



FINANCE DEPARTMENT

Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDED
JUNE 30, 2010

CITY OF WEST LINN, OREGON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2010

prepared by

Finance Department
City of West Linn, Oregon

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

FRONT AND BACK COVER PHOTOGRAPHY

PHOTOGRAPHY IS COURTESY OF SARA ABELL, TAKEN DURING THE DECEMBER 2009 WEST LINN HOLIDAY PARADE.

THE HOLIDAY PARADE IS A TRADITION IN THE CITY OF WEST LINN BROUGHT TO THE COMMUNITY BY TUALATIN VALLEY FIRE & RESCUE, VOLUNTEERS, SUPPORT FROM THE WILLAMETTE MERCHANTS ASSOCIATION, AND THE PARKS AND RECREATION DEPARTMENT OF THE CITY OF WEST LINN.



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CITY OF WEST LINN, OREGON
 Comprehensive Annual Financial Report
 For the fiscal year ended June 30, 2010

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CITY OF WEST LINN, OREGON
COMPREHENSIVE ANNUAL FINANCIAL REPORT

SECTION I

INTRODUCTORY SECTION

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CITY OF West Linn

November 22, 2010

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

The Comprehensive Annual Financial Report (CAFR) of the City of West Linn, Oregon (the City) for the fiscal year ended June 30, 2010 is hereby submitted.

This report presents the financial position of the City as of June 30, 2010 and the results of its operations for the fiscal year then ended. The financial statements and supporting schedules have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and meet the requirements of the standards prescribed by the Oregon Secretary of State Audits Division. We believe the data, as presented, is accurate in all material respects and presented in a manner designed to fairly set forth the financial position and results of operations of the various funds of the City.

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

Talbot, Korvola & Warwick LLP, Certified Public Accountants, have issued an unqualified or "clean" opinion on the City's financial statements for the fiscal year ended June 30, 2010. The independent auditor's opinion is located at page 11 in the Financial Section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A is located on page 13 immediately following the independent auditor's opinion.

Profile of the Government

West Linn is a community where citizens, civic organizations, businesses and city government work together to ensure that the community retains its hometown identity, high quality of life and its natural beauty. The City incorporated in 1913 and today serves a population of 24,500. It is close to the region's business core and urban amenities, with Portland approximately twenty miles to the north. At the same time, the City provides a

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

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

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

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

Local Economy

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

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

Long-term Financial Planning

Long-term financial planning is performed on an ongoing basis. The controlling document is the City's 5-year strategic financial plan which includes reserves by fund that fall within the policy guidelines set by the Council and reviewed by the Citizens' Budget Committee during the budget process. Reserve policy guidelines are measured as a percentage of annual operating expenses and generally range between 15 and 20 percent depending on the fund.

Along with the adoption of the 2010-2011 biennial budget, certain utility rate fee increases were approved by City Council with the support of the Citizens' Budget Committee and the Utility Advisory Board. Effective January 1, 2010, a five percent rate increase for water, sewer, and surface water management fees was approved and effective July 1, 2010, a five percent rate increase was approved for parks and street maintenance fees.

In regards to the City's long-term debt obligations, the City had \$7.6 million outstanding in two general obligation bond issues, \$6.8 million outstanding in two full faith and credit obligations, and \$1.2 million outstanding in a water revenue bond issue, for a total of \$15.6 million in long-term debt outstanding as of June 30, 2010.

City's Credit Ratings

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

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

Bond Refundings

In September 2010, the City closed on two current refundings totaling \$5.7 million in outstanding bonds originally issued in fiscal year 2000, effectively reducing the overall interest rates from 5.25 percent to 2.09 percent. These bond refundings resulted in a reduction of \$1.1 million dollars in future debt service payments. Savings on these future interest costs translates into lower property taxes in the future for all citizens of West Linn.

Major Initiatives

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

In preparing the budget for the 2010-2011 biennium, the City Council adopted various goals that were then incorporated into the budgeted operations. The City Council updated their previous goal list and established guidelines for achievement in the following major areas: locating a police station site, recreation and culture, urban and growth management, library services, utility infrastructure, finances, and partnerships with other agencies.

