



CITY OF

West Linn

OREGON

Annual Financial Report

Fiscal Year 2008



Government Leading West Linn

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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, building inspections, engineering, 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 a five commissioners and based in Oregon City. West Linn is also part of METRO, the tri-county urban services district based in Portland.

Elected Officials

- Norm King, Mayor - term expired 12-31-08
- Michele Eberle, Council President - term expired 12-31-08
- Scott Burgess, Councilor - term expires 12-31-10
- Jody Carson, Councilor - term expires 12-31-10
- Mike Jones, Councilor - term expired 12-31-08
- Heather Karabeika, Municipal Court Judge - term expires 12-31-11



Mayor King



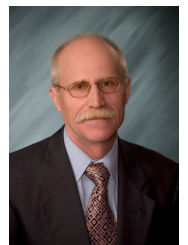
Councilor Eberle



Councilor Burgess



Councilor Carson



Councilor Jones

Newly Elected Officials

- Patti Galle, Mayor - term expires 12-31-12
- Teri Cummings, Councilor - term expires 12-31-12
- John Kovash, Councilor - term expires 12-31-12

Appointed Officials

- Chris Jordan, City Manager
- Jordan Schrader Ramis, City Attorney (Contracted Law Firm)

Dear Citizens of West Linn,

I am pleased to present the Annual Financial Report for the fiscal year ended June 30, 2008.

This report is designed to summarize the financial activities of the City of West Linn government, and all information in this report can be found in greater detail in the Comprehensive Annual Financial Report (CAFR) for the City. This report is unaudited and is not presented in the typical Generally Accepted Accounting Principles (GAAP) format.

This report is prepared as part of the City's goal of preparing communications materials that provide accessible and transparent access to City financial information. It will be the City's first submission to the Government Finance Officer's Association (GFOA) Popular Annual Financial Report (PAFR) award program.

In the coming months, city elected officials and administration will continue financial planning efforts with the development of the 2009-2011 budget, financial forecasts, and policy discussions. We welcome your participation in these public meetings, and invite you to share your thoughts and opinions with us. Citizen involvement and transparency are cornerstones of the West Linn 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, contact me at cjordan@westlinnoregon.gov, or Finance Director Richard Seals at rseals@westlinnoregon.gov.



Chris Jordan
City Manager

About The City of West Linn Is A Great Place to Live

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 in 2008 was 24,180.

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 the West Linn Paper Mill.

The City received the *Distinguished Budget Presentation Award* for its FY 2008 and FY 2009 budget documents 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 governmental entity, its financial staff, and its management. They rate a budget's proficiency in four major categories: as a policy document, an operations guide, a financial plan, and a communications device.



West Linn City Hall is located at 22500 Salamo Road.

For the first time since the late nineties, the City plans to submit the FY 2008 audit document for the *Certificate of Achievement for Excellence in Financial Reporting* award from the GFOA. The Certificate is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

This document is the City's first-ever Popular Annual Financial Report and will be submitted for the *Award for Outstanding Achievement in Popular Annual Financial Reporting* from the GFOA. This Award is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government popular reports. In order to receive this award, a government unit must publish a report, with contents that conform to standards of creativity, presentation, understandability, and reader appeal.

Highlights Overview of Audited Results

- The City's assets totaled \$279 million at June 30, 2008, consisting of \$258 million in capital assets, \$12 million in unrestricted cash and investments, and \$9 million in investment in joint venture and other assets.
- Total assets increased by \$1.3 million from the previous fiscal year.
- The City's liabilities totaled \$17 million at June 30, 2008 consisting of \$13 million in long-term liabilities and \$4 million in accounts payable and other liabilities.
- The assets of the City exceeded its liabilities by \$262 million at the close of fiscal year 2008.
- Unrestricted net assets totaled \$13 million with the remainder of the City's net assets invested in capital assets net of related debt (\$245 million) and restricted for endowment, capital projects, and debt service (\$4 million).
- For its governmental activities, the City generated \$9 million in charges for services and received \$4 million in grants and contributions. Direct expenses, including unallocated depreciation for governmental activities were \$20 million for the year, resulting in a net expense of \$7 million. \$8 million of general revenues were received resulting in a net change in net assets of \$1 million.
- Fund balance in the City's governmental funds was \$7 million at June 30, 2008, down by \$322,272 from June 30, 2007.
- For its business-type activities, the City generated \$5.5 million in charges for services and in grants and contributions to fund direct expenses of \$5.7 million.

