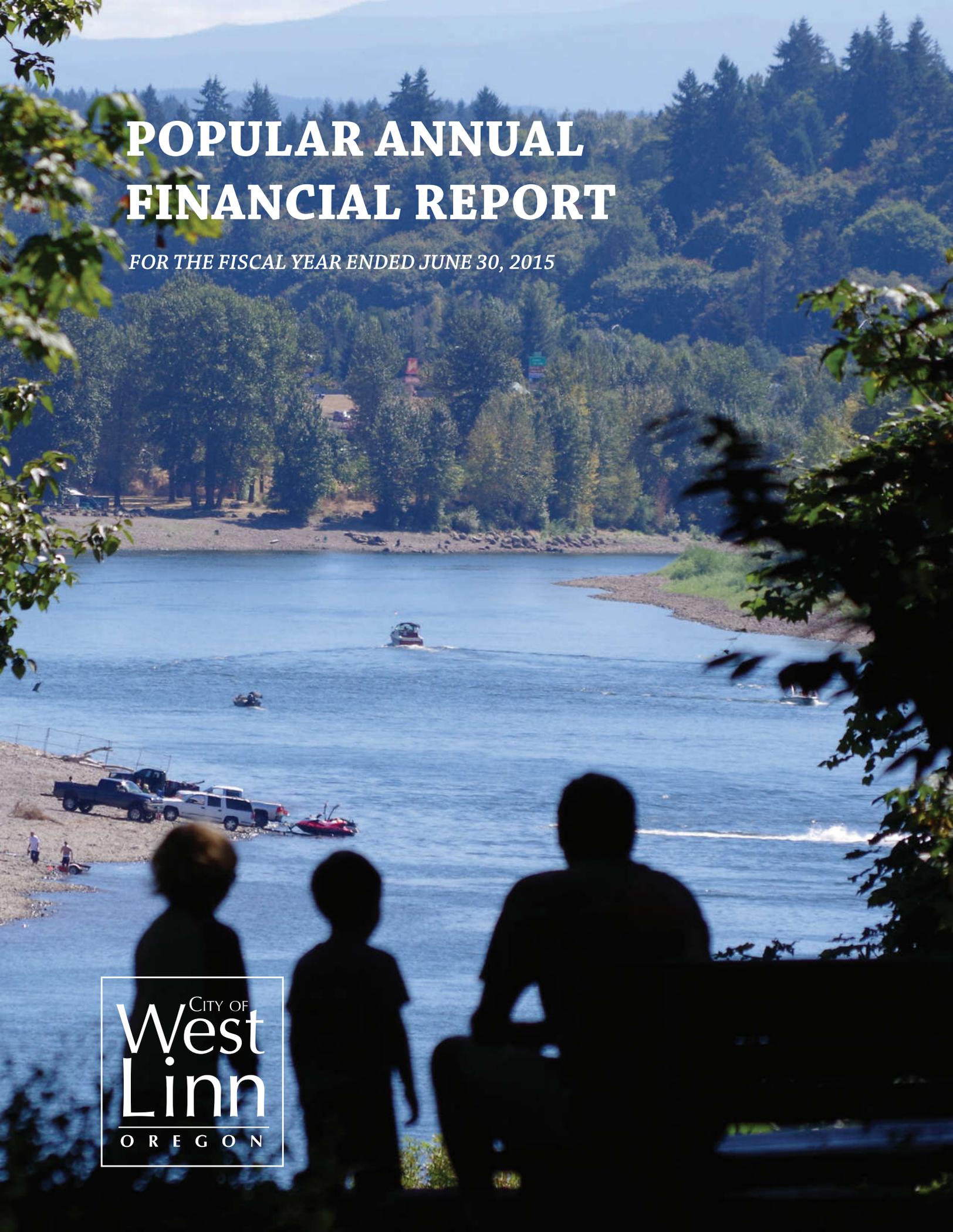


POPULAR ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2015



CITY OF
**West
Linn**
OREGON



TABLE OF CONTENTS

Overview of Financial Results 3

West Linn Leadership 4

Letter from the Chief Financial Officer 5

About West Linn 6

Council Goals 7-8

Balance Sheet 9

Income Statement 9

Budget 10

Financial Policies 11

Revenue Overview 12

More Information About Revenues 13

Expenditure Overview 14

Financial Planning 15

Contact Information 16



Government Finance Officers Association

Award for Outstanding Achievement in Popular Annual Financial Reporting

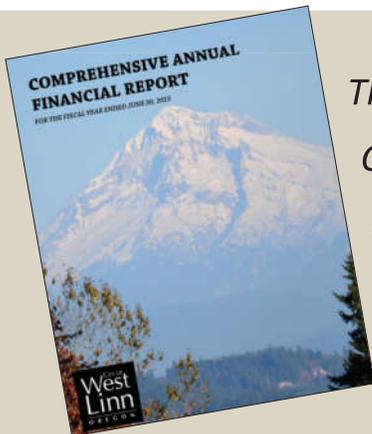
Presented to

**City of West Linn
Oregon**

For its Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

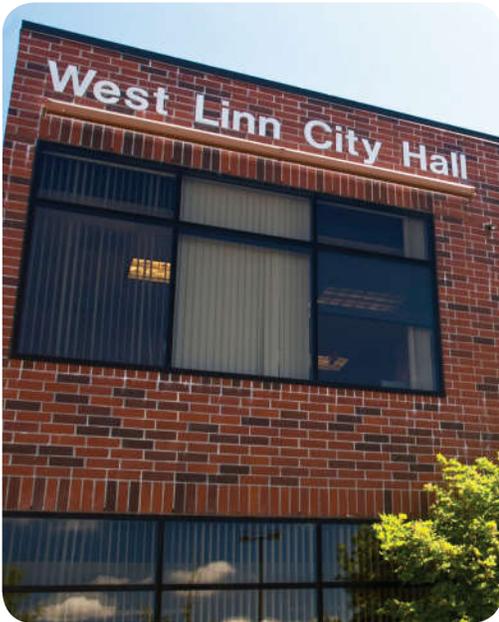
Executive Director/CEO



The information in this report is drawn from the City of West Linn Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2015. Please review the CAFR online, or email Chief Financial Officer Richard Seals at rseals@westlinnoregon.gov to request a copy or with any questions about this report.

OVERVIEW OF FINANCIAL RESULTS

The following summary highlights are taken directly from the Management's Discussion and Analysis section of the fiscal year 2015 Comprehensive Annual Financial Report (CAFR):



FINANCIAL HIGHLIGHTS

| | |
|--|----------------|
| • Total Assets | \$ 307 million |
| • Total Deferred Outflows of Resources | \$ 1 million |
| • Total Liabilities | \$ 23 million |
| • Total Deferred Inflows of Resources | \$ 6 million |
| • Net Position | \$ 280 million |

During the fiscal year ended June 30, 2015:

| | |
|----------------------------------|---------------|
| • Total Revenues | \$ 41 million |
| • Total Expenses | \$ 29 million |
| • Total Assets increased by | \$ 4 million |
| • Total Liabilities decreased by | \$ 13 million |
| • Net Position increased by | \$ 12 million |

DEFINITIONS:

- Total Assets includes the City's cash and receivables (amounts unpaid yet) as well as all of the infrastructure (capital assets), land and buildings which the City owns at the end of the fiscal year.
- Total Liabilities includes the City's accounts payable (bills it owes) as well as the \$17 million of 20-year bond issues outstanding. These bonds outstanding include the \$8.5 million recently raised to build the new police station.
- Net Position is the amount that Total Assets and Deferred Outflows of Resources exceed Total Liabilities and Deferred Inflows of Resources. Net Position can serve over time as a useful indicator of a government's financial position.