The Citizens' Budget Committee moved forward with the City's first biennial budget allowing better alignment of the City's budget with the State's biennial budget and increasing the focus on a longer term. With this financial report ending June 2010, the actual results reflect the first year of the biennium. Additionally, the City's Audit Committee, consisting of Councilors Carson and Kovash, partnering with a citizen member who is a West Linn resident and a certified public accountant, Nikki Koblaha, continue their focus on audit oversight and improving all finance processes.

Awards

Comprehensive Annual Financial Reporting Award. For the second consecutive time since the late nineties, the City received the *Certificate of Achievement for Excellence in Financial Reporting* award from the Government Finance Officer's Association (GFOA) for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2009. The *Certificate of Achievement for Excellence in Finance Reporting* is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. In order to receive this award, a government unit must publish

an easily readable and efficiently organized CAFR whose contents conform to program standards and satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

Popular Annual Financial Reporting Award. Also for the City's second consecutive time, the GFOA has given their *Award for Outstanding Achievement in Popular Annual Financial Reporting* for the City's Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2009. The *Award for Outstanding Achievement in Popular Annual Financial Reporting* is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government popular reports. In order to receive this award, a government unit must publish a PAFR, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

Distinguished Budget Presentation Award. The City also received the *Distinguished Budget Presentation Award* for its 2010-2011 biennial budget from the GFOA, making this the third budget document in a row to receive this award. This award is the highest form of recognition in governmental budgeting. Its attainment represents a significant accomplishment by a governmental entity, its financial staff, and its management. This international award program was first established in 1984 to encourage exemplary budgetary practices and to provide peer recognition for government finance officers who prepare budget documents. Budget proficiency is rated in four major categories: as a policy document, an operations guide, a financial plan, and a communications device.


Acknowledgements

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


Respectfully submitted,



Christopher A. Jordan
City Manager



Richard W. Seals, CPA CMA CFM
Finance Director



Casey A. Camors, CPA
Assistant Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of West Linn,
Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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



Nancy L. Zjelke

President

Jeffrey R. Emer

Executive Director

CITY OF WEST LINN, OREGON
 Elected and Appointed Officials

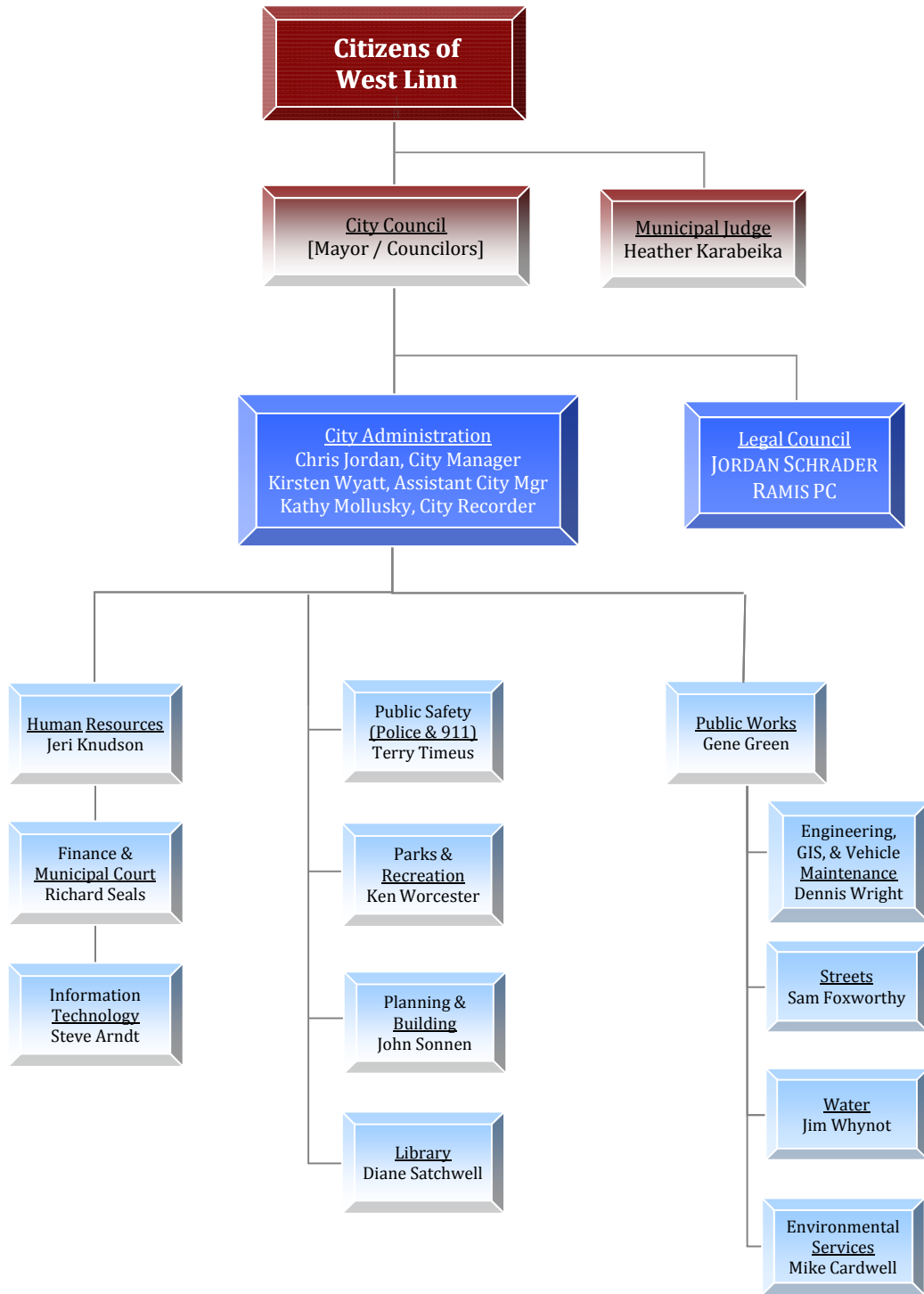
Elected Officials	Term Expires
John Kovash, Mayor	December 31, 2012
Scott Burgess, Council President	December 31, 2010
Jody Carson, Councilor	December 31, 2010
Teri Cummings, Councilor	December 31, 2012
Jenni Tan, Councilor	December 31, 2012
Heather Karabeika, Municipal Court Judge	December 31, 2010
Patti Galle, Mayor	Resigned April 2010
John Kovash, Mayor (interim)	October 11, 2010
Jim Mattis, Councilor (interim)	October 11, 2010