Facts & Figures Details About West Linn

FY 2008 Fact	Figure	FY 2008 Fact	Figure
City Property Tax Rate:	\$2.12/\$1,000 TAV	Number of housing units:	10,029
City Bonded Debt Tax Rate:	\$0.31/\$1,000 TAV	Parks:	232 acres
Total Property Tax Rate:	\$18.05/\$1,000 TAV	Open Space:	136 acres
City Share of Total:	13%	City maintained roads:	214 miles
Total Annual Budget:	\$35.9 million	Sidewalks:	117 miles
Population:	24,400	Sewer Mains:	114 miles
Employees:	143 FTE	Number of Manholes:	3,087
Outstanding Debt:	\$13.5 million	Storm Water Pipes:	107 miles
Bond Rating:	AA-	Number of Catch Basins:	3,368



The historic Willamette neighborhood is in the application process for the National Historic Register.

Goals & Priorities Planning A Strategic Future

The City of West Linn clearly identifies goals and objectives. During the budget review process, goals and objectives are developed and prioritized by the City Council and staff. The City Council also develops a list of goals and priorities that accompany the goals from the budget process. Below is the list of goals and priorities identified by the City Council in February 2008; staff updates on the goals and priorities are compiled quarterly and shared online at <http://westlinnoregon.gov/citycouncil/>.

- Communications Strategy
- Community Facilities
- Financial Reporting
- Goal 5
- Imagine West Linn
- Library District
- Neighborhood Ordinance
- Neighborhood Plans
- Redevelopment
- Staff Sustainability Plan
- Stafford Basin
- Transportation System Plan
- Wastewater
- Water Master Plan
- Willamette Centennial

Involvement

Encouraging Citizen Input & Participation

There are ten recognized Citizen Advisory Groups, and eleven recognized Neighborhood Associations associated in the City. These groups comprise the City's citizen input and participation network. Among other duties, these groups advise the City on policy issues.

Citizen Advisory Groups

- Citizen's Budget Committee
- Clackamas Cable Advisory Board
- Historic Resources Advisory Board
- Library Board
- Parks & Recreation Board
- Planning Commission
- Public Safety Advisory Committee
- Sustainability Advisory Board
- Transportation Advisory Board
- Utility Advisory Board

Neighborhood Associations

- BHT
- Bolton
- Hidden Springs
- Marylhurst
- Parker Crest
- Robinwood
- Rosemont Summit
- Skyline Ridge
- Sunset
- Tanner Basin
- Willamette



Neighborhood Association Boundary Map

Balance Sheet Statement of Net Assets

The statement of net assets reflects a strong and healthy financial condition as of June 30, 2008.

The assets of the City exceeded its liabilities by \$262.3 million at the close of fiscal year 2008. This balance sheet is presented as a high-level summary overview of net assets; for greater detail, please see the City's complete audit document, available online at <http://westlinnoregon.gov>.

CITY OF WEST LINN, OREGON		
Statement of Net Assets		
	As of June 30, 2008	As of June 30, 2007
Assets		
Current assets	\$ 13,302,735	\$ 13,691,497
Capital and other assets	265,709,283	264,501,549
Total assets	279,012,018	278,193,046
Liabilities		
Current liabilities	4,078,431	3,944,654
Long-term liabilities	12,651,696	13,250,000
Total liabilities	16,730,127	17,194,654
Net Assets	\$ 262,281,891	\$ 260,998,392



The historic Willamette neighborhood is home to unique restaurants, shops, and the weekly summer farmer's market.



The City of West Linn's extensive 368-acre parks network is supported by property taxes and a monthly residential parks maintenance fee.

Income Statement Statement of Activities

The statement of activities reports all financial activity for the fiscal year ended June 30, 2008.

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). The statement of activities is presented in greater detail in the City's complete audit document, available online at <http://westlinnoregon.gov>.

