between the Paying Agent and DTC.

It is hereby certified, recited and declared that all acts, conditions and things required by the Constitution and Statutes of the State of Oregon to exist, to have happened and to have been performed precedent to and in the issuance of this Bond to exist, have happened and have been performed in due time, form and manner as prescribed by law, and that the amount of this Bond, together with all other obligations or indebtedness of the City, does not exceed any constitutional or statutory limitations of indebtedness.

IN WITNESS WHEREOF, City of Lincoln City, Oregon, by its City Council has caused this Bond to be executed in its name with the facsimile signature of its Mayor and attested with the facsimile signature of its Financial Planner, all as of the date indicated above.

City of Lincoln City, Oregon



DICK ANDERSON, MAYOR

Attest:



RON TIERNEY, FINANCIAL PLANNER

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

CERTIFICATE OF AUTHENTICATION

This Bond is one of the \$9,885,000 aggregate principal amount of City of Lincoln City, Oregon, General Obligation Refunding Bonds, Series 2013, and is authorized to be issued under the terms of the Resolution described herein.

Date of authentication: February 26, 2013.

U.S. Bank National Association, as Paying Agent

Authorized Officer

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____

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

this Bond and does hereby irrevocably constitute and appoint _____ as attorney to transfer this Bond 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 Bond in every particular, without alteration or enlargement or any change whatever.

NOTICE: Signature(s) must be guaranteed by a member of the New York Stock Exchange or a commercial bank or trust company

Signature Guaranteed

(Bank, Trust Company or Brokerage Firm)

Authorized Officer

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

TEN COM -- 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 _____ (name of minor)

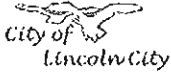
OR UNIF TRANS MIN ACT

under the Oregon Uniform Transfer to Minors Act

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

City of Lincoln City, Oregon, General Obligation Refunding Bonds, Series 2013

BondNumber	MaturityYear	PrincipalAmt Number	CouponRate	CUSIPNumbr	PrincipalAmt Spelled
1	2013	135,000	2.000	KV8	One Hundred Thirty-Five Thousand
2	2019	130,000	2.000	KW6	One Hundred Thirty Thousand
3	2020	730,000	2.000	KX4	Seven Hundred Thirty Thousand
4	2021	760,000	2.000	KY7	Seven Hundred Sixty Thousand
5	2022	795,000	2.000	KZ9	Seven Hundred Ninety-Five Thousand
6	2023	830,000	2.000	LA3	Eight Hundred Thirty Thousand
7	2024	850,000	2.125	LB1	Eight Hundred Fifty Thousand
8	2025	875,000	2.250	LC9	Eight Hundred Seventy-Five Thousand
9	2026	900,000	2.375	LD7	Nine Hundred Thousand
10	2027	925,000	2.500	LE5	Nine Hundred Twenty-Five Thousand
11	2028	950,000	2.500	LF2	Nine Hundred Fifty Thousand
12	2029	1,010,000	3.000	LG0	One Million Ten Thousand
13	2030	995,000	3.000	LH8	Nine Hundred Ninety-Five Thousand



Lincoln City Council

Regular Meeting

~ Minutes ~

801 SW Hwy 101
Lincoln City, OR 97367
www.lincolncity.org

Cathy Steere
541-996-1203

Monday, October 22, 2012

6:00 PM

Council Chambers

A. CALL TO ORDER

Mayor Anderson called the meeting to order at 6:00 pm.

B. ROLL CALL

Attendee Name	Title	Status	Arrived
Dick Anderson	Mayor	Present	6:00 PM
Gordon Eggleton	Councilor Ward 2	Present	6:00 PM
Gary Ellingson	Councilor Ward 3	Present	6:00 PM
Chester Noreikis	Councilor Ward 2	Present	6:00 PM
Henry Quandt	Councilor Ward 1	Present	6:00 PM
Roger Sprague	Councilor Ward 3	Excused	
Alex Ward	Councilor Ward 1	Present	6:00 PM

C. PLEDGE OF ALLEGIANCE

Mayor Anderson led the Pledge of Allegiance.

D. COMMENTS FROM CITIZENS PRESENT ON AGENDA/NON-AGENDA ITEMS

Sheyssa Ortiz and Inex Gomez from M.E.Ch.A. used a power point presentation to provide information from their club at Taft High School. They are asking for help with fundraising so their club can attend a leadership conference in Portland. They have 20 students in the club. Donations can be made at Taft High School.

Scott Reid, Taft High Principal, spoke on behalf of Susan Smith and Vicki Roller, Aspire and Gear-Up coordinators. November 7th is the annual Gear-up site visit, which involves the hallways and doors to be decorated based on different college themes and mascots. Taft High received a grant from Gear-up received a grant for 60 I-pads for seniors for the counseling office. In addition he asked that the week of November 4th be proclaimed as "GearUp" week in Lincoln City. He also asked for consideration in changing casual Friday throughout the city to "college Friday", and having the public dress in their favorite college colors. Taft High was chosen recently to be one of 7 schools in the state to be part of a national college application week program. The college application week will be the second week of December, and Mr. Reid asked for volunteers to help out.

Mr. Reid also presented a proposal for "Math Improvement" and asked that the City consider support in partnering with Samaritan North Lincoln Hospital and the Tribe to continue

providing financial support for their math improvement program - math coach and learning team coordinator.

Ken McCormack and Marion Rodenburg, representatives from the Lincoln City Congregational Church Outreach Group, announced their new warming shelter at the church for this winter.

E. EMPLOYEE APPRECIATION

1. Eileen Wilkinson, Accounts Receivable Lead – 15 years of service

Moved to a future agenda.

F. CONSENT AGENDA

Mayor Anderson read the title of each Consent Agenda item. Agenda item number 3 was removed to be considered separately.

2. **Minutes of Meeting October 8, 2012**

Motion To: Noreikis/Quandt m/s a motion to approve the Consent Agenda item number 2 only.

RESULT:	ADOPTED BY VOICE VOTE [UNANIMOUS]
MOVER:	Chester Noreikis, Councilor Ward 2
SECONDER:	Henry Quandt, Councilor Ward 1
AYES:	Anderson, Eggleton, Ellingson, Noreikis, Quandt, Ward
EXCUSED:	Roger Sprague

3. **Resolution 2012-23: A Resolution of the City of Lincoln City Authorizing the Sale of General Obligation Refunding Bonds.**

This item removed for separate consideration.

Mr. Tierney explained the purpose of this resolution is to delegate to the City Manager, Financial Planner and Finance Director to proceed with working on the 15 items listed, and prepare for a competitive bond sale. The potential savings will be in the 6-figure range. These were 25 year bonds and there are 17 years left on the bonds that is being refinanced.

Motion To: Noreikis/Quandt m/s a motion to adopt Resolution 2012-23: A Resolution of the City of Lincoln City Authorizing the Sale of General Obligation Refunding Bonds.

RESULT:	ADOPTED BY VOICE VOTE [UNANIMOUS]
MOVER:	Chester Noreikis, Councilor Ward 2
SECONDER:	Henry Quandt, Councilor Ward 1
AYES:	Anderson, Eggleton, Ellingson, Noreikis, Quandt, Ward
EXCUSED:	Roger Sprague

G. DEPARTMENT/COMMITTEE REPORTS

4. Visitor and Convention Committee annual report (Diane Kusz)

Diane Kusz, Chairman of the Visitor & Convention Committee (VCC) presented the annual report, summarizing their purpose and recent changes. Ms. Kusz advised that they have had no "for-profit" applications to date, and have processed and granted 11 for the "non-profit" fund totaling \$85,000.00. Ms. Kusz asked that City Council grant a temporary extension to the 2 positions expiring on November 5 until new members are appointed. Ms. Kusz asked if the City or VCB can invest in traffic counters that can be read real time and can be used to determine market share, trends, advertising value and more.

Considerable discussion was held regarding proposed traffic counters, including placement. Mr. Hawker notes the City will move forward with either Oregon Department of Transportation (ODOT) for placement, or the City may install them on our own. Ms. Kusz also identified a few of the businesses that have been awarded funding. They intend to provide quarterly reports.

Council asked Ms. Kusz to provide examples for non-profits they have awarded money to, which are; 1) Chamber of Commerce Brew Fest; 2) North Lincoln County Historical Museum; 3) Sitka Center Art Invitational; 4) Siletz Bay Music Festival; 5) North Lincoln Agate Society; 6) Lincoln City Cultural Center.

H. CITY MANAGER REPORTS/CITY ATTORNEY DISCUSSION

5. Discussion: Amendments to Code for VCC

Ms. Pfaff, Visitor & Convention Bureau Director, presented this item.

Ms. Kelsey spoke on her review of the Lincoln City Charter for the transient room tax fund and what the obligations and duties are in the Charter. She notes that membership is an issue, and asked for Council's direction.

Discussion was held as to a quorum on committees, committee membership in relation to vacancies, and process for grant applications in the absence of committee members. Ms. Kelsey confirmed that if there is no quorum on the committee, the applications can be approved by the City Manager and Visitor and Convention Bureau Director for those under \$25,000, and Council for those over \$25,000.

Ms. Pfaff addressed the committee membership qualifications and suggested proposed changes to include appointing members from outside the city. She also asked Council to consider extending the terms of the current members until more applicants come forward. Council felt uncomfortable doing so.

Also discussed was the current alternate position, reducing the number of members, and backup processes for approving grant applications.

FOLLOWUP: *Ms. Pfaff will work with Ms. Kelsey and come back with a draft ordinance incorporating proposed changes.*

6. Discussion: Schooner Creek Surcharge

RESULT:	ADOPTED BY VOICE VOTE [UNANIMOUS]
MOVER:	Chester Noreikis, Councilor Ward 2
SECONDER:	Henry Quandt, Councilor Ward 1
AYES:	Anderson, Eggleton, Ellingson, Noreikis, Quandt, Ward
EXCUSED:	Roger Sprague

Motion To: Motion to continue public hearing to November 26, 2012.

RESULT:	ADOPTED BY VOICE VOTE [UNANIMOUS]
MOVER:	Chester Noreikis, Councilor Ward 2
SECONDER:	Henry Quandt, Councilor Ward 1
AYES:	Anderson, Eggleton, Ellingson, Noreikis, Quandt, Ward
EXCUSED:	Roger Sprague

10. **Public Hearing:** To receive public comment/testimony on proposed amendments to LCMC 17.52.060 and 17.52.070 regarding clear vision requirements. (Request to continue to December 10, 2012. Hearing not opened, and is continued from August 27, 2012).

Motion to continue to December 10, 2012.

Motion To: Noreikis/Quandt m/s a motion to continue the public hearing to December 10, 2012, 6:00 pm, this location.

RESULT:	ADOPTED BY VOICE VOTE [UNANIMOUS]
MOVER:	Chester Noreikis, Councilor Ward 2
SECONDER:	Henry Quandt, Councilor Ward 1
AYES:	Anderson, Eggleton, Ellingson, Noreikis, Quandt, Ward
EXCUSED:	Roger Sprague

11. **Public Hearing:** To receive public comment regarding the adoption of the Lincoln City Walking & Biking Plan. (Hearing remains open and continued from October 8, 2012.)

Ms. Martzahn presented. Council discussion was held regarding the local option tax at 10 cents per 1,000 would yield \$100,000 a year. Also discussed was the 5 year implementation plan, and areas referring to "the vision". Ms. Martzahn will make the corrections.

Speaking in opposition to the plan:

Mike Meyers, 1637 NE 14th Street, Lincoln City, OR

Speaking neutral:

David Helton, ODOT, Transportation and Growth Management Program, 644 "A" Street, Springfield, OR - addressed Council's concerns on the plan, acknowledging that one size won't fit all in Lincoln City and the flexibility of the program.

Speaking in support:

Don Williams, 2625 SW Dune, Lincoln City, OR

Denise Squires, 960 SE Hwy 101, PMB 160, Lincoln City, OR - Asked for the inclusion of dedicated pedestrian timing for the cross-walks at the traffic lights. Council discussion followed as to the lack of time on the cross-walks, and Ms. Squires added that when there are pedestrians in the crosswalk, there should be no green lights for traffic.

Mayor Anderson notes he is pleased with the public participation.

Councilor Eggleton confirmed that if approved, that it is only a "master plan".

FOLLOWUP: Ms. Martzahn notes the plan will move forward with finalization, and it will be brought forward via a Resolution.

Motion To: Motion to close the public hearing.

RESULT:	ADOPTED BY VOICE VOTE [UNANIMOUS]
MOVER:	Chester Noreikis, Councilor Ward 2
SECONDER:	Henry Quandt, Councilor Ward 1
AYES:	Anderson, Eggleton, Ellingson, Noreikis, Quandt, Ward
EXCUSED:	Roger Sprague

J. RESOLUTIONS FOR ADOPTION

- 12. Resolution 2012-22: A Resolution of the City of Lincoln City Authorizing the City to Apply For and Receive From the State of Oregon, Division of Land Conservation and Development (DLCD), a Grant in the Amount of \$7,200.00.**

Mayor Anderson read the resolution.

Motion To: Noreikis/Quandt m/s a motion to adopt Resolution 2012-22: A Resolution the City of Lincoln City Authorizing the City to Apply For and Receive From the State of Oregon, Division of Land Conservation and Development (DLCD), a Grant in the Amount of \$7,200.00.

RESULT:	ADOPTED BY VOICE VOTE [UNANIMOUS]
MOVER:	Chester Noreikis, Councilor Ward 2
SECONDER:	Henry Quandt, Councilor Ward 1
AYES:	Anderson, Eggleton, Ellingson, Noreikis, Quandt, Ward
EXCUSED:	Roger Sprague

K. ADDITIONAL COMMENTS FROM CITIZENS PRESENT ON NON-AGENDA ITEMS

Debra Williams, 2625 SW Dune, Lincoln City, OR - Spoke on the need of an attraction on the south end of town. Notes the dock at Mo's is in need of repair, and suggested a boardwalk with spaces to rent. Also suggested a new crosswalk from East of Hwy 101 to West side on SW 51st Street.

Council discussion took place on the current dock and its state of repair, and that it may not be affordable to repair the dock, jurisdiction of the dock, kiosk idea, boardwalk and parking. Mayor Anderson notes the funding has already been committed to other projects.

L. ANNOUNCEMENTS OR COMMENTS BY CITY COUNCIL

Councilor Eggleton asked for clarification on meeting absences. Mayor Anderson notes the Charter refers to 60 day absences, but does not address times longer than that. He is expected to be gone for an extended period of time from Council. Council consensus is that Gordon Eggleton is excused for 90 days absence.

Councilor Quandt announced to the public to get their ballots completed and mailed or dropped off.

Councilor Noreikis notes that the painting in the parking garage looks good, and the paint makes it more attractive.

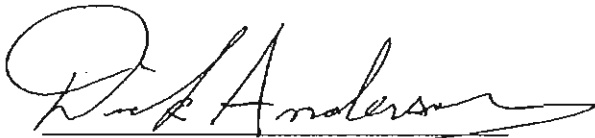
Councilor Ellingson spoke on the SW 51st Street and the parking issues, noting.

Councilor Ward notes the elementary school will be the location for this year's haunted hotel. Candy and volunteers are still needed.

Mayor Anderson reminded citizens there are various vacancies on city committees - transient room tax, Planning Commission has urban growth boundary positions, budget committee, and arts committee, and information is on the city website.

M. ADJOURNMENT

Mayor Anderson adjourned the meeting at 8:51 PM.

A handwritten signature in cursive script that reads "Dick Anderson". The signature is written in black ink and is positioned above a horizontal line.

DICK ANDERSON, MAYOR

RESOLUTION 2012-23

**A RESOLUTION OF THE CITY OF LINCOLN CITY AUTHORIZING THE SALE
OF GENERAL OBLIGATION REFUNDING BONDS.**

WHEREAS, the City Council of the City of Lincoln City, Oregon, finds as follows:

A. The City of Lincoln City (the "City") has issued its General Obligation Sewer Bonds, Series 2005 with an outstanding principal amount of \$12,465,000 (the "Refundable Bonds").

B. Interest rates have declined since the Refundable Bonds were issued.

C. Oregon Revised Statutes sections 287A.360 through 287A.375 authorize Oregon cities to refund outstanding bonds.

D. The Refundable Bonds are paid primarily from property taxes, and the City may be able to reduce its debt service costs and property tax levies for the Refundable Bonds by issuing general obligation refunding bonds to refund the Refundable Bonds.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Lincoln City, Oregon, as follows:

Section 1. Bonds authorized. The City hereby authorizes the issuance of general obligation refunding bonds (the "Bonds") to refund all or any portion of the Refundable Bonds and achieve debt service savings. The Bonds may be issued in an amount that is sufficient to refund all or any portion of the Refundable Bonds and to pay costs related to issuing the Bonds and refunding the Refundable Bonds.

Section 2. Delegation. The City Manager, the Financial Planner, the Finance Director, or the person designated by the City Manager (a "City Official") are each hereby authorized, on behalf of the City and without further action by the Council, to:

- (1) Select the Refundable Bonds to be refunded.
- (2) Issue the Bonds in one or more series.
- (3) Participate in the preparation of, authorize the distribution of, and deem final any official statement or other disclosure documents relating to each series of the Bonds.
- (4) Establish the form, final principal amounts, maturity schedules, interest rates, sale prices and discount, prepayment terms, payment terms and dates, and other terms of each series of Bonds.
- (5) Execute and deliver a bond declaration for each series of Bonds. The bond declaration for each series shall specify the terms under which the series is issued, and may contain covenants for the benefit of Bondowners and any providers of credit enhancement for the Bonds.
- (6) Publish a notice of sale, receive bids and award the sale of each series of Bonds to the bidder complying with the notice and offering the most favorable terms to the City, or select one or

1 more underwriters, commercial banks or other investors and negotiate the sale of any series
2 of the Bonds with those underwriters, commercial banks or investors.

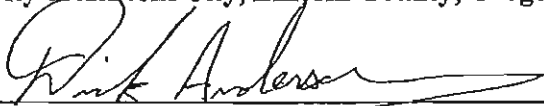
- 3 (7) Undertake to provide continuing disclosure for each series of Bonds in accordance with Rule
4 15c2-12 of the United States Securities and Exchange Commission.
- 5 (8) Apply for ratings for each series of Bonds, determine whether to purchase municipal bond
6 insurance or obtain other forms of credit enhancements for each series of Bonds, enter into
7 agreements with the providers of credit enhancement, and execute and deliver related
8 documents.
- 9 (9) Appoint paying agents for the Bonds and negotiate the terms of and execute an agreement
10 with such paying agent.
- 11 (10) Determine whether each series of Bonds will bear interest that is excludable from gross
12 income under the Internal Revenue Code of 1986, as amended, or is includable in gross
13 income under that code. If a series bears interest that is excludable from gross income under
14 that code, the City Official may enter into covenants to maintain the excludability of interest
15 on that series of the Bonds from gross income.
- 16 (11) Designate any series of Bonds as "qualified tax-exempt obligations" under Section 265(b)(3)
17 of the Code, if applicable.
- 18 (12) File any required advance refunding plans for the Refundable Bonds with the State of
19 Oregon.
- 20 (13) Execute and deliver each series of Bonds to their purchaser.
- 21 (14) Enter into escrow deposit agreements and take any other actions to call, defease and refund
22 any borrowings that are refunded.
- 23 (15) Execute and deliver any agreements or certificates and take any other action in connection
24 with each series of Bonds which the City Official finds is desirable to permit the sale and
25 issuance of that series of Bonds in accordance with this Resolution.

26
Section 3. Security for Bonds. The Bonds shall be general obligations of the City. The City hereby pledges its full faith and credit to pay the Bonds, and the City covenants for the benefit of the Bondowners 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 Bonds promptly as they mature.

Section 4. Effective Date. This resolution shall take effect on its date of adoption.

Dated this 22nd day of October 2012.

City of Lincoln City, Lincoln County, Oregon



DICK ANDERSON, MAYOR

Attest:



CATHY STEERE, CITY RECORDER

GENERAL CERTIFICATE

\$9,885,000

**City of Lincoln City, Oregon
General Obligation Refunding Bonds
Series 2013**

On behalf of the City of Lincoln City, Oregon (the "City"), I hereby certify as follows regarding the above-captioned bonds (the "Bonds"):

1. I am the duly appointed, qualified and acting Financial Planner of the City of Lincoln City, Oregon (the "City"), and am an authorized "City Official" under City Resolution No. 2012-23 adopted by the City Council on October 22, 2012 (the "Resolution"). Pursuant to the authority granted by the Resolution, I have, or a duly authorized representative of the City has, taken the actions outlined in Section 2 of the Resolution. The Resolution remains in full force and effect and has not been modified or rescinded.

2. The Resolution authorizes issuance of bonds pursuant to Oregon Revised Statutes Section 287A.360 through 287A.375 to refund all or a portion of the City's outstanding General Obligation Sewer Bonds, Series 2005 (the "Refunded Bonds"), in an amount sufficient to pay and redeem the Refunded Bonds that are being refunded, plus an amount sufficient to pay estimated costs related to the issuance of the Refunded Bonds. Pursuant to the Resolution, I have determined that issuing the Bonds to refund a portion of the Refunded Bonds produces adequate savings to justify the refunding and I have selected the Refunded Bonds to be refunded.

3. The City has caused to be prepared, in connection with the sale of the Bonds, the Preliminary Official Statement for the Bonds that is dated February 4, 2013, as supplemented by the Supplement to Preliminary Official Statement for the Bonds that is dated February 11, 2013 (collectively, the "Preliminary Official Statement"). The Preliminary Official Statement has been deemed final as of its date by the City for the purposes of Rule 15c2-12 of the Securities and Exchange Commission.

4. Pursuant to the Resolution, the Bonds were offered for public bid on February 12, 2013. The bid of Robert W. Baird & Co. Incorporated (the "Purchaser") offered the lowest true interest cost to the City, and I have awarded the sale of the Bonds to the Purchaser and in accordance with the Official Notice of Bond Sale which provided for the Bonds to be awarded to the bidder whose bid produces the lowest overall true interest cost for the City.

5. Execution of this certificate constitutes execution by the City of the Final Official Statement for the Bonds that is dated February 12, 2013 (the "Final Official Statement"). I have examined the Final Official Statement and the financial and other data concerning the City contained therein and to the best of my knowledge and belief, (i) the Final Official Statement, both as of its date and as of the date of delivery of the Bonds, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and (ii) between the date of the Final Official Statement and the date of delivery of the Bonds there has been no material adverse change in the affairs (financial or other), financial condition or results of operations of the City except as set forth in or contemplated by the Final Official Statement.

However, I make no representation regarding Bond Counsel's form of opinion or the information provided by The Depository Trust Company, the underwriter, or the Paying Agent in the Final Official Statement.

6. The descriptions and statements, including financial data, of or pertaining to other bodies and their activities contained in the Preliminary Official Statement and the Final Official Statement have been obtained from sources that the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect.

7. The Bonds are issued pursuant to the Resolution and a Bond Declaration for the Bonds that is dated February 26, 2013. The Bonds have been signed with the facsimile signature of the City's Mayor, Dick Anderson, and with my facsimile signature. We are, on this 26th day of February, 2013, the date of actual delivery of the Bonds, the duly chosen, qualified and acting officers indicated therein and authorized to execute the same.

8. The Bonds have been presented to U.S. Bank National Association, as paying agent and registrar (the "Paying Agent"), for signature and authentication. The Paying Agent is authorized to register the Bonds in the name of "Cede & Co." as nominee of DTC, and to hold the Bonds in DTC Fast Automated Securities Transfer (FAST).

9. The City Council meets in regular session each month. The meetings are held in compliance with the laws of the State of Oregon and the rules and procedures of the City. The City Council has adopted policies to implement the provisions of ORS 192.640 regarding public meeting notice, and has complied with those policies for all City Council meetings at which action was taken on matters concerning the Bonds. A quorum was present throughout each of the City Council meetings at which action was taken on matters concerning the Bonds. The Resolution was properly adopted by the City Council pursuant to the law and with all public notice required by law.

10. The proceeds from the sale of the Bonds will be used solely as set forth in the Resolution.

11. The projects refinanced with the proceeds of the Bonds constitute "capital costs" as defined in Article XI, Section 11L of the Oregon Constitution. The weighted average life of the Bonds does not exceed the weighted average life of the projects refinanced with the Bonds.

12. The projects being refinanced with the proceeds of the Bonds are in compliance with the applicable comprehensive plans and statewide goals of the Land Conservation and Development Commission of the State of Oregon.

13. To my knowledge after due inquiry of the City Attorney, no litigation is pending or threatened in any court in any way affecting my title or position, or seeking to restrain or enjoin the delivery of the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds or the Bond Declaration, or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Final Official Statement, or contesting the powers of the City or its authority with respect to the Bonds or the Bond Declaration.

14. The City has and will comply with all requirements of the Oregon Local Budget Law related to the Bonds.

15. The City has complied in all material respects with all agreements, and satisfied all other conditions on its part to be performed or satisfied with respect to the Bonds at or prior to delivery of the Bonds to their purchaser as of this date.

Dated as of the 26th day of February, 2013.

City of Lincoln City, Oregon



Ron Tierney, Financial Planner

[General Certificate of City]

CONTINUING DISCLOSURE CERTIFICATE

\$9,885,000

**City of Lincoln City, Oregon
General Obligation Refunding Bonds
Series 2013**

This Continuing Disclosure Certificate (the "Certificate") is executed and delivered by the City of Lincoln City, Oregon (the "Issuer") in connection with the issuance of the Issuer's General Obligation Refunding Bonds, Series 2013 (the "Securities").

Section 1. Purpose of Certificate. This Certificate constitutes the Issuer's written undertaking for the benefit of the holders of the Securities and to assist the underwriters of the Securities in complying with paragraph (b)(5) of the United States Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. § 240.15c2-12) as amended (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 Securities, including persons holding Securities through nominees or depositories.

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

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

"Official Statement" means the final official statement for the Securities dated February 12, 2013.

"Rule" means the Commission's Rule 15c2-12 under the Securities Exchange Act of 1934, as it has been and may be amended.

Section 3. Financial Information. The Issuer agrees to provide or cause to be provided to the MSRB, 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 under the heading "Basic Financial Statements for Fiscal Year Ended June 30, 2012" (Appendix A).

To the extent not included in its annual financial statements, the Issuer shall also provide information, of the type set forth in the Official 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 assessor); (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 obligations 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 2012-2013. The information described in the preceding paragraph will be provided in the form of audited financial statements if they are then available, and otherwise will be provided in the form of unaudited financial statements. 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. In lieu of providing this annual financial information separately, the Issuer may cross-reference to other documents provided to the MSRB.

The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB 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) and in accordance with generally accepted accounting principles so prescribed by the Governmental Accounting Standards Board (or its successors) when and if available to the MSRB.

Section 5. Material Events. The Issuer agrees to provide or cause to be provided to the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the Securities:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the Security;
7. Modifications to the rights of Security holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;

10. Release, substitution or sale of property securing repayment of the Securities, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the obligated person; (Note: For the purposes of the event identified in this paragraph 12, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.);

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

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Section 6. Termination. The Issuer's obligation to provide notices of material events shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Securities. 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 provision of this Certificate, are invalid, have been repealed retroactively or otherwise do not apply to the Securities; and (b) notifies the MSRB of such opinion and the termination of its obligations under this Certificate.

Section 7. Amendment. Notwithstanding any other provision of this Certificate, the Issuer may amend this Certificate, provided that the following conditions are satisfied:

A. If the amendment 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 Securities, or the type of business conducted; and,

B. If this Certificate, as amended, 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 Securities, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

C. The amendment either (i) is approved by the owners of the Securities pursuant to the terms of the governing instrument as it is in effect at the time of the amendment or (ii) does not materially impair the interests of the owners or Beneficial Owners of the Securities as determined by a party unaffiliated with the Obligated Person.

In the event of any amendment of a provision of this Certificate, the Issuer shall describe such amendment in its next annual filing pursuant to Section 3 of this Certificate, and shall include, as applicable, a narrative explanation of the reason for the amendment 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 the amendment shall be given in the same manner as for a material event under Section 5 hereof, and (ii) the annual filing pursuant to Section 3 of this Certificate for the first fiscal year that is affected by the change in accounting principles 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 8. Securities Owner's Remedies Under This Certificate. The right of any holder of Securities or Beneficial Owner of Securities 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 9. Form of Information. All information required to be provided under this certificate will be provided in an electronic format as prescribed by the MSRB and with the identifying information prescribed by the MSRB.

Section 10. Submitting Information Through EMMA. So long as the MSRB continues to approve the use of the Electronic Municipal Market Access ("EMMA") continuing disclosure service, any information required to be provided to the MSRB under this Certificate may be provided through EMMA. As of the date of this Certificate, the web portal for EMMA is emma.msrb.org.

Section 11. 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 26th day of February, 2013.

City of Lincoln City, Oregon

By: 

Ron Tierney, Financial Planner

TAX CERTIFICATE

\$9,885,000

**City of Lincoln City, Oregon
General Obligation Refunding Bonds
Series 2013**

THIS TAX CERTIFICATE is executed by City of Lincoln City, Lincoln County, Oregon (the “City”) as of February 26, 2013, to establish the facts and circumstances that are necessary to determine that its \$9,885,000 General Obligation Refunding Bonds, Series 2013 (the “Bonds”) are not “arbitrage bonds” within the meaning of Section 148 of the Code and are not “private activity bonds” under Section 141 of the Code. This Tax Certificate is intended to be relied upon as a certification described in Treas. Regs. §1.148-2(b)(2).

In making its representations and certifications in this Tax Certificate and in establishing its expectations regarding uses of Gross Proceeds of the Bonds to assure compliance with Sections 103 and 141 to 150 of the Code, the City has relied on representations and certifications of other parties. Based on the various roles and responsibilities of such other parties with respect to the certified matters, the City believes that such reliance is reasonable and prudent. The City is unaware of any facts or circumstances that would cause it to question the accuracy or reasonableness of any such certifications.

The representations of the City expressed in this Tax Certificate may be relied upon by Bond Counsel in connection with the rendering of any opinion with respect to the Bonds.

Capitalized terms that are used, but are not defined, in body of this Tax Certificate are defined in Section 9 of this Tax Certificate.

SECTION 1. Basic Facts and Expectations

1.1 General Representations about the City and the Bonds.

- (A) Due Inquiry. The undersigned is a duly authorized officer of the City, executes this Tax Certificate on behalf of the City, has made due inquiry with respect to and is fully informed as to matters set out in this Tax Certificate, and makes the certifications herein in good faith. To the best of the undersigned’s knowledge and belief, such facts, estimates and circumstances are true, correct, and complete, and the expectations of the City stated herein are reasonable.
- (B) Authorization for Issuance. The Bonds are general obligations of the City payable from proceeds of ad valorem taxes that may be levied without limitation as to rate or amount (subject to certain exceptions) upon property subject to taxation by the City. The Bonds are issued pursuant to Resolution 2012-23 adopted by the City Council of the City on October 22, 2012 (the “Resolution”), pursuant to the Constitution of the State of Oregon, the City Charter and Oregon Revised Statutes Chapter 287A. The Bonds are also issued pursuant to a Bond Declaration dated the Date of Issue (the “Bond Declaration”).
- (C) The City. The City is a city duly organized and existing under and by virtue of the laws of the State of Oregon. The City has the authority to exercise the power of eminent domain in furtherance of its governmental purposes, police power, and the power to levy

taxes within its jurisdiction; as such, the City constitutes a political subdivision of the State of Oregon.

- (D) Purpose of the Bonds. The Bonds are being issued for the following purposes:
- (1) to advance refund a portion of the City's General Obligation Sewer Bonds, Series 2005 (the "Refunded Bonds"); and
 - (2) to pay certain legal and financing costs of issuance of the Bonds.

The City covenants to use the proceeds of the Bonds solely for the above-described purposes, unless it consults with Bond Counsel to determine that the desired use of proceeds for other than the above-described purposes will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes.

- (E) Issue Price. The Bonds are being delivered on the date hereof (the "Date of Issue") to Robert W. Baird & Co. Incorporated (the "Underwriter"), as the underwriter of the Bonds, for resale to the general public. The Underwriter is delivering good funds in exchange for the Bonds on the date hereof. In preparing this Tax Certificate, the City has relied upon certain information provided by the Underwriter in its Certificate Regarding Issue Price regarding the issue prices of the Bonds. Based on the Underwriter's Certificate Regarding Issue Price, the issue price of the Bonds is \$9,997,727.55.

1.2 General Representations about the Refunded Bonds and the Refunding

- (A) Refunding Purpose. The refunding of each of the Refunded Bonds is being accomplished for the City to realize present value debt service savings. The refunding of the Refunded Bonds does not involve a device employed to obtain a material financial advantage apart from savings attributable to lower interest rates. Each maturity of the Refunded Bonds produces present value debt service savings, after subtracting allocable costs of issuance.
- (B) Original Purposes of the Series 2005 Bonds. The issue of which the Refunded Bonds were a part was issued on April 12, 2005 (i) to finance improvement and expansion of the City's sewage treatment plant and collection system; (ii) to purchase a municipal bond insurance policy; and (ii) to pay costs of issuance of the issue.
- (C) Escrow Fund. Sale Proceeds of the Bonds in the amount of 9,818,238.06 will be deposited in a special and irrevocable Escrow Fund (the "Escrow Fund") in the custody of the Escrow Agent established under an Escrow Deposit Agreement, dated as of the Date of Issue, by and between the Escrow Agent and the City, which will be used to acquire certain United States Treasury Securities - State and Local Government Series (the "Escrow Securities"), in the aggregate principal amount of \$9,818,238.00, which will mature in principal amounts at such times, together with interest earned on the investment thereof and an initial cash deposit of \$0.06, as will provide sufficient moneys for the following purposes: to pay the interest on the Refunded Bonds as the same become due and payable on and prior to their redemption date and to redeem the outstanding principal amounts of the Refunded Bonds on the redemption date described in Exhibit A, plus accrued interest thereon.
- (D) Sufficiency. Economic and Financial Analysis (the "Financial Advisor"), as the financial advisor to the City, has arranged to be determined, and Grant Thornton LLP (the

“Verification Agent”), acting as verification agent, has verified, that the moneys produced from the Escrow Securities held in the Escrow Fund pursuant to the Escrow Deposit Agreement, together with the initial cash deposits, will be sufficient to pay the principal of, interest on and redemption premium requirements of the Refunded Bonds.