Appointed Officials	Position
Christopher A. Jordan	City Manager
JORDAN SCHRADER RAMIS PC	Legal Counsel

Management Team:

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

CITY OF WEST LINN, OREGON
Organizational Chart



CITY OF WEST LINN, OREGON
Audit Committee

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

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

Audit Committee Members	Term Expires
Two Council Members:	
John Kovash, Mayor	December 31, 2012
Jody Carson, Councilor	December 31, 2010
One Citizen Member:	
Nikki Kobliha, CPA	December 31, 2012

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

SECTION II

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

November 22, 2010

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Linn, Oregon, (the City), as of and for the year ended June 30, 2010, 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, 2010, and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

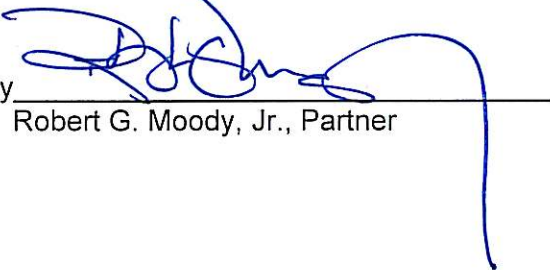
INDEPENDENT AUDITOR'S REPORT (Continued)

City Council
City of West Linn, Oregon
November 22, 2010
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Required Supplementary Information, comprised of the Budgetary Comparisons for the General Fund and major special revenue funds as listed in the Table of Contents, as well as the Supplementary Information consisting of combining and individual nonmajor fund financial statements and other schedules, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

TALBOT, KORVOLA & WARWICK, LLP
Certified Public Accountants

By  _____
Robert G. Moody, Jr., Partner

CITY OF WEST LINN, OREGON

Management's Discussion and Analysis

For the fiscal year ended June 30, 2010

Management's Discussion and Analysis (MD&A) is presented to facilitate financial analysis and provide an overview of the financial activities of the City of West Linn (the City) for the fiscal year ended June 30, 2010. Information in the MD&A is based on currently known facts, decisions and conditions. Please read it in conjunction with the basic financial statements and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