CITY OF WEST LINN, OREGON		
Statement of Activities		
	Fiscal Year 2007-08	Fiscal Year 2006-07
Revenues	\$ 27,216,018	\$ 22,285,310
Expenses	(25,932,519)	(21,115,748)
Increase in net assets	1,283,499	1,169,562
Net assets, beginning of year	260,998,392	259,828,830
Net assets, end of year	\$ 262,281,891	\$ 260,998,392



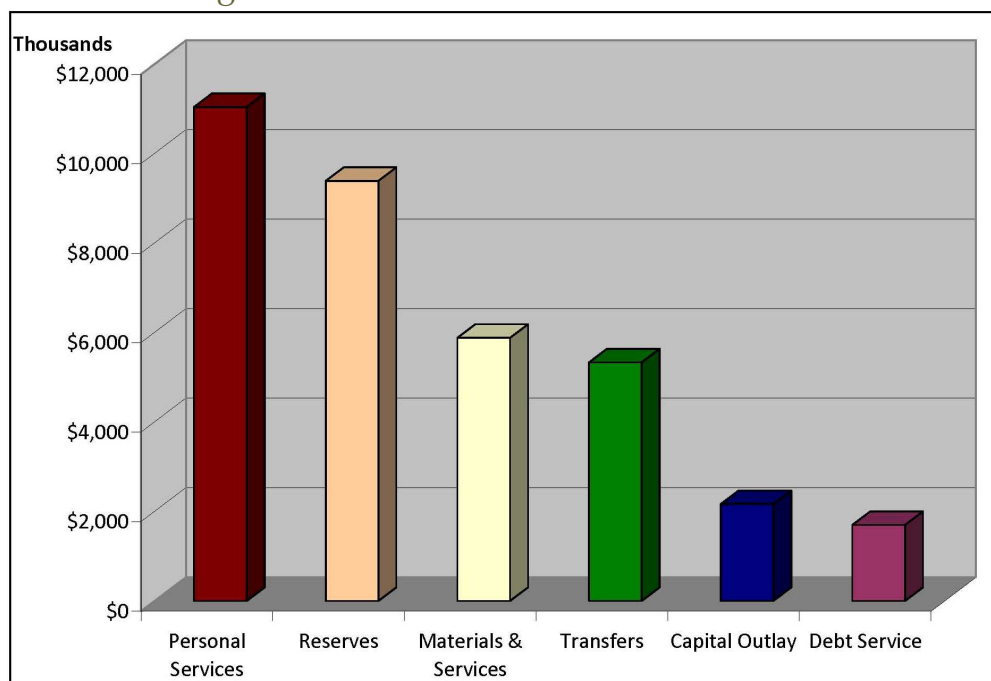
The West Linn Public Library, located at 1595 Burns Street, is a popular destination in West Linn. Featuring story times each week, computer classes, book clubs, lecturers, musical performances and more, it is the cultural center of West Linn.

Budget Planning Future Expenditures

CITY OF WEST LINN, OREGON City Budget Information

	<i>actuals</i>		<i>estimates</i>	<i>budget</i>
	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09
City Budget:				
Personal Services	\$ 8,121,016	\$ 10,320,253	\$ 11,040,100	\$ 11,750,700
Materials & Services	5,487,560	5,882,012	5,881,100	6,301,700
Debt Service payments	1,412,538	1,431,429	1,699,108	1,518,674
Transfers	4,487,083	4,379,076	5,333,460	3,536,000
Annual Operating Budget	19,508,197	22,012,770	23,953,768	23,107,074
Percentage annual increase		12.8%	8.8%	-3.5%
Capital Outlay	2,692,447	1,706,186	2,165,300	10,862,297
Reserves	8,465,834	9,589,842	9,388,915	6,999,823
Total City Budget	\$ 30,666,478	\$ 33,308,798	\$ 35,507,983	\$ 40,969,194
Percentage annual increase		8.6%	6.6%	15.4%

FY 2008 Budget Bar Chart:



Financial Policies

How the City Manages Its Finances

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 areas needing improvements.

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(s) 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 current operating expenditures, reimbursement transfers, reserves, unappropriated balances and contingencies.

Reserve Policy

The City shall establish an operating contingency budget to provide for unanticipated expenditures of a nonrecurring nature to meet unexpected increases in service delivery costs. This budget shall be at least 10% of a fund's revenue estimate for the fiscal year for the Street and all enterprise funds. For Funds relying primarily on property tax revenues as a resource, a contingency of not less than 20% shall be maintained. This policy does not apply to debt service, trust and agency, capital projects, serial levy, temporary or certain special purpose funds. For all other funds, an unappropriated working capital reserve of at least 5% of the operating budget.