- Total Revenues includes where the City receives money. About half of the revenues come from utility fees and about a third comes from property taxes.
- Total Expenses includes where the City spends money. Mostly it spends its money on wages to pay for police, librarians, park workers, engineers, planners and utility workers as well as spending money improving City assets or paying off City liabilities.



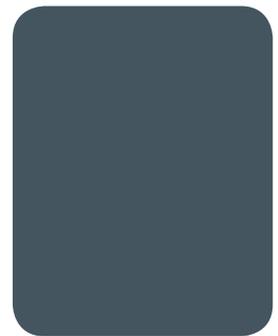


WEST LINN LEADERSHIP

West Linn operates under a Council-Manager form of government. The Mayor and City Councilors are responsible for establishing policy and providing direction to the City Manager. The Mayor and City Councilors are elected at-large and serve staggered four-year terms. The Mayor presides at official meetings and work sessions.

The City's administration is committed to professionalism and efficiency. The City operates its own police department, municipal court, water, sewer, and surface water utilities; and provides street operations, planning, inspections, engineering, general government, library, and parks and recreation services. The Tualatin Valley Fire and Rescue District provides fire and emergency services to the community. West Linn lies within Clackamas County, which is headed by five commissioners and based in Oregon City. West Linn is also part of Metro, the tri-county urban services district based in Portland.

There are five members of the West Linn City Council. Each member serves four-year terms and are elected at-large by voters:



Mayor Russ Axelrod
raxelrod@westlinnoregon.gov
Term Expiration:
December 31, 2016

Councilor Thomas Frank
tfrank@westlinnoregon.gov
Term Expiration:
December 31, 2016

Councilor Brenda Perry
bperry@westlinnoregon.gov
Term Expiration:
December 31, 2018

Councilor Jenni Tan
jtan@westlinnoregon.gov
Term Expiration:
December 31, 2016

Councilor (Vacant)¹
Term Expiration:
December 31, 2018

ELECTED OFFICIALS

Russ Axelrod, Mayor
Thomas Frank, Council President
Brenda Perry, Councilor
Jenni Tan, Councilor
Vacant Council position¹
Rhett Bernstein, Municipal Court Judge

TERM EXPIRES

December 31, 2016
December 31, 2016
December 31, 2018
December 31, 2016
December 31, 2018
December 31, 2018

APPOINTED OFFICIALS

Donald Otterman
Jordan Ramis PC

POSITION

Interim City Manager
Legal Counsel/City Attorney

¹ Bob Martin was elected to this position on November 3, 2015.