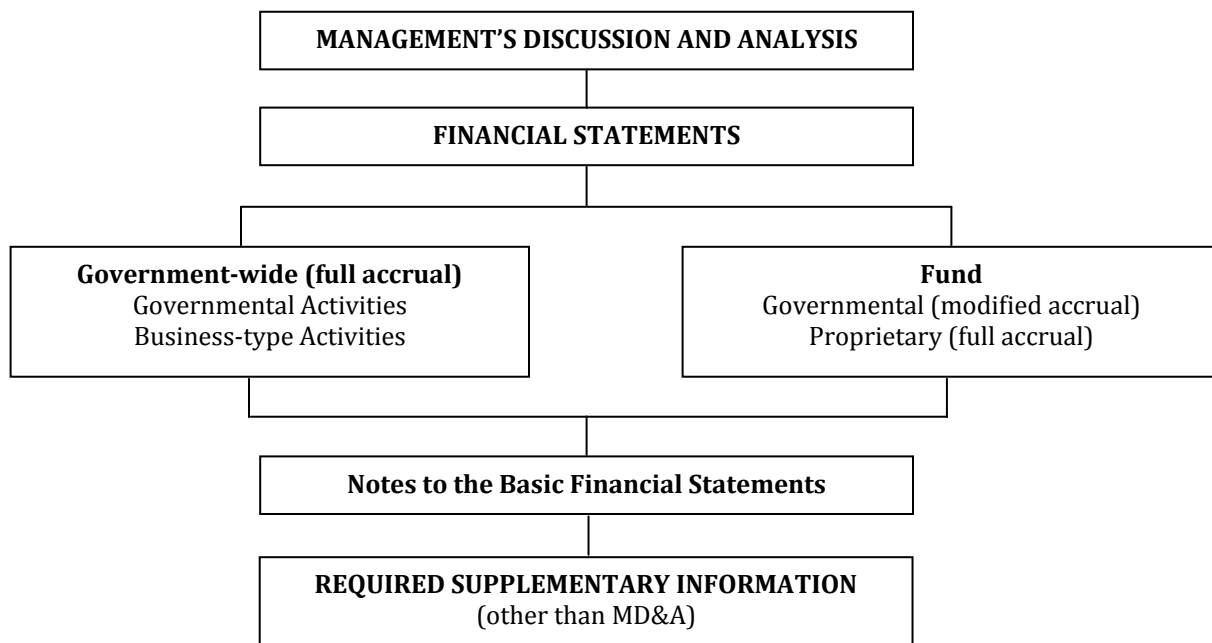
- The City's assets totaled \$282.4 million at June 30, 2010, consisting of \$259.1 million in capital assets, \$7.1 million in unrestricted cash and investments, \$6.7 million in restricted cash and investments, and \$9.5 million in investment in joint venture and other assets. Total assets decreased by \$3.2 million from the previous fiscal year.
- The City's liabilities totaled \$19.1 million at June 30, 2010 consisting of \$16.3 million in long-term liabilities and \$2.8 million in accounts payable and other liabilities.
- The assets of the City exceeded its liabilities by \$263.3 million at the close of fiscal year 2010. Unrestricted net assets totaled \$11.6 million with the remainder of the City's net assets invested in capital assets net of related debt (\$245.1 million) and restricted for endowment, capital projects, building operations, and debt service (\$6.6 million).
- For its governmental activities, the City generated \$9.9 million in charges for services and received \$3.8 million in operating and capital grants and contributions. Direct expenses, including interest on long-term debt for governmental activities were \$22.4 million for the year, resulting in a net expense of \$8.7 million. \$8.9 million of general revenues received and \$0.1 million of transfers out resulted in a change in net assets of \$0.1 million.
- For its business-type activities, the City generated \$5.4 million in charges for services and in operating and capital grants and contributions to fund direct expenses of \$5.6 million.
- Fund balance in the City's governmental funds was \$10.1 million at June 30, 2010, up by \$0.2 million from June 30, 2009.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Chart 1 - Required Elements of the Comprehensive Annual Financial Report



Government-wide Statements

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

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

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

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

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

Statement of Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$263.3 million at the close of the most recent fiscal year.