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.

Revenues Overview of City Resources

The City maintains 17 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 the city cover the costs of these services. Along with the adoption of the 2008 annual budget, certain utility rate fee increases were approved by the City Council with the support of the Citizen’s Budget Committee and the Utility Advisory Board. Effective January 1, 2008, a five percent rate increase for water, sewer, and surface water management fees were approved.

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 resources received from other governments in the form of grants or shared revenues.

Fees & Charges

Fees paid 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.

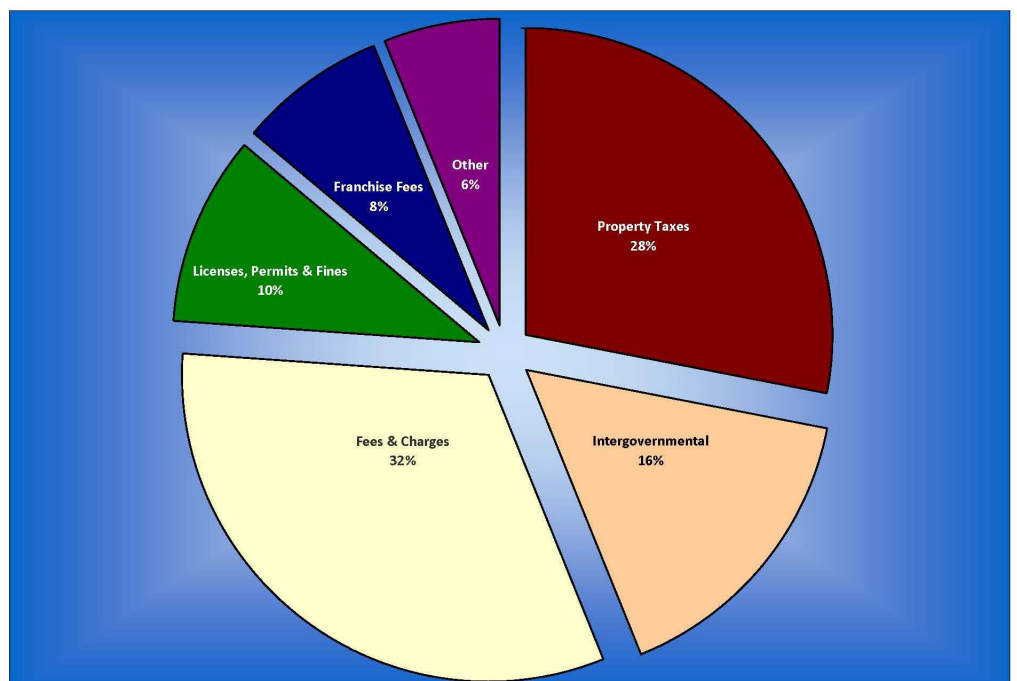
Franchise Fees

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.

Resources Expressed As Percentages:

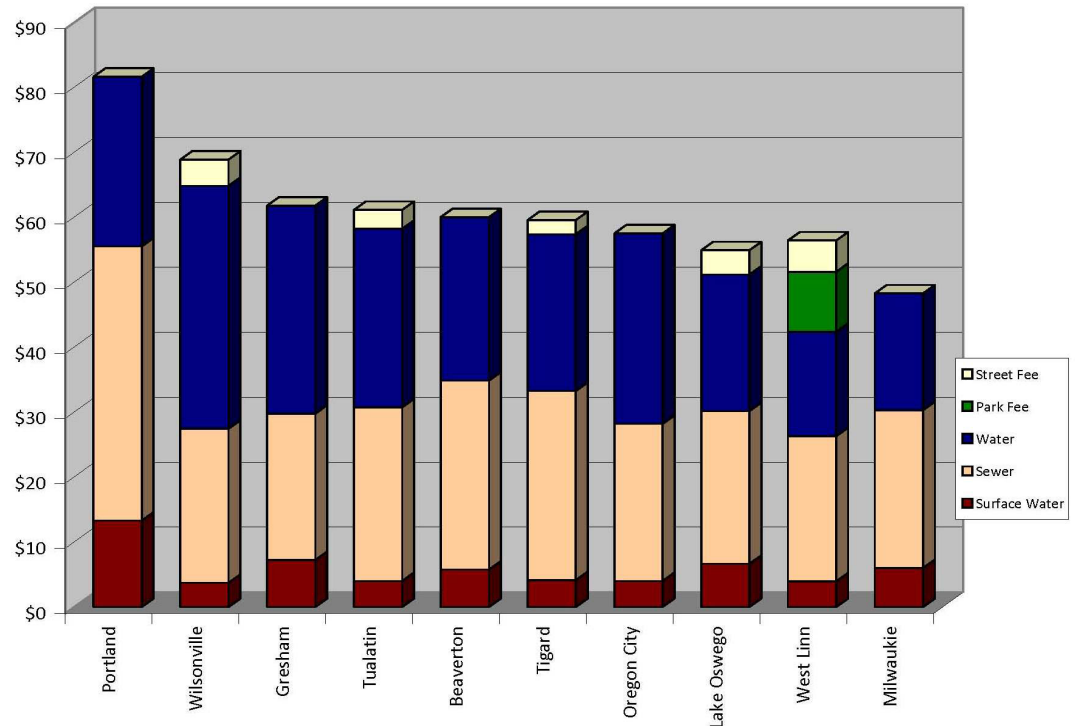


Fee for Service Providing Essential Services for West Linn

The city provides citizens with street maintenance, park maintenance, water, wastewater, and storm water services on a fee for service basis. These services are financially self-sufficient, and generate enough revenue to cover the costs of operating expenses. Charges for water, sewer, storm drainage, parks maintenance and street maintenance are charged to all users in the City of West Linn.

Fees for service are established through the city fees and charges resolution; this resolution is updated each year. The City Council approves water, wastewater, and surface water rates based on costs to provide services, and within City Charter limitations. Comparatively, fees for service in the City of West Linn are lower than the fees charged in neighboring communities.

Fee Comparison By Municipality:



Property Taxes Police, Library, and Parks & Recreation Services

Clackamas County assesses property taxes on behalf of the county, school district, 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 West Linn:

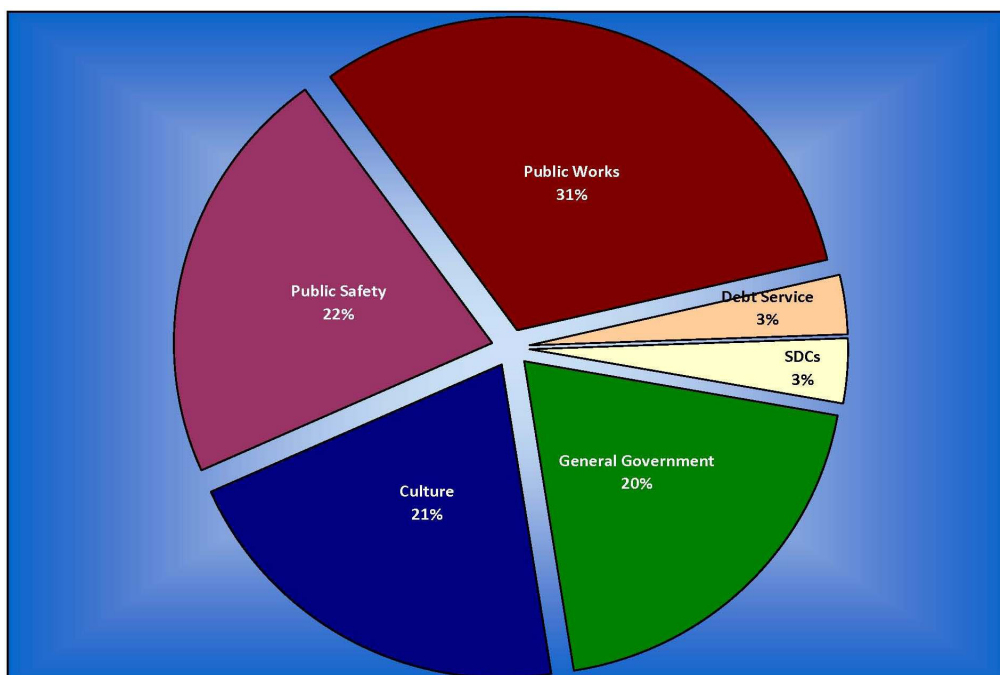


Expenses Overview of City Expenditures

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 model takes into account 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 service provision are also tracked by distinct fund, and can also be displayed by type of service provided. There are five main service categories in which expenses can be attributed:

Expenses Expressed As Percentages:



Major Expenditure Areas

General Government

Expenses include those incurred by the Mayor & Council, City Manager, Legal, Finance, Human Resources, Information Technology, Planning, and Communications departments.