LETTER FROM THE CHIEF FINANCIAL OFFICER

Dear Citizens of West Linn,

I am pleased to present the Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2015. This report is designed to provide transparency and accountability of City financial information, which is a key organizational goal.

The City of West Linn is proud to receive all three of the Government Finance Officer's Association (GFOA) awards for local government finance:

- *Distinguished Budget Presentation Award*
- *Certificate of Achievement for Excellence in Financial Reporting*
- *Award for Outstanding Achievement in Popular Annual Financial Reporting*

It is our belief that participation in GFOA award programs enhance our citizens' understanding of West Linn finances. When we attain these GFOA awards, it shows that we have shared information about how public funds are managed in a format that is consistent with the highest standards in governmental financial reporting.

The PAFR is designed to provide a summary view of the financial activities of the City. It is a high-level report for citizens who wish to learn more about West Linn finances. All information in this report can be found in greater detail in the Comprehensive Annual Financial Report (CAFR) for the City.

Throughout the year, the Finance Department works on budgets, audits, financial policies, financial forecasts, and financial management. The City of West Linn invites citizens to share their thoughts and opinions with us. Citizen involvement and transparency are cornerstones of the Finance Department's mission:

"Being good stewards of the taxpayers' monies is the Finance Department's main focus, but that alone is not enough. We strive to develop healthy partnerships with the community; we strive to be transparent with the City finances; and we always look for cost efficiencies in all City operations."

If you have any questions about this document, please email me at rseals@westlinnoregon.gov.

Richard Seals
Chief Financial Officer



ABOUT WEST LINN



Photo courtesy of the 2014 City of West Linn Parks and Recreation photo competition

The City of West Linn is a community where citizens, civic organizations, businesses and city government work together to ensure that the community retains its hometown identity, high quality of life and its natural beauty. The estimated population for 2015 is 25,540.

The City's economy is linked with that of the entire Portland Metropolitan area, but is more insulated from economic downturns because of the high education and skill level of the population. Per capita income is one of the highest of any city in the state of Oregon. West Linn is primarily a residential community with a low ratio of heavy industry and retail-based commercial activity. The largest non-manufacturing employers are the West Linn School District and the City. The largest manufacturing employer is West Linn Paper Company.

The City received the Distinguished Budget Presentation Award for its biennial 2016-2017 budget document from the Government Finance Officer's Association (GFOA). This award is the highest form of recognition in governmental budgeting. Its attainment represents a significant accomplishment by a city, financial staff, and management. The GFOA rates a budget's proficiency in four major categories: policy document, operations guide, financial plan, and communications device.

The City is a proud recipient of the Certificate of Achievement for Excellence in Financial Reporting award from the GFOA for its FY 2014 CAFR. This certificate is a prestigious national award that recognizes conformance with the highest standards for preparation of financial reports.

The City also received the Award for Outstanding Achievement in Popular Annual Financial Reporting from the GFOA for its FY 2014 Popular Annual Financial Report. This prestigious national award recognizes conformance with the highest standards for preparation of local government popular annual reports.

| FY 2015 FACT | FIGURE |
|------------------------------|--------------------|
| City Property Tax Rate: | \$2.12/\$1,000 AV |
| City Bonded Debt Tax Rate: | \$0.43/\$1,000 AV |
| Total Property Tax Rate: | \$18.48/\$1,000 AV |
| City Share of Total: | 13% |
| Total Operating Budget: | \$31 million |
| Population: | 25,540 |
| Employees: | 126 Full-Time |
| Outstanding Debt: | \$17 million |
| Bond Rating: | AA / Aa2 |
| Number of Permits Issued: | 847 |
| Parks and Open Space: | 547 acres |
| Major Community Events: | 6 managed |
| City Maintained Roads: | 215 miles |
| Sidewalks: | 120 miles |
| Sewer Mains: | 193 miles |
| Water Lines Maintained: | 119 miles |
| Number of Traffic Stops: | 7,353 |
| Number of Library Borrowers: | 21,797 |



COUNCIL GOALS 2015

.....
The following priorities for 2015 have been identified by the Council as essential to lead our City into the future. They build off the successful works of the past and responsibility address the most pressing issues currently facing our City in a fiscally sustainable manner. Our overarching goal as a Council is to keep West Linn on the path to becoming the finest community in the State to live, work and play both for ourselves and future generations.
.....

TRANSPORTATION - Improve the ways we move in West Linn

- Continue with community outreach and engagement to inform the transportation system plan (TSP) updates, which should strive to improve safety and traffic flow on Highway 43, Willamette Falls Drive, and 10th Street.
- Following Transportation Advisory Board and Planning Commission recommendations, the City Council to adopt the updated TSP.
- Approach ODOT with proposal to review safety traffic signal alignment on Highway 43 and 10th Street.

UTILITIES - Protect and enhance our most important assets

- Receive approval from the City Council on the preferred location of the Bolton Reservoir.
- Conduct sustained and ongoing communications about the current condition of and importance and value of West Linn's utility assets.
- Review revenue strategies for the Water Fund, and receive a recommendation from the Utility Advisory Board.
- Receive land use approval for the Bolton Reservoir project.
- Commence update of the Sewer Master Plan.
- Commence update of the Storm Water Master Plan.
- Appoint a task force to evaluate and potentially pursue municipal fiber network utility with the potential assistance of an expert consultant.