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

Table 1
Net Assets as of June 30th
(in millions)

	Government activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 12.3	\$ 13.9	\$ 11.0	\$ 11.3	\$ 23.3	\$ 25.2
Capital assets	230.8	231.7	28.3	28.7	259.1	260.4
Total assets	243.1	245.6	39.3	40.0	282.4	285.6
Long-term liabilities	15.0	15.7	1.3	1.3	16.3	17.0
Other liabilities	2.4	4.3	0.4	1.0	2.8	5.3
Total liabilities	17.4	20.0	1.7	2.3	19.1	22.3
Net assets:						
Invested in capital assets, net of related debt	218.3	219.3	27.1	27.4	245.4	246.7
Restricted	6.4	6.6	0.2	0.2	6.6	6.8
Unrestricted (deficit)	1.0	(0.3)	10.3	10.1	11.3	9.8
Total net assets	\$ 225.7	\$ 225.6	\$ 37.6	\$ 37.7	\$ 263.3	\$ 263.3

A portion of the City's net assets (\$6.6 million or about three percent) represents resources that are subject to external restrictions on how they may be used. The balance of *unrestricted net assets* (\$11.3 million or about four percent) may be used to meet the City's ongoing obligations to citizens and creditors.

As of June 30, 2010, the City had positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities.

Total net assets remained even from the prior year at \$263.3 million representing a commensurate increase in ongoing revenues and ongoing expenses.

Statement of Activities

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

Table 2
Changes in Net Assets
(in millions)

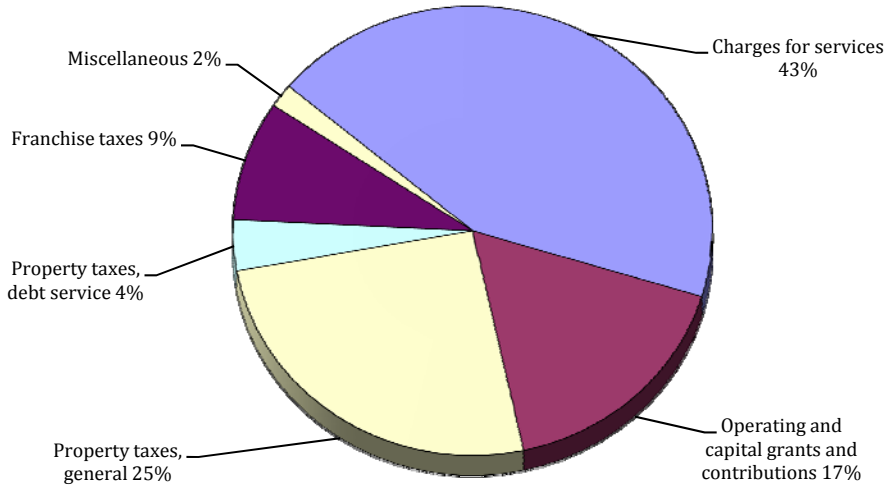
	Governmental Activities		Business-type Activities		Total	
	FY09-10	FY08-09	FY09-10	FY08-09	FY09-10	FY08-09
Revenues						
Program revenues						
Charges for services	\$ 9.9	\$ 9.4	\$ 5.3	\$ 5.5	\$ 15.2	\$ 14.9
Operating grants and contributions	3.0	2.5	-	-	3.0	2.5
Capital grants and contributions	0.8	0.7	0.1	1.7	0.9	2.4
General revenues						
Property taxes	6.6	6.4	-	-	6.6	6.4
Franchise taxes	1.9	1.7	-	-	1.9	1.7
Grants and contributions not restricted to specific programs	0.4	0.6	-	-	0.4	0.6
Miscellaneous	-	0.1	-	0.2	-	0.3
Total revenues	22.6	21.4	5.4	7.4	28.0	28.8
Expenses						
Governmental activities						
General government	6.3	6.0	-	-	6.3	6.0
Culture and recreation	5.5	5.4	-	-	5.5	5.4
Public safety	6.5	6.3	-	-	6.5	6.3
Highways and streets	3.5	3.5	-	-	3.5	3.5
Interest on long-term debt	0.6	0.6	-	-	0.6	0.6
Depreciation	-	-	-	-	-	-
Business-type activities						
Water	-	-	3.1	3.3	3.1	3.3
Environmental services	-	-	2.5	2.7	2.5	2.7
Total expenses	22.4	21.8	5.6	6.0	28.0	27.8
Change in net assets before transfers	0.2	(0.4)	(0.2)	1.4	-	1.0
Transfers	(0.1)	-	0.1	-	-	-
Change in net assets	0.1	(0.4)	(0.1)	1.4	-	1.0
Net assets - beginning	225.6	226.0	37.7	36.3	263.3	262.3
Net assets - ending	\$ 225.7	\$ 225.6	\$ 37.6	\$ 37.7	\$ 263.3	\$ 263.3