- (E) Unexpended Proceeds of Refunded Bonds. As of the date hereof, other than as set forth below, there are no unexpended proceeds of the Refunded Bonds, nor are there any other amounts expected to be used to pay debt service on or to otherwise secure the Refunded Bonds.
- (F) Facts, Representations, and Expectations in Connection with Issuance of the Refunded Bonds. The City represents that the facts and representations set forth in the tax certificate executed in connection with the issuance of the issue of which the Refunded Bonds were a part, including attachments thereto, are true and accurate as of the date hereof. The Refunded Bonds were issued as “governmental bonds” under Section 141 of the Code, thus refunding the Refunded Bonds currently outstanding constitutes a qualified use of the proceeds of the Bonds.
- (G) Excess Gross Proceeds. Proceeds of the Bonds will not constitute excess gross proceeds (as such term is defined in Section 1.148-10(c) of the Regulations) in an amount that is greater than one percent (1%) of the sale proceeds of the Bonds. In this regard, excess gross proceeds constitute all gross proceeds (including replacement proceeds) of the Bonds, other than those that are allocable to the (i) payment of principal, interest or redemption premium on the Refunded Bonds, (ii) payment of pre-issuance accrued interest with respect to the Bonds, and interest with respect to the Bonds that accrues for a period up to the completion date of any capital project for which the Refunded Bonds were issued, plus one year, (iii) a Reasonably Required Reserve or Replacement Fund for the Bonds, (iv) payment of the costs of issuance of the Bonds, (v) payment of the administrative costs allocable to repaying the Refunded Bonds, carrying and repaying the Bonds, or investments of the Bonds, (vi) transferred proceeds allocable to expenditures for the governmental purpose of the Refunded Bonds, (vii) payment of interest on purpose investments, (viii) replacement proceeds in a sinking fund for the Bonds, and (ix) qualified guarantee fees for the Bonds or the Refunded Bonds. For this purpose, the term “transferred proceeds” includes all unexpended proceeds of the Refunded Bonds as of the date hereof.
- (H) First Advance Refunding. The Bonds constitute the first and only advance refunding of the Refunded Bonds. Consequently, the Bonds may not, under current law, be advance refunded with the proceeds of obligations the interest on which is excluded from gross income for federal income tax purposes under Section 103(a) of the Code.
- (I) First Call Date. On the basis of calculations performed by the Underwriter, the City will realize present value debt service savings (determined without regard to issuance and administrative expenses) in connection with the issuance of the Bonds and the redemption of the Refunded Bonds. Accordingly, pursuant to Section 149(d)(3)(A)(iii) of the Code, the Refunded Bonds will be redeemed not later than the earliest date on which such Refunded Bonds may be prepaid.
- (J) No Advance Refunding Device. Each of the Refunded Bonds will be retired at a time no later than such Refunded Bonds would have been retired had the Bonds not been issued for the purpose of refunding the Refunded Bonds. No device has been or will be

employed in connection with the issuance of the Bonds in order to obtain a material financial advantage (based on arbitrage) apart from savings attributable to lower interest rates.

1.3 Funds and Accounts Created.

- (A) Debt Service Account. The City has established a debt service account (the "Debt Service Account") for the Bonds. The Bonds are general obligations of the City payable from proceeds of *ad valorem* taxes levied for the Bonds. As more fully described in the Official Statement, the City has the power and is obligated to levy *ad valorem* taxes upon all property within the City subject to taxation by the City without limitation as to rate or amount for the payment of debt service on the Bonds. Tax revenues are to be collected by the City and deposited to the Debt Service Account. Payments of debt service on the Bonds generally are expected to be derived from current tax revenues of the City in each year, and tax revenues are expected to equal or exceed debt service on the Bonds during each payment period. Tax revenues actually used in less than one year from the date first received to pay debt service on obligations of the City, on a first-in, first-out accounting basis, are referred to herein as "Current Tax Revenues."
- (B) Bona Fide Debt Service Fund. The Debt Service Account serves as the repository for the collection of tax revenues relating to the Bonds by the City. The City expects that debt service on the Bonds will be paid from moneys held in the Debt Service Account of the City. Any moneys used by the City to make payments on the Bonds are expected to be from Current Tax Revenues. The portion of the Debt Service Account expected to be used to pay debt service on the Bonds (to the extent amounts deposited therein will be expended within twelve (12) months of receipt to redeem Bonds) is collectively referred to herein as the "Bona Fide Debt Service Fund". To the extent of Current Tax Revenues, such funds and accounts in the aggregate will be depleted at least once a year except for a reasonable "Carryover Amount," defined for this purpose not to exceed the greater of (i) earnings on amounts on deposit in such funds from the immediately preceding Bond Year, or (ii) one-twelfth (1/12th) of the principal of and interest on the Bonds due and payable in the next succeeding Bond Year. Current Tax Revenues contributed to such fund will be spent within thirteen (13) months after the date of such contribution, and any amounts received from the investment or reinvestment of moneys held in such funds will be expended within one year after the date of accumulation thereof in such funds.
- (C) Reserve Amount. If, based on past experiences with respect to the delinquent payment or nonpayment of taxes, the City determines that a tax or assessment must be levied in each year in an amount equal to (i) the amount of principal and interest on the Bonds due in such year (taking into account moneys on hand in the General Fund related to payment of such principal and interest), plus (ii) an amount for estimated delinquent and disputed taxes, in order to ensure that the tax or assessment actually collected is sufficient to pay the debt service requirements on the Bonds for such year, then once each year, the City shall determine the amount of moneys in the Debt Service Account related to the Bonds in excess of the Carryover Amount (the "Debt Service Excess"). The Debt Service Excess, up to an amount not exceeding the least of (i) 10% of the stated principal amount of the Bonds, (ii) the maximum annual principal and interest requirements on the Bonds, or (iii) 125% of the average annual principal and interest requirements on the Bonds (the "Tax Reserve Limit"), will be treated as a Reasonably Required Reserve or Replacement Fund. If, at any time, the Debt Service Excess exceeds the least of these three foregoing

limitations, the City will invest such amount at a yield not in excess of the yield on the Bonds or in Tax-Exempt Obligations.

- (D) No Negative Pledges. There are no amounts held under any agreement to maintain amounts at a particular level for the direct or indirect benefit of the holders of the Bonds or guarantor of the Bonds, if any, excluding for this purpose amounts in which the City (or a substantial beneficiary) may grant rights that are superior to the rights of the holders of the Bonds or guarantor of the Bonds, if any, and amounts that do not exceed reasonable needs for which they are maintained and as to which the required level is tested no more frequently than every six (6) months and that may be spent without any substantial restriction other than a requirement to replenish the amount by the next testing date.
- (E) No Other Funds or Accounts. Except as set forth in this Section 1.3, the City has not created or established nor intends to create or establish any sinking fund, debt service reserve fund, pledged fund, or similar fund, including without limitation, any arrangement under which money, securities or obligations pledged directly or indirectly to secure the Bonds or any contract securing the Bonds or any arrangement providing for compensating balances to be maintained by the City with any holder of the Bonds.

SECTION 2. Sources and Uses of Proceeds

2.1 Sale Proceeds Received by the City

- (A) The Sale Proceeds actually or constructively received by the City from the sale of the Bonds are as follows:

Principal Amount of Bonds	\$9,885,000.00
Net Original Issue Premium	<u>112,727.55</u>
Sale Proceeds of Bonds	\$9,997,727.55

- (B) The Bonds are dated as of the Date of Issue and the City will not receive any accrued interest on the Bonds.

2.2 Uses of Sale Proceeds

- (A) The Sale Proceeds received by the City from the sale of the Bonds will be allocated to the following uses in the following amounts:

Deposit to Escrow Fund	\$9,818,238.06
Underwriter's Discount	102,469.89
Other Costs of Issuance	72,738.50
Additional Proceeds	<u>4,281.10</u>
Total Uses of Sale Proceeds	\$9,997,727.55

- (B) No Overissuance. The amount of Sale Proceeds of the Bonds, together with anticipated investment earnings thereon, does not exceed the expected total amount necessary for the governmental purposes described above (*i.e.*, Redeeming the Refunded Bonds and paying the costs of issuance of the Bonds).

SECTION 3. Expenditure of Bond Proceeds

- 3.1 Tax Accounting for Expenditures of Bond Proceeds. In general, any reasonable, consistently applied accounting method may be used to account for expenditures of proceeds of the Bonds. Reasonable accounting methods for allocating funds from different sources to expenditures for the same governmental purpose, include any of the following methods if consistently applied: a specific tracing method; a gross proceeds spent first method; a first-in, first-out method; or a ratable allocation method.
- 3.2 Segregated Accounts, Investment Records, and Documentation of Expenditures. The City will segregate or account for the Obligation proceeds apart from other funds of the City and will maintain necessary investment and expenditure records in order to demonstrate the investment and expenditure or Obligation proceeds and assure compliance with the Federal tax requirements for the Bonds.
- 3.3 Related Parties and Expenditures. The City understands that any payment of Gross Proceeds of the Bonds to a Related Party of the City is not an expenditure of those Gross Proceeds for federal tax purposes. Accordingly, the City will continue to track investments of proceeds of the Bonds and expenditures of the proceeds of the Bonds until paid to parties that are not Related Parties of the City.
- 3.4 No Working Capital. Except for De Minimis Working Capital Items, no Working Capital Expenditures of the City or any Related Party are being financed directly or indirectly with Proceeds of the Bonds.

SECTION 4. Arbitrage and Yield Restriction

- 4.1 Arbitrage and Rebate Compliance. The City acknowledges that the continued non-inclusion of interest on the Bonds depends, in part, upon compliance with the arbitrage limitations imposed by Section 148 of the Code, including the yield restriction requirements described in Section 4.3 below and the rebate requirements described in Section 5 below. The City hereby agrees and covenants that it shall not permit at any time or times any of the Proceeds of the Bonds or other funds of the City to be used directly or indirectly, to acquire any asset or investment, the acquisition of which would cause the Bonds to be "arbitrage bonds" for purposes of Section 148 of the Code. The City further agrees and covenants that it shall do and perform all acts and things necessary in order to assure that the arbitrage and rebate requirements of Section 148 of the Code are met. To that end, the City shall take the actions described in Sections 4 and 5 of this Tax Certificate with respect to the investment of Proceeds on deposit in the funds and accounts established in connection with the Bonds.
- 4.2 Arbitrage Yield. The Financial Advisor has arranged for the calculation of the yield on the Bond. Such yield has been calculated, and verified by the Verification Agent, to be **2.2725448%** using the economic accrual method required by Treas. Regs. §1.148-4(a). The yield on the Bonds also has been adjusted to take into account an assumed redemption prior to maturity of certain Bonds sold at an original issue premium. The Bonds are a fixed yield issue, and the Bond yield will not be affected by subsequent unexpected events, unless the City enters into a "qualified hedge" meeting the requirements of Treas. Regs. §1.148-4(h) or into any transaction transferring, waiving or modifying any right that is part of the terms of the Bonds. The City will consult with Bond Counsel prior to entering into any of the foregoing transactions.
- 4.3 Yield Restriction.

- (A) Investment Restrictions. The City will not invest the Gross Proceeds of the Bonds in Investments at yields that are “materially higher” (1/8%) than the Bond yield except as set forth in this Section. Proceeds of the Bonds and the amounts on deposit in the funds and accounts relating to the Bonds may be invested as follows:
- (1) Temporary Period for Proceeds of the Bonds Used to Refund the Refunded Bonds. As provided in §1.148-9(g) of the Income Tax Regulations, the City elects to waive the thirty (30) day temporary period available for the Proceeds of the Bonds deposited in the Escrow Fund and to invest those proceeds at a yield not in excess of the yield on the Bonds beginning on the Date of Issue. The Financial Advisor has arranged for the calculation of the yield on the Escrow Securities and such yield has been calculated, and verified by the Verification Agent, to be **0.2858918%**, which is less than the yield on the Bonds.
 - (2) Temporary Period for Costs of Issuance. Proceeds of the Bonds used to pay costs of issuance, and the investment earnings thereon, may be invested without Yield Restriction until expended, for a period not to exceed thirteen (13) months from the date hereof.
 - (3) Temporary Period for *Bona Fide* Debt Service Fund. Amounts deposited in the *Bona Fide* Debt Service Fund may be invested without Yield Restriction for a period not to exceed thirteen (13) months from the date of deposit of such amounts to such funds. Earnings on such amounts that are retained in such fund may be invested without Yield Restriction for a period not to exceed one (1) year from the date of receipt of the amount earned.
 - (4) Minor Portion. Amounts described in this Section 4.3 that may not be invested at an unrestricted yield as described above may be invested at an unrestricted yield to the extent such amounts, in the aggregate, do not exceed the lesser of five percent (5%) of the Sale Proceeds of the Bonds or \$100,000 (the “Minor Portion”).
- (B) Yield Restricted Moneys. Proceeds of the Bonds and investment earnings thereon that must be Yield Restricted pursuant to this Section 4.3 will either (i) be invested at a yield not materially higher (1/8%) than the yield on the Bonds or (ii) be invested in Tax-Exempt Obligations that do not constitute investment-type property.
- (C) Yield Reduction Payments. Notwithstanding the provisions of this Section 4.3 that require the City to invest Proceeds of the Bonds and investment earnings thereon at a yield not in excess of the yield on the Bonds, the yield on certain Investments acquired with Proceeds of the Bonds will not be considered to be higher than the applicable yield limitation above if the City makes Yield Reduction Payments. The City covenants to consult with Bond Counsel or its arbitrage consultant prior to making any Yield Reduction Payments with respect to the Bonds.
- (D) Fair Market Value Investments. All Investments of Gross Proceeds will be made on an arm’s-length, Fair Market Value basis. In the event the City acquires an Investment Contract with any of the Proceeds of the Bonds, the City and the provider of the Investment Contract will make certain representations in compliance with Treas. Regs. §1.148-5(d) and (e). As of the date hereof, the City has not invested, and does not expect to invest, any proceeds of the Bonds pursuant to an Investment Contract.

SECTION 5. Rebate

5.1 Calculation of Rebate Amount. Section 148(f) of the Code requires the payment/rebate to the United States of the excess of the amount earned on the investment of Gross Proceeds in Nonpurpose Investments over the amount that would have been earned on such investments had the amount so invested been invested at a rate equal to the yield on the Bonds, together with any income attributable to such excess. Except as provided below, all of the funds and accounts established in connection with the Bonds, and all other amounts treated as Gross Proceeds, to the extent funded with proceeds of the Bonds, are subject to this requirement. In order to meet the rebate requirement, the City agrees and covenants that subject to any applicable exceptions described in Sections 5.2 below, the City shall perform, or engage Hawkins Delafield & Wood LLP or another nationally-recognized firm to perform, the necessary and appropriate rebate and/or penalty calculations that may be required to be made from time to time with respect to the Bonds, as set forth in Section 148(f) of the Code, to determine the Rebate Amount on each Computation Date.

5.2 Rebate Exceptions. In connection with the rebate requirement the following exceptions may apply to the Bonds:

- (A) Bona Fide Debt Service Fund Rebate Exception. As the Bonds are not private activity bonds and have an average maturity of greater than 5 years and a fixed rate of interest, amounts earned on moneys in the *Bona Fide* Debt Service Fund shall not be taken into account for a Bond Year in determining the Rebate Amount. This exception does not apply to the Debt Service Excess in the Debt Service Account.

5.3 Payment to United States. In connection with the rebate requirement the City shall make the following payments:

- (A) The City will compute the Rebate Amount as of each Computation Date. The first Computation Date is February 26, 2018. The date that the Bonds are discharged will be the final Computation Date and the final rebate installment payment must be made with respect to the final Computation Date.
- (B) For each Computation Date, except the final Computation Date, the City will make a rebate installment payment in an amount which is at least equal to 90% of the Rebate Amount for the Bonds when added to the future value of all previous rebate payments made for the Bonds.
- (C) For the final Computation Date the City will make a rebate installment payment in an amount that, when added to the future value of all previous rebate payments made for the Bonds, equals 100% of the Rebate Amount for the Bonds. Future value will be determined in compliance with the applicable provisions of the Code.
- (D) Each rebate installment payment shall be made within 60 days after its Computation Date to the Internal Revenue Service Center, Ogden, Utah 84201. Each rebate payment will be accompanied by IRS Form 8038-T.
- (E) Yield Reduction Payments, if any, shall be made at the same time and in the same manner as the payment of the Rebate Amount as described in this section 5.3.

SECTION 6. Federal Guarantee Prohibition

- 6.1 No Impermissible Federal Guarantees. The Bonds are not “federally guaranteed” and the City will not cause or allow the Bonds to become “federally guaranteed.” Unless otherwise excepted under Section 149(b) of the Code, the Bonds will be considered “federally guaranteed” if:
- (A) The payment of principal and interest with respect to the Bonds is guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof);
 - (B) Five percent or more of the Proceeds of the Bonds are
 - (1) To be used in making loans, the payment of principal or interest with respect to which are to be guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof); or
 - (2) To be invested (directly or indirectly) in federally insured deposits or accounts; or,
 - (C) The payment of principal of or interest on the Bonds is otherwise indirectly guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof).
- 6.2 Exceptions described in Code Section 149(b) include, but are not limited to: (i) any guarantee by the Federal Housing Administration, the Veterans’ Administration, Fannie Mae, Freddie Mac, or Ginnie Mae; (ii) any guarantee related to investments of Gross Proceeds of the Bonds during an initial temporary period until needed for the governmental purpose of the Bonds, investments as part of a *Bona Fide* Debt Service Fund, investments of a Reasonably Required Reserve or Replacement Fund, investments in bonds issued by the United States Treasury, investments in refunding escrow funds or certain other investments permitted under the Treasury Regulations; or (iii) any guarantee (other than an investment in a Federally insured deposit or account referenced in Code Section 149(b)(3)(C)(ii)) of private activity bonds for a qualified residential rental projects under Section 142(a)(7) of the Code, a housing program obligation under Section 11(b) of the United States Housing Act of 1937, or a qualified mortgage bond or a qualified veterans’ mortgage bond under Section 143 of the Code.

SECTION 7. Private Use Limitation

- 7.1 Ownership/Lease/Sale. The City will own all the assets financed by the Refunded Bonds (the “Projects”). While the Bonds remain outstanding, all of the Projects will be owned by the City or another state or local governmental unit and will not be owned by or leased to any person who is not a state or local governmental unit. The Projects will not be sold or otherwise disposed of, in whole or in part, to a transferee that is not a Related Party to or an agent of the City prior to the final maturity date of the Bonds.
- 7.2 No Private Loans. None of the proceeds of the Bonds are or will be used, directly or indirectly, to make loans to persons other than a state or local governmental unit while the Bonds remain outstanding.
- 7.3 Limitations on Private Use. At all times while the Bonds remain outstanding, less than the lesser of \$15,000,000 or ten percent (10%) of either: (a) the aggregate amount of the proceeds of the Bonds are used or expected to be used, directly or indirectly, in a trade or business carried on by a person other than a state or local governmental unit (“Private Use”) or (b) the present value debt

service on the Bonds during the term thereof is, under the terms of the Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for Private Use or in payments in respect of property used or to be used for Private Use or is to be derived from payments, whether or not to the City, in respect of property or borrowed money used or to be used for Private Use. Payments by a person for use of proceeds do not include the portion of any payment that is properly allocable to the payment of ordinary and necessary expenses (as defined under Section 162 of the Code) directly attributable to the operation and maintenance of the financed property used by that person. For this purpose, general overhead and administrative expenses are not directly attributable to those operations and maintenance.

7.4 Unrelated/Related Disproportionate Use. At all times while the Bonds remain outstanding, less than the lesser of \$15,000,000 or five percent (5%) of either: (a) the proceeds of the Bonds were or will be used, directly or indirectly, in the trade or business of a person other than a state or local governmental unit that is unrelated or related and disproportionate to the governmental use of the property being financed, including any private loan financing described in Section 7.2 which meets this test or (b) the present value debt service on the Bonds during the term thereof is, under the terms of the Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for Private Use or in payments in respect of property used or to be used for Private Use or is to be derived from payments, whether or not to the City, in respect of property or borrowed money used or to be used for Private Use. For purposes of this Tax Certificate, proceeds of the Bonds are allocable to a disproportionate related Private Use to the extent that the proceeds of the Bonds which are to be used to finance property used by a nongovernmental person in a trade or business which is related to the governmental use of the property exceeds the proceeds of the Bonds which are to be used for the governmental use to which such Private Use relates.

7.5 Private Use Defined.

- (A) For purposes of Section 7 of this Tax Certificate, Private Use consists of any contract or other arrangement including, without limitation, leases, management contracts, guarantee contracts, take or pay contracts, put or pay contracts, output contracts, research contracts, or naming rights contracts which provides for use of any portion of the Projects by a person or persons who are not state or local governments on a basis different than the general public. The City will not enter into any such contract or arrangement unless the City has obtained an opinion from Bond Counsel that such contract or arrangement does not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. None of the Projects are being financed for use by any specific user (other than the City).
- (B) Use by State or Local Governmental Units. The Projects may be used by or on behalf of a state or local governmental unit provided that there is no transfer or flow-through of such use to any person or entity carrying on any trade or business that does not constitute General Public Use (as defined in subsection (C) below).
- (C) General Public Use. The Projects may be used by any person or entity, including any person or entity carrying on any trade or business, if such use constitutes "General Public Use." General Public Use is any arrangement providing for use that is available to the general public at either (i) no charge, or (ii) on the basis of rates that are generally applicable and uniformly applied. For this purpose, rates may be treated as generally applicable and uniformly applied even if (i) different rates apply to different classes of users, such as volume purchasers, if the differences in rates are customary and

reasonable, or (ii) a specially negotiated rate arrangement is entered into, but only if the user is prohibited by federal law from paying the generally applicable rates, and the rates established are as comparable as reasonably possible to the generally applicable rates.

- (D) No Priority Rights or Other Preferential Benefits. No portion of the Projects will be used by any person or entity under any arrangement that conveys priority rights or other preferential benefits.
- (E) 200 Days General Public Use Arrangements. The Projects may be used by any person or entity under any arrangement that is available to members of the general public and that does not otherwise convey priority rights or other preferential benefits if the term of the use under the arrangement, including all renewal options, is not greater than 200 days. For this purpose, a right of first refusal to renew use under the arrangement is not treated as a renewal option if (i) the compensation for the use under the arrangement is redetermined at generally applicable, fair market value rates that are in effect at the time of renewal, and (ii) the use of the financed property under the same or similar arrangements is predominantly by natural persons who are not engaged in a trade or business.
- (F) 50 Days Negotiated Arm's-length Use Arrangements. The Projects may be used by any person or entity under any arrangement (other than as an owner) for a term (including renewal options) not longer than 50 days, provided the arrangement is negotiated at arm's-length, the compensation paid for the use is at fair market value and the Projects are not being financed for the principal purpose of such private trade or business use.
- (G) 100 Days Limited General Public Use Arrangements. The Projects may be used by any person or entity under any arrangement for use (other than as an owner) for a term (including renewal options) of not longer than 100 days, provided that the arrangement would be General Public Use except that it is not available on the same basis for use by natural persons because generally applicable and uniformly applied rates are not reasonably available to natural persons not engaged in a trade or business and the Projects are not being financed for the principal purpose of such private trade or business use.
- (H) Incidental Use Arrangements. The Projects or any portion thereof may be used by any person or entity where the use is incidental if, except for vending machines, pay telephones, kiosks and similar uses, the use does not involve the transfer of possession and control of space separated from other areas of the facility by walls, partitions, barriers and the like, the nonpossessory use is not functionally related to any other use of such facility by the same person (other than a different nonpossessory use) and all nonpossessory uses do not in the aggregate exceed 2½% of the Projects or such facility.

7.6 Management and Operations Contracts. The City manages and operates all the Projects. The City has not been a party to any management contract with any person or entity for management services to be provided to the City at or with respect to the Projects. The City will not enter into any such contract unless it consults with Bond Counsel to determine that such contract either (i) satisfies the requirements of a "qualified management contract," the rules for which are currently embodied in Revenue Procedure 97-13, or (ii) does not otherwise adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

7.7 Monitoring and Measurement of Private Activity. The City covenants to monitor the amount of Private Use at each of the Projects to ensure that the aggregate amount of such Private Use at all

of the Projects will not exceed the applicable limits described in this Section 7. The City has established or will establish procedures for monitoring the amount of Private Use at each of the Projects.

- 7.8 Change in Use. While the City does not expect that any of the property financed with the proceeds of the Bonds will be used in a manner that could cause the Bonds to become private activity bonds, in the event that circumstances change and a use is made of the property that could result in the Bonds becoming private activity bonds, the City will consult with its Bond Counsel and will take any remedial actions required by Treas. Regs. §1.141-12.

SECTION 8. General Representations

- 8.1 Single Issue. There are no other tax exempt obligations of the City that (a) have sale dates within 15 days of the sale date of the Bonds, (b) are sold pursuant to the same plan of financing together with the Bonds, and (c) are reasonably expected to be paid out of substantially the same source of funds as the Bonds. All of the Bonds are being sold at the same time, pursuant to the same plan of financing and reasonably expected to be paid from substantially the same source of funds. Accordingly, the Bonds are a single issue of obligations for federal income tax purposes relating to the exclusion from gross income of interest on the Bonds. No other obligations of the City will be treated as part of the same issue as the Bonds for purposes of complying with federal tax law requirements.
- 8.1 Bank Qualification. The City hereby designates the Bonds as “qualified tax-exempt obligations” pursuant to Section 265(b)(3)(B) of the Code because the City reasonably expects that the amount of tax-exempt obligations to be issued by the City (and any subordinate entities to the City) during calendar year 2013 will not exceed \$10,000,000. For this purpose, this City disregard private activity bonds and can disregard current refunding bonds to the extent that the amount of the refunding bond does not exceed the outstanding amount of the bonds being refunded.
- 8.2 No Hedge. The City has not entered into, and does not expect to enter into in the future, a contract to modify the City's risk of interest rate changes with respect to a portion or all of the Bonds, including an interest rate swap, an interest rate cap, a futures contract, a forward contract, or an option.
- 8.3 No Replacement Proceeds. No portion of the Proceeds of the Bonds will be used as a substitute for other funds which will otherwise be used to acquire, directly or indirectly, securities, obligations, annuity contracts or other investment type property that are Materially Higher Yield Investments.
- 8.4 No Hedge Bonds. The Bonds are not “hedge bonds,” as defined in Section 149(g) of the Code, because the City reasonably expects to spend at least 85% of the net sale proceeds of each issue of the Refunded Bonds within three years from the respective date of issue of each such issue and did not invest more than 50% of the Proceeds of any issue of the Refunded Bonds in Nonpurpose Investments having a substantially guaranteed yield for four years or more.
- 8.5 No Abusive Arbitrage Device. The Bonds are not being issued for a term longer than reasonably necessary to carry out the legitimate governmental purposes thereof, nor are the Bonds being issued earlier or in greater amounts than reasonably necessary to accomplish such governmental purposes. The Bonds are not and will not be part of a transaction or series of transactions that attempts to circumvent the provisions of Section 148 of the Code, and the Treasury Regulations

promulgated thereunder, enabling the City or any Related Party to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage.

- 8.6 No Early Issuance. The Date of Issue has been determined solely on the basis of bona fide financial reasons, in accordance with ordinary financial practices in financing similar expenditures, and has not been determined with a view to prolonging the period between the issuance of the Bonds and expenditure of the proceeds thereof.
- 8.7 No Other Replacement Proceeds. No portion of the proceeds of the Bonds will be used as a substitute for other moneys that were otherwise to be used to finance the Projects and that have been or will be used to acquire directly or indirectly any Investment producing a Yield in excess of the Yield on the Bonds. In addition, the term of the Bonds is not longer than is reasonably necessary for the governmental purpose of the issue, based on the ability of the City to meet all its financial obligations including payment of debt service on the Bonds and the anticipated revenues of the City. In addition, the weighted average maturity of the Bonds does not exceed 120% of the average reasonably expected economic life of the Projects financed by the Bonds.
- 8.8 Document Retention. The City will retain all records necessary to establish the uses and investment of the Gross Proceeds of the Bonds until the date that is four (4) years after the latest of the date of final maturity of the Bonds, or the final maturity or redemption date of any obligations, or series of obligations, that refinance the Bonds. Such records include, but are not limited to, the transcript for the Bonds and the Refunded Bonds, including this Tax Certificate, the IRS Form 8038-G, all investment records applicable to the investment of Gross Proceeds of the Bonds before expenditure, all construction contracts and invoices detailing the costs paid from the Gross Proceeds of the Bonds and the Refunded Bonds, all records evidencing timing and expenditure of Gross Proceeds of the Bonds, any rebate calculations or refund requests filed with respect to the Bonds or the Refunded Bonds, including all Forms 8038-T and 8038-R, and all contracts related to use of the projects financed and refinanced with Gross Proceeds of the Bonds, including leases, management contracts, and services contracts that relate to the uses of the financed projects.
- 8.9 No Pooling. The City does not expect to use and will not use the Proceeds of the Bonds to make or finance loans to two or more ultimate borrowers.
- 8.10 Registered Form. The Bonds are being issued in registered form in accordance with Section 149(a) of the Code.
- 8.11 Survival of Defeasance. Notwithstanding anything in this Tax Certificate or any other provisions of the Resolution to the contrary, the obligation to remit the Rebate Amount to the Treasury and to comply with all other requirements contained in this Tax Certificate shall survive the defeasance or payment in full of the Bonds.
- 8.12 Compliance with Code. The City covenants to comply with the applicable provisions of the Code relating to the Bonds. The City covenants that it shall at all times do and perform all acts and things necessary in order to assure that interest paid on the Bonds shall, for purposes of federal income taxation, be not included in gross income. The City acknowledges that the covenants and conditions set forth in this Tax Certificate are based upon the Code and Treasury Regulations as they exist on the date hereof and that the Code or Treasury Regulations may be subsequently interpreted or modified by the federal government in a manner which is inconsistent with the covenants set forth herein. The City agrees that any such subsequent modification or interpretation of the Code or Treasury Regulations will be deemed a requirement that must be met

pursuant to the general tax covenant set forth above. The City shall not be required to comply with the requirements of this Tax Certificate to the extent that, in the opinion of Bond Counsel, compliance with such requirements is not necessary to maintain the tax-exempt status of the Bonds.

SECTION 9. Definitions

“Bona Fide Debt Service Fund” means an account that will be used primarily to achieve a proper matching of revenues with principal and interest requirements on the Bonds within each Bond Year and that will be completely depleted at least once each Bond Year except for a reasonable carryover amount that will not exceed the greater of: (a) the earnings on the Bona Fide Debt Service Fund for the immediately preceding Bond Year, or (b) one-twelfth of the principal and interest payments on the Bonds for the immediately preceding Bond Year.

“Bond Counsel” means Hawkins Delafield & Wood LLP, or any other nationally recognized bond counsel.

“Bond Year” means each one year period that ends on February 26, unless the City elects a different Bond Year. The first Bond Year ends February 26, 2014.

“Capital Expenditure” shall mean any cost of a type that is properly chargeable to capital account (or would be so chargeable with a proper election) under general federal income tax principles. For example, costs incurred to acquire, construct, or improve land, buildings, and equipment generally are Capital Expenditures. Whether an expenditure is a Capital Expenditure is determined at the time the expenditure is paid with respect to the property; future changes in law do not affect whether an expenditure is a Capital Expenditure.

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations and rulings issued under that Code.

“Computation Date” means February 26, 2018, February 26, 2023, February 26, 2028, and June 1, 2030; or any earlier date on which all the Bonds are discharged.

“Computation Period” means the period between Computation Dates. The first Computation Period begins on February 26, 2013, and ends on February 26, 2018. Each succeeding Computation Period begins on the date immediately following the Computation Date and ends on the following Computation Date.

“Date of Issue” means February 26, 2013.

“De Minimis Working Capital Items” shall mean Working Capital Expenditures eligible for the de minimis exception in Treas. Regs. §1.148-6(d)(3)(ii)(A), and includes:

- (A) Issuance costs of an issue and qualified administrative costs as defined in Treas. Regs. § 1.148-5(e)(2)(i) or (ii), or Treas. Regs. §1.148-5(e)(3)(ii)(A);
- (B) Qualified guarantee fees and payments for qualified hedges for the Bonds;
- (C) interest on an issue for a period starting on the Date of Issue and ending on the date that is the later of three years from the Date of Issue or one year after the date on which any financed Project is placed in service;

- (D) certain Rebate Amounts and Yield Reduction Payments;
- (E) other costs that do not exceed five percent (5%) of the Sale Proceeds of an issue and that are directly related to any Capital Expenditures financed with the issue;
- (F) principal or interest on an issue paid from unexpected excess Sale Proceeds or Investment Proceeds; or
- (G) principal or interest on an issue paid from investment earnings on a reserve or replacement fund that are deposited in a *Bona Fide* Debt Service Fund.

“**Fair Market Value**” is the price at which a willing buyer would purchase the Investment from a willing seller in a bona fide arm’s length transaction, except for specified investments as described in Treas. Regs. §1.148-5(d)(6), including United States Treasury Obligations, certificates of deposit, guaranteed investment contracts, and Investments for yield restricted defeasance escrows.

“**Gross Proceeds**” shall mean Sale Proceeds, Investment Proceeds, Transferred Proceeds and Replacement Proceeds but does not include “qualified administrative costs” as that term is defined in Treas. Regs. §1.148-5(e).