ECONOMIC DEVELOPMENT - Promote viable business districts in West Linn

- Initiate master planning for Westbridge Park.
- Retain a focus group consultant to query on needs of the four business districts in West Linn to maintain viable business districts. Conduct focus groups and report back to the City Council.
- Consider a system of financial incentives to encourage each business district to work with the city on economic development.
- City to work with Main Street to implement a revised plan for the West Linn Farmer's Market in 2015. City and Main Street to coordinate on plan to operate/manage the Farmer's Market in 2016.

EXISTING CITY PROPERTIES -

Determine plans for city-owned properties to maximize the value/benefit to West Linn

- Hold work session discussion about the city-owned properties and the desired process(es) that should be followed by a citizen and council task force.
- Appoint a citizen and council task force to provide a recommendation on the following properties: Police Station, Bolton Fire Station, Parker Road property, McLarty property, Petes's Mountain property, and Robinwood Station.
- For those properties that remain in city ownership: identify ways to utilize vacant/unused property and boost usage of properties in active use.
- City Council decision on the recommendations provided.

(continued on next page)



COUNCIL GOALS 2015 *(continued)*

CITIZEN ENGAGEMENT - Continue to engage the community to encourage a diversity of opinions

- City Councilors attend Neighborhood Association meetings, engage all neighbors (including those who do not attend meetings), and report back to the Council on recommendations for reinvigorating involvement.
- Provide training for the City Council on meeting facilitation with the goal of providing community listening opportunities (“town halls”).
- Schedule the series of listening opportunities (“town halls”) for the City Councilors to learn from community members about their opinions and ideas. Also potentially host Council meetings in different places in the community to encourage participation.
- In conjunction with the Portland State University Center for Public Service, conduct best practices research and literature review to develop a white paper on the development of a Youth Advisory Council.
- Work with consultant to conduct focus groups and communications outreach to determine needed website upgrades; upgrade the website based on the feedback received.
- Transition the city newsletter to a quarterly publication with enhanced content and neighborhood specific news.
- Develop a city-wide Map Your Neighborhood roll out strategy to ensure that all West Linn neighbors have an opportunity to learn about and engage the Map Your Neighborhood program.
- Coordinate with Tualatin Valley Fire & Rescue, local civic and neighborhood groups, and other local agencies to plan an Emergency Preparedness Fair for the West Linn community.



STAFFORD - Ensure West Linn’s best interests are represented

- Continue to monitor developments with Stafford designation.
- Learn more about the various interests and perspectives on issues in Stafford area.

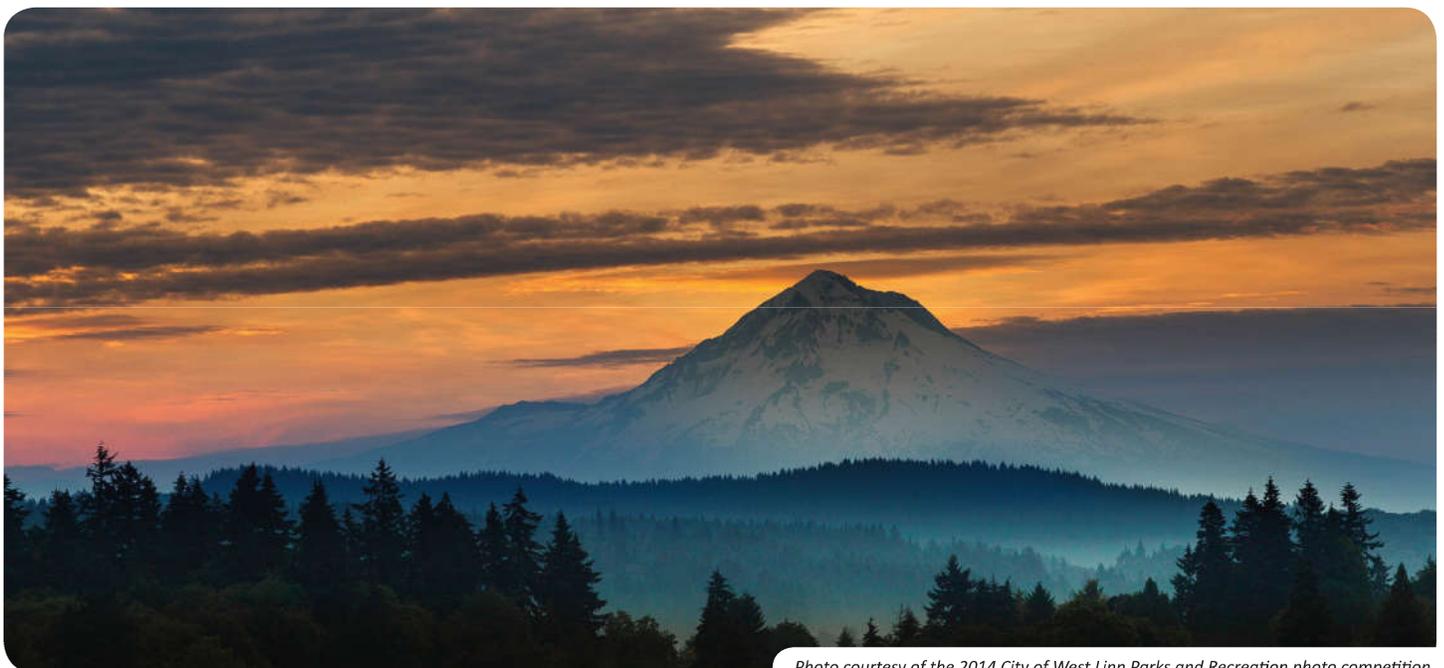


Photo courtesy of the 2014 City of West Linn Parks and Recreation photo competition