Governmental Activities

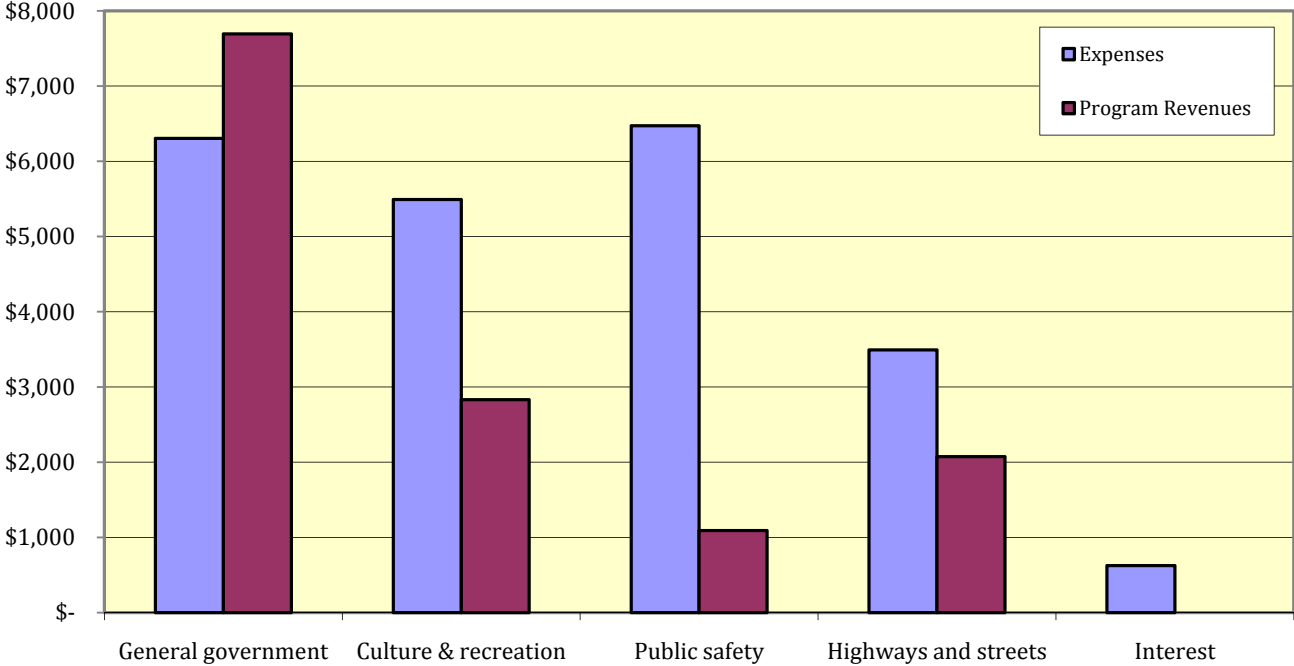
Governmental activities increased the City's net assets by \$0.1 million in fiscal year 2009-10, as compared to a \$0.4 million decrease in the prior fiscal year, 2008-09. Key elements of these changes are illustrated in Table 2 above.