“**Investment**” means any security, obligation, annuity contract, investment-type property and any tax-exempt obligation that is a specified private activity bond as defined in Section 57(a)(5)(C) of the Code. Investment-type property is property held primarily for the production of income.

“**Investment Contract**” shall mean a Nonpurpose Investment that has specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate, and also includes any agreement to supply investments on two or more future dates (*e.g.*, a forward supply contract).

“**Investment Proceeds**” means any amounts actually or constructively received from investing proceeds of an issue.

“**Materially Higher Yield Investment**” means an Investment having a yield more than one-eighth of one percentage point above the Bond yield except that the Investment yield for amounts to provide for payment of principal or interest on other obligations of the City and for any Replacement Proceeds is materially higher if it is more than one-thousandth of one percent above the Bond yield. If yield restricted Investments in the same class are subject to different definitions of materially higher, the applicable definition of materially higher that produces the lowest permitted yield applies to all Investments in the class. If an Investment is a tax-exempt obligation, but is not investment-type property, there is no yield limitation.

“**Nonpurpose Investment**” shall mean any Investment in which Gross Proceeds of an issue are invested and which is not acquired to carry out the governmental purpose for which such issue was issued.

“**Proceeds**” means any Sale Proceeds, Investment Proceeds, and Transferred Proceeds of the Bonds.

“**Reasonably Required Reserve or Replacement Fund**” shall have the meaning used in Treas. Regs. §1.148-2(f)(2) and generally shall mean the portion of a reserve or replacement fund that is eligible to be invested without yield restriction. The amounts invested without yield restriction as part of such a Reasonably Required Reserve or Replacement Fund for obligations are subject to a size limitation equal

to the least of the following: (i) 10% of the stated principal amount (or, for any bond issue having more than a de minimis amount of original issue discount or premium, the issue price of such bond issue); (ii) 100% of the maximum annual principal and interest on the Bonds; or (iii) 125% of the average annual debt service on the Bonds.

“Rebate Amount” means the amount required to be paid to the United States in accordance with Section 148(f) of the Code.

“Related Party or Related Parties” means, in reference to governmental units or 501(c)(3) organizations, members of the same controlled group within the meaning of Treas. Regs. §1.150-1(e) of the Income Tax Regulations, and in reference to any person that is not a governmental unit or a 501(c)(3) organization, a related person as defined in Section 144(a)(3) of the Code.

“Replacement Proceeds” means any amounts that have a sufficiently direct nexus to the Bonds or to the governmental purposes of the Bonds to conclude that the amounts would have been used for that governmental purpose if the Proceeds of the Bonds were not used for that purpose. Replacement Proceeds include, but are not limited to, sinking funds, pledged funds and other amounts that have a nexus to the governmental purposes of the Bonds to the extent that these funds or amounts are held by or derived from a substantial beneficiary of the Bonds. Replacement Proceeds also include amounts that arise to the extent that the City reasonably expects as of February 26, 2013, that the term of the Bonds will be longer than is reasonably necessary for the governmental purposes of the Bonds and there will be available amounts during the period that the Bonds remain outstanding longer than necessary.

“Sale Proceeds” means any amounts actually or constructively received from the sale of the Bonds including amounts used to pay underwriter’s discount or compensation and accrued interest other than pre-issuance accrued interest.

“Tax-Exempt Obligation” shall mean any obligation issued by any Governmental Unit the interest on which is not included in gross income for purposes of federal income taxation under Section 103 of the Code

“Transferred Proceeds” means any Proceeds of a prior issue that cease to be Proceeds of that prior issue and become Proceeds of the issue that refunds it on a date on which all or part of outstanding principal amount of the prior issue is discharged with Proceeds of the refunding issue.

“Working Capital Expenditure” shall mean any cost of a type that does not constitute a Capital Expenditure. Generally, current operating expenses are Working Capital Expenditures.

“Yield Reduction Payments” shall mean payments made to the United States with respect to any Nonpurpose Investment allocated to the Bonds for the purpose of reducing the yield on such Investments, such payments to be made (a) at the same time and the same manner as Rebate Amounts are required to be paid and (b) with respect to Investments that are allocable (i) to Gross Proceeds of the Bonds that previously qualified for a temporary investment period available for Projects, restricted working capital expenditures, pooled financings or Investment Proceeds, or (ii) to the Bonds during any Computation Period in which at least five percent (5%) of the value of the Bonds are variable yield bonds.

“Yield-Restricted” or **“Yield Restriction”** shall mean required to be invested at a yield that is not materially higher than the yield on the Bonds under Section 148 of the Code and Treas. Regs. §1.148-2.

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Dated as of this 26th day of February, 2013.

City of Lincoln City, Oregon



Ron Tierney, Financial Planner

Exhibit A

Refunded Bonds

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
General Obligation Sewer Bonds, Series 2005, 05_GO:					
BOND	06/01/2019	4.250%	20,000.00	06/01/2015	100.000
	06/01/2020	4.250%	620,000.00	06/01/2015	100.000
	06/01/2021	4.300%	655,000.00	06/01/2015	100.000
	06/01/2022	4.375%	685,000.00	06/01/2015	100.000
	06/01/2023	4.400%	720,000.00	06/01/2015	100.000
	06/01/2024	4.400%	755,000.00	06/01/2015	100.000
	06/01/2025	4.500%	795,000.00	06/01/2015	100.000
	06/01/2026	4.500%	835,000.00	06/01/2015	100.000
	06/01/2027	4.600%	875,000.00	06/01/2015	100.000
	06/01/2028	4.625%	920,000.00	06/01/2015	100.000
	06/01/2029	4.700%	1,000,000.00	06/01/2015	100.000
	06/01/2030	4.625%	1,000,000.00	06/01/2015	100.000
			8,880,000.00		

Information Return for Tax-Exempt Governmental Obligations

▶ Under Internal Revenue Code section 149(e)

▶ See separate instructions.

Caution: If the issue price is under \$100,000, use Form 8038-GC.

Part I Reporting Authority		if Amended Return, check here <input type="checkbox"/>	
1 Issuer's name City of Lincoln City, Oregon		2 Issuer's employer identification number (EIN) 93-0523629	
3a Name of person (other than issuer) with whom the IRS may communicate about this return (see instructions)		3b Telephone number of other person shown on 3a	
4 Number and street (or P.O. box if mail is not delivered to street address) P. O. Box 50	Room/suite	5 Report number (For IRS Use Only) 3	
6 City, town, or post office, state, and ZIP code Lincoln City, OR 97367		7 Date of issue 2/26/2013	
8 Name of issue General Obligation Refunding Bonds, Series 2013		9 CUSIP number 533080LH8	
10a Name and title of officer or other employee of the issuer whom the IRS may call for more information (see instructions) Ron Tierney, Financial Planner		10b Telephone number of officer or other employee shown on 10a 541-996-1212	

Part II Type of Issue (enter the issue price). See the instructions and attach schedule.

11 Education	11	
12 Health and hospital	12	
13 Transportation	13	
14 Public safety	14	
15 Environment (including sewage bonds)	15	9,997,727.55
16 Housing	16	
17 Utilities	17	
18 Other. Describe ▶	18	
19 If obligations are TANs or RANs, check only box 19a <input type="checkbox"/>		
If obligations are BANs, check only box 19b <input type="checkbox"/>		
20 If obligations are in the form of a lease or installment sale, check box <input type="checkbox"/>		

Part III Description of Obligations. Complete for the entire issue for which this form is being filed.

	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	06/01/2030	\$ 9,997,727.55	\$ 9,885,000.00	12.312 years	2.2725%

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

22 Proceeds used for accrued interest	22	0
23 Issue price of entire issue (enter amount from line 21, column (b))	23	9,997,727.55
24 Proceeds used for bond issuance costs (including underwriters' discount)	24	175,208.39
25 Proceeds used for credit enhancement	25	0
26 Proceeds allocated to reasonably required reserve or replacement fund	26	0
27 Proceeds used to currently refund prior issues	27	0
28 Proceeds used to advance refund prior issues	28	9,818,238.06
29 Total (add lines 24 through 28)	29	9,993,446.45
30 Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)	30	4,281.10

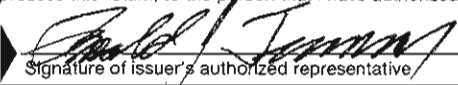
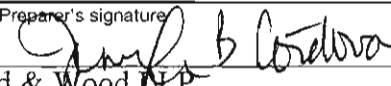
Part V Description of Refunded Bonds. Complete this part only for refunding bonds.

31 Enter the remaining weighted average maturity of the bonds to be currently refunded	▶	N/A	years
32 Enter the remaining weighted average maturity of the bonds to be advance refunded	▶	12.731	years
33 Enter the last date on which the refunded bonds will be called (MM/DD/YYYY)	▶	6/01/2015	
34 Enter the date(s) the refunded bonds were issued (MM/DD/YYYY)	▶	4/12/2005	

For Paperwork Reduction Act Notice, see separate instructions.

Part VI Miscellaneous

35	Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35	0
36a	Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (GIC) (see instructions)	36a	0
b	Enter the final maturity date of the GIC ▶ _____		
c	Enter the name of the GIC provider ▶ _____		
37	Pooled financings: Enter the amount of the proceeds of this issue that are to be used to make loans to other governmental units	37	0
38a	If this issue is a loan made from the proceeds of another tax-exempt issue, check box <input type="checkbox"/> and enter the following information:		
b	Enter the date of the master pool obligation ▶ _____		
c	Enter the EIN of the issuer of the master pool obligation ▶ _____		
d	Enter the name of the issuer of the master pool obligation ▶ _____		
39	If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box		<input checked="" type="checkbox"/>
40	If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box		<input type="checkbox"/>
41a	If the issuer has identified a hedge, check here <input type="checkbox"/> and enter the following information:		
b	Name of hedge provider ▶ _____		
c	Type of hedge ▶ _____		
d	Term of hedge ▶ _____		
42	If the issuer has superintegrated the hedge, check box		<input type="checkbox"/>
43	If the issuer has established written procedures to ensure that all nonqualified bonds of this issue are remediated according to the requirements under the Code and Regulations (see instructions), check box	See Attached	<input type="checkbox"/>
44	If the issuer has established written procedures to monitor the requirements of section 148, check box		<input type="checkbox"/>
45a	If some portion of the proceeds was used to reimburse expenditures, check here <input type="checkbox"/> and enter the amount of reimbursement ▶ _____		
b	Enter the date the official intent was adopted ▶ _____		

Signature and Consent	Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that I consent to the IRS's disclosure of the issuer's return information, as necessary to process this return, to the person that I have authorized above.			
	 Signature of issuer's authorized representative	2/26/2013 Date	Ron Tierney, Financial Planner Type or print name and title	
Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed
	Jennifer B Cordova		2/26/2013	PTIN P01240398
	Firm's name ▶ Hawkins Delafield & Wood LLP	Firm's EIN ▶ 13-5513990		
Firm's address ▶ 200 SW Market Street, Suite 850 Portland, OR 97201	Phone no. 503-402-1320			

ATTACHMENT TO IRS FORM 8038-G

Issuer: City of Lincoln City, Oregon

EIN: 93-0523629

Name of Issue: General Obligation Refunding Bonds, Series 2013

CUSIP: 533080LH8

Date of Issue: 2/26/2013

Lines 43 and 44

The Issuer is aware of its post-issuance tax compliance responsibilities; however, it has not yet adopted written procedures. The Issuer intends to establish comprehensive written procedures with respect to these topics in the future.



PHONE (503) 402-1320
FAX (503) 402-1331

200 SW MARKET STREET, SUITE 350
PORTLAND, OR 97201
WWW.HAWKINS.COM

NEW YORK
WASHINGTON
NEWARK
HARTFORD
LOS ANGELES
SACRAMENTO
SAN FRANCISCO
PORTLAND

Jennifer Córdova
Phone: (503) 402-1326
Fax: (503) 402-1331
E-mail: jcordova@hawkins.com

March 6, 2013

Via Certified Mail
Return Receipt Requested -- 7012 0470 0000 6280 8704

Internal Revenue Service
Internal Revenue Service Center
Ogden, UT 84201

Re: \$9,885,000 City of Lincoln City, Oregon
General Obligation Refunding Bonds, Series 2013;
Our File No.: 36891
Taxpayer ID No.: 93-0523629

Dear Sir or Madam:

Enclosed is an original, executed IRS Form 8038-G for filing in connection with the above-referenced financing.

Sincerely yours,



Jennifer Córdova

acg
Enclosure

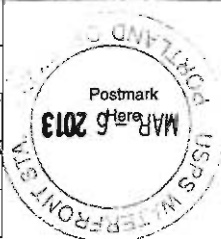
7012 0470 0000 6280 8704

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<i>Sent To</i>	Internal Revenue Service	
<i>Street, Apt. No., or PO Box No.</i>	IRS Center	
<i>City, State, ZIP+4</i>	Ogden, UT 84201	

RECEIPT FOR PROCEEDS

\$9,885,000

**City of Lincoln City, Oregon
General Obligation Refunding Bonds
Series 2013**

On behalf of the City of Lincoln City, Oregon, I hereby authorize distribution of funds and acknowledge receipt of funds as described in the Memorandum of Closing Instructions and Bond Delivery for the above-captioned bonds that was prepared by Economic & Financial Analysis.

Dated as of the 26th day of February, 2013.

City of Lincoln City, Oregon



Ron Tierney, Financial Planner

CERTIFICATE OF ISSUE PRICE

\$9,885,000

City of Lincoln City, Oregon
General Obligation Refunding Bonds
Series 2013

On behalf of Robert W. Baird & Co. Incorporated, the undersigned, as authorized representative of the underwriters for the above-referenced bonds (the “Bonds”) being issued by the City of Lincoln City, Oregon (the “City”), based on available records and information which the undersigned believes to be correct, hereby represents that:

1. On the date of the Bonds’ sale (the “Sale Date”), all Bonds of all maturities have been the subject of an initial offering to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers), at prices not higher than, or, in the case of Bonds sold on a yield basis, at yields not lower than, those shown in the final Official Statement relating to the Bonds (the “Official Statement”).

2. On the Sale Date, to the best of our knowledge based on our records, the first price or yield at which at least ten percent (10%) of each maturity of the Bonds (except the Bonds maturing in the years 2022, 2023, 2025, 2026, 2029) was sold to the public (excluding such bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) was not greater than the respective price, or was not lower than the respective yield, shown in the Official Statement. Less than ten percent of the Bonds maturing in the years 2022, 2023, 2025, 2026, 2029 was sold to the public following a *bona fide* public offering at the prices or yields shown in the Official Statement.

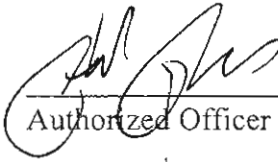
3. On the Sale Date, based on our assessment of the then prevailing market conditions, we had no reason to believe that any of the Bonds would be initially sold to the public (excluding such bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at prices greater than the prices, or yields lower than the yields, shown in the Official Statement.

4. The prices and yields of the Bonds, maturity-by-maturity, shown in the Official Statement, represented our best judgment of the fair market value of the Bonds.

We understand that the representations contained herein may be relied upon by the City in making certain of the representations contained in the Tax Certificate executed by the City in connection with the Bonds, and we further understand that Hawkins Delafield & Wood LLP, as bond counsel to the City for the Bonds, may rely upon this certificate, among other things, in providing an opinion with respect to the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), provided, however, that nothing herein represents our interpretation of any laws and, in particular, regulations under Section 103 of the Code.

Dated as of the 26th day of February, 2013.

Robert W. Baird & Co. Incorporated



Authorized Officer

Name: Charles Galarza

Title: VP

[Certificate of Issue Price]

ACKNOWLEDGMENT OF DELIVERY OF BONDS

\$9,885,000

**City of Lincoln City, Oregon
General Obligation Refunding Bonds
Series 2013**

On behalf of Robert W. Baird & Co. Incorporated, as initial purchaser (the "Purchaser") of the above-captioned Bonds (the "Bonds"), I hereby certify that the Purchaser has: (1) authorized the original Bonds to be delivered to U.S. Bank National Association, as paying agent and registrar for the Bonds; (2) confirmed that the original Bonds have been delivered to and received in satisfactory form by U.S. Bank National Association on behalf of The Depository Trust Company ("DTC") by Fast Automated Securities Transfer; and (3) authorized DTC to credit the Purchaser's account for the Bonds.

Dated as of the 26th day of February, 2013.

Robert W. Baird & Co. Incorporated



Authorized Officer

Name: Charles Galarza

Title: VP

U.S. BANK NATIONAL ASSOCIATION
AUTHORIZED SIGNER(S)

I hereby certify that the following is a true and exact extract of Article VI of the Bylaws presently in effect for U.S. Bank National Association, an association organized and existing under the laws of the United States:

ARTICLE VI. CONVEYANCES, CONTRACTS, ETC.

All transfers and conveyances of real estate, mortgages, and transfers, endorsements or assignments of stock, bonds, notes, debentures or other negotiable instruments, securities or personal property shall be signed by any elected or appointed officer.

All checks, drafts, certificates of deposit and all funds of the Association held in its own or in a fiduciary capacity may be paid out by an order, draft or check bearing the manual or facsimile signature of any elected or appointed officer of the Association.

All mortgage satisfactions, releases, all types of loan agreements, all routine transactional documents of the Association, and all other instruments not specifically provided for, whether to be executed in a fiduciary capacity or otherwise, may be signed on behalf of the Association by any elected or appointed officer thereof.

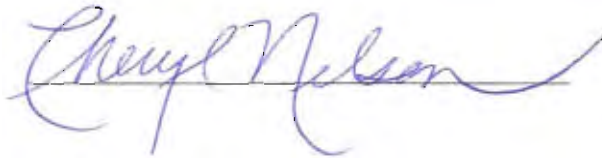
The Secretary of the Association or other proper officer may execute and certify that required action or authority has been given or has taken place by resolution of the Board under this Bylaw without the necessity of further action by the Board.

The Secretary of the Association or other proper officer may execute and certify that required action or authority has been given or has taken place by resolution of the Board under this Bylaw without the necessity of further action by the Board.

I further certify that the following officer of U.S. Bank National Association has been duly elected and qualified and now hold the office listed herein, and that the signature of such officer is authentic:

Cheryl Nelson
Vice President

WILL SIGN:



IN WITNESS WHEREOF, I have hereunto set my hand to be affixed hereto this 26th day of February, 2013.

U.S. Bank National Association



By: Linda A. McConkey
Vice President



PAYING AGENT AND REGISTRAR AGREEMENT

THIS PAYING AGENT AND REGISTRAR AGREEMENT, dated as of the **26th day of February, 2013** between **CITY OF LINCOLN CITY** (the "Issuer") and **U.S. BANK NATIONAL ASSOCIATION, Portland, Oregon office**, ("U.S. Bank").

WITNESSETH

The Issuer intends to issue its Securities described as follows:

Name of Issue: **City of Lincoln City
Lincoln County, Oregon
General Obligation Refunding Bonds, Series 2013**

Date of Issue: **February 26th, 2013**

Total Issue: **\$9,885,000.00**

Interest Payment Dates: **June 1st and December 1st, beginning June 1st, 2013**

The Issuer desires to appoint U.S. Bank as paying agent, transfer agent, authenticating agent and registrar for the purposes of performing services for the payment of principal and interest on the Securities issued or to be issued by the Issuer and for U.S. Bank to act as registrar of the Securities and to transfer and exchange the Securities, and U.S. Bank desires to render the services in its capacity as paying agent, transfer agent, authenticating agent and registrar.

NOW, THEREFORE, the Issuer and U.S. Bank agree as follows:

1. The Issuer shall remit, or cause to be remitted, to U.S. Bank, in immediately available and collected funds, the full amount necessary to pay the interest on the Securities due on each of the related interest dates **at least one business day prior to the respective interest payment dates**, and the full amount necessary to pay the principal of the Securities due on each of the related maturity or redemption dates **at least one day prior to the stated maturity or earlier redemption date** in accordance with the provisions of the Bond Declaration dated as of February 26th, 2013 (the "Declaration").

U.S. Bank is authorized to pay from monies so deposited with it the principal of and interest on the Securities to the registered owner of the Securities whose name and address appears on the registration books of the Issuer maintained by U.S. Bank. At the time of the Closing, Securities are Book Entry Only registered in the name of Cede & Co. Interest and principal on the Book Entry Only Securities shall be payable by wire to the registered owner of the Securities at the address appearing on the registration books maintained by U.S. Bank. U.S. Bank will send an invoice to the Issuer four weeks before the next payment due on the Securities. The duty of U.S. Bank for the payment of the principal of and interest on the Securities shall be to receive funds for payment therefore, and to pay from funds so deposited with it the interest on the Securities and principal of the Securities when due and presented for payment. Under no circumstances shall U.S. Bank be obligated to make principal and/or interest payments next due unless and until the Issuer has caused to be delivered to U.S. Bank, in immediately

available funds, the full amount of Principal and/or interest next due. In the event a principal and/or interest payment date is not a business day, U.S. Bank shall make the principal and/or interest payment on the following business day.

2. Monies deposited with U.S. Bank prior to the payment date for payment of principal of and interest on the Securities shall be held by U.S. Bank in a U.S. Bank paying agency account. Monies deposited with U.S. Bank prior to the payment date shall be held by U.S. Bank in a U.S. Bank Money Market Deposit Account unless otherwise directed by the Issuer. The U.S. Bank Money Market Deposit Account is a U.S. Bank National Association interest-bearing time deposit account designed to meet the needs of U.S. Bank's Corporate Trust Services customers. Selection of this investment includes authorization to place funds on deposit with U.S. Bank. The account pays competitive variable interest rates, which are determined based upon the customer's aggregated balance. Each customer's deposit is insured by the Federal Deposit Insurance Corporation ("FDIC"), as determined by FDIC Regulations, up to the applicable FDIC limits. Interest rates currently offered on the accounts are determined at U.S. Bank's direction and may change daily. U.S. Bank National Association uses the daily balance method to calculate interest on these accounts. This method applies a daily periodic rate to the principal in the accounts each day of the month and divides that figure by the number of days in the period. Interest on customer deposits begins to accrue on the business day funds are credited to the U.S. Bank deposit account. Interest is compounded on a monthly basis. The District acknowledges that to the extent that regulations of the Comptroller of the Currency grant the District the right to receive brokerage confirmations of the security transactions of the paying agency account, the District waives receipt of such confirmations to the extent permitted by law and shall rely on periodic statements of the account provided by U.S. Bank.

3. If any of the Securities are not presented for payment when due, and funds sufficient to pay such Security shall have been paid to U.S. Bank, U.S. Bank shall hold such funds for the benefit of the registered owner of the Securities, without liability for interest thereon. Any monies held by U.S. Bank for such payment after five years from the due date thereof shall be paid by U.S. Bank to the Issuer and the registered owner of the Securities shall thereafter seek payment only from the Issuer. All matured and fully paid Securities shall be canceled by U.S. Bank and, unless otherwise directed in writing by the Issuer, destroyed.

4. If applicable and upon request of U.S. Bank, the Issuer shall furnish to U.S. Bank a sufficient supply of blank certificates for the Securities in appropriate form acceptable to U.S. Bank, and, from time to time, will renew such supply upon the request of U.S. Bank. Such blank certificates shall be signed manually or by facsimile by the officials of the Issuer duly authorized to sign certificates for the Issuer.

5. Upon appropriate instructions received by U.S. Bank from the underwriter, or the Securities purchaser or the Issuer, and the receipt of a sufficient supply of the original supply of blank certificates for the Securities, U.S. Bank shall complete the Securities as to registered owner, denomination, and such other matters as so directed. U.S. Bank shall authenticate the Securities upon request by the Issuer and shall deliver the Securities in accordance with the instructions of the Issuer.

6. U.S. Bank shall maintain for the Issuer appropriate registration books for the registration of the Securities and the registration of transfer and exchange of the Securities. Transfer and exchange of the Securities shall be registered and new certificates issued upon surrender of the outstanding certificates if the Securities are duly endorsed by, or accompanied by a written instrument or instruments of transfer in a form satisfactory to U.S. Bank duly executed by the registered owner thereof or by an attorney duly authorized by the registered owner in writing, together with a guarantee of the signature satisfactory to U.S. Bank and such other documentation as U.S. Bank may reasonably require.

7. U.S. Bank may rely upon the documents of the Issuer authorizing the Securities and upon the Uniform Commercial Code of the State of Oregon or any other statutes which, in the opinion of counsel for U.S. Bank, to protect U.S. Bank and the Issuer without requiring complete documentation, or in registering transfers without inquiry into adverse claims, or in the transfer or registration of Securities standing in the name of the decedent in small estates where no administration is contemplated and documentation furnished conforms with the laws of the descendant's domicile, or in refusing registration where, in the judgment of U.S. Bank, an adverse claim requires such refusal. U.S. Bank reserves the right to refuse to transfer Securities until it is satisfied that the requested transfer is legally authorized; and shall incur no liability for a good faith refusal to make a transfer, which it, in its reasonable judgment deems improper or unauthorized. U.S. Bank shall not be obligated to register any transfer of Securities after the record date fixed for any redemption of such Securities.

8. U.S. Bank shall pay interest as is due on each stated interest payment date, with the funds received from the Issuer, to the registered owners of the Bonds as of the close of business on the 15th day (whether or not a business day) of the preceding month, at their addresses as they appear on the bond register. U.S. Bank shall pay the principal of the Securities as is due on the stated payment dates, with the funds received by the Issuer, upon surrender of the Securities to the corporate trust office for payment. "Principal Corporate Trust Office" or "corporate trust office" means the principal corporate trust office of the Paying Agent in the State of Oregon at 555 SW Oak Street, PD-OR-P6TD, Portland, Oregon 97204, Attention: U.S. Bank (except with respect to payments on the Securities and any exchange, transfer or other surrender of the Securities, in which case c/o U.S. Bank, N.A., 60 Livingston Avenue, St. Paul, Minnesota 55107), or such other or additional offices as may be designated by the Paying Agent.

9. As applicable in connection with mandatory Securities redemptions that are scheduled and fixed in amount under the documents authorizing issuance of the Securities or upon timely receipt of written notification from the Issuer of any other Securities redemption, together with a certified copy of the authorizing resolution, if any, U.S. Bank shall send notice of redemption by first class mail to the registered owner of any Securities to be redeemed pursuant to the Declaration. Wherever necessary, U.S. Bank will comply with the minimum standards endorsed by the Securities and Exchange Commission for securities redemption notices, including notice to all registered securities depositories and to national information services that disseminate redemption notices.

10. U.S. Bank may authenticate and deliver new certificates in substitution for certificates for any Securities represented to have been lost, destroyed or stolen, or in exchange for any certificate represented to have been mutilated, upon receiving indemnity satisfactory to the Issuer and U.S. Bank. All expenses associated with procuring such indemnity and with the preparation, authentication and delivery of a new certificate shall be borne by the registered owner of the lost, destroyed, stolen or mutilated Securities. In the event that a lost, destroyed, stolen or mutilated certificate shall have matured or been called for redemption, such Securities shall be paid, and no new Securities shall be issued in lieu thereof or in exchange therefor.

11. Securities bearing the manual or facsimile signatures of individuals who were, at any time, authorized to execute such Securities shall bind the Issuer. U.S. Bank may issue and register such Securities as the Securities of the Issuer, notwithstanding that such individuals have ceased to hold office with the Issuer prior to the authentication and delivery of such Securities or did not hold such office at the date of transfer of such Securities.

12. At any time, U.S. Bank may apply to an official of the Issuer for instruction, and may consult counsel for the Issuer or bond counsel in respect to any matter arising in connection with any agency hereunder, and shall not be liable for any action taken or omitted to be taken by it in good faith in

accordance with such instructions or with the advise or opinion of such counsel. U.S. Bank shall be protected in treating as duly executed certificates for Securities that it reasonably believes to bear the proper manual or facsimile signatures of the officials of the Issuer. U.S. Bank shall not be responsible, for any reason, for any action taken or omitted to be taken by it in good faith or for anything whatever in connection with this Agreement or any of the Securities except for its own negligence, willful misconduct or bad faith in the performance of any duty to be performed by U.S. Bank hereunder. U.S. Bank and its employees are acting solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust, for or with any of the registered owners or holders of the Securities, except that all funds held by U.S. Bank shall be held in the paying agency account and subject to the provisions hereof.

13. The Issuer agrees to pay U.S. Bank reasonable compensation for services rendered by U.S. Bank hereunder in accordance with the schedule of fees as agreed to from time to time. The Issuer agrees to reimburse U.S. Bank upon its request for all reasonable expenses, disbursements and advances incurred or made by U.S. Bank in accordance with any provision hereof, including the reasonable compensation, expenses and disbursements of its employees and counsel, except any such expenses, disbursements or advances as may be attributable to U.S. Bank's own negligence, willful misconduct or bad faith. The Issuer and U.S. Bank specifically agree that the fees of U.S. Bank paid hereunder have been negotiated with U.S. Bank and have taken into account the provisions of OAR 170-061-0015. The obligations of the Issuer under this paragraph shall survive payment of the Securities and the resignation or removal of U.S. Bank. U.S. Bank shall invoice the Issuer for its services, expenses, advances and disbursements one-time for acceptance and annual administrative fees for the term of this Agreement.

14. U.S. Bank will supply all necessary tax reporting to the security holders and to the Internal Revenue Service in accordance with applicable regulations.

15. To the extent permitted by law, the Issuer agrees to indemnify and U.S. Bank shall be protected, in the absence of negligence, willful misconduct or bad faith, in acting upon or relying on any paper or document reasonably believed by it to be genuine and to have been signed by the proper person or persons. U.S. Bank shall also be protected in acting upon or recognizing Securities which it reasonably believes to bear the manual or facsimile signature of authorized representative of the Issuer and the genuine counter-signature of the Registrar or any Co-registrar. The Issuer assumes full responsibility and to the extent permitted by law shall indemnify U.S. Bank and save it harmless from and against any and all actions and suits, whether groundless or otherwise and from and against any and all losses, damages, charges, costs, counsel fees, payments, expenses and liabilities arising directly or indirectly out of its agency relationship to the Issuer, so long as it acted without negligence, willful misconduct or bad faith.

16. U.S. Bank shall take all reasonable precautions to safeguard all materials in its possession, including Securities being held by it.

17. U.S. Bank may resign as paying agent and registrar or may be removed by the Issuer, such resignation or removal to be effective sixty (60) days after written notice to the other party. The Issuer, prior to the effective date of such resignation or removal, shall appoint a successor agent and, upon such appointment, U.S. Bank shall deliver to the successor agent all its funds, documents, files and records relating to the Securities. The successor agent shall notify the registered owner of the Securities of any change in agents as soon as the successor agent is appointed.

18. The files and materials kept by U.S. Bank pursuant to this Agreement, including registration books and the records of registered Securities ownership, are not public records within the meaning of Oregon Revised Statutes 192.410(4) and U.S. Bank shall not release to or disclose to other persons the

registered ownership of the Securities of the Issuer, except as directed by the Issuer. Any files, records or materials in the possession of U.S. Bank pursuant to this Agreement shall be used only for performance of this Agreement.

19. Any duties required of U.S. Bank pursuant to the terms of this Agreement, including payment of interest and/or principal, shall be performed on the date specified, or, if said date is not a business day, the following business day.

20. If any provision of this Agreement conflicts with the Declaration, the provisions in the Declaration shall control.

21. The Issuer has the authority to make this appointment and it is not in contravention of any other documents which the Issuer has signed in connection with the issuance of the Securities.


22. This Paying Agent and Registrar Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Oregon.

23. This Paying Agent and Registrar Agreement may be executed in any number of counterparts, each of which shall be deemed to be one and the same instrument. The exchange of copies of this Paying Agent and Registrar Agreement and of signature pages by facsimile transmission shall constitute effective execution and delivery of this Paying Agent and Registrar Agreement as to the parties and may be used in lieu of the original Paying Agent and Registrar Agreement for all purposes. Signatures of the parties transmitted by facsimile shall be deemed to be their original signatures for all purposes.

[Signature Page Follows]


IN WITNESS WHEREOF, the parties have executed this Paying Agent and Registrar Agreement as of the date written above.

CITY OF LINCOLN CITY
LINCOLN COUNTY, OREGON


By: Ron Tierney
Title: Financial Planner

ACCEPTED:

U.S. Bank National Association
Portland, Oregon


By: Cheryl Nelson
Title: Vice President

**PAYING AGENT'S CERTIFICATE AND RECEIPT FOR AND
ACCEPTANCE OF BONDS AND DUTIES**

\$9,885,000

**City of Lincoln City, Oregon
General Obligation Refunding Bonds
Series 2013**

On behalf of U.S. Bank National Association (the "Paying Agent"), as Escrow Agent under the Escrow Deposit Agreement (the "Escrow Deposit Agreement") for the above-captioned bonds (the "Bonds"), as Paying Agent and Registrar under the Paying Agent Agreement for the Bonds (the "Paying Agent Agreement" and collectively with the Escrow Deposit Agreement, the "Bond Documents"), and the Bond Declaration for the Bonds (the "Bond Declaration") executed by the City of Lincoln City, Oregon, each of which is dated as of February 26, 2013, I hereby certify as follows:

1. I am an authorized officer of the Paying Agent.
2. The Bond Documents have been duly executed and delivered by the Paying Agent.
3. The Paying Agent has all the necessary corporate and trust powers required to carry out the duties created by the Bond Documents.
4. The Paying Agent has reviewed the Bond Declaration and hereby accepts all responsibilities and duties of the Paying Agent and Registrar under that document.
5. To the best of my knowledge, the acceptance by the Paying Agent of the duties and obligations of the Paying Agent under the Bond Documents and the Bond Declaration and compliance with the provisions thereof will not conflict with or constitute a breach of or default under any law, administrative regulation, consent decree or any agreement or other instrument to which the Paying Agent is bound.
6. The Paying Agent: (a) has received and accepted one typewritten, unauthenticated book-entry certificate for each maturity of the Bonds; (b) has duly and properly authenticated the Bonds and the persons signing on behalf of the Paying Agent have been duly authorized to do so; (c) has registered the Bonds in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"); (d) is holding the Bonds for DTC Fast Automated Securities Transfer ("FAST") to be credited to the account of Robert W. Baird & Co. Incorporated, as the purchaser of the Bonds on this date; and (e) has updated the FAST Reject and Confirm ("FRAC") System in compliance with DTC's requirements.