BALANCE SHEET

The *Statement of Net Position* reflects a healthy financial condition as of June 30, 2015.

The City's assets exceeded its liabilities by \$279.7 million at the close of fiscal year 2015. This balance sheet is presented as a high-level summary overview of the City's financial position. For greater detail, see the City's CAFR, available online at <http://westlinnoregon.gov>.

| | As of June 30, 2015 | As of June 30, 2014 | As of June 30, 2013 | As of June 30, 2012 |
|--------------------------------|------------------------|------------------------|------------------------|------------------------|
| Assets | | | | |
| Current assets | \$ 23,770,979 | \$ 29,637,575 | \$ 26,739,955 | \$ 26,503,817 |
| Capital and other | 283,207,357 | 273,326,676 | 268,837,774 | 268,231,254 |
| Deferred Outflows of Resources | 892,780 | 838,224 | - | - |
| | <u>307,871,116</u> | <u>303,802,475</u> | <u>295,577,729</u> | <u>294,735,071</u> |
| Liabilities | | | | |
| Current liabilities | 4,749,983 | 10,164,819 | 2,678,749 | 2,912,600 |
| Long-term liabilities | 17,785,281 | 25,558,487 | 22,533,398 | 22,930,449 |
| Deferred Inflows of Resources | 5,630,679 | - | - | - |
| | <u>28,165,943</u> | <u>35,723,306</u> | <u>25,212,147</u> | <u>25,843,049</u> |
| Net Position | <u>\$ 279,705,173</u> | <u>\$ 268,079,169</u> | <u>\$ 270,365,582</u> | <u>\$ 268,892,022</u> |

INCOME STATEMENT

The *Statement of Activities* reports all financial activity for the fiscal year ended June 30, 2015.

This statement presents high-level summary information about how the City's net assets changed during the fiscal year as a result of all financial activity (i.e. revenues and expenses). For greater detail, see the City's CAFR, available online at <http://westlinnoregon.gov>.

| | FY 2015 | FY 2014 | FY 2013 | FY 2012 |
|--------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Revenues | \$ 40,697,903 | \$ 34,114,688 | \$ 32,315,160 | \$ 33,492,394 |
| Expenses | (29,071,899) | (36,401,101) | (30,841,600) | (29,634,853) |
| Increase in net position | 11,626,004 | (2,286,413) | 1,473,560 | 3,857,541 |
| Net position - beginning | 268,079,169 | 270,365,582 | 268,892,022 | 265,034,481 |
| Net position - ending | <u>\$ 279,705,173</u> | <u>\$ 268,079,169</u> | <u>\$ 270,365,582</u> | <u>\$ 268,892,022</u> |



BUDGET

The Citizens' Budget Committee unanimously approved the biennial budget which was then adopted by the City Council on June 8, 2015. To best illustrate trends, below are the fiscal year budget amounts for the most recently adopted budget along with previous fiscal years to compare with.

| | FY 2017 | FY 2016 | FY 2015 | FY 2014 |
|--------------------------|----------------------|----------------------|----------------------|----------------------|
| City Budget: | | | | |
| Personnel Services | \$ 15,498,000 | \$ 14,949,000 | \$ 14,688,000 | \$ 14,138,000 |
| Materials & Services | 7,698,000 | 7,926,000 | 7,136,000 | 7,116,000 |
| Debt Service | 2,331,000 | 2,162,000 | 2,114,000 | 2,080,000 |
| Transfers | 7,490,000 | 7,163,000 | 6,932,000 | 6,510,000 |
| Annual Operating Budget | 33,017,000 | 32,200,000 | 30,870,000 | 29,844,000 |
| Capital Outlay | 10,210,000 | 11,066,000 | 4,730,000 | 14,024,000 |
| Reserves | 11,753,000 | 15,608,000 | 10,335,000 | 12,570,000 |
| Total City Budget | \$ 54,980,000 | \$ 58,874,000 | \$ 45,935,000 | \$ 56,438,000 |



Photo courtesy of the 2014 City of West Linn Parks and Recreation photo competition

FINANCIAL POLICIES

Accounting Policy

The City shall establish and maintain its accounting systems according to generally accepted accounting practices and shall adhere to generally accepted accounting principles and standards promulgated by the Government Finance Officers Association (GFOA), Government Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB). An annual audit shall be performed by an independent public accounting firm, which will issue an opinion on the annual financial statements, along with a management letter identifying any areas needing improvement.