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

Revenues by Source - Governmental Activities



Expenses and Program Revenues - Governmental Activities (in thousands)

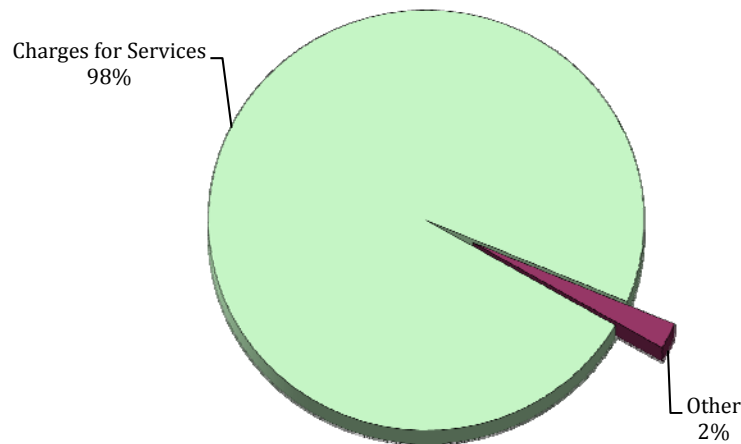


Business-type Activities

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

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

Revenues by Source - Business-type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

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

As of June 30, 2010, the City's governmental funds reported a combined ending fund balance of \$10.1 million, an increase of \$0.2 million when compared to the prior year. Unreserved fund balance, as of June 30, 2010, was \$3.6 million and is available for spending at the City's discretion.

General Fund

The general fund is the chief operating fund of the City. At June 30, 2010, total fund balance was \$1.2 million, which is an increase of \$0.2 million from the prior year, and is considered unreserved and undesignated. The City's general fund continues to be funded with charges for services from other funds, including the three special revenue funds receiving property tax revenues: public safety, parks and recreation, and library. General fund revenues from charges for services increased to \$5.1 million from \$4.7 million in the prior year. This increase in revenue funded the general fund's expenditures which remained consistent with the prior year at \$5.8 million.

Public Safety Fund

This special revenue fund accounts for police, 911 dispatch, and overall safety activities within city limits. Revenues increased to \$6.0 million from \$5.0 million in the prior year attributed to an increased property tax revenue allocation. Expenditures in the public safety fund increased by only \$0.5 million largely due to four personnel vacancies and a slight decrease in materials and services expenditures from the prior year. The full faith and credit obligations issued in the prior year in the amount of \$1.5 million for acquiring land for a new police station continue to be reserved in the public safety fund's reserve fund balance.

Parks and Recreation Fund

This special revenue fund is used to account for funding parks and recreation programs throughout the City. Overall revenues remained essentially even from the prior year at \$3.1 million. Overall expenditures increased to \$3.2 million. This caused the overall fund balance to decrease by \$0.1 million due to additional capital expenditures in the current year and new debt service payments on full faith and credit obligations issued in the prior year for park projects.

Systems Development Charges Fund

This special revenue fund accounts for systems development charges and improvements including those for the street, water, surface water, sewer, park, and bike/pedestrian systems. Revenues increased from \$0.6 million in the 2008-09 fiscal year to \$1.3 million in the 2009-10 fiscal year due to the recognition of intergovernmental revenues contributed by the State and Metro for the purchase of the White Oaks Savanna open space property. Expenditures in the systems development charges fund increased by \$1.2 million the 2009-10 fiscal year reflecting the purchase of the White Oak Savanna open space property.

Street Fund

This special revenue fund accounts for the operation and maintenance of the City's street and sidewalk systems, including medians. Revenue increased from \$2.0 million in the 2008-09 fiscal year to \$2.1 million in the 2009-10 fiscal year. This increase is attributable to the 50 percent completion of a street-sidewalk project funded with federal grants. Overall street expenditures decreased by \$1.3 million from \$3.3 million in the 2008-09 fiscal year to \$2.0 million in the 2009-10 fiscal year due to the spend-out of capital project bond proceeds in the prior year. The street fund had an overall increase in fund balance of \$0.1 million for the fiscal year ended June 30, 2010.

General Fund Budgetary Highlights

The original appropriated budget of the general fund for the 2010-2011 biennium budget period amounted to \$13.1 million including \$0.6 million for contingencies. There were no differences between the general fund's original budget and final budget. As fiscal year 2010 is the first year of the budget biennium, the general fund shows significant budget variances with the final biennium budget column. However, all of these budget variances are expected and represent the available budget appropriation remaining for the general fund's second fiscal year. These variances are all within current expectations planned for the biennium's second fiscal year activity and no unusual variances from the original or final budget of the general fund are noted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2010, the City had invested \$259.1 million in capital assets, net of depreciation as reflected in the following table. This represents a net decrease (additions, deductions and depreciation) of \$1.3 million in fiscal year 2010. Governmental capital assets totaled \$230.8 million while business-type capital assets totaled \$28.3 million.