Dated as of the 26th day of February, 2013.

U.S. Bank National Association


Cheryl Nelson, Vice President

Draft Resol. # 2005-03 X

RESOLUTION 2005-03

A RESOLUTION OF THE CITY OF LINCOLN CITY,
LINCOLN COUNTY, OREGON AUTHORIZING THE SALE
OF THE CITY'S GENERAL OBLIGATION SEWER
BONDS.

WHEREAS, the voters of the City of Lincoln City (the "City") authorized the City to issue \$22,000,000 of general obligation bonds at the general election held on November 2, 2004, to finance the improvement and expansion of the City's sewage treatment plant and collection system; and,

WHEREAS, It is now desirable to issue a portion of the bonds that were authorized at that election.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Lincoln City, Oregon, as follows:

Section 1. Bonds authorized. The City Council of the City hereby authorizes the issuance, sale and delivery of one or more series of the general obligation sewer bonds (the "Bonds") to finance the improvement and expansion of the City's sewage treatment plant and collection system and to pay costs of issuing the Bonds. The principal amount of the Bonds shall not exceed \$22,000,000.

Section 2. Delegation.

The City Manager, the Finance Director, or the person designated by the City Manager (a "City Official") are each hereby authorized, on behalf of the City and without further action by the Council, to:

- (1) Participate in the preparation of, authorize the distribution of, and deem final any official statement or other disclosure documents relating to each series of the Bonds.
- (2) Establish the final principal amounts, maturity schedules, interest rates, sale prices and discount, prepayment terms, payment terms and dates, and other terms of each series of Bonds.
- (3) Execute and deliver a bond declaration for each series of Bonds, specifying the terms under which each series of Bonds are issued, and making covenants for the benefit of Bondowners, including covenants to protect the tax-exempt status of the Bonds.
- (4) Solicit competitive proposals for the purchase of any series of Bonds and award the sale of that series to the proposer offering the most favorable terms to the City, or select one or more underwriters, negotiate the terms of the sale of any series of Bonds, and sell that series to those underwriters.
- (5) Undertake to provide continuing disclosure for each series of Bonds in accordance with Rule 15c-12 of the United States Securities and Exchange Commission.

- 1 (6) Apply for ratings for each series of Bonds, determine whether to purchase municipal
2 bond insurance or obtain other forms of credit enhancements for each series of Bonds,
3 enter into agreements with the providers of credit enhancement, and execute and deliver
4 related documents.
- 5 (7) Appoint a paying agent and registrar for the Bonds and negotiate the terms of and
6 execute an agreement with such paying agent and registrar.
- 7 (8) Execute and deliver each series of Bonds to their purchaser.
- 8 (9) Execute and deliver any agreements or certificates and take any other action in
9 connection with each series of Bonds which the City Official finds is desirable to permit
10 the sale and issuance of that series of Bonds in accordance with this Resolution.

11 **Section 3. Security for Bonds.** The Bonds shall be general obligations of the City. The City
12 hereby pledges its full faith and credit to pay the Bonds, and the City covenants for the benefit of
13 the Bondowners that the City shall levy annually, as provided by law, in addition to its other ad
14 valorem property taxes and outside the limitations of Sections 11 and 11b of Article IX of the
15 Oregon Constitution, a direct ad valorem tax upon all of the taxable property within the City in
16 sufficient amount, after considering sewer system revenues that the City Council makes
17 available to pay the Bonds and expected discounts and delinquencies in the payment of those ad
18 valorem taxes , to pay the Bonds promptly as they mature.

19 **Section 4. Tax-Exempt Status.** The City covenants to use the proceeds of the Bonds and to
20 otherwise comply with the provisions of the Internal Revenue Code of 1986, as amended (the
21 "Code"), so that interest paid on the Bonds will not be includable in gross income of the
22 Bondowners. The City Official may enter into additional covenants on behalf of the City to
23 protect the tax-exempt status of the Bonds.

24 **Section 5. Form and Execution.** Each Bond shall be in substantially the form attached hereto
25 as Exhibit A, with such changes as may be approved by the City Official. The Bonds shall be
26 executed on behalf of the City with the facsimile or manual signatures of Mayor and City
27 Recorder.

28 **Section 6. Reimbursement.** the City Council that the City hereby declares its
29 official intent pursuant to Section 1.150-2 of the Federal Income Tax Regulations to reimburse
30 itself for expenditures the City makes for costs of the sewer system that are eligible to be
31 financed with the general obligation bonds that the City's voters approved on November 2, 2004.
32 The amount to be reimbursed shall not exceed \$22,000,000.

Section 7. Effective Date. This resolution shall take effect on its date of adoption.

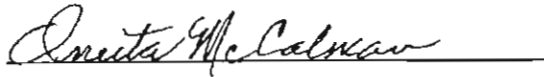
Dated this 24th day of January, 2005.

City of Lincoln City, Lincoln County, Oregon



Mayor

Attest:



City Recorder

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Exhibit A
Form of Bond

No. R-«BondNumber»

\$«PrincipalAmtNumber»

UNITED STATES OF AMERICA
STATE OF OREGON
COUNTY OF LINCOLN
CITY OF LINCOLN CITY
GENERAL OBLIGATION SEWER BOND
SERIES 2005

Dated Date: _____
Interest Rate Per Annum: «CouponRate»%
Maturity Date: _____, «MaturityYear»
CUSIP Number: «CUSIPNumbr»
Registered Owner: -----Cede & Co.-----
Principal Amount: -----«PrincipalAmtSpelled» Dollars-----

The City of Lincoln City, Oregon (the "City"), for value received, acknowledges itself indebted and hereby promises to pay to the Registered Owner hereof, or registered assigns, the Principal Amount indicated above on the Maturity Date indicated above together with interest thereon from the date hereof at the Interest Rate Per Annum indicated above, computed on the basis of a 360-day year of twelve 30-day months. Interest is payable semiannually on the first day of _____ and the first day of _____ in each year until maturity or prior redemption, commencing _____. Payment of each installment of principal or interest shall be made to the Registered Owner hereof whose name appears on the registration books of the City maintained by the City's paying agent and registrar, which is currently The Bank of New York Trust Company, National Association (the "Registrar") as of the close of business on the fifteenth day of the calendar month immediately preceding the applicable interest payment date. For so long as this Bond is subject to a book-entry-only system, principal and interest payments shall be paid in same-day funds on each payment date to the nominee of the securities depository for the Bonds. On the date of issuance of this Bond, the securities depository for the Bonds is The Depository Trust Company, a New York corporation ("DTC"), and Cede & Co. is the nominee of DTC. Such payments shall be made payable to the order of "Cede & Co."

This bond is one of a duly authorized series of bonds aggregating \$ _____ in principal amount designated as General Obligation Sewer Bonds, Series 200_ (the "Bonds"). The Bonds are issued to finance the improvement and expansion of the City's sewage treatment plant and collection system and related costs. The Bonds are issued under and pursuant to Resolution No. _____ of the City adopted on _____ and a Bond Declaration executed pursuant to that resolution (the "Declaration"). The Bonds are issued in full and strict accordance and compliance with all of the provisions of the Constitution and Statutes of the State of Oregon and the Charter of the City.

The Bonds constitute valid and legally binding obligations of the City. The full faith and credit of the City are pledged for the punctual payment of the principal of and interest on the Bonds. The City has pledged and is obligated by law to provide for the levy and collection annually of ad valorem taxes without limitation as to rate or amount on all taxable property within the boundaries of the City to pay the principal of and interest on the Bonds. The Bonds do not constitute a debt or indebtedness of Lincoln County, the State of Oregon, or any political subdivision thereof other than the City.

The rights and obligations of the City and the Registered Owners with respect to the Bonds are subject to the terms of the Declaration dated _____, 2005.

Page

1 The Bonds are initially issued as a book-entry-only security issue with no certificates provided to
2 the beneficial owners. Records of ownership of beneficial interests in the Bonds will be maintained by DTC and its
3 participants.

4 Should the book-entry only security system be discontinued, the Bonds shall be issued in the form
5 of registered Bonds without coupons in denominations of \$5,000 or any integral multiple thereof. Such Bonds may
6 be exchanged for Bonds of the same principal amount, interest rate and maturity date, but different authorized
7 denominations, as provided in the Declaration.

8 The Bonds shall mature and be subject to redemption as described in the Declaration and the Final
9 Official Statement for the Bonds which is dated _____, 2005.

10 Unless the book-entry-only system is discontinued, notice of any call for redemption shall be given
11 as required by the Blanket Issuer Letter of Representations to DTC, as referenced in the Declaration. Interest on any
12 Bond or Bonds so called for redemption shall cease on the redemption date designated in the notice. The Registrar
13 will notify DTC promptly of any Bonds called for redemption not less than 30 days prior to the date fixed for
14 redemption. If the book-entry-only system is discontinued, notice of redemption shall be given by first-class mail,
15 postage prepaid, not less than thirty days nor more than sixty days prior to the date fixed for redemption to the
16 registered owner of each Bond to be redeemed at the address shown on the bond register; however, any failure to
17 give notice shall not invalidate the redemption of the Bonds. All Bonds called for redemption shall cease to bear
18 interest from the date designated in the notice.

19 Any exchange or transfer of this Bond must be registered, as provided in the Declaration, upon the
20 bond register kept for that purpose by the Registrar. The exchange or transfer of this Bond may be registered only
21 by surrendering it, together with a written instrument of exchange or transfer which is satisfactory to the Registrar
22 and which is executed by the registered owner or duly authorized attorney. Upon registration, a new registered Bond
23 or Bonds, of the same series and maturity and in the same principal amount, shall be issued to the transferee as
24 provided in the Declaration. The City and the Registrar may treat the person in whose name this Bond is registered
25 on the bond register as its absolute owner for all purposes, as provided in the Declaration.

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

32 This Bond shall remain in the Registrar's custody subject to the provisions of the FAST Balance
33 Certificate Agreement currently in effect between the Registrar and DTC.

34 IT IS HEREBY CERTIFIED, RECITED, AND DECLARED that all conditions, acts, and things
35 required to exist, to happen, and to be performed precedent to and in the issuance of this Bond have existed, have
36 happened, and have been performed in due time, form, and manner as required by the Constitution and Statutes of
37 the State of Oregon and the Charter of the City; and that the issue of which this Bond is a part, and all other
38 obligations of the City, are within every debt limitation and other limit prescribed by such Constitution and Statutes
39 and City Charter; and that the City has covenanted to levy a tax upon all taxable property within the City in an
40 amount sufficient, with other available funds, to pay when due the interest on and the principal of the Bonds.

41 IN WITNESS WHEREOF, the City Council of the City of Lincoln City, Oregon, has authorized
42 this Bond to be signed by facsimile signature of its City Official as of the ___ day of _____.

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

2 This Bond is one of a series of \$ _____ principal amount of City of Lincoln City, Oregon
3 General Obligation Sewer Bonds, Series 2005, issued pursuant to the Declaration described herein.

4 Date of authentication: _____, 2005.

5 The Bank of New York Trust Company, National Association, as Registrar
6

7
8 _____
Authorized Officer

9 ASSIGNMENT

10 FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____

11 _____
(Please insert social security or other
12 identifying number of assignee)

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

14 Dated: _____

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

16 NOTICE: Signature(s) must be guaranteed by a member of the New York
17 Stock Exchange or a commercial bank or trust company

Signature Guaranteed

18 _____
(Bank, Trust Company or Brokerage Firm)

19 _____
Authorized Officer

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

22 TEN COM – tenants in common

23 TEN ENT – as tenants by the entireties

24 JT TEN – as joint tenants with right of survivorship

and not as tenants in common

25 OREGON CUSTODIANS use the following

_____ CUST UL OREG _____ MIN

as custodian for

(name of minor)

26 OR UNIF TRANS MIN ACT

under the Oregon Uniform Transfer to Minors Act

Page

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

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I certify that I have compared the
~~attached foregoing following~~
Resolution No. 2005-03
consisting of 6 page(s) with the
original in this office, that I am the
custodian, and that it is a true and
correct copy.

Lincoln City, Oregon, Date: 1/26/05
Doreta McCalman
City Recorder for Lincoln City

Page

February 20, 2013

Laura Lockwood-McCall, Executive Director
Debt Management Division
Office of the State Treasurer
350 Winter Street NE, Suite 100
Salem, Oregon 97301-3896

RE: Request for approval for Advance Refunding
City of Lincoln City, Lincoln County, Oregon

Dear Laura,

On behalf of City of Lincoln City in Lincoln County (the "City") I hereby request approval for advance refunding of the City's General Obligation Bonds, Series 2005 (the "Refunded Bonds"). The City priced the General Obligation Refunding Bonds, Series 2013 (the "2013 Bonds") on February 12, 2013 via a competitive sale to achieve present value savings.

Net Present value savings of \$1,100,942.22 were achieved by the refunding. A breakdown of the savings is in the reports of the financing that follow.

Refunding Plan

The City priced the 2013 Bonds via a competitive sale and intends to use a portion of the proceeds to fund an irrevocable escrow. The refunding escrow will be invested in State and Local Government Series U.S. Treasury securities that will make interest payments on the Refunded Obligations starting on June 1, 2013 and redeem the outstanding principal at a price of 100.00 on June 1, 2015.

The City has retained Talbot, Korvola & Warwick LLP as Escrow Verification Agent (the "Verification Agent") for this issue. The Verification Agent expects to provide the escrow verification report by February 22, 2013.

The following documents will be submitted under separate cover for consideration of final advance refunding approval:

Document	Prepared by
Escrow Verification Report	Talbot, Korvola & Warkick LLP
Tax Certificate	Hawkins Delafield & Wood
Legal Opinion	Hawkins Delafield & Wood
Escrow Deposit Agreement	Hawkins Delafield & Wood
Final Official Statement	Hawkins Delafield & Wood
Financial Advisor letter	Economic & Financial Analysis

To assist in the review of this Final Advance Refunding Plan we have prepared the following reports included in this analysis:

2013 Refunding Bonds

- Summary of Refunding Results (Aggregate)
- Semi-annual savings report (Aggregate)
- Semi-annual Bond Debt Service
- Aggregate Debt Service
- Sources and Uses
- Costs of issuance
- Bond Pricing
- Summary of Refunding Results (Individual Series)
- Semi-annual savings report (Individual Series)

Refunded Bonds

- Summary of Refunded Bonds
- Semi-annual prior debt service
- Un-refunded debt service

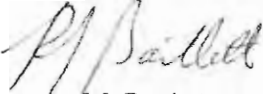
Refunding Escrow

- Escrow Requirements
- Escrow Descriptions
- Escrow Cost
- Escrow Cash Flow
- Escrow Sufficiency
- Escrow Statistics
- Proof of composite escrow yield
- Present value of escrow requirements at arbitrage yield

Laura Lockwood-McCall
February 20, 2013

I hope you find this information helpful and as always, if you have questions or need additional information please do not hesitate to call or email me.

Sincerely,



Raymond J. Bartlett

SUMMARY OF REFUNDING RESULTS

Lincoln City, Oregon
2013 Bank Qualified Advance Refunding of 2005 Swr GO
Competitive Sale Numbers
Bank Qualified

Dated Date	02/26/2013
Delivery Date	02/26/2013
Arbitrage yield	2.272545%
Escrow yield	0.285892%
Bond Par Amount	9,885,000.00
True Interest Cost	2.435848%
Net Interest Cost	2.449552%
All-In TIC	2.505981%
Average Coupon	2.457970%
Average Life	12.328
Par amount of refunded bonds	8,880,000.00
Average coupon of refunded bonds	4.533508%
Average life of refunded bonds	12.743
PV of prior debt to 02/26/2013 @ 2.272545%	11,163,849.08
Net PV Savings	1,100,942.22
Percentage savings of refunding proceeds	11.011925%

SAVINGS

Lincoln City, Oregon
 2013 Bank Qualified Advance Refunding of 2005 Swr GO
 Competitive Sale Numbers
 Bank Qualified

Date	Prior Debt Service	Refunding Debt Service	Savings	Annual Savings	Present Value to 02/26/2013 @ 2.2725448%
06/01/2013	199,816.88	196,684.03	3,132.85	3,132.85	3,114.22
12/01/2013	199,816.88	115,525.00	84,291.88	-	82,849.33
06/01/2014	199,816.88	115,525.00	84,291.88	168,583.76	81,918.52
12/01/2014	199,816.88	115,525.00	84,291.88	-	80,998.16
06/01/2015	199,816.88	115,525.00	84,291.88	168,583.76	80,088.14
12/01/2015	199,816.88	115,525.00	84,291.88	-	79,188.34
06/01/2016	199,816.88	115,525.00	84,291.88	168,583.76	78,298.66
12/01/2016	199,816.88	115,525.00	84,291.88	-	77,418.97
06/01/2017	199,816.88	115,525.00	84,291.88	168,583.76	76,549.16
12/01/2017	199,816.88	115,525.00	84,291.88	-	75,689.12
06/01/2018	199,816.88	115,525.00	84,291.88	168,583.76	74,838.75
12/01/2018	199,816.88	115,525.00	84,291.88	-	73,997.93
06/01/2019	219,816.88	245,525.00	-25,708.12	58,583.76	-22,315.02
12/01/2019	199,391.88	114,225.00	85,166.88	-	73,095.51
06/01/2020	819,391.88	844,225.00	-24,833.12	60,333.76	-21,073.87
12/01/2020	186,216.88	106,925.00	79,291.88	-	66,532.65
06/01/2021	841,216.88	866,925.00	-25,708.12	53,583.76	-21,328.95
12/01/2021	172,134.38	99,325.00	72,809.38	-	59,728.21
06/01/2022	857,134.38	894,325.00	-37,190.62	35,618.76	-30,166.07
12/01/2022	157,150.00	91,375.00	65,775.00	-	52,752.03
06/01/2023	877,150.00	921,375.00	-44,225.00	21,550.00	-35,070.28
12/01/2023	141,310.00	83,075.00	58,235.00	-	45,661.32
06/01/2024	896,310.00	933,075.00	-36,765.00	21,470.00	-28,503.10
12/01/2024	124,700.00	74,043.75	50,656.25	-	38,831.45
06/01/2025	919,700.00	949,043.75	-29,343.75	21,312.50	-22,241.25
12/01/2025	106,812.50	64,200.00	42,612.50	-	31,935.50
06/01/2026	941,812.50	964,200.00	-22,387.50	20,225.00	-16,589.58
12/01/2026	88,025.00	53,512.50	34,512.50	-	25,287.11
06/01/2027	963,025.00	978,512.50	-15,487.50	19,025.00	-11,220.11
12/01/2027	67,900.00	41,950.00	25,950.00	-	18,588.58
06/01/2028	987,900.00	991,950.00	-4,050.00	21,900.00	-2,868.51
12/01/2028	46,625.00	30,075.00	16,550.00	-	11,590.26
06/01/2029	1,046,625.00	1,040,075.00	6,550.00	23,100.00	4,535.54
12/01/2029	23,125.00	14,925.00	8,200.00	-	5,614.29
06/01/2030	1,023,125.00	1,009,925.00	13,200.00	21,400.00	8,936.10
	14,104,400.72	12,880,246.53	1,224,154.19	1,224,154.19	1,096,661.12

Savings Summary

PV of savings from cash flow	1,096,661.12
Plus: Refunding funds on hand	4,281.10
Net PV Savings	1,100,942.22

BOND DEBT SERVICE

Lincoln City, Oregon
 2013 Bank Qualified Advance Refunding of 2005 Swr GO
 Competitive Sale Numbers
 Bank Qualified

Dated Date 02/26/2013
 Delivery Date 02/26/2013

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
06/01/2013	135,000	2.000%	61,684.03	196,684.03	196,684.03
12/01/2013	-	-	115,525.00	115,525.00	-
06/01/2014	-	-	115,525.00	115,525.00	231,050.00
12/01/2014	-	-	115,525.00	115,525.00	-
06/01/2015	-	-	115,525.00	115,525.00	231,050.00
12/01/2015	-	-	115,525.00	115,525.00	-
06/01/2016	-	-	115,525.00	115,525.00	231,050.00
12/01/2016	-	-	115,525.00	115,525.00	-
06/01/2017	-	-	115,525.00	115,525.00	231,050.00
12/01/2017	-	-	115,525.00	115,525.00	-
06/01/2018	-	-	115,525.00	115,525.00	231,050.00
12/01/2018	-	-	115,525.00	115,525.00	-
06/01/2019	130,000	2.000%	115,525.00	245,525.00	361,050.00
12/01/2019	-	-	114,225.00	114,225.00	-
06/01/2020	730,000	2.000%	114,225.00	844,225.00	958,450.00
12/01/2020	-	-	106,925.00	106,925.00	-
06/01/2021	760,000	2.000%	106,925.00	866,925.00	973,850.00
12/01/2021	-	-	99,325.00	99,325.00	-
06/01/2022	795,000	2.000%	99,325.00	894,325.00	993,650.00
12/01/2022	-	-	91,375.00	91,375.00	-
06/01/2023	830,000	2.000%	91,375.00	921,375.00	1,012,750.00
12/01/2023	-	-	83,075.00	83,075.00	-
06/01/2024	850,000	2.125%	83,075.00	933,075.00	1,016,150.00
12/01/2024	-	-	74,043.75	74,043.75	-
06/01/2025	875,000	2.250%	74,043.75	949,043.75	1,023,087.50
12/01/2025	-	-	64,200.00	64,200.00	-
06/01/2026	900,000	2.375%	64,200.00	964,200.00	1,028,400.00
12/01/2026	-	-	53,512.50	53,512.50	-
06/01/2027	925,000	2.500%	53,512.50	978,512.50	1,032,025.00
12/01/2027	-	-	41,950.00	41,950.00	-
06/01/2028	950,000	2.500%	41,950.00	991,950.00	1,033,900.00
12/01/2028	-	-	30,075.00	30,075.00	-
06/01/2029	1,010,000	3.000%	30,075.00	1,040,075.00	1,070,150.00
12/01/2029	-	-	14,925.00	14,925.00	-
06/01/2030	995,000	3.000%	14,925.00	1,009,925.00	1,024,850.00
	9,885,000		2,995,246.53	12,880,246.53	12,880,246.53

AGGREGATE DEBT SERVICE

Lincoln City, Oregon
2013 Bank Qualified Advance Refunding of 2005 Swr GO
Competitive Sale Numbers
Bank Qualified

Date	2013 Bank Qualified Advance Refunding of 2005 Swr GO	Unrefunded Bonds	Aggregate Debt Service
06/01/2013	196,684.03	512,983.75	709,667.78
12/01/2013	115,525.00	64,183.75	179,708.75
06/01/2014	115,525.00	529,183.75	644,708.75
12/01/2014	115,525.00	54,883.75	170,408.75
06/01/2015	115,525.00	544,883.75	660,408.75
12/01/2015	115,525.00	45,083.75	160,608.75
06/01/2016	115,525.00	555,083.75	670,608.75
12/01/2016	115,525.00	34,883.75	150,408.75
06/01/2017	115,525.00	574,883.75	690,408.75
12/01/2017	115,525.00	24,083.75	139,608.75
06/01/2018	115,525.00	589,083.75	704,608.75
12/01/2018	115,525.00	12,218.75	127,743.75
06/01/2019	245,525.00	587,218.75	832,743.75
12/01/2019	114,225.00	-	114,225.00
06/01/2020	844,225.00	-	844,225.00
12/01/2020	106,925.00	-	106,925.00
06/01/2021	866,925.00	-	866,925.00
12/01/2021	99,325.00	-	99,325.00
06/01/2022	894,325.00	-	894,325.00
12/01/2022	91,375.00	-	91,375.00
06/01/2023	921,375.00	-	921,375.00
12/01/2023	83,075.00	-	83,075.00
06/01/2024	933,075.00	-	933,075.00
12/01/2024	74,043.75	-	74,043.75
06/01/2025	949,043.75	-	949,043.75
12/01/2025	64,200.00	-	64,200.00
06/01/2026	964,200.00	-	964,200.00
12/01/2026	53,512.50	-	53,512.50
06/01/2027	978,512.50	-	978,512.50
12/01/2027	41,950.00	-	41,950.00
06/01/2028	991,950.00	-	991,950.00
12/01/2028	30,075.00	-	30,075.00
06/01/2029	1,040,075.00	-	1,040,075.00
12/01/2029	14,925.00	-	14,925.00
06/01/2030	1,009,925.00	-	1,009,925.00
	12,880,246.53	4,128,658.75	17,008,905.28

SOURCES AND USES OF FUNDS

Lincoln City, Oregon
2013 Bank Qualified Advance Refunding of 2005 Swr GO
Competitive Sale Numbers
Bank Qualified

Dated Date 02/26/2013
Delivery Date 02/26/2013

Sources:

Bond Proceeds:	
Par Amount	9,885,000.00
Original Issue Discount	-17,750.00
Premium	130,477.55

9,997,727.55

Uses:

Refunding Escrow Deposits:	
Cash Deposit	0.06
SLGS Purchases	9,818,238.00
	<u>9,818,238.06</u>

Delivery Date Expenses:	
Cost of Issuance	72,738.50
Underwriter's Discount	102,469.89
	<u>175,208.39</u>

Other Uses of Funds:	
Additional Proceeds	4,281.10

9,997,727.55

COST OF ISSUANCE

Lincoln City, Oregon
2013 Bank Qualified Advance Refunding of 2005 Swr GO
Competitive Sale Numbers
Bank Qualified

Cost of Issuance	\$/1000	Amount
Bond Counsel	3.54072	35,000.00
Moody's Rating Fee	1.26454	12,500.00
Escrow Agent:	0.08093	800.00
Paying Agent:	0.08093	800.00
MDAC Fee	0.10000	988.50
Advance Refunding Fee:	0.54122	5,350.00
Escrow Verification:	0.18209	1,800.00
Financial Advisor	1.41629	14,000.00
POS Distribution	0.15175	1,500.00
	<hr/>	<hr/>
	7.35847	72,738.50
	<hr/>	<hr/>

BOND PRICING

Lincoln City, Oregon
 2013 Bank Qualified Advance Refunding of 2005 Swr GO
 Competitive Sale Numbers
 Bank Qualified

Bond Component	Maturity Date	Amount	Rate	Yield	Price	Yield to Maturity	Call Date for Arb Yield	Call Price for Arb Yield	Premium (-Discount)
Bond Component:									
	06/01/2013	135,000	2.000%	0.350%	100.434	-	-	-	585.90
	06/01/2019	130,000	2.000%	1.200%	104.812	-	-	-	6,255.60
	06/01/2020	730,000	2.000%	1.400%	104.129	-	-	-	30,141.70
	06/01/2021	760,000	2.000%	1.600%	103.083	-	-	-	23,430.80
	06/01/2022	795,000	2.000%	1.850%	101.270	-	-	-	10,096.50
	06/01/2023	830,000	2.000%	2.000%	100.000	-	-	-	-
	06/01/2024	850,000	2.125%	2.150%	99.749	-	-	-	-2,133.50
	06/01/2025	875,000	2.250%	2.300%	99.466	-	-	-	-4,672.50
	06/01/2026	900,000	2.375%	2.400%	99.715	-	-	-	-2,565.00
	06/01/2027	925,000	2.500%	2.500%	100.000	-	-	-	-
	06/01/2028	950,000	2.500%	2.570%	99.118	-	-	-	-8,379.00
	06/01/2029	1,010,000	3.000%	2.630%	103.306 C	2.746%	06/01/2023	100.000	33,390.60
	06/01/2030	995,000	3.000%	2.700%	102.671 C	2.804%	06/01/2023	100.000	26,576.45
		9,885,000							112,727.55

Dated Date	02/26/2013	
Delivery Date	02/26/2013	
First Coupon	06/01/2013	
Par Amount	9,885,000.00	
Premium	112,727.55	
Production	9,997,727.55	101.140390%
Underwriter's Discount	-102,469.89	-1.036620%
Purchase Price	9,895,257.66	100.103770%
Accrued Interest	-	
Net Proceeds	9,895,257.66	

SUMMARY OF BONDS REFUNDED

Lincoln City, Oregon
2013 Bank Qualified Advance Refunding of 2005 Swr GO
Competitive Sale Numbers
Bank Qualified

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
General Obligation Sewer Bonds, Series 2005, 05_GO:					
BOND	06/01/2019	4.250%	20,000.00	06/01/2015	100.000
	06/01/2020	4.250%	620,000.00	06/01/2015	100.000
	06/01/2021	4.300%	655,000.00	06/01/2015	100.000
	06/01/2022	4.375%	685,000.00	06/01/2015	100.000
	06/01/2023	4.400%	720,000.00	06/01/2015	100.000
	06/01/2024	4.400%	755,000.00	06/01/2015	100.000
	06/01/2025	4.500%	795,000.00	06/01/2015	100.000
	06/01/2026	4.500%	835,000.00	06/01/2015	100.000
	06/01/2027	4.600%	875,000.00	06/01/2015	100.000
	06/01/2028	4.625%	920,000.00	06/01/2015	100.000
	06/01/2029	4.700%	1,000,000.00	06/01/2015	100.000
	06/01/2030	4.625%	1,000,000.00	06/01/2015	100.000
			8,880,000.00		

PRIOR BOND DEBT SERVICE

Lincoln City, Oregon
 2013 Bank Qualified Advance Refunding of 2005 Swr GO
 Competitive Sale Numbers
 Bank Qualified

Dated Date 02/26/2013
 Delivery Date 02/26/2013

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
06/01/2013	-	-	199,816.88	199,816.88	199,816.88
12/01/2013	-	-	199,816.88	199,816.88	-
06/01/2014	-	-	199,816.88	199,816.88	399,633.76
12/01/2014	-	-	199,816.88	199,816.88	-
06/01/2015	-	-	199,816.88	199,816.88	399,633.76
12/01/2015	-	-	199,816.88	199,816.88	-
06/01/2016	-	-	199,816.88	199,816.88	399,633.76
12/01/2016	-	-	199,816.88	199,816.88	-
06/01/2017	-	-	199,816.88	199,816.88	399,633.76
12/01/2017	-	-	199,816.88	199,816.88	-
06/01/2018	-	-	199,816.88	199,816.88	399,633.76
12/01/2018	-	-	199,816.88	199,816.88	-
06/01/2019	20,000	4.250%	199,816.88	219,816.88	419,633.76
12/01/2019	-	-	199,391.88	199,391.88	-
06/01/2020	620,000	4.250%	199,391.88	819,391.88	1,018,783.76
12/01/2020	-	-	186,216.88	186,216.88	-
06/01/2021	655,000	4.300%	186,216.88	841,216.88	1,027,433.76
12/01/2021	-	-	172,134.38	172,134.38	-
06/01/2022	685,000	4.375%	172,134.38	857,134.38	1,029,268.76
12/01/2022	-	-	157,150.00	157,150.00	-
06/01/2023	720,000	4.400%	157,150.00	877,150.00	1,034,300.00
12/01/2023	-	-	141,310.00	141,310.00	-
06/01/2024	755,000	4.400%	141,310.00	896,310.00	1,037,620.00
12/01/2024	-	-	124,700.00	124,700.00	-
06/01/2025	795,000	4.500%	124,700.00	919,700.00	1,044,400.00
12/01/2025	-	-	106,812.50	106,812.50	-
06/01/2026	835,000	4.500%	106,812.50	941,812.50	1,048,625.00
12/01/2026	-	-	88,025.00	88,025.00	-
06/01/2027	875,000	4.600%	88,025.00	963,025.00	1,051,050.00
12/01/2027	-	-	67,900.00	67,900.00	-
06/01/2028	920,000	4.625%	67,900.00	987,900.00	1,055,800.00
12/01/2028	-	-	46,625.00	46,625.00	-
06/01/2029	1,000,000	4.700%	46,625.00	1,046,625.00	1,093,250.00
12/01/2029	-	-	23,125.00	23,125.00	-
06/01/2030	1,000,000	4.625%	23,125.00	1,023,125.00	1,046,250.00
	8,880,000		5,224,400.72	14,104,400.72	14,104,400.72

UNREFUNDED BOND DEBT SERVICE

Lincoln City, Oregon
2013 Bank Qualified Advance Refunding of 2005 Swr GO
Competitive Sale Numbers
Bank Qualified

Dated Date 02/26/2013
Delivery Date 02/26/2013

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
06/01/2013	440,000	4.000%	72,983.75	512,983.75	512,983.75
12/01/2013	-	-	64,183.75	64,183.75	-
06/01/2014	465,000	4.000%	64,183.75	529,183.75	593,367.50
12/01/2014	-	-	54,883.75	54,883.75	-
06/01/2015	490,000	4.000%	54,883.75	544,883.75	599,767.50
12/01/2015	-	-	45,083.75	45,083.75	-
06/01/2016	510,000	4.000%	45,083.75	555,083.75	600,167.50
12/01/2016	-	-	34,883.75	34,883.75	-
06/01/2017	540,000	4.000%	34,883.75	574,883.75	609,767.50
12/01/2017	-	-	24,083.75	24,083.75	-
06/01/2018	565,000	4.200%	24,083.75	589,083.75	613,167.50
12/01/2018	-	-	12,218.75	12,218.75	-
06/01/2019	575,000	4.250%	12,218.75	587,218.75	599,437.50
	3,585,000		543,658.75	4,128,658.75	4,128,658.75

ESCROW REQUIREMENTS

Lincoln City, Oregon
2013 Bank Qualified Advance Refunding of 2005 Swr GO
Competitive Sale Numbers
Bank Qualified

Period Ending	Interest	Principal Redeemed	Total
06/01/2013	199,816.88	-	199,816.88
12/01/2013	199,816.88	-	199,816.88
06/01/2014	199,816.88	-	199,816.88
12/01/2014	199,816.88	-	199,816.88
06/01/2015	199,816.88	8,880,000.00	9,079,816.88
	999,084.40	8,880,000.00	9,879,084.40