Financial Management Policies

The City Manager shall recommend fiscal policy and changes in policy to the City Council. The City Manager shall prepare a report explaining the substantive impact of all recommendations and their impact on the City's operations, service levels and/or finances. The City Manager shall implement fiscal policies and monitor compliance. If the City Manager discovers a material deviation from policy, it shall be reported in writing to the Council within thirty days.

Operating Budget Policy

The City shall prepare, present, adopt and amend its operating budget in accordance with Oregon Budget Law. The City shall maintain a budget system to monitor expenditures and revenues on a monthly basis, with a thorough analysis and adjustment (if required) at least at mid-year. The City shall not adopt an operating budget that is greater than the amount of resources available to fund it. Current operating resources will be sufficient to support operating expenditures, transfers, reserves, unappropriated balances and contingencies.

Reserve Policy

The City shall establish a contingency reserve to provide for unanticipated expenditures of a nonrecurring nature to meet unexpected increases in service delivery costs. The contingency reserve policy must be at least equal to 10 percent of the Fund's annual operational expenditures (which includes Personal Services and Materials & Services line items and excludes Debt Service, Transfers, and Capital Outlay line items) with 15 percent for Public Safety, Library, and Parks & Recreation Funds. The unappropriated ending fund balance reserve policy must be at least equal to five percent of the Fund's Personal Services and Materials and Services line items, excluding Debt Service, Transfers, and Capital Outlay line item. Neither reserve policies apply to debt service, trust and agency, capital projects, serial levy, temporary or certain special purpose funds.

Revenue Policy

The City will maximize the use of service users' charges in lieu of ad valorem taxes and subsidies from other City funds, for services that can be identified and where costs are directly related to the level of service provided. Charges for providing utility services shall be sufficient to finance all operating, capital outlay and debt service expenses of the City's enterprise funds, including operating contingency and reserve requirements.

Capital Improvement Policy

The City shall adopt a 5-year Capital Improvement Plan (CIP) and update it periodically. Prior to adopting a CIP, the City shall hold public meetings and a public hearing on the contents of the CIP document. The document shall provide details on each capital project plan: its estimated costs, sources of financing, and a full description.

Debt Management Policy

Capital projects financed through the issuance of bonds shall not be financed for a period which (a) exceeds the expected useful life of the project and (b) is less than 30% of the expected useful life of the improvements. The City shall maintain its bond rating at the highest level fiscally prudent, so that future borrowing costs are minimized and access to the credit market is preserved.



REVENUE OVERVIEW

The City maintains 12 distinct funds in which to account for governmental services. The financial statements of the City are divided into two categories – governmental activities and business-type activities. Governmental activities include the basic services provided by the city, including public safety, parks and recreation, library, public works, and general administration. Property taxes, charges for services, and state and federal grants fund most of these activities.

Business-type activities include water, sanitary sewer, and surface water services. The City charges fees to customers to help cover the costs of these services. Along with the adoption of the budget, rate increases for water, sewer, and surface water management fees were approved by the City Council following the support and recommendation of the Citizens’ Budget Committee and the Utility Advisory Board.



Major Revenue Types

Property Taxes - The City of West Linn’s permanent tax rate is \$2.12 per \$1,000 of taxable assessed value.

Intergovernmental - The grants or shared revenues received from other governments (state, county, etc.).

Fees & Charges - Fees received for services, including water, sewer, surface water, streets, and parks fees.

Licenses, Permits, & Fines - Revenue generated from selling licenses and permits and collecting on fines.

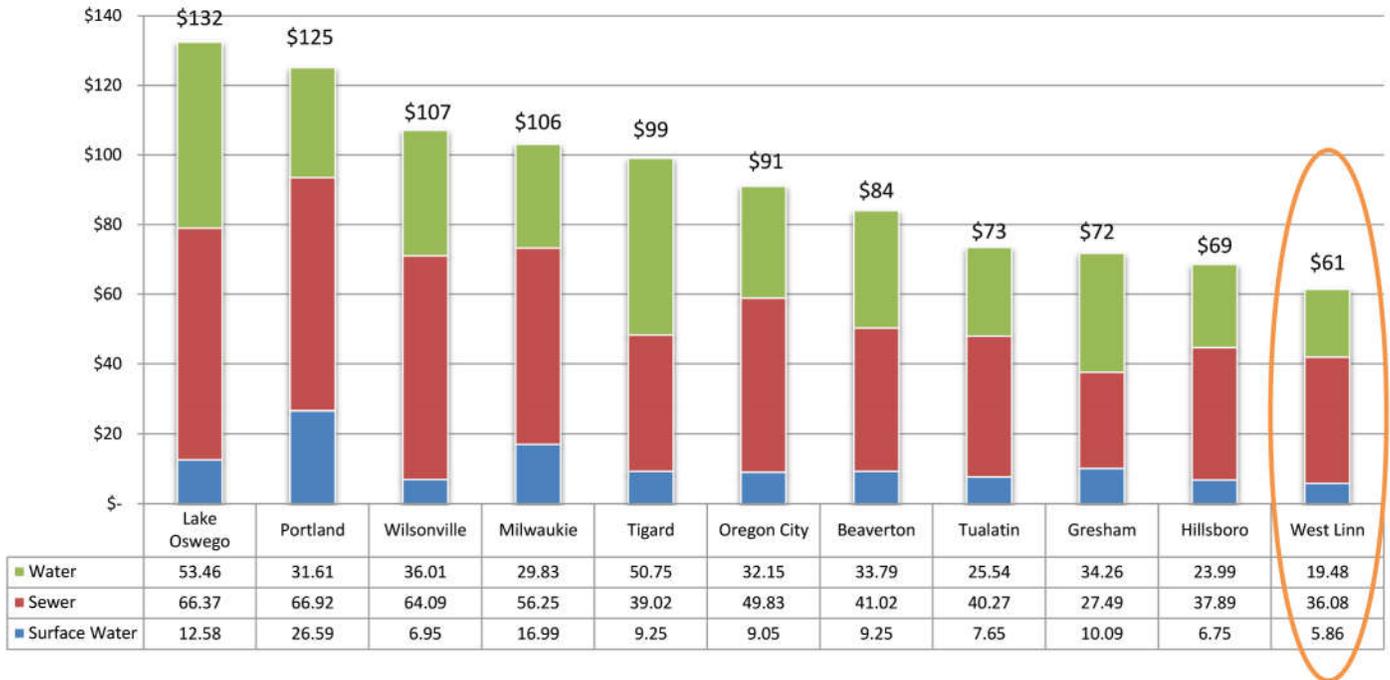
Franchise Fees - The revenues received as per agreements with the cable, electric, telephone, and garbage utilities for use of City right-of-ways.