Culture

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

Public Safety

Includes expenses from the Police Department and Building Inspections division.

Public Works

Expenses are related to the provision of water, storm water, sewer, engineering and vehicle maintenance services.

Debt Service

Expenses are related to the retiring of the city's debt.

SDCs

Includes expenses funded by Systems Development Charges for streets, water, sewer, surface water, and parks.

Capital Investment Investing in the Future of West Linn

Investment in infrastructure is a top priority for the City of West Linn. Key capital projects from 2008 include:

Environmental Services

- Annual replacement and improvement of more than 4,000 feet of sanitary sewer line
- Routine replacement of street pipes and lines

Parks & Recreation

- Accessibility upgrades at parks and recreation areas
- Rebuilt restroom at Mary S. Young park
- Dredging of the Cedaroak Boat Ramp

Streets

- Roto-mill and asphalt replacement projects
- Transportation Master Plan drafted and approved

SDC Funds

- Various replacement projects related to environmental services, parks & recreation, and water improvements



The dredging of the Cedaroak Boat Ramp keeps the waterway navigable and useable. Dredgings were placed in the river at a shallow depth to create warm water fisheries.

Forecasting Planning Ahead

The controlling document for long term financial planning is the City's five year strategic financial forecast 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 financial data, updated budget data, and revised assumptions. This document serves as a guiding document for planning out-year expenditures and determining when major projects can and will occur.

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 guiding document when crafting the budget document for upcoming fiscal years.

Reserves City Savings

City funds that where property tax revenues are the primary revenue source have a fund balance requirement of 20 percent of annual operating revenues. Because property tax revenues are not received until November of each fiscal year, the additional fund balance is required to ensure that payroll and all obligations can be met. The Police, Library, and Parks & Recreation funds have a 20 percent fund balance requirement.

All other City funds require ten percent of annual operating revenues as fund balance. It is anticipated that a fund balance requirement of ten percent enables the fund sufficient emergency operating revenues. Emergency operating revenues are important in the case of a winter storm, unexpected equipment needs, or other requirements to maintain normal operations.

Contact Us

Key Personnel

City Manager
Chris Jordan, cjordan@westlinnoregon.gov

Chief Technology Officer
Steve Arndt, sarndt@westlinnoregon.gov

Building Official
David Davies, ddavies@westlinnoregon.gov

Public Works Director
Gene Green, ggreen@westlinnoregon.gov

Human Resources Director
Jeri Knudson, jknudson@westlinnoregon.gov

Finance Director
Richard Seals, rseals@westlinnoregon.gov

Library Director
Christine Siegel, csiegel@westlinnoregon.gov

Police Chief
Terry Timeus, ttimeus@westlinnoregon.gov

Parks & Recreation Director
Ken Worcester, kworcester@westlinnoregon.gov

Assistant to the City Manager
Kirsten Wyatt, kwyatt@westlinnoregon.gov

City of West Linn, Oregon
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West Linn, Oregon 97068
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Fax: 503-650-9041

<http://westlinnoregon.gov>

City Council meetings are held the second and fourth Mondays; and work sessions are held the first and third Mondays of each month.

More Information

Learn More About the City of West Linn

City of West Linn web site:
<http://westlinnoregon.gov>

The city's web site is your source for information about city policies, services, and events. Please visit the City web site at <http://westlinnoregon.gov> to find information on City Council agendas, land use cases, employment opportunities, community events, collection schedules, construction projects, public safety information and more. The site features online services including online bill pay; e-notifications on topics of your choosing; searchable documents; and minutes and records from public meetings.

The City's financial statements are designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability of the resources it receives and expends. The information in this report is drawn from the City of West Linn Comprehensive Annual Financial Report for the year ended June 30, 2008.

If you have questions about this report, or need additional financial information, please contact Richard Seals, the Finance Director at the City of West Linn, 22500 Salamo Road, West Linn, Oregon 97068 or email rseals@westlinnoregon.gov.