ESCROW DESCRIPTIONS

Lincoln City, Oregon
2013 Bank Qualified Advance Refunding of 2005 Swr GO
Competitive Sale Numbers
Bank Qualified

Type of Security	Type of SLGS	Maturity Date	First Int Pmt Date	Par Amount	Rate	Max Rate
Feb 26, 2013:						
SLGS	Certificate	06/01/2013	06/01/2013	192,721	0.070%	0.070%
SLGS	Certificate	12/01/2013	12/01/2013	186,103	0.130%	0.130%
SLGS	Note	06/01/2014	06/01/2013	186,289	0.180%	0.180%
SLGS	Note	12/01/2014	06/01/2013	186,455	0.230%	0.230%
SLGS	Note	06/01/2015	06/01/2013	9,066,670	0.290%	0.290%
				9,818,238		

SLGS Summary

SLGS Rates File	12FEB13
Total Certificates of Indebtedness	378,824.00
Total Notes	9,439,414.00
	<hr/>
Total original SLGS	9,818,238.00

ESCROW COST

Lincoln City, Oregon
 2013 Bank Qualified Advance Refunding of 2005 Swr GO
 Competitive Sale Numbers
 Bank Qualified

Type of Security	Maturity Date	Par Amount	Rate	Total Cost
SLGS	06/01/2013	192,721	0.070%	192,721.00
SLGS	12/01/2013	186,103	0.130%	186,103.00
SLGS	06/01/2014	186,289	0.180%	186,289.00
SLGS	12/01/2014	186,455	0.230%	186,455.00
SLGS	06/01/2015	9,066,670	0.290%	9,066,670.00
		9,818,238		9,818,238.00

Purchase Date	Cost of Securities	Cash Deposit	Total Escrow Cost	Yield
02/26/2013	9,818,238	0.06	9,818,238.06	0.285892%
	9,818,238	0.06	9,818,238.06	

ESCROW CASH FLOW

Lincoln City, Oregon
2013 Bank Qualified Advance Refunding of 2005 Swr GO
Competitive Sale Numbers
Bank Qualified

Date	Principal	Interest	Net Escrow Receipts	Present Value to 02/26/2013 @ 0.2858918%
06/01/2013	192,721.00	7,096.81	199,817.81	199,667.22
12/01/2013	186,103.00	13,713.02	199,816.02	199,380.43
06/01/2014	186,289.00	13,528.75	199,817.75	199,097.55
12/01/2014	186,455.00	13,361.09	199,816.09	198,811.71
06/01/2015	9,066,670.00	13,146.67	9,079,816.67	9,021,281.08
	9,818,238.00	60,846.34	9,879,084.34	9,818,238.00

Escrow Cost Summary

Purchase date	02/26/2013
Purchase cost of securities	9,818,238.00
Target for yield calculation	9,818,238.00

ESCROW SUFFICIENCY

Lincoln City, Oregon
2013 Bank Qualified Advance Refunding of 2005 Swr GO
Competitive Sale Numbers
Bank Qualified

Date	Escrow Requirement	Net Escrow Receipts	Excess Receipts	Excess Balance
02/26/2013	-	0.06	0.06	0.06
06/01/2013	199,816.88	199,817.81	0.93	0.99
12/01/2013	199,816.88	199,816.02	-0.86	0.13
06/01/2014	199,816.88	199,817.75	0.87	1.00
12/01/2014	199,816.88	199,816.09	-0.79	0.21
06/01/2015	9,079,816.88	9,079,816.67	-0.21	-
	9,879,084.40	9,879,084.40	0.00	

ESCROW STATISTICS

Lincoln City, Oregon
 2013 Bank Qualified Advance Refunding of 2005 Swr GO
 Competitive Sale Numbers
 Bank Qualified

	Total Escrow Cost	Modified Duration (years)	PV of 1 bp change	Yield to Receipt Date	Yield to Disbursement Date	Perfect Escrow Cost	Value of Negative Arbitrage	Cost of Dead Time
Global Proceeds Escrow:	9,818,238.06	2.159	2,119.73	0.285892%	0.285892%	9,408,220.83	410,017.21	0.02
	9,818,238.06		2,119.73			9,408,220.83	410,017.21	0.02

Delivery date 02/26/2013
 Arbitrage yield 2.272545%

PROOF OF COMPOSITE ESCROW YIELD

Lincoln City, Oregon
2013 Bank Qualified Advance Refunding of 2005 Swr GO
Competitive Sale Numbers
Bank Qualified

All restricted escrows funded by bond proceeds

Date	Security Receipts	Present Value to 02/26/2013 @ 0.2858918%
06/01/2013	199,817.81	199,667.22
12/01/2013	199,816.02	199,380.43
06/01/2014	199,817.75	199,097.55
12/01/2014	199,816.09	198,811.71
06/01/2015	9,079,816.67	9,021,281.08
	<u>9,879,084.34</u>	<u>9,818,238.00</u>

Escrow Cost Summary

Purchase date	02/26/2013
Purchase cost of securities	<u>9,818,238.00</u>
Target for yield calculation	9,818,238.00

TED WHEELER
STATE TREASURER

DARREN BOND
DEPUTY STATE TREASURER



DEBT MANAGEMENT DIVISION

350 WINTER STREET NE, SUITE 100
SALEM, OREGON 97301-3896
(503) 378-4930
FAX (503) 378-2870
DMD@OST.STATE.OR.US

OREGON STATE TREASURY

January 29, 2013

Gulgun Mersereau
Hawkins Delafield & Wood LLP
200 SW Market Street, Suite 350
Portland, Oregon 97201-5753

Re: Preliminary Approval for Advance Refunding City of Lincoln City, General Obligation Bonds, Series 2005.

Dear Ms. Mersereau:

We have reviewed the preliminary advance-refunding plan for the bonds referenced above and find that it is in compliance with Oregon Revised Statutes and with the State Treasurer's Office Oregon Administrative Rule 170-062-0000 prescribing such issuance. Based on the representations and calculations contained in the plan, preliminary approval is hereby granted with the understanding that the issuance will realize a present value debt service savings of three percent or greater as described in the plan.

This preliminary approval is based in part on the assumption that all draft documents will be completed in final form and provided as soon as available, and that the issuance costs will be at or under stated totals. This approval expires six months from this date.

Final approval will be given upon receipt of all final documents required by and in compliance with OAR 170-062-0000.

Sincerely,

Larry C. Groth, Deputy Director
Debt Management Division

C Via Email: Ron Tierney, Financial Planner, RonT@LincolnCity.org
Raymond Bartlett, Economic & Financial Analysis, Ray@EconomicAndFinancialanalysis.com

TED WHEELER
STATE TREASURER

DARREN BOND
DEPUTY STATE TREASURER



DEBT MANAGEMENT DIVISION

350 WINTER STREET NE, SUITE 100
SALEM, OREGON 97301-3896
(503) 378-4930
FAX (503) 378-2870
DMD@OST.STATE.OR.US

OREGON STATE TREASURY

February 25, 2013

Gulgun Mersereau
Hawkins Delafield & Wood LLP
200 SW Market Street, Suite 350
Portland, Oregon 97205

Re: Final Approval for Advance Refunding City of Lincoln City, Oregon, General Obligation Bonds, Series 2005.

Dear Ms. Mersereau:

We have received the final advance refunding plan and the sale terms for the above transaction and find that they comply with the statutory requirements and the advance-refunding rule promulgated by this office. Based on the representations and calculations provided, this transaction produces present value savings in excess of the 3% required by rule and final approval for advance refunding the above-cited bonds is hereby granted.

Please provide finalized copies of any previously submitted draft or preliminary documents to us as soon as they become available. Thank you for providing the information needed to perform our review.

Sincerely,

Larry C. Groth, Deputy Director
Debt Management Division

C Via Email: Ron Tierney, Financial Planner, sront@LincolnCity.org
Ray Bartlett, Economic & Financial Analysis, mray@economicandfinancialanalysis.com





DEPARTMENT OF THE TREASURY

BUREAU OF THE PUBLIC DEBT

PARKERSBURG, WV 26106-0396

SUBSCRIPTION CONFIRMATION

State and Local Government Series Securities

Treasury Case Number:	201300685
Program Type:	Time Deposit
Issue Amount:	\$9,818,238.00
Issue Date:	02/26/2013
Owner Name:	CITY OF LINCOLN CITY
TIN:	93-0523629
Rate Table Date:	02/12/2013
Status:	Complete
Confirmation Date:	02/12/2013
Confirmation Time:	03:56 PM EST



**U.S. Treasury Securities
SLGS Time Deposit
Subscription View**

OMB: No: 1535-0092
Date/Time: 02/12/2013 03:58 PM EST
Page: 1 of 2

Issue Information

Treasury Case Number 201300685
Status Complete
Issue Date 02/26/2013
Issue Amount \$9,818,238.00
Rate Table Date 02/12/2013

Owner

Taxpayer Identification Number 93-0523629
Underlying Bond Issue CITY OF LINCOLN CITY GO SEWER BONDS SERIES 2005
Owner Name CITY OF LINCOLN CITY
Address Line 1 801 S.W. HIGHWAY 101
Line 2
Line 3
City LINCOLN CITY
State OR
Zip Code 97367
Contact Name RONALD J. TIERNEY, FINANCIAL PLANNER
Telephone 541-996-2151
Fax 541-996-1284
E-mail

Trustee

ABA Routing Number 091000022
Bank Reference Number
Bank Name U.S. BANK NATIONAL ASSOCIATION
Address Line 1 1420 FIFTH AVENUE, 7TH FLOOR
Line 2 PD-WA-T7CT
Line 3
City SEATTLE
State WA
Zip Code 98101
Contact Name CHERYL K. NELSON, VICE PRESIDENT
Telephone 503-275-5708
Fax 503-275-5738
E-mail cherylk.nelson@usbank.com

Funds for Purchase

ABA Routing Number 091000022
Bank Name U.S. BANK NATIONAL ASSOCIATION
Contact Name CHERYL K. NELSON, VICE PRESIDENT
Telephone 503-275-5708
Fax 503-275-5738
E-mail cherylk.nelson@usbank.com



**U.S. Treasury Securities
SLGS Time Deposit
Subscription View**

OMB: No: 1535-0092
Date/Time: 02/12/2013 03:58 PM EST
Page: 2 of 2

ACH Institutions & Instructions

ABA Routing Number 091000022	ABA Routing Number 091000022
Bank Name U.S. BANK NATIONAL ASSN	Account Name U.S. BANK, NA
Address Line 1 60 LIVINGSTON AVENUE	Account Number 173100077762
Line 2	Account Type Checking
Line 3	
City ST. PAUL	
State MN	
Zip Code 55107	
Contact Name INCOME PROCESSING EP-MN-WN31	
Telephone 651-466-5989	
Fax 866-895-2142	
E-mail	

Subscriber

ABA/TIN 091000022
Organization Name US Bank Trust National Association
Address Line 1 1420 Fifth Ave 7th Floor
Line 2
Line 3
City Seattle
State WA
Zip Code 98101
Contact Name Angela Thompson
Telephone 206-344-4675
Fax 206-344-4630
E-mail angela.thompson@usbank.com

Viewers

ABA/TIN	Organization Name
No Viewers Assigned	

Securities

Security Number	Security Type	Principal Amount	Interest Rate	Maturity Date	First Interest Payment Date	Security Description
1	C of I	\$192,721.00	0.070000000	06/01/2013		
2	C of I	\$186,103.00	0.130000000	12/01/2013		
3	Note	\$186,289.00	0.180000000	06/01/2014	06/01/2013	
4	Note	\$186,455.00	0.230000000	12/01/2014	06/01/2013	
5	Note	\$9,066,670.00	0.290000000	06/01/2015	06/01/2013	

ESCROW DEPOSIT AGREEMENT

between

**City of Lincoln City, Oregon,
as Issuer**

and

**U.S. Bank National Association,
as Escrow Agent**

Dated February 26, 2013

**City of Lincoln City, Oregon
General Obligation Refunding Bonds
Series 2013**

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ESCROW DEPOSIT AGREEMENT

City of Lincoln City, Oregon General Obligation Refunding Bonds Series 2013

THIS ESCROW AGREEMENT (the "Agreement") is dated February 26, 2013 and is entered into by the City of Lincoln City (the "City") and U.S. Bank National Association, as escrow agent (the "Escrow Agent").

WITNESSETH:

WHEREAS, the City has issued the maturities of the outstanding obligations described in Exhibit B attached hereto (the "Refunded Bonds"); and

WHEREAS, the City has issued its General Obligation Refunding Bonds, Series 2013 (the "2013 Bonds") in part to refund the Refunded Bonds; and

WHEREAS, the Escrow Agent has reviewed this Agreement, and is willing to serve as Escrow Agent hereunder;

NOW, THEREFORE, the parties agree as follows:

Article 1. Definitions and Interpretations.

Section 1.1 Definitions.

Unless the context clearly indicates otherwise, the following terms shall have the meanings assigned to them below when they are used in this Agreement:

"Escrow Fund" means the fund described in Section 3.1 which shall be held and administered by the Escrow Agent pursuant to this Agreement.

"Escrowed Securities" means the Government Obligations described in Exhibit D.

"Government Obligations" means (a) noncallable, and nonprepayable obligations of the United States or (b) direct, noncallable, and nonprepayable obligations the principal and interest on which is fully and unconditionally guaranteed by the United States.

"Paying Agent" means The Bank of New York Mellon Trust Company, N.A., as the paying agent for the Refunded Bonds.

Section 1.2 Other Definitions.

The terms "Agreement," "City," "Escrow Agent," "Refunded Bonds," and "2013 Bonds" when they are used in this Agreement, shall have the meanings assigned to them in the preamble to this Agreement.

Section 1.3 Interpretations.

The titles and headings of the articles and sections of this Agreement have been inserted for convenience and reference only and are not to be considered a part hereof and shall not in any way modify or restrict the terms hereof. This Agreement and all of the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to achieve the intended purpose of providing for the refunding and defeasance of the Refunded Bonds in accordance with applicable law.

Article 2. Deposit of Funds and Escrowed Securities.

Section 2.1 Deposits in the Escrow Fund.

The Escrow Agent has received an aggregate of \$9,818,238.06 from Robert W. Baird & Co. Incorporated (the 2013 Bonds purchaser) and the City, and has credited such amounts to the Escrow Fund. \$9,818,238.00 of that amount has been used to purchase the Escrowed Securities and the remaining \$0.06 will be retained as a cash deposit. By signing this Agreement the Escrow Agent acknowledges receipt of the wire transfers and the receipt of the Escrowed Securities.

Article 3. Creation and Operation of Escrow Fund.

Section 3.1 Escrow Fund.

The Escrow Agent has created on its books a special trust fund and irrevocable escrow to be known as the City of Lincoln City General Obligation Refunding Bonds, Series 2013 Escrow Fund (the "Escrow Fund"). All amounts and securities credited to the Escrow Fund, all proceeds therefrom, and all cash balances from time to time on deposit therein (a) shall be the property of the Escrow Fund, (b) shall be applied only in strict conformity with the terms and conditions of this Agreement, and (c) are hereby irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds, which payment shall be made by timely transfers of such amounts at such times as are provided for in Section 3.2 hereof. When the final transfers have been made for the payment of such principal of and interest on the Refunded Bonds, any balance then remaining in the Escrow Fund shall be transferred to the City, and the Escrow Agent shall thereupon be discharged from any further duties hereunder.

Section 3.2 Payment of Principal and Interest.

The Escrow Agent is hereby irrevocably instructed to transfer to the Paying Agent from the cash balances from time to time on deposit in the Escrow Fund, the amounts required to redeem and pay the principal of and the interest on the Refunded Bonds when due in the amounts and at the times shown in Exhibit C attached hereto.

Section 3.3 Sufficiency of Escrow Fund.

The City represents that, based upon the information provided in the Cash Flow and Yield Verification Report prepared by Talbot, Korvola & Warwick, LLP and dated February 26, 2013,

the cash balance and maturing principal and interest on the Escrowed Securities will be sufficient to make the transfers required by Section 3.2, and that the transfer of the amounts required by Section 3.2 to the Paying Agent will be sufficient to pay all principal and interest due on the Refunded Bonds. If, for any reason, at any time, the amounts available to the Escrow Agent are not sufficient to permit it to make the transfers required by Section 3.2 the Escrow Agent shall notify the City immediately, and the City shall transfer to the Escrow Agent, from any funds that are lawfully available therefore, an amount sufficient to permit the Escrow Agent to make those transfers. The Escrow Agent makes no representation that the amounts deposited in the Escrow Fund are sufficient to pay the Refunded Bonds, and assumes no liability for any insufficiency.

Section 3.4 Trust Fund.

(A) The amounts received by the Escrow Agent under this Agreement shall not be considered as a banking deposit by the City, and the Escrow Agent shall have no right or title with respect thereto except as a trustee and Escrow Agent under the terms of this Agreement. The amounts received by the Escrow Agent under this Agreement shall not be subject to warrants, drafts or checks drawn by the City or, except to the extent expressly herein provided, by the Paying Agent.

(B) The Escrow Agent shall hold at all times the Escrow Fund, the Escrowed Securities and all other assets of the Escrow Fund, in trust for the benefit of the owners of the Refunded Bonds.

Section 3.5 Cash Balances.

Cash balances from time to time on deposit in the Escrow Fund shall be held uninvested, as a cash deposit.

Article 4. Limitation on Investments.

Section 4.1 Investments.

(A) Except for the initial investment in the Escrowed Securities as provided in Exhibit D, and except as provided in Section 4.2 hereof, the Escrow Agent shall not have any power or duty to invest or reinvest any money held hereunder, or to make substitutions of the Escrowed Securities, or to sell, transfer, or otherwise dispose of the Escrowed Securities.

(B) The City acknowledges that to the extent that regulations of the Comptroller of the Currency grants the City the right to receive brokerage confirmations of securities transactions, the City waives receipt of such confirmations related to the Escrow Fund. The Escrow Agent shall furnish to the City periodic statements which include detail of all investment transactions made by the Escrow Agent.

Section 4.2 Substitution of Securities.

At the written request of the City, and upon compliance with the conditions hereinafter stated, the Escrow Agent shall utilize cash balances in the Escrow Fund, or sell, transfer, otherwise dispose of or request the redemption of the Escrowed Securities and apply the proceeds therefrom to purchase Refunded Bonds or Government Obligations which do not permit the redemption

thereof at the option of the obligor. The City may, in connection with such transaction, withdraw funds or Escrowed Securities from the Escrow Fund. However, any such transaction may be effected by the Escrow Agent only if (a) the Escrow Agent shall have received a written opinion from a nationally recognized firm of certified public accountants that such transaction will not cause the amount of money and securities in the Escrow Fund to be reduced below an amount sufficient to provide for the full and timely payment of principal of, redemption premium on and interest on all of the remaining Refunded Bonds as they become due, taking into account any optional redemption thereof exercised by the City in connection with such transaction; (b) the Escrow Agent shall have received the unqualified written legal opinion of nationally recognized bond counsel or tax counsel to the effect that such transaction will not cause any of the 2013 Bonds or Refunded Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended or, if applicable, Section 103(c) of the Internal Revenue Code of 1954, as amended and (c) notice of such transaction is provided to the rating agencies, if any, which have rated the Refunded Bonds.

Article 5. Redemption of Refunded Bonds.

Section 5.1 Call for Redemption.

The City hereby irrevocably calls for redemption on June 1, 2015, the portion of its General Obligation Sewer Bonds, Series 2005 as described in Appendix A attached hereto, at a price of one hundred percent (100%).

Section 5.2 Notice of Redemption.

The Escrow Agent agrees to direct the Paying Agent to give notice of the redemption of the Refunded Bonds in substantially the form attached hereto as Appendix A pursuant to the documents authorizing the Refunded Bonds. The Escrow Agent hereby acknowledges that provision satisfactory and acceptable to the Escrow Agent has been made to direct the Paying Agent to complete and provide the notice of redemption as required by this Escrow Deposit Agreement.

Article 6. Material Event Notice of Defeasance and Call for Submission to MSRB and to MDAC.

The Escrow Agent agrees to provide a material event notice of the defeasance and call of the Refunded Bonds to the United States Municipal Securities Rulemaking Board (the "MSRB"), through the Electronic Municipal Market Access ("EMMA") continuing disclosure service, pursuant to the information attached hereto as Appendix B. The Escrow Agent agrees to provide the material event notice of defeasance promptly upon delivery of the 2013 Bonds. The Escrow Agent agrees to provide the material event notice of call at the same time notice of redemption is required to be given pursuant to Section 5.2 hereof. The Escrow Agent hereby acknowledges that provision satisfactory and acceptable to the Escrow Agent has been made to complete and provide the material event notice of defeasance and call for the Refunded Bonds as required by this Escrow Deposit Agreement.

The Escrow Agent agrees to give notice of the redemption of the Refunded Bonds in substantially the form attached hereto as Appendix B at the same time notice of redemption is required to be given pursuant to Section 5.2 hereof, to the Municipal Debt Advisory Commission of the State of Oregon (the "MDAC"): (i) by electronic submission to DMD@OST.state.or.us; (ii) by mail or delivery to Debt Management Division of the Office of the State Treasurer, 350 Winter Street NE, Suite 100, Salem, Oregon 97301; or (iii) by facsimile to 503-378-2870.

Article 7. Records and Reports.

Section 7.1 Records.

The Escrow Agent will keep books of record and account in which complete and accurate entries shall be made of all transactions relating to the receipts, disbursements, allocations and application of the money and Escrowed Securities deposited to the Escrow Fund and all proceeds thereof, and such books shall be available for inspection during business hours and after reasonable notice.

Section 7.2 Reports.

While this Agreement remains in effect, the Escrow Agent annually shall prepare and send to the City a written report summarizing all transactions relating to the Escrow Fund during the preceding year, including, without limitation, credits to the Escrow Fund as a result of interest payments on or maturities of the Escrowed Securities and transfers from the Escrow Fund for payments on the Refunded Bonds or otherwise, together with a detailed statement of all Escrowed Securities and the cash balance on deposit in the Escrow Fund as of the end of such period.

Article 8. Concerning the Paying Agents and Escrow Agent.

Section 8.1 Representations.

The Escrow Agent hereby represents that it has all necessary power and authority to enter into this Agreement and undertake the obligations and responsibilities imposed upon it herein, and that it will carry out all of its obligations hereunder.

Section 8.2 Limitation on Liability.

(A) The liability of the Escrow Agent to transfer funds for the payment of the principal of and interest on the Refunded Bonds shall be limited to the proceeds of the Escrowed Securities and the cash balances from time to time on deposit in the Escrow Fund. Notwithstanding any provision contained herein to the contrary, the Escrow Agent shall have no liability whatsoever for the failure of the Escrowed Securities to provide amounts sufficient to pay the Refunded Bonds, or for any failure of the obligors of the Escrowed Securities to make timely payment thereon. However, the Escrow Agency shall notify the City immediately of any such failure.

(B) The recitals herein (other than the third recital in the preamble to this Agreement) and in the proceedings authorizing the 2013 Bonds shall be taken as the statements of the City and shall not be considered as made by, or imposing any obligation or liability upon, the Escrow Agent.

(C) The Escrow Agent is not a party to the proceedings authorizing the 2013 Bonds or the Refunded Bonds and is not responsible for nor bound by any of the provisions thereof (except to the extent that the Escrow Agent may be a place of payment and paying agent and/or a paying agent/registrant therefor). In its capacity as Escrow Agent, it is agreed that the Escrow Agent need look only to the terms and provisions of this Agreement.

(D) The Escrow Agent makes no representations as to the value, conditions or sufficiency of the Escrow Fund, or any part thereof, or as to the title of the City thereto, or as to the security afforded thereby or hereby, and the Escrow Agent shall not incur any liability or responsibility in respect to any of such matters.

(E) It is the intention of the parties hereto that the Escrow Agent shall never be required to use or advance its own funds or otherwise incur personal financial liability in the performance of any of its duties or the exercise of any of its rights and powers hereunder.

(F) The Escrow Agent shall not be liable for any action it takes or omits, if the taking or omission was done in good faith, after exercise of reasonable care and was reasonably believed by the Escrow Agent to be within the discretion or power conferred upon the Escrow Agent by this Agreement. The Escrow Agent shall not be liable for the consequences of any reasonable error of judgment. The Escrow Agent shall be liable for its failure to comply with the terms of this Agreement, and for its negligence or lack of good faith.

(G) Unless it is specifically otherwise provided herein, the Escrow Agent has no duty to determine or inquire into the happening or occurrence of any event or contingency or the performance or failure of performance of the City with respect to arrangements or contracts with others, with the Escrow Agent's sole duty hereunder being to hold the Escrow Fund and to dispose of and deliver the same in accordance with this Agreement and to provide notices and take the other actions specifically described in this Agreement. If, however, the Escrow Agent is called upon by the terms of this Agreement to determine the occurrence of any event or contingency, the Escrow Agent shall be obligated, in making such determination, only to exercise reasonable care and diligence, and in event of error in making such determination the Escrow Agent shall be liable only for its own misconduct or its negligence. In determining the occurrence of any such event or contingency the Escrow Agent may request from the City or any other person such reasonable additional evidence as the Escrow Agent in its discretion may deem necessary to determine any fact relating to the occurrence of such event or contingency, and in this connection may make inquiries of, and consult with, among others, the City at any time.

Section 8.3 Compensation.

The City shall pay to the Escrow Agent fees for performing the services hereunder and for the expenses incurred or to be incurred by the Escrow Agent in the administration of this Agreement pursuant to the terms of its fee schedule arrangement with the Escrow Agent. The Escrow Agent

hereby agrees that in no event shall it ever assert any claim or lien against the Escrow Fund for any fees for its services, whether regular or extraordinary, as Escrow Agent, or in any other capacity, or for reimbursement for any of its expenses as Escrow Agent or in any other capacity.

Section 8.4 Successor Escrow Agents.

(H) If at any time the Escrow Agent or its legal successor or successors should become unable, through operation of law or otherwise, to act as escrow agent hereunder, or if its property and affairs shall be taken under the control of any state or federal court or administrative body because of insolvency or bankruptcy or for any other reason, the City, by appropriate action, promptly shall appoint an Escrow Agent to fill such vacancy. If no successor Escrow Agent shall have been appointed by the City within 60 days, a successor may be appointed by the owners of a majority in principal amount of the Refunded Bonds then outstanding by an instrument or instruments in writing filed with the City, signed by such owners or by their duly authorized attorneys-in-fact. If, in a proper case, no appointment of a successor Escrow Agent shall be made pursuant to the foregoing provisions of this section within three months after a vacancy shall have occurred, the owner of any Refunded Bond may apply to any court of competent jurisdiction to appoint a successor Escrow Agent. Such court may thereupon, after such notice, if any, as it may deem proper, prescribe and appoint a successor Escrow Agent.

(I) Any successor Escrow Agent shall be a corporation or association organized and doing business under the laws of the United States or the State of Oregon, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$25,000,000 and subject to the supervision or examination by federal or state authority.

(J) Any successor Escrow Agent shall execute, acknowledge and deliver to the City and the Escrow Agent an instrument accepting such appointment hereunder, and the Escrow Agent shall execute and deliver an instrument transferring to such successor Escrow Agent, subject to the terms of this Agreement, all the rights, powers and trusts of the Escrow Agent hereunder. Upon the request of any such successor Escrow Agent, the City shall execute, to the extent allowed by law, any and all instruments in writing for more fully and certainly vesting in and confirming to such successor Escrow Agent all such rights, powers and duties.

(K) The obligations assumed by the Escrow Agent pursuant to this Agreement may be transferred by the Escrow Agent to a successor Escrow Agent if (a) the requirements of this Section 8.4 are satisfied; (b) the successor Escrow Agent has assumed all the obligations of the Escrow Agent under this Agreement; and (c) all of the Escrowed Securities and money held by the Escrow Agent pursuant to this Agreement have been duly transferred to such successor Escrow Agent.

(L) Upon appointment of a successor Escrow Agent, the Escrow Agent shall provide to the successor Escrow Agent all information, records or other materials necessary for the successor Escrow Agent to perform the duties and obligations set forth herein.

Section 8.5 Successor Escrow Agent by Merger, Consolidation, Transfer or Sale.

Should the Escrow Agent consolidate, merge with, transfer or sell substantially all of its corporate trust business to any bank or banks, trust company or other banking institution, such consolidation, merger, transfer or sale shall in no way affect the rights of the parties hereto, or the owners of any of the 2013 Bonds or Refunded Bonds, and such succeeding entity shall be the Escrow Agent under this Agreement, without the execution or filing of any paper or any further act on the part of the parties hereto, anything in this Agreement to the contrary notwithstanding.

Article 9. Miscellaneous

Section 9.1 Notice.

Any notice, authorization, request, or demand required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when sent via regular mail or via facsimile transmission to the City or the Escrow Agent at the address shown on Exhibit A attached hereto. Any party hereto may change the address to which notices are to be delivered by giving to the other parties not less than ten (10) days prior notice thereof.

Section 9.2 Termination of Responsibilities.

Upon the taking of all the actions as described herein by the Escrow Agent, the Escrow Agent shall have no further obligations or responsibilities hereunder to the City, the owners of the Refunded Bonds or to any other person or persons in connection with this Agreement.

Section 9.3 Binding Agreement.

This Agreement shall be binding upon the City and the Escrow Agent and their respective successors and legal representatives, and shall inure solely to the benefit of the owners of the Refunded Bonds, the City, the Escrow Agent and their respective successors and legal representatives.

Section 9.4 Severability.

In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, but this Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

Section 9.5 Oregon Law Governs.

This Agreement shall be governed exclusively by the provisions hereof and by the applicable laws of the State of Oregon.

Section 9.6 Time of the Essence.

Time shall be of the essence in the performance of obligations from time to time imposed upon the Escrow Agent by this Agreement.

Section 9.7 Execution in Counterparts.

This Agreement may be simultaneously executed in multiple counterparts, all of which shall constitute one and the same instrument and each of which shall be deemed to be an original.

Section 9.8 Amendments.

This Agreement shall not be amended except: to cure any error, ambiguity, formal defect or omission; to make administrative changes that do not affect the security for the Refunded Bonds, or to increase the security for the Refunded Bonds. No amendment to this Agreement shall take effect until there have been filed with the Escrow Agent: a written opinion of a nationally recognized bond counsel to the effect that the amendment will not adversely affect the exclusion of interest on the 2013 Bonds or the Refunded Bonds; written confirmation from any rating agencies which have rated the Refunded Bonds based on their defeasance that the amendments will not result in a withdrawal or reduction of their then current ratings on the Refunded Bonds; and, evidence that written notice and copies of the proposed amendments have been given to all rating agencies which have rated the Refunded Bonds.

EXECUTED as of the date first written above.

City of Lincoln City, Oregon



Ron Tierney, Financial Planner

U.S. Bank National Association, Escrow Agent



Cheryl Nelson, Vice President

EXHIBIT A
Addresses of the City, Escrow Agent and Paying Agent

City:

City of Lincoln City
P. O. Box 50
Lincoln City, OR 97367
Attention: Financial Planner

Escrow Agent:

U.S. Bank National Association
Corporate Trust Services
555 S.W. Oak St., PD-OR-P6TD
Portland, Oregon 97204
Attention: Cheryl Nelson

Paying Agent:

The Bank of New York Mellon Trust Company, N.A.
601 Union Street, Suite 520
Seattle, Washington 98101
Attention: Corporate Trust

EXHIBIT B
Description of the Refunded Bonds

The portions of the City of Lincoln City, Oregon, General Obligation Sewer Bonds, Series 2005 described below:

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
General Obligation Sewer Bonds, Series 2005, 05_GO:					
BOND	06/01/2019	4.250%	20,000.00	06/01/2015	100.000
	06/01/2020	4.250%	620,000.00	06/01/2015	100.000
	06/01/2021	4.300%	655,000.00	06/01/2015	100.000
	06/01/2022	4.375%	685,000.00	06/01/2015	100.000
	06/01/2023	4.400%	720,000.00	06/01/2015	100.000
	06/01/2024	4.400%	755,000.00	06/01/2015	100.000
	06/01/2025	4.500%	795,000.00	06/01/2015	100.000
	06/01/2026	4.500%	835,000.00	06/01/2015	100.000
	06/01/2027	4.600%	875,000.00	06/01/2015	100.000
	06/01/2028	4.625%	920,000.00	06/01/2015	100.000
	06/01/2029	4.700%	1,000,000.00	06/01/2015	100.000
	06/01/2030	4.625%	1,000,000.00	06/01/2015	100.000
			8,880,000.00		

EXHIBIT C
Schedule of Debt Service on Refunded Bonds

Period Ending	Interest	Principal Redeemed	Total
06/01/2013	199,816.88	-	199,816.88
12/01/2013	199,816.88	-	199,816.88
06/01/2014	199,816.88	-	199,816.88
12/01/2014	199,816.88	-	199,816.88
06/01/2015	199,816.88	8,880,000.00	9,079,816.88
	999,084.40	8,880,000.00	9,879,084.40

EXHIBIT D
Escrow Deposit
(Beginning Cash Deposit and Escrowed Securities)

I. Cash
 \$0.06

II. State and Local Government Series Obligations

	Type of Security	Type of SLGS	Maturity Date	First Int Pmt Date	Par Amount	Rate	Max Rate
Feb 26, 2013:							
	SLGS	Certificate	06/01/2013	06/01/2013	192,721	0.070%	0.070%
	SLGS	Certificate	12/01/2013	12/01/2013	186,103	0.130%	0.130%
	SLGS	Note	06/01/2014	06/01/2013	186,289	0.180%	0.180%
	SLGS	Note	12/01/2014	06/01/2013	186,455	0.230%	0.230%
	SLGS	Note	06/01/2015	06/01/2013	9,066,670	0.290%	0.290%
					9,818,238		

APPENDIX A
Notice of Redemption

City of Lincoln City, Oregon
General Obligation Sewer Bonds, Series 2005
Dated April 12, 2005
Original issue amount \$15,000,000

NOTICE IS HEREBY GIVEN that the City of Lincoln City, Oregon has called for redemption on June 1, 2015, the portions of the outstanding maturities of its General Obligation Sewer Bonds, Series 2005 (the "Bonds"), listed below.