Other - Revenues that do not fall into the above categories.

Clackamas County assesses property taxes on behalf of the county, schools, special districts, and the City of West Linn on a consolidated property tax bill. Of this tax bill, 13 percent of the total is allocated to the City of West Linn. Of every dollar paid, \$0.13 goes to the City.

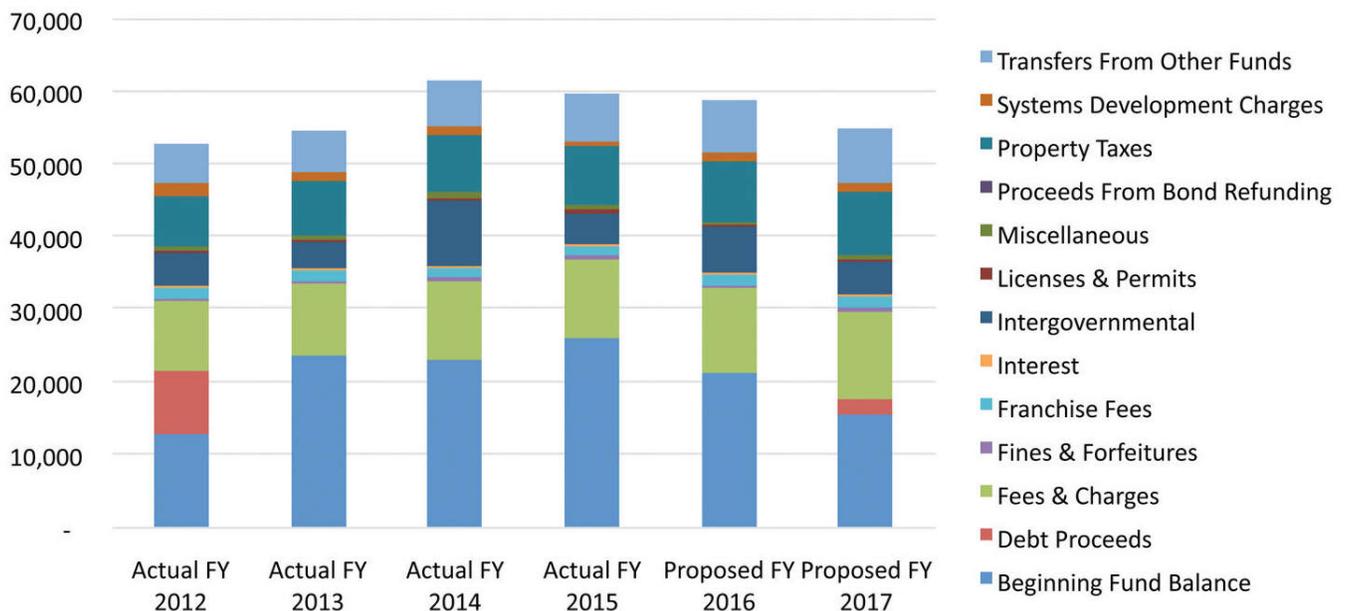
MORE INFORMATION ABOUT REVENUES

Comparing Fees for Utility Services
(effective July 2015 at an average 7 ccfs)



In addition to the utility services shown above, West Linn's monthly City Services Bill includes two non-utility fees (street maintenance fee and park maintenance fee). These other City service fees are not included in the graph above as cities fund these services through different methods and therefore, they are not comparable.

Total Resources, FY 2012 - FY 2017





EXPENDITURE OVERVIEW



View from Oregon City, c. 1895

The City of West Linn plans for expenditures using several short and long-range planning tools. Five-year financial forecasts, prior to the development of the budget, guide short-term spending. The five year forecasting model anticipates projected increases and decreases in revenues and expenditures.