The Bonds will be redeemed at a price of one hundred percent (100%) of their principal amount, plus interest accrued to June 1, 2015. The redemption price of the Bonds is payable on presentation and surrender of the Bonds at the office of the Paying Agent for the Bonds:

If by Mail:

The Bank of New York Mellon Trust
Company, N.A
P.O. Box 396
East Syracuse, NY 13057

If by Hand or Overnight Mail:

The Bank of New York Mellon Trust
Company, N.A
111 Sanders Creek Parkway
East Syracuse, NY 13057

Interest on all Bonds or portions thereof which are redeemed shall cease to accrue on June 1, 2015.

The following Bonds are being redeemed:

<u>Maturity Date</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount to</u> <u>be Redeemed</u>	<u>Redemption</u> <u>Date</u>	<u>Redemption</u> <u>Price</u>	<u>Original</u> <u>CUSIP</u> <u>Number</u>	<u>Redeemed</u> <u>CUSIP</u> <u>Number</u>
2019	\$20,000	6/1/2015	100%	533079BS7	533080LJ4
2020	620,000	6/1/2015	100	533079BT5	---
2021	655,000	6/1/2015	100	533079BU2	---
2022	685,000	6/1/2015	100	533079BV0	---
2023	720,000	6/1/2015	100	533079BW8	---
2024	755,000	6/1/2015	100	533079BX6	---
2025	795,000	6/1/2015	100	533079BY4	---
2026	835,000	6/1/2015	100	533079BZ1	---
2027	875,000	6/1/2015	100	533079CA5	---
2028	920,000	6/1/2015	100	533079CB3	---
2029	1,000,000	6/1/2015	100	533079CC1	---
2030	1,000,000	6/1/2015	100	533079CD9	---

By Order of the City of Lincoln City

The Bank of New York Mellon Trust Company, N.A., as Paying Agent

Dated: _____.

Under Section 3406(a)(1) of the Internal Revenue Code the Registrar may be obligated to withhold a percentage of the principal of a holder who has failed to furnish the Registrar with a valid taxpayer identification number and a certification that the owner is not subject to backup withholding. Owners who wish to avoid the application of these provisions should submit a completed IRS Form W-9 when presenting their certificates for payment.

APPENDIX B
Information for Submission to MSRB and MDAC for Material Event Notice of
Defeasance and Call

City of Lincoln City, Oregon
 General Obligation Sewer Bonds, Series 2005
 Dated April 12, 2005
 Original issue amount \$15,000,000

Pursuant to an Escrow Deposit Agreement dated February 26, 2013, by and among the City of Lincoln City, Oregon (the "City") and U.S. Bank National Association (the "Escrow Agent"), the following portions of the following maturities of the City's General Obligation Sewer Bonds, Series 2005 have been defeased on February 26, 2013 and called for early redemption on June 1, 2015:

<u>Maturity Date (June 1)</u>	<u>Principal Amount to be Defeased</u>	<u>Defeasance Date</u>	<u>Defeasance Price</u>	<u>Original CUSIP Number</u>	<u>Defeased CUSIP Number</u>	<u>Principal Amount Undefeased</u>	<u>Undefeased CUSIP Number</u>
2019	\$20,000	6/1/2015	100%	533079BS7	533080LJ4	\$575,000	533080LK1
2020	620,000	6/1/2015	100	533079BT5	---	---	---
2021	655,000	6/1/2015	100	533079BU2	---	---	---
2022	685,000	6/1/2015	100	533079BV0	---	---	---
2023	720,000	6/1/2015	100	533079BW8	---	---	---
2024	755,000	6/1/2015	100	533079BX6	---	---	---
2025	795,000	6/1/2015	100	533079BY4	---	---	---
2026	835,000	6/1/2015	100	533079BZ1	---	---	---
2027	875,000	6/1/2015	100	533079CA5	---	---	---
2028	920,000	6/1/2015	100	533079CB3	---	---	---
2029	1,000,000	6/1/2015	100	533079CC1	---	---	---
2030	1,000,000	6/1/2015	100	533079CD9	---	---	---

By Order of the City of Lincoln City

U.S. Bank National Association, as Escrow Agent

Dated: _____.

\$9,885,000
City of Lincoln City, Oregon
General Obligation Refunding Bonds, Series 2013
Advanced Refunding of 2005 Sewer General Obligation Bonds

Cash Flow and Yield
Verification Report

February 26, 2013

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**Report of Independent Certified Public
Accountants on Applying Agreed-Upon Procedures**

February 26, 2013

City of Lincoln City, Oregon
P.O. Box 50
Lincoln City, OR 97367

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

Hawkins Delafield & Wood, LLP
200 SW Market Street, Suite 350
Portland, OR 97201

Economic and Financial Analysis
735 SW Stark Street
Portland, OR 97205

D.A. Davison & Co.
1300 SW Fifth Ave. Suite 1950
Portland, OR 97201



**Talbot, Korvola
& Warwick, LLP**

Certified Public Accountants
+ Chartered

4800 Meadows Road, Suite 200
Lake Oswego, Oregon 97035-4293

P 503.274.2849
F 503.274.2853

www.tkw.com

We have performed the procedures described in this report, which were agreed to by the City of Lincoln City, Oregon (the "City") and Economic and Financial Analysis (the "Financial Advisor"), to verify the mathematical accuracy of certain computations contained in the Schedules attached in Appendix I provided by the Financial Advisor.

The Financial Advisor is responsible for those Schedules. These procedures were performed solely to assist in the issuance of the above-captioned bond issue (the "Refunding Bonds") for the purpose of advance refunding the City's outstanding Sewer General Obligation Bonds, Series 2005 (the "Refunded Bonds") as summarized below. This engagement was performed in accordance with Statements on Standards for Attestation Engagements established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the addressees of this report who are the specified parties. Consequently, we make no representation regarding the sufficiency of the procedures described in this report either for the purpose for which the report has been requested or for any other purpose.

Series	Principal Issued	Dated	Principal Refunded	Maturities Refunded	Redemption Date	Redemption Price
2005	\$ 595,000	April 12, 2005	\$ 20,000	June 1, 2019	6/1/2015	100%
2005	620,000	April 12, 2005	620,000	June 1, 2020	6/1/2015	100%
2005	655,000	April 12, 2005	655,000	June 1, 2021	6/1/2015	100%
2005	685,000	April 12, 2005	685,000	June 1, 2022	6/1/2015	100%
2005	720,000	April 12, 2005	720,000	June 1, 2023	6/1/2015	100%
2005	755,000	April 12, 2005	755,000	June 1, 2024	6/1/2015	100%
2005	795,000	April 12, 2005	795,000	June 1, 2025	6/1/2015	100%
2005	835,000	April 12, 2005	835,000	June 1, 2026	6/1/2015	100%
2005	875,000	April 12, 2005	875,000	June 1, 2027	6/1/2015	100%
2005	920,000	April 12, 2005	920,000	June 1, 2028	6/1/2015	100%
2005	1,000,000	April 12, 2005	1,000,000	June 1, 2029	6/1/2015	100%
2005	1,000,000	April 12, 2005	1,000,000	June 1, 2030	6/1/2015	100%

February 26, 2013

VERIFICATION OF ESCROW ACCOUNT CASH FLOW SUFFICIENCY

The Financial Advisor provided us with Schedules (Appendix I) summarizing the future escrow account cash receipt and disbursement. These Schedules indicate that there will be sufficient cash available in the escrow account to pay the principal and interest on the Refunded Bonds assuming the Refunded Bonds will be redeemed on June 1, 2015, at 100 percent of par plus accrued interest.

The attached Exhibit A (Schedule of Sources and Uses of Funds) was compiled based upon information provided by the Financial Advisor.

As part of our engagement to recalculate the Schedules attached as Appendix I we prepared Schedules attached hereto as Exhibits B, B-1 and B-2 independently calculating the future escrow account cash receipts and disbursements and compared the information used in our calculations to the applicable pages of the following documents:

- Subscription confirmation, dated February 12, 2013, provided by the Paying Agent, used to acquire certain United States Treasury Securities – State and Local Government Series (the SLGS) insofar as the SLGS are described as to the principal amount, interest rate, maturity date and issuance date; and
- Official statement for the Refunded Bonds insofar as the Refunded Bonds are described as to the maturity and interest payment dates, principal amounts, interest rates and optional redemption date and price.

Our procedures, as summarized in Exhibits B, B-1 and B-2, prove the mathematical accuracy of the Schedules provided by the Financial Advisor summarizing the future escrow account cash receipt and disbursement. The Schedules provided by the Financial Advisor and those prepared by us reflect that the initial cash deposit of \$0.06 to be deposited into the escrow account on February 26, 2013, plus the proceeds from purchases of the SLGS costing \$9,818,238.00 as identified in Appendix I, will be sufficient to pay, when due, the principal and interest related to the Refunded Bonds assuming the Refunded Bonds will be redeemed on June 1, 2015, at 100 percent of par plus accrued interest.

VERIFICATION OF YIELD

The Financial Advisor provided us with Schedules (Appendix I) which indicate the yield of securities purchased. These Schedules were prepared based on the assumed settlement date of February 26, 2013, using a 360-day year with interest compounded semi-annually. The term "yield", as used herein, means that yield which, when used in computing the present value of all payments of principal and interest to be paid on an obligation produces an amount equal to, in this case the securities deposited in escrow.

February 26, 2013

As part of our engagement to recalculate the Schedules attached as Appendix I we prepared a schedule attached hereto as Exhibit B-1 independently calculating the yield on the SLGS using the appropriate Schedules provided by the Financial Advisor. The result of our calculations, based on the aforementioned assumptions, is summarized below:

	<u>Yield</u>	<u>Exhibit</u>
Yield on the purchased securities	0.2858918%	B-1

Our procedures, as summarized in Exhibit B-1, prove the mathematical accuracy of the Schedules provided by the Financial Advisor summarizing the yield. The Schedules provided by the Financial Advisor and the Schedule prepared by us reflect that the yield on the SLGS is as shown in our report.

The Financial Advisor also provided us with Schedules (Appendix I) which indicate the yield on the Refunding Bonds. These Schedules were prepared based on the assumed settlement date of February 26, 2013 using a 360-day year with interest compounded semi-annually. The term "yield", as used herein, means that yield which, when used in computing the present value of all payments of principal and interest to be paid on an obligation produces an amount equal to, in the case of the Refunding Bonds, the issue price.

In addition, we found that the Schedules provided by the Financial Advisor, which assume the redemption of the June 1, 2029 and June 1, 2030 maturities identified on Exhibits C and C-1 at par plus accrued interest on June 1, 2023, correctly treat those Bonds as yield-to-call Bonds as retired on the respective dates that for each Bond produces the lowest yield for the issue that includes the Bonds. Those Bonds identified as yield-to-call Bonds on the attached Exhibits C and C-1 are those Bonds that are subject to optional redemption and that are issued at an issue price that exceeds the stated redemption price at maturity of such Bonds by more than one-fourth of one percent multiplied by the product of the stated redemption price at maturity of such Bonds and the number of complete years to the first optional redemption date for the Bonds. We found that there are no other yield-to-call Bonds other than those identified on the attached Exhibits C and C-1.

As part of our engagement to recalculate the Schedules attached as Appendix I we prepared a Schedule attached hereto as Exhibit C independently calculating the yield on the Refunding Bonds using the appropriate Schedules provided by the Financial Advisor insofar as the Refunding Bonds are described as to the maturity and interest payments dates, dated date, principal amounts, interest rates and issue price to the public. The result of our calculations, based on the aforementioned assumptions, is summarized below:

	<u>Yield</u>	<u>Exhibit</u>
Yield on the Refunding Bonds	2.2725448%	C

February 26, 2013

Our procedures, as summarized in Exhibit C, prove the mathematical accuracy of the schedules provided by the Financial Advisor summarizing the yield on the Refunding Bonds. The schedules provided by the Financial Advisor and the schedule prepared by us reflect that yield on the Refunding Bonds is as shown in our report.

* * * * *

We were not engaged to, and did not perform an examination in accordance with Statements on Standards for Attestation Engagements established by the American Institute of Certified Public Accountants, the objective of which would be the expression of an examination opinion on the items referred to above. Accordingly we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of those to whom this letter is addressed and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "W. K. ... & W. ...". The signature is written in a cursive style with some stylized flourishes.

Certified Public Accountants

\$9,885,000

City of Lincoln City, Oregon

General Obligation Refunding Bonds, Series 2013

SCHEDULE OF SOURCES AND USES OF FUNDS

Principal amount of the 2013 Refunding Obligations	\$	9,885,000.00
Original issue discount		(17,750.00)
Premium		130,477.55
Total sources	\$	<u>9,997,727.55</u>
Uses:		
Beginning cash deposit to the escrow fund	\$	0.06
SLGS purchases		9,818,238.00
Costs of issuance		72,738.50
Underwriter's discount		102,469.89
Additional proceeds		4,281.10
	\$	<u>9,997,727.55</u>

\$9,885,000

City of Lincoln City, Oregon

General Obligation Refunding Bonds, Series 2013

ESCROW ACCOUNT CASH FLOW**Operation of Primary Purpose Fund**

Date	Principal	Rate	Interest	Deposits	Receipts	Disbursements	Cash Balance
02/26/2013	-	-	-	0.06	0.06	-	0.06
06/01/2013	192,721.00	0.070%	7,096.81	-	199,817.81	199,816.88	0.99
12/01/2013	186,103.00	0.130%	13,713.02	-	199,816.02	199,816.88	0.13
06/01/2014	186,289.00	0.180%	13,528.75	-	199,817.75	199,816.88	1.00
12/01/2014	186,455.00	0.230%	13,361.09	-	199,816.09	199,816.88	0.21
06/01/2015	9,066,670.00	0.290%	13,146.67	-	9,079,816.67	9,079,816.88	-
Total	\$9,818,238.00	-	\$60,846.34	\$0.06	\$9,879,084.40	\$9,879,084.40	-

Investment Parameters

Investment model [PV, GIC, or Securities]	Securities
Default investment yield target	Unrestricted
Cost of investments purchased with bond proceeds	9,818,238.00
Total cost of investments	\$9,818,238.00
Target cost of investments at bond yield	\$9,408,220.77
Actual positive or (negative) arbitrage	(410,017.23)
Yield to receipt	0.2858918%
Yield for arbitrage purposes	2.2725448%

\$9,885,000

City of Lincoln City, Oregon

General Obligation Refunding Bonds, Series 2013

PROOF OF YIELD ON SLGS**Primary Purpose Fund PROOF OF YIELD @ 0.2858918%**

Date	Cashflow	PV Factor	Present Value	Cumulative PV
02/26/2013	-	1.0000000x	-	-
06/01/2013	199,817.81	0.9992464x	199,667.22	199,667.22
12/01/2013	199,816.02	0.9978200x	199,380.43	399,047.65
06/01/2014	199,817.75	0.9963957x	199,097.55	598,145.21
12/01/2014	199,816.09	0.9949735x	198,811.71	796,956.92
06/01/2015	9,079,816.67	0.9935532x	9,021,281.08	9,818,238.00
Total	\$9,879,084.34	-	\$9,818,238.00	-

Composition Of Initial Deposit

Cost of investments purchased with bond proceeds	9,818,238.00
Adjusted cost of investments	9,818,238.00

\$9,885,000**City of Lincoln City, Oregon****General Obligation Refunding Bonds, Series 2013****DEBT SERVICE PAYMENT ON THE REFUNDED BONDS**

Date	Principal	Interest Rate	Interest	Debt Service Payments
06/01/13	\$ -	(1)	\$ 199,816.88	\$ 199,816.88
12/01/13	-	(1)	199,816.88	199,816.88
06/01/14	-	(1)	199,816.88	199,816.88
12/01/14	-	(1)	199,816.88	199,816.88
06/01/15	8,880,000.00	(1)	199,816.88	9,079,816.88
	<u>\$ 8,880,000.00</u>	(1)	<u>\$ 999,084.40</u>	<u>\$ 9,879,084.40</u>

(1) Actual maturity dates, principal amounts and interest rates as follows:

Maturity date	Principal amount	Interest rate
06/01/19	\$ 20,000.00	4.250%
06/01/20	620,000.00	4.250%
06/01/21	655,000.00	4.300%
06/01/22	685,000.00	4.375%
06/01/23	720,000.00	4.400%
06/01/24	755,000.00	4.400%
06/01/25	795,000.00	4.500%
06/01/26	835,000.00	4.500%
06/01/27	875,000.00	4.600%
06/01/28	920,000.00	4.625%
06/01/29	1,000,000.00	4.700%
06/01/30	1,000,000.00	4.625%
	<u>\$ 8,880,000.00</u>	

\$9,885,000

City of Lincoln City, Oregon

General Obligation Refunding Bonds, Series 2013

YIELD ON THE SERIES 2013 BONDS**Proof Of Bond Yield @ 2.2725448%**

Date	Cashflow	PV Factor	Present Value	Cumulative PV
02/26/2013	-	1.0000000x	-	-
06/01/2013	196,684.03	0.9940546x	195,514.66	195,514.66
12/01/2013	115,525.00	0.9828863x	113,547.94	309,062.60
06/01/2014	115,525.00	0.9718435x	112,272.22	421,334.82
12/01/2014	115,525.00	0.9609248x	111,010.84	532,345.66
06/01/2015	115,525.00	0.9501287x	109,763.62	642,109.28
12/01/2015	115,525.00	0.9394540x	108,530.42	750,639.70
06/01/2016	115,525.00	0.9288992x	107,311.07	857,950.77
12/01/2016	115,525.00	0.9184629x	106,105.43	964,056.20
06/01/2017	115,525.00	0.9081439x	104,913.33	1,068,969.53
12/01/2017	115,525.00	0.8979409x	103,734.62	1,172,704.15
06/01/2018	115,525.00	0.8878524x	102,569.15	1,275,273.30
12/01/2018	115,525.00	0.8778774x	101,416.78	1,376,690.09
06/01/2019	245,525.00	0.8680144x	213,119.23	1,589,809.31
12/01/2019	114,225.00	0.8582622x	98,035.00	1,687,844.31
06/01/2020	844,225.00	0.8486195x	716,425.83	2,404,270.14
12/01/2020	106,925.00	0.8390852x	89,719.19	2,493,989.33
06/01/2021	866,925.00	0.8296581x	719,251.32	3,213,240.65
12/01/2021	99,325.00	0.8203368x	81,479.95	3,294,720.60
06/01/2022	894,325.00	0.8111203x	725,405.14	4,020,125.73
12/01/2022	91,375.00	0.8020073x	73,283.42	4,093,409.15
06/01/2023	c 2,926,375.00	0.7929967x	2,320,605.66	6,414,014.81
12/01/2023	53,000.00	0.7840873x	41,556.63	6,455,571.44
06/01/2024	903,000.00	0.7752780x	700,076.07	7,155,647.51
12/01/2024	43,968.75	0.7665677x	33,705.03	7,189,352.53
06/01/2025	918,968.75	0.7579553x	696,537.24	7,885,889.77
12/01/2025	34,125.00	0.7494396x	25,574.63	7,911,464.40
06/01/2026	934,125.00	0.7410196x	692,204.96	8,603,669.36
12/01/2026	23,437.50	0.7326942x	17,172.52	8,620,841.88
06/01/2027	948,437.50	0.7244624x	687,107.27	9,307,949.15
12/01/2027	11,875.00	0.7163230x	8,506.34	9,316,455.49
06/01/2028	961,875.00	0.7082750x	681,272.06	9,997,727.55
Total	\$12,489,496.53	-	\$9,997,727.55	-

Derivation Of Target Amount

Par amount of bonds	\$9,885,000.00
Reoffering premium or (discount)	112,727.55
Original issue proceeds	\$9,997,727.55

\$9,885,000

City of Lincoln City, Oregon

General Obligation Refunding Bonds, Series 2013

PREMIUM ON THE SERIES 2013 BONDS

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price	Dollar Price	Premium
06/01/2013	Serial Coupon	2.000%	0.352%	135,000.00	100.434%	135,585.90	585.90
06/01/2019	Serial Coupon	2.000%	1.200%	130,000.00	104.812%	136,255.60	6,255.60
06/01/2020	Serial Coupon	2.000%	1.400%	730,000.00	104.129%	760,141.70	30,141.70
06/01/2021	Serial Coupon	2.000%	1.600%	760,000.00	103.083%	783,430.80	23,430.80
06/01/2022	Serial Coupon	2.000%	1.850%	795,000.00	101.270%	805,096.50	10,096.50
06/01/2023	Serial Coupon	2.000%	2.000%	830,000.00	100.000%	830,000.00	-
06/01/2024	Serial Coupon	2.125%	2.150%	850,000.00	99.749%	847,866.50	(2,133.50)
06/01/2025	Serial Coupon	2.250%	2.300%	875,000.00	99.466%	870,327.50	(4,672.50)
06/01/2026	Serial Coupon	2.375%	2.400%	900,000.00	99.715%	897,435.00	(2,565.00)
06/01/2027	Serial Coupon	2.500%	2.500%	925,000.00	100.000%	925,000.00	-
06/01/2028	Serial Coupon	2.500%	2.570%	950,000.00	99.118%	941,621.00	(8,379.00)
06/01/2029	Serial Coupon	3.000%	2.630%	1,010,000.00	103.306%	1,043,390.60	33,390.60
06/01/2030	Serial Coupon	3.000%	2.700%	995,000.00	102.671%	1,021,576.45	26,576.45
Total	-	-	-	\$9,885,000.00	-	\$9,997,727.55	\$112,727.55

APPENDIX I

APPLICABLE SCHEDULES PROVIDED BY THE FINANCIAL ADVISOR

SUMMARY OF REFUNDING RESULTS

Lincoln City, Oregon
2013 Bank Qualified Advance Refunding of 2005 Swr GO
Competitive Sale Numbers
Bank Qualified

Dated Date	02/26/2013
Delivery Date	02/26/2013
Arbitrage yield	2.272545%
Escrow yield	0.285892%
Bond Par Amount	9,885,000.00
True Interest Cost	2.435848%
Net Interest Cost	2.449552%
All-in TIC	2.505981%
Average Coupon	2.457970%
Average Life	12.328
Par amount of refunded bonds	8,880,000.00
Average coupon of refunded bonds	4.533508%
Average life of refunded bonds	12.743
PV of prior debt to 02/26/2013 @ 2.272545%	11,163,849.08
Net PV Savings	1,100,942.22
Percentage savings of refunding proceeds	11.011925%

SAVINGS

Lincoln City, Oregon
 2013 Bank Qualified Advance Refunding of 2005 Swr GO
 Competitive Sale Numbers
 Bank Qualified

Date	Prior Debt Service	Refunding Debt Service	Savings	Annual Savings	Present Value to 02/26/2013 @ 2.2725448%
06/01/2013	199,816.88	196,684.03	3,132.85	3,132.85	3,114.22
12/01/2013	199,816.88	115,525.00	84,291.88	-	82,849.33
06/01/2014	199,816.88	115,525.00	84,291.88	168,583.76	81,918.52
12/01/2014	199,816.88	115,525.00	84,291.88	-	80,998.16
06/01/2015	199,816.88	115,525.00	84,291.88	168,583.76	80,088.14
12/01/2015	199,816.88	115,525.00	84,291.88	-	79,188.34
06/01/2016	199,816.88	115,525.00	84,291.88	168,583.76	78,298.66
12/01/2016	199,816.88	115,525.00	84,291.88	-	77,418.97
06/01/2017	199,816.88	115,525.00	84,291.88	168,583.76	76,549.16
12/01/2017	199,816.88	115,525.00	84,291.88	-	75,689.12
06/01/2018	199,816.88	115,525.00	84,291.88	168,583.76	74,838.75
12/01/2018	199,816.88	115,525.00	84,291.88	-	73,997.93
06/01/2019	219,816.88	245,525.00	-25,708.12	58,583.76	-22,315.02
12/01/2019	199,391.88	114,225.00	85,166.88	-	73,095.51
06/01/2020	819,391.88	844,225.00	-24,833.12	60,333.76	-21,073.87
12/01/2020	186,216.88	106,925.00	79,291.88	-	66,532.65
06/01/2021	841,216.88	866,925.00	-25,708.12	53,583.76	-21,328.95
12/01/2021	172,134.38	99,325.00	72,809.38	-	59,728.21
06/01/2022	857,134.38	894,325.00	-37,190.62	35,618.76	-30,166.07
12/01/2022	157,150.00	91,375.00	65,775.00	-	52,752.03
06/01/2023	877,150.00	921,375.00	-44,225.00	21,550.00	-35,070.28
12/01/2023	141,310.00	83,075.00	58,235.00	-	45,661.32
06/01/2024	896,310.00	933,075.00	-36,765.00	21,470.00	-28,503.10
12/01/2024	124,700.00	74,043.75	50,656.25	-	38,831.45
06/01/2025	919,700.00	949,043.75	-29,343.75	21,312.50	-22,241.25
12/01/2025	106,812.50	64,200.00	42,612.50	-	31,935.50
06/01/2026	941,812.50	964,200.00	-22,387.50	20,225.00	-16,589.58
12/01/2026	88,025.00	53,512.50	34,512.50	-	25,287.11
06/01/2027	963,025.00	978,512.50	-15,487.50	19,025.00	-11,220.11
12/01/2027	67,900.00	41,950.00	25,950.00	-	18,588.58
06/01/2028	987,900.00	991,950.00	-4,050.00	21,900.00	-2,868.51
12/01/2028	46,625.00	30,075.00	16,550.00	-	11,590.26
06/01/2029	1,046,625.00	1,040,075.00	6,550.00	23,100.00	4,535.54
12/01/2029	23,125.00	14,925.00	8,200.00	-	5,614.29
06/01/2030	1,023,125.00	1,009,925.00	13,200.00	21,400.00	8,936.10
	14,104,400.72	12,880,246.53	1,224,154.19	1,224,154.19	1,096,661.12

Savings Summary

PV of savings from cash flow	1,096,661.12
Plus: Refunding funds on hand	4,281.10
Net PV Savings	1,100,942.22

BOND DEBT SERVICE

Lincoln City, Oregon
2013 Bank Qualified Advance Refunding of 2005 Swr GO
Competitive Sale Numbers
Bank Qualified

Dated Date 02/26/2013
Delivery Date 02/26/2013

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
06/01/2013	135,000	2.000%	61,684.03	196,684.03	196,684.03
12/01/2013	-	-	115,525.00	115,525.00	-
06/01/2014	-	-	115,525.00	115,525.00	231,050.00
12/01/2014	-	-	115,525.00	115,525.00	-
06/01/2015	-	-	115,525.00	115,525.00	231,050.00
12/01/2015	-	-	115,525.00	115,525.00	-
06/01/2016	-	-	115,525.00	115,525.00	231,050.00
12/01/2016	-	-	115,525.00	115,525.00	-
06/01/2017	-	-	115,525.00	115,525.00	231,050.00
12/01/2017	-	-	115,525.00	115,525.00	-
06/01/2018	-	-	115,525.00	115,525.00	231,050.00
12/01/2018	-	-	115,525.00	115,525.00	-
06/01/2019	130,000	2.000%	115,525.00	245,525.00	361,050.00
12/01/2019	-	-	114,225.00	114,225.00	-
06/01/2020	730,000	2.000%	114,225.00	844,225.00	958,450.00
12/01/2020	-	-	106,925.00	106,925.00	-
06/01/2021	760,000	2.000%	106,925.00	866,925.00	973,850.00
12/01/2021	-	-	99,325.00	99,325.00	-
06/01/2022	795,000	2.000%	99,325.00	894,325.00	993,650.00
12/01/2022	-	-	91,375.00	91,375.00	-
06/01/2023	830,000	2.000%	91,375.00	921,375.00	1,012,750.00
12/01/2023	-	-	83,075.00	83,075.00	-
06/01/2024	850,000	2.125%	83,075.00	933,075.00	1,016,150.00
12/01/2024	-	-	74,043.75	74,043.75	-
06/01/2025	875,000	2.250%	74,043.75	949,043.75	1,023,087.50
12/01/2025	-	-	64,200.00	64,200.00	-
06/01/2026	900,000	2.375%	64,200.00	964,200.00	1,028,400.00
12/01/2026	-	-	53,512.50	53,512.50	-
06/01/2027	925,000	2.500%	53,512.50	978,512.50	1,032,025.00
12/01/2027	-	-	41,950.00	41,950.00	-
06/01/2028	950,000	2.500%	41,950.00	991,950.00	1,033,900.00
12/01/2028	-	-	30,075.00	30,075.00	-
06/01/2029	1,010,000	3.000%	30,075.00	1,040,075.00	1,070,150.00
12/01/2029	-	-	14,925.00	14,925.00	-
06/01/2030	995,000	3.000%	14,925.00	1,009,925.00	1,024,850.00
	9,885,000		2,995,246.53	12,880,246.53	12,880,246.53

SOURCES AND USES OF FUNDS

Lincoln City, Oregon
2013 Bank Qualified Advance Refunding of 2005 Swr GO
Competitive Sale Numbers
Bank Qualified

Dated Date 02/26/2013
Delivery Date 02/26/2013

Sources:

Bond Proceeds:	
Par Amount	9,885,000.00
Original Issue Discount	-17,750.00
Premium	130,477.55
	<hr/>
	9,997,727.55

Uses:

Refunding Escrow Deposits:	
Cash Deposit	0.06
SLGS Purchases	<hr/>
	9,818,238.00
	9,818,238.06

Delivery Date Expenses:	
Cost of Issuance	72,738.50
Underwriter's Discount	<hr/>
	102,469.89
	175,208.39

Other Uses of Funds:	
Additional Proceeds	4,281.10
	<hr/>
	9,997,727.55

COST OF ISSUANCE

Lincoln City, Oregon
2013 Bank Qualified Advance Refunding of 2005 Swr GO
Competitive Sale Numbers
Bank Qualified

Cost of Issuance	\$/1000	Amount
Bond Counsel	3.54072	35,000.00
Moody's Rating Fee	1.26454	12,500.00
Escrow Agent:	0.08093	800.00
Paying Agent:	0.08093	800.00
MDAC Fee	0.10000	988.50
Advance Refunding Fee:	0.54122	5,350.00
Escrow Verification:	0.18209	1,800.00
Financial Advisor	1.41629	14,000.00
POS Distribution	0.15175	1,500.00
	7.35847	72,738.50

BOND PRICING

Lincoln City, Oregon
 2013 Bank Qualified Advance Refunding of 2005 Swr GO
 Competitive Sale Numbers
 Bank Qualified

Bond Component	Maturity Date	Amount	Rate	Yield	Price	Yield to Maturity	Call Date for Arb Yield	Call Price for Arb Yield	Premium (-Discount)
Bond Component:									
	06/01/2013	135,000	2.000%	0.350%	100.434	-	-	-	585.90
	06/01/2019	130,000	2.000%	1.200%	104.812	-	-	-	6,255.60
	06/01/2020	730,000	2.000%	1.400%	104.129	-	-	-	30,141.70
	06/01/2021	760,000	2.000%	1.600%	103.083	-	-	-	23,430.80
	06/01/2022	795,000	2.000%	1.850%	101.270	-	-	-	10,096.50
	06/01/2023	830,000	2.000%	2.000%	100.000	-	-	-	-
	06/01/2024	850,000	2.125%	2.150%	99.749	-	-	-	-2,133.50
	06/01/2025	875,000	2.250%	2.300%	99.466	-	-	-	-4,672.50
	06/01/2026	900,000	2.375%	2.400%	99.715	-	-	-	-2,565.00
	06/01/2027	925,000	2.500%	2.500%	100.000	-	-	-	-
	06/01/2028	950,000	2.500%	2.570%	99.118	-	-	-	-8,379.00
	06/01/2029	1,010,000	3.000%	2.630%	103.306 C	2.746%	06/01/2023	100.000	33,390.60
	06/01/2030	995,000	3.000%	2.700%	102.671 C	2.804%	06/01/2023	100.000	26,576.45
		9,885,000							112,727.55

Dated Date	02/26/2013	
Delivery Date	02/26/2013	
First Coupon	06/01/2013	
Par Amount	9,885,000.00	
Premium	112,727.55	
Production	9,997,727.55	101.140390%
Underwriter's Discount	-102,469.89	-1.036620%
Purchase Price	9,895,257.66	100.103770%
Accrued Interest	-	
Net Proceeds	9,895,257.66	

SUMMARY OF BONDS REFUNDED

Lincoln City, Oregon
2013 Bank Qualified Advance Refunding of 2005 Swr GO
Competitive Sale Numbers
Bank Qualified

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
General Obligation Sewer Bonds, Series 2005, 05_GO:					
BOND	06/01/2019	4.250%	20,000.00	06/01/2015	100.000
	06/01/2020	4.250%	620,000.00	06/01/2015	100.000
	06/01/2021	4.300%	655,000.00	06/01/2015	100.000
	06/01/2022	4.375%	685,000.00	06/01/2015	100.000
	06/01/2023	4.400%	720,000.00	06/01/2015	100.000
	06/01/2024	4.400%	755,000.00	06/01/2015	100.000
	06/01/2025	4.500%	795,000.00	06/01/2015	100.000
	06/01/2026	4.500%	835,000.00	06/01/2015	100.000
	06/01/2027	4.600%	875,000.00	06/01/2015	100.000
	06/01/2028	4.625%	920,000.00	06/01/2015	100.000
	06/01/2029	4.700%	1,000,000.00	06/01/2015	100.000
	06/01/2030	4.625%	1,000,000.00	06/01/2015	100.000
			8,880,000.00		

ESCROW REQUIREMENTS

Lincoln City, Oregon
2013 Bank Qualified Advance Refunding of 2005 Swr GO
Competitive Sale Numbers
Bank Qualified

Period Ending	Interest	Principal Redeemed	Total
06/01/2013	199,816.88	-	199,816.88
12/01/2013	199,816.88	-	199,816.88
06/01/2014	199,816.88	-	199,816.88
12/01/2014	199,816.88	-	199,816.88
06/01/2015	199,816.88	8,880,000.00	9,079,816.88
	999,084.40	8,880,000.00	9,879,084.40

ESCROW STATISTICS

Lincoln City, Oregon
 2013 Bank Qualified Advance Refunding of 2005 Swr GO
 Competitive Sale Numbers
 Bank Qualified

Total Escrow Cost	Modified Duration (years)	PV of 1 bp change	Yield to Receipt Date	Yield to Disbursement Date	Perfect Escrow Cost	Value of Negative Arbitrage	Cost of Dead Time
Global Proceeds Escrow: 9,818,238.06	2.159	2,119.73	0.285892%	0.285892%	9,408,220.83	410,017.21	0.02
9,818,238.06		2,119.73			9,408,220.83	410,017.21	0.02

Delivery date 02/26/2013
 Arbitrage yield 2.272545%

ESCROW DESCRIPTIONS

Lincoln City, Oregon
 2013 Bank Qualified Advance Refunding of 2005 Swr GO
 Competitive Sale Numbers
 Bank Qualified

Type of Security	Type of SLGS	Maturity Date	First Int Pmt Date	Par Amount	Rate	Max Rate
Feb 26, 2013:						
SLGS	Certificate	06/01/2013	06/01/2013	192,721	0.070%	0.070%
SLGS	Certificate	12/01/2013	12/01/2013	186,103	0.130%	0.130%
SLGS	Note	06/01/2014	06/01/2013	186,289	0.180%	0.180%
SLGS	Note	12/01/2014	06/01/2013	186,455	0.230%	0.230%
SLGS	Note	06/01/2015	06/01/2013	9,066,670	0.290%	0.290%
				9,818,238		

SLGS Summary

SLGS Rates File	12FEB13
Total Certificates of Indebtedness	378,824.00
Total Notes	9,439,414.00
	<hr/>
Total original SLGS	9,818,238.00

ESCROW COST

Lincoln City, Oregon
2013 Bank Qualified Advance Refunding of 2005 Swr GO
Competitive Sale Numbers
Bank Qualified

Type of Security	Maturity Date	Par Amount	Rate	Total Cost
SLGS	06/01/2013	192,721	0.070%	192,721.00
SLGS	12/01/2013	186,103	0.130%	186,103.00
SLGS	06/01/2014	186,289	0.180%	186,289.00
SLGS	12/01/2014	186,455	0.230%	186,455.00
SLGS	06/01/2015	9,066,670	0.290%	9,066,670.00
		9,818,238		9,818,238.00

Purchase Date	Cost of Securities	Cash Deposit	Total Escrow Cost	Yield
02/26/2013	9,818,238	0.06	9,818,238.06	0.285892%
		9,818,238	0.06	9,818,238.06

ESCROW CASH FLOW

Lincoln City, Oregon
2013 Bank Qualified Advance Refunding of 2005 Swr GO
Competitive Sale Numbers
Bank Qualified

Date	Principal	Interest	Net Escrow Receipts	Present Value to 02/26/2013 @ 0.2858918%
06/01/2013	192,721.00	7,096.81	199,817.81	199,667.22
12/01/2013	186,103.00	13,713.02	199,816.02	199,380.43
06/01/2014	186,289.00	13,528.75	199,817.75	199,097.55
12/01/2014	186,455.00	13,361.09	199,816.09	198,811.71
06/01/2015	9,066,670.00	13,146.67	9,079,816.67	9,021,281.08
	<u>9,818,238.00</u>	<u>60,846.34</u>	<u>9,879,084.34</u>	<u>9,818,238.00</u>

Escrow Cost Summary

Purchase date	02/26/2013
Purchase cost of securities	9,818,238.00
	<hr/>
Target for yield calculation	9,818,238.00

ESCROW SUFFICIENCY

Lincoln City, Oregon
2013 Bank Qualified Advance Refunding of 2005 Swr GO
Competitive Sale Numbers
Bank Qualified

Date	Escrow Requirement	Net Escrow Receipts	Excess Receipts	Excess Balance
02/26/2013	-	0.06	0.06	0.06
06/01/2013	199,816.88	199,817.81	0.93	0.99
12/01/2013	199,816.88	199,816.02	-0.86	0.13
06/01/2014	199,816.88	199,817.75	0.87	1.00
12/01/2014	199,816.88	199,816.09	-0.79	0.21
06/01/2015	9,079,816.88	9,079,816.67	-0.21	-
	9,879,084.40	9,879,084.40	0.00	

PROOF OF ARBITRAGE YIELD

Lincoln City, Oregon
2013 Bank Qualified Advance Refunding of 2005 Swr GO
Competitive Sale Numbers
Bank Qualified

Date	Debt Service	Present Value to 02/26/2013 @ 2.2725448%
06/01/2013	196,684.03	195,514.66
12/01/2013	115,525.00	113,547.94
06/01/2014	115,525.00	112,272.22
12/01/2014	115,525.00	111,010.84
06/01/2015	115,525.00	109,763.62
12/01/2015	115,525.00	108,530.42
06/01/2016	115,525.00	107,311.07
12/01/2016	115,525.00	106,105.43
06/01/2017	115,525.00	104,913.33
12/01/2017	115,525.00	103,734.62
06/01/2018	115,525.00	102,569.15
12/01/2018	115,525.00	101,416.78
06/01/2019	245,525.00	213,119.23
12/01/2019	114,225.00	98,035.00
06/01/2020	844,225.00	716,425.83
12/01/2020	106,925.00	89,719.19
06/01/2021	866,925.00	719,251.32
12/01/2021	99,325.00	81,479.95
06/01/2022	894,325.00	725,405.14
12/01/2022	91,375.00	73,283.42
06/01/2023	2,926,375.00	2,320,605.66
12/01/2023	53,000.00	41,556.63
06/01/2024	903,000.00	700,076.07
12/01/2024	43,968.75	33,705.03
06/01/2025	918,968.75	696,537.24
12/01/2025	34,125.00	25,574.63
06/01/2026	934,125.00	692,204.96
12/01/2026	23,437.50	17,172.52
06/01/2027	948,437.50	687,107.27
12/01/2027	11,875.00	8,506.34
06/01/2028	961,875.00	681,272.06
	12,489,496.53	9,997,727.55

Proceeds Summary

Delivery date	02/26/2013
Par Value	9,885,000.00
Premium (Discount)	112,727.55
Target for yield calculation	9,997,727.55

PROOF OF ARBITRAGE YIELD

Lincoln City, Oregon
 2013 Bank Qualified Advance Refunding of 2005 Swr GO
 Competitive Sale Numbers
 Bank Qualified

Assumed Call/Computation Dates for Premium Bonds

Bond Component	Maturity Date	Rate	Yield	Call Date	Call Price	Net Present Value (NPV) to 02/26/2013 @ 2.2725448%
BOND	06/01/2029	3.000%	2.630%	06/01/2023	100.000	33,556.23
BOND	06/01/2030	3.000%	2.700%	06/01/2023	100.000	39,376.12

Rejected Call/Computation Dates for Premium Bonds

Bond Component	Maturity Date	Rate	Yield	Call Date	Call Price	Net Present Value (NPV) to 02/26/2013 @ 2.2725448%	Increase to NPV
BOND	06/01/2029	3.000%	2.630%	-	-	66,063.87	32,507.64
BOND	06/01/2030	3.000%	2.700%	-	-	76,328.90	36,952.78

FORM 8038 STATISTICS

Lincoln City, Oregon
 2013 Bank Qualified Advance Refunding of 2005 Swr GO
 Competitive Sale Numbers
 Bank Qualified

Dated Date 02/26/2013
 Delivery Date 02/26/2013

Bond Component	Date	Principal	Coupon	Price	Issue Price	Redemption at Maturity
Bond Component:						
	06/01/2013	135,000.00	2.000%	100.434	135,585.90	135,000.00
	06/01/2019	130,000.00	2.000%	104.812	136,255.60	130,000.00
	06/01/2020	730,000.00	2.000%	104.129	760,141.70	730,000.00
	06/01/2021	760,000.00	2.000%	103.083	783,430.80	760,000.00
	06/01/2022	795,000.00	2.000%	101.270	805,096.50	795,000.00
	06/01/2023	830,000.00	2.000%	100.000	830,000.00	830,000.00
	06/01/2024	850,000.00	2.125%	99.749	847,866.50	850,000.00
	06/01/2025	875,000.00	2.250%	99.466	870,327.50	875,000.00
	06/01/2026	900,000.00	2.375%	99.715	897,435.00	900,000.00
	06/01/2027	925,000.00	2.500%	100.000	925,000.00	925,000.00
	06/01/2028	950,000.00	2.500%	99.118	941,621.00	950,000.00
	06/01/2029	1,010,000.00	3.000%	103.306	1,043,390.60	1,010,000.00
	06/01/2030	995,000.00	3.000%	102.671	1,021,576.45	995,000.00
		9,885,000.00			9,997,727.55	9,885,000.00

	Maturity Date	Interest Rate	Issue Price	Stated Redemption at Maturity	Weighted Average Maturity	Yield
Final Maturity	06/01/2030	3.000%	1,021,576.45	995,000.00	-	-
Entire Issue	-	-	9,997,727.55	9,885,000.00	12.3191	2.2725%

Proceeds used for accrued interest	0.00
Proceeds used for bond issuance costs (including underwriters' discount)	175,208.39
Proceeds used for credit enhancement	0.00
Proceeds allocated to reasonably required reserve or replacement fund	0.00
Proceeds used to currently refund prior issues	0.00
Proceeds used to advance refund prior issues	9,818,238.06
Remaining weighted average maturity of the bonds to be currently refunded	0.0000
Remaining weighted average maturity of the bonds to be advance refunded	12.7307

BOND DEBT SERVICE TO CALL

Lincoln City, Oregon
 2013 Bank Qualified Advance Refunding of 2005 Swr GO
 Competitive Sale Numbers
 Bank Qualified

Dated Date 02/26/2013
 Delivery Date 02/26/2013

Period Ending	Principal	Coupon	Interest	Debt Service	Principal Redeemed	Total	Annual Debt Service to Call
06/01/2013	135,000	2.000%	61,684.03	196,684.03	-	196,684.03	196,684.03
12/01/2013	-	-	115,525.00	115,525.00	-	115,525.00	-
06/01/2014	-	-	115,525.00	115,525.00	-	115,525.00	231,050.00
12/01/2014	-	-	115,525.00	115,525.00	-	115,525.00	-
06/01/2015	-	-	115,525.00	115,525.00	-	115,525.00	231,050.00
12/01/2015	-	-	115,525.00	115,525.00	-	115,525.00	-
06/01/2016	-	-	115,525.00	115,525.00	-	115,525.00	231,050.00
12/01/2016	-	-	115,525.00	115,525.00	-	115,525.00	-
06/01/2017	-	-	115,525.00	115,525.00	-	115,525.00	231,050.00
12/01/2017	-	-	115,525.00	115,525.00	-	115,525.00	-
06/01/2018	-	-	115,525.00	115,525.00	-	115,525.00	231,050.00
12/01/2018	-	-	115,525.00	115,525.00	-	115,525.00	-
06/01/2019	130,000	2.000%	115,525.00	245,525.00	-	245,525.00	361,050.00
12/01/2019	-	-	114,225.00	114,225.00	-	114,225.00	-
06/01/2020	730,000	2.000%	114,225.00	844,225.00	-	844,225.00	958,450.00
12/01/2020	-	-	106,925.00	106,925.00	-	106,925.00	-
06/01/2021	760,000	2.000%	106,925.00	866,925.00	-	866,925.00	973,850.00
12/01/2021	-	-	99,325.00	99,325.00	-	99,325.00	-
06/01/2022	795,000	2.000%	99,325.00	894,325.00	-	894,325.00	993,650.00
12/01/2022	-	-	91,375.00	91,375.00	-	91,375.00	-
06/01/2023	830,000	2.000%	91,375.00	921,375.00	6,505,000	7,426,375.00	7,517,750.00
	3,380,000		2,271,684.03	5,651,684.03	6,505,000	12,156,684.03	12,156,684.03

APPENDIX II

STATE AND LOCAL GOVERNMENT SECURITIES (SLGS) CONFIRMATION



DEPARTMENT OF THE TREASURY

BUREAU OF THE PUBLIC DEBT
PARKERSBURG, WV 26106-0396

SUBSCRIPTION CONFIRMATION

State and Local Government Series Securities

Treasury Case Number:	201300685
Program Type:	Time Deposit
Issue Amount:	\$9,818,238.00
Issue Date:	02/26/2013
Owner Name:	CITY OF LINCOLN CITY
TIN:	93-0523629
Rate Table Date:	02/12/2013
Status:	Complete
Confirmation Date:	02/12/2013
Confirmation Time:	03:56 PM EST



U.S. Treasury Securities
SLGS Time Deposit
Subscription View

OMB: No: 1535-0092
Date/Time: 02/12/2013 03:58 PM EST
Page: 1 of 2

Issue Information

Treasury Case Number 201300685
Status Complete
Issue Date 02/26/2013
Issue Amount \$9,818,238.00
Rate Table Date 02/12/2013

Owner

Taxpayer Identification Number 93-0523629
Underlying Bond Issue CITY OF LINCOLN CITY GO SEWER BONDS SERIES 2005
Owner Name CITY OF LINCOLN CITY
Address Line 1 801 S.W. HIGHWAY 101
Line 2
Line 3
City LINCOLN CITY
State OR
Zip Code 97367
Contact Name RONALD J. TIERNEY, FINANCIAL PLANNER
Telephone 541-996-2151
Fax 541-996-1284
E-mail

Trustee

ABA Routing Number 091000022
Bank Reference Number
Bank Name U.S. BANK NATIONAL ASSOCIATION
Address Line 1 1420 FIFTH AVENUE, 7TH FLOOR
Line 2 PD-WA-T7CT
Line 3
City SEATTLE
State WA
Zip Code 98101
Contact Name CHERYL K. NELSON, VICE PRESIDENT
Telephone 503-275-5708
Fax 503-275-5738
E-mail cherylk.nelson@usbank.com

Funds for Purchase

ABA Routing Number 091000022
Bank Name U.S. BANK NATIONAL ASSOCIATION
Contact Name CHERYL K. NELSON, VICE PRESIDENT
Telephone 503-275-5708
Fax 503-275-5738
E-mail cherylk.nelson@usbank.com



**U.S. Treasury Securities
SLGS Time Deposit
Subscription View**

OMB: No: 1535-0092
Date/Time: 02/12/2013 03:58 PM EST
Page: 2 of 2

ACH Institutions & Instructions

ABA Routing Number 091000022 ABA Routing Number 091000022
 Bank Name U.S. BANK NATIONAL Account Name U.S. BANK, NA
 ASSN
 Address Line 1 60 LIVINGSTON Account Number 173100077762
 AVENUE
 Line 2 Account Type Checking
 Line 3
 City ST. PAUL
 State MN
 Zip Code 55107
 Contact Name INCOME PROCESSING EP-MN-WN31
 Telephone 651-466-5989
 Fax 866-895-2142
 E-mail

Subscriber

ABA/TIN 091000022
 Organization Name US Bank Trust National Association
 Address Line 1 1420 Fifth Ave 7th Floor
 Line 2
 Line 3
 City Seattle
 State WA
 Zip Code 98101
 Contact Name Angela Thompson
 Telephone 206-344-4675
 Fax 206-344-4630
 E-mail angela.thompson@usbank.com

Viewers

ABA/TIN	Organization Name
No Viewers Assigned	

Securities

Security Number	Security Type	Principal Amount	Interest Rate	Maturity Date	First Interest Payment Date	Security Description
1	C of I	\$192,721.00	0.070000000	06/01/2013		
2	C of I	\$186,103.00	0.130000000	12/01/2013		
3	Note	\$186,289.00	0.180000000	06/01/2014	06/01/2013	
4	Note	\$186,455.00	0.230000000	12/01/2014	06/01/2013	
5	Note	\$9,066,670.00	0.290000000	06/01/2015	06/01/2013	

February 22, 2013

Ron Tierney, Financial Planner
City of Lincoln City
PO Box 50
Lincoln City, OR 97367

RE: General Obligation Refunding Bonds, Series 2013

Dear Ron,

As the City's independent financial advisor, I'm pleased to report that the sale of the above mentioned general obligation refunding bonds was successful and financially beneficial to the City. In accordance with OAR 170-062-000, we have revised the assumptions in the Advance Refunding Plan and I believe the plan is consistent with the OARs.

The City priced the 2013 bonds via a competitive sale and received 6 bids. The True Interest Cost (TIC) ranged from a low of 2.27% to a high of 2.76%. The low bidder and the one accepted by the City is Robert W. Baird & Co., Inc. The refunding produces a present value savings of more than \$1.1 million over the 17-year life of the bonds.

The \$9.885 million bonds will be used to refund the General Obligation Sewer Bonds, Series 2005 described in the Escrow Deposit Agreement (the "Refunded Bonds") and to pay bond closing costs. The Refunded Bonds are not currently callable; therefore, a portion of the 2013 Series Bond proceeds have been placed in an irrevocable escrow. The refunding escrow will be invested in State and Local Government Series U.S. Treasury Securities that will make interest payments on the Refunded Bonds beginning June 1, 2013, and redeem the outstanding principal at a price of 100.00 on June 1, 2015. The following table summarizes the sources and uses of the 2013 Series Bonds.

Sources of Funds	Series 2013
Par Amount	\$9,885,000.00
Original Issue Discount	(17,750.00)
Net Premium	130,477.55
Total Sources of Funds	\$9,997,727.55

Uses of Funds	
Escrow Requirements	\$9,818,238.06
Costs of Issuance	72,738.50
Underwriter's Discount	102,469.89
Additional Proceeds	4,281.10
Total Uses of Funds	\$9,997,727.55

I appreciate the opportunity to serve the City and look forward to assisting you in the future.

Sincerely,

Raymond J. Bartlett, Financial Advisor

**CERTIFICATE OF FINANCIAL ADVISOR
REGARDING OFFICIAL STATEMENT**

**\$9,885,000
City of Lincoln City, Oregon
General Obligation Refunding Bonds
Series 2013**

On behalf of Economic & Financial Analysis, as financial advisor to the City of Lincoln City, Oregon (the "City") in connection with the above-captioned bonds (the "Bonds"), I hereby certify as follows:

Based upon the assistance provided by us to the City in connection with the execution and delivery of the Bonds and in the preparation of the Preliminary Official Statement for the Bonds that is dated February 4, 2013, the Supplemental to Preliminary Official Statement for the Bonds that is dated February 11, 2013, and the Final Official Statement for the Bonds that is dated February 12, 2013 (collectively, the "Official Statements"), but without having undertaken to determine independently the accuracy, completeness or fairness of the contents of the Official Statements, nothing has come to our attention to lead us to believe that the Official Statements did not, as of their dates, and do not as of this date, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

Dated as of the 26th day of February, 2013.

Economic & Financial Analysis



Ray Bartlett



Blanket Issuer Letter of Representations

[To be Completed by Issuer]

City of Lincoln City, Oregon
[Name of Issuer]

October 1, 1997
[Date]

Attention: Underwriting Department — Eligibility
The Depository Trust Company
55 Water Street; 50th Floor
New York, NY 10041-0099

Ladies and Gentlemen:

This letter sets forth our understanding with respect to all issues (the "Securities") that Issuer shall request be made eligible for deposit by The Depository Trust Company ("DTC").

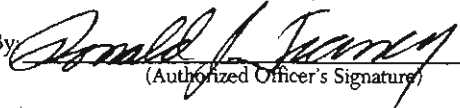
To induce DTC to accept the Securities as eligible for deposit at DTC, and to act in accordance with DTC's Rules with respect to the Securities, Issuer represents to DTC that Issuer will comply with the requirements stated in DTC's Operational Arrangements, as they may be amended from time to time.

Note:

Schedule A contains statements that DTC believes accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC, and certain related matters.

Very truly yours,

City of Lincoln City, Oregon
(Issuer)

By: 
(Authorized Officer's Signature)

Ron Tierney, Finance Director
(Typewrite Name & Title)

801 S.W. Highway 101
(Street Address)

Lincoln City, Oregon 97367
(City) (State) (Zip)

503-996-2152
(Phone Number)

Received and Accepted:

THE DEPOSITORY TRUST COMPANY

By: 

SAMPLE OFFERING DOCUMENT LANGUAGE
DESCRIBING BOOK-ENTRY-ONLY ISSUANCE

(Prepared by DTC—bracketed material may be applicable only to certain issues)

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

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

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

4. To facilitate subsequent transfers, all Securities deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. The deposit of Securities with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial 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 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.

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

7. Neither DTC nor Cede & Co. will consent or vote with respect to Securities. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Principal and interest payments on the Securities will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer or the Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to the [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 the [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records.]

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

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

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

TED WHEELER
STATE TREASURER

DARREN BOND
DEPUTY STATE TREASURER



DEBT MANAGEMENT DIVISION
LAURA LOCKWOOD-MCCALL
DIRECTOR

350 Winter Street NE, Suite 100
Salem, OR 97301
(503) 378-4930
FAX (503) 378-2870

January 24, 2013

Hawkins, Delafield & Wood
One Chase Manhattan Plaza, 42nd Floor
New York, NY

RE: Proposed Competitive Sale, City Of Lincoln City (Lincoln County) \$8,895,000
General Obligation (S) Bonds, Series 2013.

This is to confirm that City Of Lincoln City has complied with the provisions of Oregon Revised Statutes 287A.640 and Oregon Administrative Rule 170-061-0000 in connection with the above-referenced bond sale.

In accordance with OAR 170-061-0000 (6), please submit a completed MDAC Form 2 and final official statement, if available, for the above referenced sale within seven business days of the bond marketing date.

Sincerely,

A handwritten signature in black ink that reads "Laura Lockwood-McCall".

Laura Lockwood-McCall
Director, Debt Management Division

LLM: jb

JAN 24, 2013

Harvey W. Rogers, Esq.
Gulgun Mersereau, Esq.
Hawkins Delafield & Wood LLP
200 S.W. Market Street, Suite 350
Portland, Oregon 97201

Raymond J. Bartlett, Principal
Economic and Financial Analysis
1409 Franklin St, Suite 201
Vancouver, WA 98660

Subject: Preliminary Official Statement for City of Lincoln City, Oregon
General Obligation Refunding Bonds, Series 2013

Hawkins Delafield & Wood LLP is serving as bond counsel for the City of Lincoln City, Oregon (the "City") in connection with the subject bonds (the "Bonds"). Economic and Financial Analysis is serving as financial advisor to the City in connection with the Bonds. As the City's Financial Planner, I hereby certify as follows:

1. I have reviewed the latest copy of the Preliminary Official Statement circulated by bond counsel and it is hereby "deemed final" (except for the omission of the following information: offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, and other terms of the securities depending on such matters); and
2. Economic and Financial Analysis is authorized to distribute and otherwise utilize the Preliminary Official Statement in connection with the marketing of the Bonds.



MOODY'S

INVESTORS SERVICE

Rating Action: Moody's assigns A1 rating to Lincoln City, Oregon's G.O. unlimited tax bonds

Global Credit Research - 28 Jan 2013

\$12.5 million of rated debt affected

New York, January 28, 2013 –

Moody' Rating

Issue: General Obligation Refunding Bonds, Series 2013; Rating: A1; Sale Amount: \$8,895,000; Expected Sale Date: 02-12-2013; Rating Description: General Obligation

Opinion

Moody's Investors Service has assigned an A1 rating to Lincoln City, Oregon's General Obligation Refunding Bonds, Series 2013. At this time, Moody's affirms the city's rated GOULT bonds outstanding in the amount of \$3.6 million, post-refunding. The bonds are secured by the city's full faith, credit, and unlimited property tax pledge. Proceeds will refund certain maturities of the city's outstanding General Obligation Sewer Bonds, Series 2005.

SUMMARY RATING RATIONALE

The A1 rating primarily reflects the city's large tax base relative to similarly-rated peers, a rural and tourism-dependent economy, satisfactory financial performance, and a manageable debt profile.

STRENGTHS

- Large tax base compared to many similarly-rated peers
- Strong general fund reserve levels

CHALLENGES

- Rural and relatively cyclical economy

WHAT COULD MAKE THE RATING GO UP

- Meaningful diversification of the local economy
- Appreciation in socioeconomic measures

WHAT COULD MAKE THE RATING GO DOWN

- Significant deterioration of the city's financial position
- Protracted and substantial tax base declines

PRINCIPAL METHODOLOGY

The principal methodology used in this rating was General Obligation Bonds Issued by U.S. Local Governments, published in October 2009. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory

disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

Patrick Liberatore
Associate Analyst
Public Finance Group
Moody's Investors Service, Inc.
One Front Street
Suite 1900
San Francisco, CA 94111
U.S.A.
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

Bryan A. Quevedo
Analyst
Public Finance Group
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

MOODY'S
INVESTORS SERVICE

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Hawkins Delafield & Wood LLP

200 SW MARKET STREET, SUITE 350
PORTLAND, OR 97201
WWW.HAWKINS.COM

February 26, 2013

City of Lincoln City
P.O. Box 50
Lincoln City, Oregon 97367

Subject: \$9,885,000 City of Lincoln City, Oregon
General Obligation Refunding Bonds, Series 2013

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Lincoln City, Oregon (the "City") of its General Obligation Bonds, Series 2013 (the "Bonds"), which are dated as of the date of their delivery and are in the aggregate principal amount of \$9,885,000. The Bonds are authorized by Oregon Revised Statutes Chapter 287A, City Resolution No. 2012-23 adopted October 22, 2012 (the "Resolution"), and a Bond Declaration for the Bonds that is dated as of the date of delivery of the Bonds (the "Declaration").

We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering materials which have been or may be supplied to the purchasers of the Bonds, and we express no opinion relating thereto, excepting only the matters set forth as our opinion in the official statement.

Regarding questions of fact material to our opinion, we have relied on representations of the City in the Resolution and in the certified proceedings and on other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Bonds have been legally authorized, sold and issued under and pursuant to the Constitution and Statutes of the State of Oregon, the Resolution and the Declaration. The Bonds constitute valid and legally binding general obligations of the City that are enforceable in accordance with their terms.

2. The City has pledged its full faith and credit and taxing power to the payment of the Bonds. In addition, the Bonds are payable from ad valorem taxes which may be levied without limitation as to rate or amount on all taxable property within the boundaries of the City.

3. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. Bond counsel further is of the opinion that, for any Bonds having original issue discount (a "Discount Bond"), original issue discount that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Bonds. In rendering our opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City, and others in connection with the Bonds, and we have assumed

compliance by the City and others with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that, for Federal income tax purposes, interest on the Bonds not be included in gross income pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Bonds, restrictions on the investment of proceeds of the Bonds prior to expenditure and the requirement that certain earnings be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Bonds to become subject to Federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of delivery of the Bonds, the City will execute a Tax Certificate (the "Tax Certificate") containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the City covenants that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things required by the Code to assure that interest paid on the Bonds will, for Federal income tax purposes, be excluded from gross income.

In rendering the opinion in paragraph 3 hereof, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of interest paid on the Bonds, and (ii) compliance by the City with the procedures and covenants set forth in the Tax Certificate as to such tax matters.

4. Interest on the Bonds is exempt from Oregon personal income tax.

We note that the City has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code.

Except as stated in paragraphs 3 and 4 above, we express no opinion as to any other Federal, state or local tax consequences arising with respect to the Bonds or the ownership or disposition thereof. We render our opinion under existing statutes and court decisions as of the issue date, and we assume no obligation to update, revise or supplement this opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances, or any change in law or in interpretations thereof, or otherwise, that may hereafter arise or occur, or for any other reason. Furthermore, we express no opinion herein as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves on the exclusion from gross income for Federal income tax purposes of interest on the Bonds.

The portion of this opinion that is set forth in paragraph 1, above, is qualified only to the extent that enforceability of the Bonds may be limited by or rendered ineffective by (i) bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other laws affecting creditors' rights generally; (ii) the application of equitable principles and the exercise of judicial discretion in appropriate cases; (iii) common law and statutes affecting the enforceability of contractual obligations generally; and (iv) principles of public policy concerning, affecting or limiting the enforcement of rights or remedies against governmental entities such as the City.

This opinion is given as of the date hereof and is based on existing law, and we assume no obligation to update, revise, or supplement this opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention or any changes in law or interpretations thereof that may hereafter arise or occur, or for any other reason.

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

This opinion is provided to you as a legal opinion only, and not as a guaranty or warranty of the matters discussed herein. No opinions may be inferred or implied beyond the matters expressly stated herein. No qualification, limitation or exception contained herein shall be construed in any way to limit the scope of the other qualifications, limitations and exceptions. For purposes of this opinion, the terms "law" and "laws" do not include unpublished judicial decisions, and we disclaim the effect of any such decision on this opinion.

We have served as bond counsel only to the City in connection with the Bonds and have not represented and are not representing any other party in connection with the Bonds. This opinion is given solely for the benefit of the City in connection with the Bonds and may not be relied on in any manner or for any purpose by any person or entity other than the City, the owners of the Bonds, and any person to whom we may send a formal reliance letter indicating that the recipient is entitled to rely on this opinion.

Very truly yours,



Hawkins Delafield & Wood LLP

200 SW MARKET STREET, SUITE 350
PORTLAND, OR 97201
WWW.HAWKINS.COM

February 26, 2013

Robert W. Baird & Co. Incorporated
1 Harding Road, Suite 207
Red Bank, New Jersey 07701

Subject: \$9,885,000 City of Lincoln City, Oregon
General Obligation Refunding Bonds, Series 2013

Ladies and Gentlemen:

We have this date delivered our legal opinion, copy attached, with respect to the subject bonds (the "Bonds"). You are authorized to rely upon such opinion as if it had been addressed to you originally. We have served only as bond counsel to the City of Lincoln City, Oregon (the "City") in connection with the Bonds and have not and are not representing any other party in connection with the Bonds. Therefore, no attorney-client relationship shall arise by virtue of our addressing this opinion to persons other than the City.

Very truly yours,

A handwritten signature in blue ink that reads "Hawkins Delafield & Wood LLP". The signature is written in a cursive, flowing style.

Hawkins Delafield & Wood LLP

200 SW MARKET STREET, SUITE 350
PORTLAND, OR 97201
WWW.HAWKINS.COM

February 26, 2013

City of Lincoln City
P.O. Box 50
Lincoln City, Oregon 97367

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

Subject: City of Lincoln City, Oregon
General Obligation Refunding Bonds, Series 2013

Ladies and Gentlemen:

This opinion is rendered to you in connection with the issuance by the City of Lincoln City, Oregon (the "City") of its \$9,885,000 General Obligation Refunding Bonds, Series 2013 (the "Bonds"). The Bonds are being issued to refund certain portions of the callable maturities of the City's outstanding General Obligation Sewer Bonds, Series 2005 (the "Refunded Bonds"). The Refunded Bonds were issued pursuant to City Resolution No. 2005-03.

The City has deposited proceeds of the Bonds with U.S. Bank National Association, as Escrow Agent under an Escrow Deposit Agreement dated as of February 26, 2013 (the "Escrow Deposit Agreement"). The Escrow Deposit Agreement instructs the Escrow Agent to invest the amounts deposited and to pay and redeem the Refunded Bonds on the dates and in the amounts outlined in the Escrow Deposit Agreement. Capitalized terms used but not defined in this opinion have the meanings assigned to such terms in the Escrow Deposit Agreement. This opinion is given pursuant to Section 10 of the Bond Declaration executed in connection with the Refunded Bonds.

Economic & Financial Analysis has caused the calculation of the yield on the Bonds and the yield on the Escrowed Securities, and has also caused the calculation that the amounts deposited under the Escrow Deposit Agreement are sufficient to pay the Refunded Bonds. Such calculations have been verified by the firm of Talbot, Korvola & Warwick, LLP, certified public accountants, which has issued a verification report dated as of February 26, 2013 (the "Verification Report").

We have reviewed executed copies of the Escrow Deposit Agreement and the Verification Report, the relevant law, a duly certified transcript of proceedings and actions of the City, prepared in part by us, relating to the authorization and execution of the Bonds, and other documents which we deem necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on the representations of the City contained in the Escrow Deposit Agreement and the certified proceedings assembled in connection with the closing of the Bonds and on the representations of the Escrow Agent in the Escrow Deposit Agreement. We have also assumed that the Verification Report is correct, and that the verified calculations accurately describe the Bonds, the Refunded Bonds, the Escrowed Securities and the earnings on the Escrowed Securities. We have also assumed that the Escrow Agent will comply with its obligations under the Escrow Deposit Agreement. We have not independently verified any of these matters.

Based the foregoing, we are of the opinion that, under existing law, the deposit of the proceeds of the Bonds with the Escrow Agent under the Escrow Deposit Agreement as described above will not, in and of itself, cause the interest payable with respect to any Refunded Bonds to be includable in gross income under the Internal Revenue Code of 1986, as amended (the "Code").

Other than as specifically described herein, we have undertaken no investigation as to the use or investment of the proceeds of the Refunded Bonds and other matters affecting the exclusion of interest from gross income for federal income tax purposes since the date of issuance of the Refunded Bonds. Accordingly, except as set forth above, no opinion is expressed herein as to the exclusion of interest from gross income for federal income tax purposes. Further, we have not addressed, nor are we opining on, any collateral federal, state or local income tax consequences of the ownership or disposition of, or the receipt or accrual of interest with respect to the Refunded Bonds.