The City of West Linn also relies on master planning documents including the Transportation System Plan, Water Master Plan, Parks Master Plan, and Sewer & Surface Water Master Plans. These master plan documents provide long-range (20-year) planning for necessary capital improvements and investments in the City’s infrastructure. The City’s expenses related to services provided are tracked by distinct funds, and can also be displayed by type of service provided. There are five main service categories in which expenses can be attributed:



MAJOR EXPENDITURE AREAS

General Government - Expenses include those incurred by the City Council, City Manager, City Attorney, Finance, Human Resources, Information Technology, and Planning departments.

Culture - Expenses include those incurred by the Library and Parks & Recreation departments.

Public Safety - Includes expenses from the Police Department and Building Inspections.

Public Works - Expenses related to the provision of water, sewer, surface water, engineering and vehicle maintenance services.

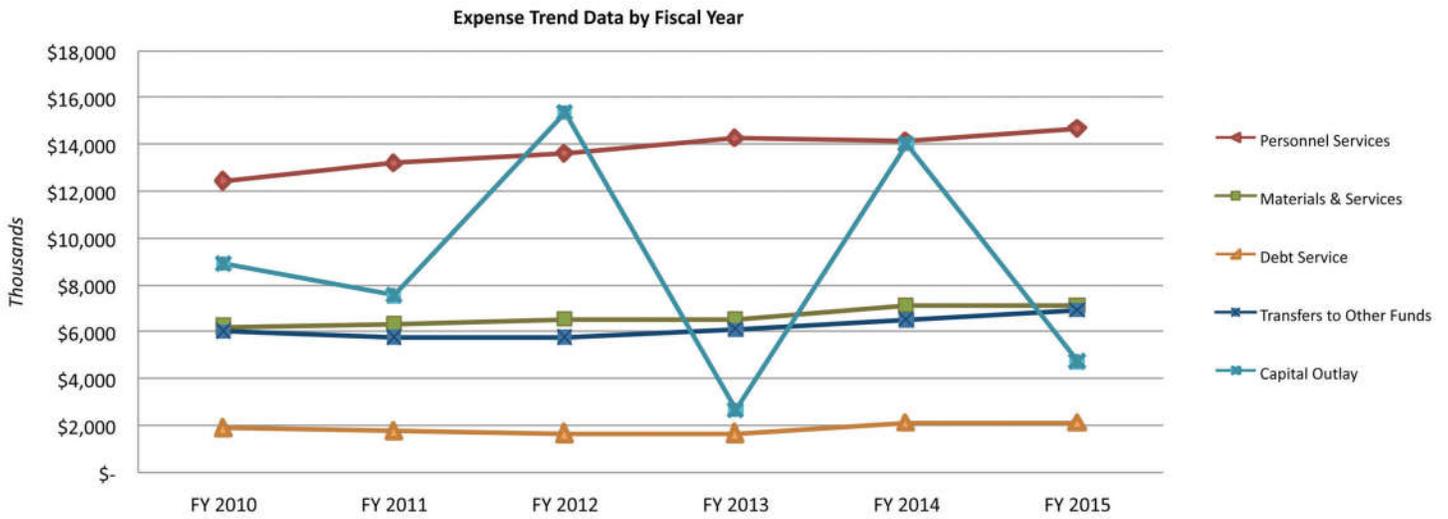
Debt Service - Expenses related to debt retirement.

SDCs - Includes expenses funded by Systems Development Charges for streets, bike/pedestrian, water, sewer, surface water, and parks.



Eric Herman & the Invisible Band playing for kids at the West Linn Library

FINANCIAL PLANNING



Historic Arch Bridge between West Linn and Oregon City

Financial Forecasting

The controlling document for long-term financial planning is the City's Five Year Financial Forecast document, which includes reserves by fund that fall within the policy guidelines set by the Council and reviewed by the Citizens' Budget Committee during the budget process.

The financial forecasting document is updated annually with actual results, updated budget data, and revised assumptions. Assumptions are incorporated into the forecast based on the best available information, and are clearly stated throughout the document.

The financial forecast document is used as a guide in crafting the budget document for upcoming fiscal years. The financial forecasts for each fund, including the assumptions, are reproduced in the Appendix of the budget document and available online.

CITY OF West Linn

FINANCE

This is the **seventh** publication in a biennial series of financial communications tools:

Biennial Budget

2014 Comprehensive Annual Financial Report

2014 Popular Annual Financial Report

Five Year Financial Forecast

Budget Overview

2015 Comprehensive Annual Financial Report

2015 Popular Annual Financial Report

Six Year Capital Improvement Plan

Five Year Financial Forecast

Richard Seals, CPA CMA CFM CFE CGMA
Chief Financial Officer
rseals@westlinnoregon.gov

Lauren Breithaupt, CPA CGMA
Assistant Finance Director
lbreithaupt@westlinnoregon.gov



West Linn Sustainability
Printed on recycled paper

City of West Linn, Oregon | 22500 Salamo Road, West Linn, Oregon 97068
Phone: 503-657-0331 | Fax: 503-650-9041 | <http://westlinnoregon.gov/finance>