The opinion expressed herein is based upon our analysis and interpretation of existing statutes, regulations, rulings and judicial decisions, and the foregoing opinion covers certain matters not directly addressed by such authorities. We call attention to the fact that such opinion may be affected by actions taken or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions or events are taken or occur. In particular, we have assumed compliance with the covenants of the City as set forth in the Tax Certificate and other closing documents executed in connection with the Refunded Bonds for purposes of rendering this opinion.

In order for interest to be excluded from gross income for federal income tax purposes subsequent to the issuance of the Refunded Bonds, it is necessary that the applicable provisions of the Code be complied with on a continuous basis. We have made no independent investigation as to whether there has been such compliance in the present case. For purposes of this opinion, other than the extent to which the deposit of proceeds of the Bonds with the Escrow Agent under the Escrow Deposit Agreement could impact the exclusion of interest from gross income for federal income tax purposes, we have assumed that interest with respect to the Refunded Bonds is excluded from gross income for federal income tax purposes, and we express no opinion whatsoever as to whether interest is presently excluded from gross income for federal income tax purposes as of the date of this opinion.

This opinion is given as of the date hereof and is based on existing law, and we assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention or any changes in law or interpretations thereof that may hereafter arise or occur, or for any other reason.

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

This opinion is provided to you as a legal opinion only, and not as a guaranty or warranty of the matters discussed herein. No opinions may be inferred or implied beyond the matters expressly stated herein. No qualification, limitation or exception contained herein shall be construed in any way to limit the scope of the other qualifications, limitations and exceptions. For purposes of this opinion, the terms "law" and "laws" do not include unpublished judicial decisions, and we disclaim the effect of any such decision on this opinion.

We have served as bond counsel only to the City in connection with the Bonds and have not represented and are not representing any other party in connection with the Bonds. Therefore, no attorney-client relationship shall arise by virtue of our addressing this opinion to persons other than the City. This opinion is given solely for the benefit of the City in connection with the Bonds and may not be relied on in any manner or for any purpose by any person or entity other than the City, the Escrow Agent, the owners of the Bonds, and any person to whom we may send a formal reliance letter indicating that the recipient is entitled to rely on this opinion.

Very truly yours

A handwritten signature in blue ink, appearing to read "Gardner DeLoach & Wood LLP".

MEMORANDUM OF BOND DELIVERY

TO: Parties Involved in **Tuesday, February 26th, 2013 Closing**
(See Attached List)

FROM: Raymond J. Bartlett

DATE: February 21st, 2013

RE: Closing Instructions for City of Lincoln City, Lincoln County, Oregon
\$9,885,000, General Obligation Refunding Bonds, Series 2013

Enclosed you will find the instructions for the closing of the above-referenced bond issue scheduled for **February 26th, 2013**. If you have any questions or comments please call.

Four wire transfers from Robert W. Baird & Co., Inc. will be required to close the Bond issue on the morning of February 26th.

Our thanks to each of you for your help in bringing this financing to a successful conclusion.

cc: Ron Tierney, City of Lincoln City
Gulgun Mersereau, Hawkins Delafield & Wood LLP
Harvey Rogers, Hawkins Delafield & Wood LLP
Jennifer Cordova, Hawkins Delafield & Wood LLP
Margo Sharp, Hawkins Delafield & Wood LLP
Matthew Donahue, D.A. Davidson & Co.
Cheryl Nelson, U.S. Bank National Association
Charles Galarza, Robert W. Baird & Co., Inc.
Rob Moody, Talbot, Korvola & Warwick LLP
Rhonda Kutzer, Office of the State Treasurer
Matthew Harris, Office of the State Treasurer

**CITY OF LINCOLN CITY
LINCOLN COUNTY, OREGON
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2013
\$9,885,000**

CLOSING INSTRUCTIONS AND APPLICATION OF FUNDS

PARTIES:

Issuer	City of Lincoln City Contact: Mr. Ron Tierney (541) 996-1212
Paying Agent and Registrar	U.S. Bank National Association Contact: Ms. Cheryl Nelson (503) 275-5708
Underwriter	Robert W. Baird & Co., Inc. Contact: Mr. Charles Galarza (732) 576-4410
Bond Counsel.....	Hawkins Delafield & Wood, LLP Contact: Ms. Gulgun Mersereau (503) 402-1325
Financial Advisor.....	Economic & Financial Analysis Contact: Mr. Ray Bartlett (503) 228-3225
Verification Agent.....	Talbot, Korvola & Warwick, LLP Contact: Rob Moody (503) 274-2849

CLOSING INSTRUCTIONS:

1. Robert W. Baird & Co., Inc (the "Underwriter") will wire the closing amounts pursuant to the wire transfers described as follows, as early as possible on the morning of **February 26th**, in order to meet the closing deadline of 8:30 a.m. PACIFIC.
2. U.S. Bank National Association (the "Escrow Agent") should be in receipt of the \$200,000 from the City and the wire transfer for \$9,618,238.06 (No. 2) from the Underwriter by 8:30 a.m. Pacific. The Escrow Agent will notify Bond Counsel immediately following receipt of funds and deposit the total amount of \$ 9,818,238.06 into the Refunding Escrow Account # 202771000. Escrow Agent will also confirm receipt of the Escrowed Securities.
3. City of Lincoln City, Oregon (the "City") should be in receipt of their wire transfer (No. 1) by 8:30 a.m. Pacific. The City will notify Bond Counsel immediately following receipt of its wire.
4. Upon verification of the items in 1-3 above and confirmation to close from the City and Bond Counsel, the Underwriter will call DTC to close the Bond issue.

WIRE TRANSFER INSTRUCTIONS:

The following wire transfers will be required to effect closing of the Bonds on **Tuesday, February 26, 2013** :

1. PARTIES: R.W. Baird & Co. to the City

AMOUNT: \$ 41,031.10

Par Amount of the Bonds	\$ 9,885,000.00
Plus: Net Original Issue Premium	112,727.55
Less: Refunding Escrow Deposit ⁽¹⁾	(9,818,238.06)
Less: Underwriter's Discount ⁽²⁾	(102,469.89)
Less: MDAC Fee ⁽³⁾	(988.50)
Less: Bond Counsel Fee ⁽⁴⁾	<u>(35,000.00)</u>
Total Amount Due	<u>\$ 41,031.10</u>

WIRE TRANSFER 1 INSTRUCTIONS Bank of America
 ABA No.: 026009593
 A/C No.: 002688300175
 Ref: 2013, GO Refunding Bonds

⁽¹⁾ Escrow Deposit will be paid pursuant to wire transfers no. 2 and check delivered by the City.
⁽²⁾ The Underwriter's Discount will be withheld by R.W. Baird & Co.
⁽³⁾ MDAC Fee will be paid at closing pursuant to wire transfer No. 3.
⁽⁴⁾ Bond Counsel Fee will be paid at closing pursuant to wire transfer No. 4.

2. PARTIES: R.W. Baird & Co. to U.S. Bank N.A.

AMOUNT:\$9,618,238.06

WIRE TRANSFER 2 INSTRUCTIONS.....BBK: U.S. Bank N.A. (ABA #091000022)
 BNF: U.S. Bank Trust N.A. / AC #180121167365
 Ref: City of Lincoln City Ref Esc #202771000
 Attn: Angela Thompson (206) 344-4675

3. PARTIES:..... **R.W. Baird & Co. to the Office of the State Treasurer (Debt Management Division)**

AMOUNT: **\$988.50**

WIRE TRANSFER 4 INSTRUCTIONS U.S. Bank, National Association
ABA No.: 123-000-220
Account Name: Oregon State Treasury
Account No.: 1536 0033 4160
Reference: 2013, GO Refunding Bonds

4. PARTIES:..... **R.W. Baird & Co. to Hawkins Delafield & Wood LLP**

AMOUNT: **\$35,000.00**

WIRE TRANSFER 5 INSTRUCTIONS Citibank
ABA No.: 021000089
Account of: Hawkins Delafield & Wood LLP
Account No.: 09271253
Ref: Matter No. 006960.0036891

SOURCES AND USES OF FUNDS:

SOURCES OF FUNDS:

Par Amount of the Bonds.....	\$ 9,885,000.00
Premium.....	130,477.55
Original Issue Discount	<u>(17,750.00)</u>
Total Sources of Funds.....	<u>\$ 9,997,727.55</u>

USES OF FUNDS:

Wire Transfer No. 1 R.W. Baird to the City.....	\$ 41,031.10
Wire Transfer No. 2 R.W. Baird to the Escrow Agent.....	9,618,238.06
Wire Transfer No. 3 R.W. Baird to Office of the State Treasurer (MDAC Fee)	988.50
Wire Transfer No. 4 R.W. Baird to Bond Counsel.....	35,000.00
Check from City of Lincoln City to Escrow Agent ⁽¹⁾	200,000.00
Underwriter's Discount.....	102,469.89
Total Uses of Funds	<u>\$ 9,997,727.55</u>

⁽¹⁾ Represents contribution of the good faith deposit by R.W. Baird delivered to the City on February 12, 2013.

PAYMENT OF COSTS OF ISSUANCE:

The City will use \$41,031.10 from Wire Transfer No. 1 to pay the costs of issuance listed below.

Following closing of the Bonds on **Tuesday, February 26th**, the City will be responsible for paying or getting reimbursed for certain costs of issuance to be invoiced and as estimated below.

Entity	Amount
Rating Agency (Moody's)	\$12,500.00
Paying Agent (US Bank National Association)	800.00
Escrow Agent (US Bank National Association)	800.00
Financial Advisor (Economic and Financial Analysis)	14,000.00
Advance Refunding Plan Fee (State Treasury) ⁽¹⁾	5,350.00
Escrow Verification	1,800.00
POS Distribution	1,500.00
Contingency ⁽²⁾	4,281.10
Total Invoiced Costs of Issuance	\$41,031.10

⁽¹⁾ The City can use proceeds to reimburse itself for the Preliminary Advance Refunding Plan application fee previously paid by the City.

⁽²⁾ After paying all costs of issuance, the contingency amount should be used to pay debt service on the 2013 Bonds.

SUMMARY OF REFUNDING RESULTS

Lincoln City, Oregon
2013 Bank Qualified Advance Refunding of 2005 Swr GO
Competitive Sale Numbers
Bank Qualified

Dated Date	02/26/2013
Delivery Date	02/26/2013
Arbitrage yield	2.272545%
Escrow yield	0.285892%
Bond Par Amount	9,885,000.00
True Interest Cost	2.435848%
Net Interest Cost	2.449552%
All-In TIC	2.505981%
Average Coupon	2.457970%
Average Life	12.328
Par amount of refunded bonds	8,880,000.00
Average coupon of refunded bonds	4.533508%
Average life of refunded bonds	12.743
PV of prior debt to 02/26/2013 @ 2.272545%	11,163,849.08
Net PV Savings	1,100,942.22
Percentage savings of refunding proceeds	11.011925%

SAVINGS

Lincoln City, Oregon
 2013 Bank Qualified Advance Refunding of 2005 Swr GO
 Competitive Sale Numbers
 Bank Qualified

Date	Prior Debt Service	Refunding Debt Service	Savings	Annual Savings	Present Value to 02/26/2013 @ 2.2725448%
06/01/2013	199,816.88	196,684.03	3,132.85	3,132.85	3,114.22
12/01/2013	199,816.88	115,525.00	84,291.88	-	82,849.33
06/01/2014	199,816.88	115,525.00	84,291.88	168,583.76	81,918.52
12/01/2014	199,816.88	115,525.00	84,291.88	-	80,998.16
06/01/2015	199,816.88	115,525.00	84,291.88	168,583.76	80,088.14
12/01/2015	199,816.88	115,525.00	84,291.88	-	79,188.34
06/01/2016	199,816.88	115,525.00	84,291.88	168,583.76	78,298.66
12/01/2016	199,816.88	115,525.00	84,291.88	-	77,418.97
06/01/2017	199,816.88	115,525.00	84,291.88	168,583.76	76,549.16
12/01/2017	199,816.88	115,525.00	84,291.88	-	75,689.12
06/01/2018	199,816.88	115,525.00	84,291.88	168,583.76	74,838.75
12/01/2018	199,816.88	115,525.00	84,291.88	-	73,997.93
06/01/2019	219,816.88	245,525.00	-25,708.12	58,583.76	-22,315.02
12/01/2019	199,391.88	114,225.00	85,166.88	-	73,095.51
06/01/2020	819,391.88	844,225.00	-24,833.12	60,333.76	-21,073.87
12/01/2020	186,216.88	106,925.00	79,291.88	-	66,532.65
06/01/2021	841,216.88	866,925.00	-25,708.12	53,583.76	-21,328.95
12/01/2021	172,134.38	99,325.00	72,809.38	-	59,728.21
06/01/2022	857,134.38	894,325.00	-37,190.62	35,618.76	-30,166.07
12/01/2022	157,150.00	91,375.00	65,775.00	-	52,752.03
06/01/2023	877,150.00	921,375.00	-44,225.00	21,550.00	-35,070.28
12/01/2023	141,310.00	83,075.00	58,235.00	-	45,661.32
06/01/2024	896,310.00	933,075.00	-36,765.00	21,470.00	-28,503.10
12/01/2024	124,700.00	74,043.75	50,656.25	-	38,831.45
06/01/2025	919,700.00	949,043.75	-29,343.75	21,312.50	-22,241.25
12/01/2025	106,812.50	64,200.00	42,612.50	-	31,935.50
06/01/2026	941,812.50	964,200.00	-22,387.50	20,225.00	-16,589.58
12/01/2026	88,025.00	53,512.50	34,512.50	-	25,287.11
06/01/2027	963,025.00	978,512.50	-15,487.50	19,025.00	-11,220.11
12/01/2027	67,900.00	41,950.00	25,950.00	-	18,588.58
06/01/2028	987,900.00	991,950.00	-4,050.00	21,900.00	-2,868.51
12/01/2028	46,625.00	30,075.00	16,550.00	-	11,590.26
06/01/2029	1,046,625.00	1,040,075.00	6,550.00	23,100.00	4,535.54
12/01/2029	23,125.00	14,925.00	8,200.00	-	5,614.29
06/01/2030	1,023,125.00	1,009,925.00	13,200.00	21,400.00	8,936.10
	14,104,400.72	12,880,246.53	1,224,154.19	1,224,154.19	1,096,661.12

Savings Summary

PV of savings from cash flow	1,096,661.12
Plus: Refunding funds on hand	4,281.10
Net PV Savings	1,100,942.22

BOND DEBT SERVICE

Lincoln City, Oregon
2013 Bank Qualified Advance Refunding of 2005 Swr GO
Competitive Sale Numbers
Bank Qualified

Dated Date 02/26/2013
Delivery Date 02/26/2013

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
06/01/2013	135,000	2.000%	61,684.03	196,684.03	196,684.03
12/01/2013	-	-	115,525.00	115,525.00	-
06/01/2014	-	-	115,525.00	115,525.00	231,050.00
12/01/2014	-	-	115,525.00	115,525.00	-
06/01/2015	-	-	115,525.00	115,525.00	231,050.00
12/01/2015	-	-	115,525.00	115,525.00	-
06/01/2016	-	-	115,525.00	115,525.00	231,050.00
12/01/2016	-	-	115,525.00	115,525.00	-
06/01/2017	-	-	115,525.00	115,525.00	231,050.00
12/01/2017	-	-	115,525.00	115,525.00	-
06/01/2018	-	-	115,525.00	115,525.00	231,050.00
12/01/2018	-	-	115,525.00	115,525.00	-
06/01/2019	130,000	2.000%	115,525.00	245,525.00	361,050.00
12/01/2019	-	-	114,225.00	114,225.00	-
06/01/2020	730,000	2.000%	114,225.00	844,225.00	958,450.00
12/01/2020	-	-	106,925.00	106,925.00	-
06/01/2021	760,000	2.000%	106,925.00	866,925.00	973,850.00
12/01/2021	-	-	99,325.00	99,325.00	-
06/01/2022	795,000	2.000%	99,325.00	894,325.00	993,650.00
12/01/2022	-	-	91,375.00	91,375.00	-
06/01/2023	830,000	2.000%	91,375.00	921,375.00	1,012,750.00
12/01/2023	-	-	83,075.00	83,075.00	-
06/01/2024	850,000	2.125%	83,075.00	933,075.00	1,016,150.00
12/01/2024	-	-	74,043.75	74,043.75	-
06/01/2025	875,000	2.250%	74,043.75	949,043.75	1,023,087.50
12/01/2025	-	-	64,200.00	64,200.00	-
06/01/2026	900,000	2.375%	64,200.00	964,200.00	1,028,400.00
12/01/2026	-	-	53,512.50	53,512.50	-
06/01/2027	925,000	2.500%	53,512.50	978,512.50	1,032,025.00
12/01/2027	-	-	41,950.00	41,950.00	-
06/01/2028	950,000	2.500%	41,950.00	991,950.00	1,033,900.00
12/01/2028	-	-	30,075.00	30,075.00	-
06/01/2029	1,010,000	3.000%	30,075.00	1,040,075.00	1,070,150.00
12/01/2029	-	-	14,925.00	14,925.00	-
06/01/2030	995,000	3.000%	14,925.00	1,009,925.00	1,024,850.00
	9,885,000		2,995,246.53	12,880,246.53	12,880,246.53

SOURCES AND USES OF FUNDS

Lincoln City, Oregon
2013 Bank Qualified Advance Refunding of 2005 Swr GO
Competitive Sale Numbers
Bank Qualified

Dated Date 02/26/2013
Delivery Date 02/26/2013

Sources:

Bond Proceeds:	
Par Amount	9,885,000.00
Original Issue Discount	-17,750.00
Premium	130,477.55
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	9,997,727.55

Uses:

Refunding Escrow Deposits:	
Cash Deposit	0.06
SLGS Purchases	9,818,238.00
	<hr/>
	9,818,238.06

Delivery Date Expenses:	
Cost of Issuance	72,738.50
Underwriter's Discount	102,469.89
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	175,208.39

Other Uses of Funds:	
Additional Proceeds	4,281.10
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	9,997,727.55

COST OF ISSUANCE

Lincoln City, Oregon
2013 Bank Qualified Advance Refunding of 2005 Swr GO
Competitive Sale Numbers
Bank Qualified

Cost of Issuance	\$/1000	Amount
Bond Counsel	3.54072	35,000.00
Moody's Rating Fee	1.26454	12,500.00
Escrow Agent:	0.08093	800.00
Paying Agent:	0.08093	800.00
MDAC Fee	0.10000	988.50
Advance Refunding Fee:	0.54122	5,350.00
Escrow Verification:	0.18209	1,800.00
Financial Advisor	1.41629	14,000.00
POS Distribution	0.15175	1,500.00
	<hr/>	<hr/>
	7.35847	72,738.50
	<hr/>	<hr/>

BOND PRICING

Lincoln City, Oregon
 2013 Bank Qualified Advance Refunding of 2005 Swr GO
 Competitive Sale Numbers
 Bank Qualified

Bond Component	Maturity Date	Amount	Rate	Yield	Price	Yield to Maturity	Call Date for Arb Yield	Call Price for Arb Yield	Premium (-Discount)
Bond Component:									
	06/01/2013	135,000	2.000%	0.350%	100.434	-	-	-	585.90
	06/01/2019	130,000	2.000%	1.200%	104.812	-	-	-	6,255.60
	06/01/2020	730,000	2.000%	1.400%	104.129	-	-	-	30,141.70
	06/01/2021	760,000	2.000%	1.600%	103.083	-	-	-	23,430.80
	06/01/2022	795,000	2.000%	1.850%	101.270	-	-	-	10,096.50
	06/01/2023	830,000	2.000%	2.000%	100.000	-	-	-	-
	06/01/2024	850,000	2.125%	2.150%	99.749	-	-	-	-2,133.50
	06/01/2025	875,000	2.250%	2.300%	99.466	-	-	-	-4,672.50
	06/01/2026	900,000	2.375%	2.400%	99.715	-	-	-	-2,565.00
	06/01/2027	925,000	2.500%	2.500%	100.000	-	-	-	-
	06/01/2028	950,000	2.500%	2.570%	99.118	-	-	-	-8,379.00
	06/01/2029	1,010,000	3.000%	2.630%	103.306 C	2.746%	06/01/2023	100.000	33,390.60
	06/01/2030	995,000	3.000%	2.700%	102.671 C	2.804%	06/01/2023	100.000	26,576.45
		9,885,000							112,727.55

Dated Date	02/26/2013	
Delivery Date	02/26/2013	
First Coupon	06/01/2013	
Par Amount	9,885,000.00	
Premium	112,727.55	
Production	9,997,727.55	101.140390%
Underwriter's Discount	-102,469.89	-1.036620%
Purchase Price	9,895,257.66	100.103770%
Accrued Interest	-	
Net Proceeds	9,895,257.66	

SUMMARY OF BONDS REFUNDED

Lincoln City, Oregon
2013 Bank Qualified Advance Refunding of 2005 Swr GO
Competitive Sale Numbers
Bank Qualified

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
General Obligation Sewer Bonds, Series 2005, 05_GO:					
BOND	06/01/2019	4.250%	20,000.00	06/01/2015	100.000
	06/01/2020	4.250%	620,000.00	06/01/2015	100.000
	06/01/2021	4.300%	655,000.00	06/01/2015	100.000
	06/01/2022	4.375%	685,000.00	06/01/2015	100.000
	06/01/2023	4.400%	720,000.00	06/01/2015	100.000
	06/01/2024	4.400%	755,000.00	06/01/2015	100.000
	06/01/2025	4.500%	795,000.00	06/01/2015	100.000
	06/01/2026	4.500%	835,000.00	06/01/2015	100.000
	06/01/2027	4.600%	875,000.00	06/01/2015	100.000
	06/01/2028	4.625%	920,000.00	06/01/2015	100.000
	06/01/2029	4.700%	1,000,000.00	06/01/2015	100.000
	06/01/2030	4.625%	1,000,000.00	06/01/2015	100.000
			8,880,000.00		

ESCROW REQUIREMENTS

Lincoln City, Oregon
2013 Bank Qualified Advance Refunding of 2005 Swr GO
Competitive Sale Numbers
Bank Qualified

Period Ending	Interest	Principal Redeemed	Total
06/01/2013	199,816.88	-	199,816.88
12/01/2013	199,816.88	-	199,816.88
06/01/2014	199,816.88	-	199,816.88
12/01/2014	199,816.88	-	199,816.88
06/01/2015	199,816.88	8,880,000.00	9,079,816.88
	999,084.40	8,880,000.00	9,879,084.40

ESCROW STATISTICS

Lincoln City, Oregon
 2013 Bank Qualified Advance Refunding of 2005 Swr GO
 Competitive Sale Numbers
 Bank Qualified

	Total Escrow Cost	Modified Duration (years)	PV of 1 bp change	Yield to Receipt Date	Yield to Disbursement Date	Perfect Escrow Cost	Value of Negative Arbltrage	Cost of Dead Time
Global Proceeds Escrow:	9,818,238.06	2.159	2,119.73	0.285892%	0.285892%	9,408,220.83	410,017.21	0.02
	9,818,238.06		2,119.73			9,408,220.83	410,017.21	0.02

Delivery date 02/26/2013
 Arbitrage yield 2.272545%

ESCROW DESCRIPTIONS

Lincoln City, Oregon
2013 Bank Qualified Advance Refunding of 2005 Swr GO
Competitive Sale Numbers
Bank Qualified

Type of Security	Type of SLGS	Maturity Date	First Int Pmt Date	Par Amount	Rate	Max Rate
Feb 26, 2013:						
SLGS	Certificate	06/01/2013	06/01/2013	192,721	0.070%	0.070%
SLGS	Certificate	12/01/2013	12/01/2013	186,103	0.130%	0.130%
SLGS	Note	06/01/2014	06/01/2013	186,289	0.180%	0.180%
SLGS	Note	12/01/2014	06/01/2013	186,455	0.230%	0.230%
SLGS	Note	06/01/2015	06/01/2013	9,066,670	0.290%	0.290%
				9,818,238		

SLGS Summary

SLGS Rates File	12FEB13
Total Certificates of Indebtedness	378,824.00
Total Notes	9,439,414.00
	<hr/>
Total original SLGS	9,818,238.00

ESCROW COST

Lincoln City, Oregon
2013 Bank Qualified Advance Refunding of 2005 Swr GO
Competitive Sale Numbers
Bank Qualified

Type of Security	Maturity Date	Par Amount	Rate	Total Cost
SLGS	06/01/2013	192,721	0.070%	192,721.00
SLGS	12/01/2013	186,103	0.130%	186,103.00
SLGS	06/01/2014	186,289	0.180%	186,289.00
SLGS	12/01/2014	186,455	0.230%	186,455.00
SLGS	06/01/2015	9,066,670	0.290%	9,066,670.00
		9,818,238		9,818,238.00

Purchase Date	Cost of Securities	Cash Deposit	Total Escrow Cost	Yield
02/26/2013	9,818,238	0.06	9,818,238.06	0.285892%
	9,818,238	0.06	9,818,238.06	

ESCROW CASH FLOW

Lincoln City, Oregon
2013 Bank Qualified Advance Refunding of 2005 Swr GO
Competitive Sale Numbers
Bank Qualified

Date	Principal	Interest	Net Escrow Receipts	Present Value to 02/26/2013 @ 0.2858918%
06/01/2013	192,721.00	7,096.81	199,817.81	199,667.22
12/01/2013	186,103.00	13,713.02	199,816.02	199,380.43
06/01/2014	186,289.00	13,528.75	199,817.75	199,097.55
12/01/2014	186,455.00	13,361.09	199,816.09	198,811.71
06/01/2015	9,066,670.00	13,146.67	9,079,816.67	9,021,281.08
	9,818,238.00	60,846.34	9,879,084.34	9,818,238.00

Escrow Cost Summary

Purchase date	02/26/2013
Purchase cost of securities	9,818,238.00
Target for yield calculation	9,818,238.00

ESCROW SUFFICIENCY

Lincoln City, Oregon
2013 Bank Qualified Advance Refunding of 2005 Swr GO
Competitive Sale Numbers
Bank Qualified

Date	Escrow Requirement	Net Escrow Receipts	Excess Receipts	Excess Balance
02/26/2013	-	0.06	0.06	0.06
06/01/2013	199,816.88	199,817.81	0.93	0.99
12/01/2013	199,816.88	199,816.02	-0.86	0.13
06/01/2014	199,816.88	199,817.75	0.87	1.00
12/01/2014	199,816.88	199,816.09	-0.79	0.21
06/01/2015	9,079,816.88	9,079,816.67	-0.21	-
	9,879,084.40	9,879,084.40	0.00	

PROOF OF ARBITRAGE YIELD

Lincoln City, Oregon
2013 Bank Qualified Advance Refunding of 2005 Swr GO
Competitive Sale Numbers
Bank Qualified

Date	Debt Service	Present Value to 02/26/2013 @ 2.2725448%
06/01/2013	196,684.03	195,514.66
12/01/2013	115,525.00	113,547.94
06/01/2014	115,525.00	112,272.22
12/01/2014	115,525.00	111,010.84
06/01/2015	115,525.00	109,763.62
12/01/2015	115,525.00	108,530.42
06/01/2016	115,525.00	107,311.07
12/01/2016	115,525.00	106,105.43
06/01/2017	115,525.00	104,913.33
12/01/2017	115,525.00	103,734.62
06/01/2018	115,525.00	102,569.15
12/01/2018	115,525.00	101,416.78
06/01/2019	245,525.00	213,119.23
12/01/2019	114,225.00	98,035.00
06/01/2020	844,225.00	716,425.83
12/01/2020	106,925.00	89,719.19
06/01/2021	866,925.00	719,251.32
12/01/2021	99,325.00	81,479.95
06/01/2022	894,325.00	725,405.14
12/01/2022	91,375.00	73,283.42
06/01/2023	2,926,375.00	2,320,605.66
12/01/2023	53,000.00	41,556.63
06/01/2024	903,000.00	700,076.07
12/01/2024	43,968.75	33,705.03
06/01/2025	918,968.75	696,537.24
12/01/2025	34,125.00	25,574.63
06/01/2026	934,125.00	692,204.96
12/01/2026	23,437.50	17,172.52
06/01/2027	948,437.50	687,107.27
12/01/2027	11,875.00	8,506.34
06/01/2028	961,875.00	681,272.06
	12,489,496.53	9,997,727.55

Proceeds Summary

Delivery date	02/26/2013
Par Value	9,885,000.00
Premium (Discount)	112,727.55
	9,997,727.55
Target for yield calculation	9,997,727.55

PROOF OF ARBITRAGE YIELD

Lincoln City, Oregon
2013 Bank Qualified Advance Refunding of 2005 Swr GO
Competitive Sale Numbers
Bank Qualified

Assumed Call/Computation Dates for Premium Bonds

Bond Component	Maturity Date	Rate	Yield	Call Date	Call Price	Net Present Value (NPV) to 02/26/2013 @ 2.2725448%
BOND	06/01/2029	3.000%	2.630%	06/01/2023	100.000	33,556.23
BOND	06/01/2030	3.000%	2.700%	06/01/2023	100.000	39,376.12

Rejected Call/Computation Dates for Premium Bonds

Bond Component	Maturity Date	Rate	Yield	Call Date	Call Price	Net Present Value (NPV) to 02/26/2013 @ 2.2725448%	Increase to NPV
BOND	06/01/2029	3.000%	2.630%	-	-	66,063.87	32,507.64
BOND	06/01/2030	3.000%	2.700%	-	-	76,328.90	36,952.78

FORM 8038 STATISTICS

Lincoln City, Oregon
 2013 Bank Qualified Advance Refunding of 2005 Swr GO
 Competitive Sale Numbers
 Bank Qualified

Dated Date 02/26/2013
 Delivery Date 02/26/2013

Bond Component	Date	Principal	Coupon	Price	Issue Price	Redemption at Maturity
Bond Component:						
	06/01/2013	135,000.00	2.000%	100.434	135,585.90	135,000.00
	06/01/2019	130,000.00	2.000%	104.812	136,255.60	130,000.00
	06/01/2020	730,000.00	2.000%	104.129	760,141.70	730,000.00
	06/01/2021	760,000.00	2.000%	103.083	783,430.80	760,000.00
	06/01/2022	795,000.00	2.000%	101.270	805,096.50	795,000.00
	06/01/2023	830,000.00	2.000%	100.000	830,000.00	830,000.00
	06/01/2024	850,000.00	2.125%	99.749	847,866.50	850,000.00
	06/01/2025	875,000.00	2.250%	99.466	870,327.50	875,000.00
	06/01/2026	900,000.00	2.375%	99.715	897,435.00	900,000.00
	06/01/2027	925,000.00	2.500%	100.000	925,000.00	925,000.00
	06/01/2028	950,000.00	2.500%	99.118	941,621.00	950,000.00
	06/01/2029	1,010,000.00	3.000%	103.306	1,043,390.60	1,010,000.00
	06/01/2030	995,000.00	3.000%	102.671	1,021,576.45	995,000.00
		9,885,000.00			9,997,727.55	9,885,000.00

	Maturity Date	Interest Rate	Issue Price	Stated Redemption at Maturity	Weighted Average Maturity	Yield
Final Maturity	06/01/2030	3.000%	1,021,576.45	995,000.00	-	-
Entire Issue	-	-	9,997,727.55	9,885,000.00	12.3191	2.2725%

Proceeds used for accrued interest	0.00
Proceeds used for bond issuance costs (including underwriters' discount)	175,208.39
Proceeds used for credit enhancement	0.00
Proceeds allocated to reasonably required reserve or replacement fund	0.00
Proceeds used to currently refund prior issues	0.00
Proceeds used to advance refund prior issues	9,818,238.06
Remaining weighted average maturity of the bonds to be currently refunded	0.0000
Remaining weighted average maturity of the bonds to be advance refunded	12.7307

BOND DEBT SERVICE TO CALL

Lincoln City, Oregon
 2013 Bank Qualified Advance Refunding of 2005 Swr GO
 Competitive Sale Numbers
 Bank Qualified

Dated Date 02/26/2013
 Delivery Date 02/26/2013

Period Ending	Principal	Coupon	Interest	Debt Service	Principal Redeemed	Total	Annual Debt Service to Call
06/01/2013	135,000	2.000%	61,684.03	196,684.03	-	196,684.03	196,684.03
12/01/2013	-	-	115,525.00	115,525.00	-	115,525.00	-
06/01/2014	-	-	115,525.00	115,525.00	-	115,525.00	231,050.00
12/01/2014	-	-	115,525.00	115,525.00	-	115,525.00	-
06/01/2015	-	-	115,525.00	115,525.00	-	115,525.00	231,050.00
12/01/2015	-	-	115,525.00	115,525.00	-	115,525.00	-
06/01/2016	-	-	115,525.00	115,525.00	-	115,525.00	231,050.00
12/01/2016	-	-	115,525.00	115,525.00	-	115,525.00	-
06/01/2017	-	-	115,525.00	115,525.00	-	115,525.00	231,050.00
12/01/2017	-	-	115,525.00	115,525.00	-	115,525.00	-
06/01/2018	-	-	115,525.00	115,525.00	-	115,525.00	231,050.00
12/01/2018	-	-	115,525.00	115,525.00	-	115,525.00	-
06/01/2019	130,000	2.000%	115,525.00	245,525.00	-	245,525.00	361,050.00
12/01/2019	-	-	114,225.00	114,225.00	-	114,225.00	-
06/01/2020	730,000	2.000%	114,225.00	844,225.00	-	844,225.00	958,450.00
12/01/2020	-	-	106,925.00	106,925.00	-	106,925.00	-
06/01/2021	760,000	2.000%	106,925.00	866,925.00	-	866,925.00	973,850.00
12/01/2021	-	-	99,325.00	99,325.00	-	99,325.00	-
06/01/2022	795,000	2.000%	99,325.00	894,325.00	-	894,325.00	993,650.00
12/01/2022	-	-	91,375.00	91,375.00	-	91,375.00	-
06/01/2023	830,000	2.000%	91,375.00	921,375.00	6,505,000	7,426,375.00	7,517,750.00
	3,380,000		2,271,684.03	5,651,684.03	6,505,000	12,156,684.03	12,156,684.03