Table 3
Capital Assets as of June 30th
(net of depreciation, in millions)

	Governmental		Business-type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
Land and easements	\$ 188.5	\$ 187.5	\$ 0.4	\$ 0.4	\$ 188.9	\$ 187.9
Buildings and improvements	16.7	17.1	0.7	0.8	17.4	17.9
Vehicles and equipment	1.2	1.4	0.6	0.5	1.8	1.9
Infrastructure	23.7	25.3	26.4	27.0	50.1	52.3
Construction in progress	0.7	0.4	0.2	-	0.9	0.4
Capital assets, net	<u>\$ 230.8</u>	<u>\$ 231.7</u>	<u>\$ 28.3</u>	<u>\$ 28.7</u>	<u>\$ 259.1</u>	<u>\$ 260.4</u>

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

Table 4
Change in Capital Assets
(in millions)

	Governmental		Business-type		Total	
	Activities		Activities			
	FY09-10	FY08-09	FY09-10	FY08-09	FY09-10	FY08-09
Beginning balance	\$ 231.7	\$ 230.9	\$ 28.7	\$ 27.6	\$ 260.4	\$ 258.5
Additions	2.0	3.8	0.9	2.5	2.9	6.3
Reductions and adjustmen	(0.1)	(0.2)	(0.1)	(0.2)	(0.2)	(0.4)
Depreciation	(2.8)	(2.8)	(1.2)	(1.2)	(4.0)	(4.0)
Ending balance	<u>\$ 230.8</u>	<u>\$ 231.7</u>	<u>\$ 28.3</u>	<u>\$ 28.7</u>	<u>\$ 259.1</u>	<u>\$ 260.4</u>

Assets utilized in governmental activities decreased by a net \$0.9 million with depreciation

exceeding the increases in land, building, machinery and equipment, and sidewalk improvements. Capital asset additions include completion of various projects throughout the community. More detailed information about the City's capital assets is presented on page 40 in the notes to the basic financial statements.

Debt Outstanding

As of the end of the fiscal year, the City had \$15.6 million in long-term bonded debt obligations outstanding – a decrease of five percent from the prior year – as shown in Table 5. More detailed information about the City's long-term debt obligations is presented on pages 41 and 42 in the notes to the basic financial statements.

Table 5
Outstanding Long-term Debt Obligations as of June 30th
(in millions)

	2010	2009
Governmental:		
General obligation bonds	\$ 7.6	\$ 8.1
Full faith and credit obligations	6.8	7.1
Sub-total	14.4	15.2
Business-type:		
Water revenue bonds	1.2	1.3
Total	\$ 15.6	\$ 16.5

During the fiscal year ended June 30, 2010, the Moody's bond rating was upgraded from Aa3 to Aa2. For current refunding and rating upgrade information from Standard and Poor's in the subsequent period after the fiscal year end, refer to the current refunding note in the notes to the financial statements under subsequent events on page 47.

Under Oregon Revised Statutes, general obligation debt issues are limited to three percent of the real market value of all taxable property within the City's boundaries. The \$7.6 million in general obligation debt applicable to this limit is well below the \$119 million maximum limitation.

Economic Factors

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

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

The largest resource used for governmental activities, at 43 percent, consisted of charges for service, including permits, licenses, recreation charges, and system development charges. Property

tax revenue, the next largest revenue sources, provided 29 percent of the resources used for governmental activities. A special tax levy of approximately \$1.8 million (24 percent of total levy) that provided public safety funding expired as of June 30, 2007. To maintain service levels and reduce the reliance on a local option levy requiring a vote every five years, the City implemented fees for parks and street maintenance to offset the foregone property tax revenue. Property taxes for general operations increased slightly over the last year and investment earnings were down due to the decline in interest rates.

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

Requests for Information

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

BASIC FINANCIAL STATEMENTS

Statement of Net Assets

Statement of Activities

Fund Financial Statements

Notes to Basic Financial Statements

CITY OF WEST LINN, OREGON

STATEMENT OF NET ASSETS

JUNE 30, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and investments	\$ 4,426,432	\$ 2,643,759	\$ 7,070,191
Restricted cash and investments	6,505,028	154,500	6,659,528
Property taxes receivable	490,090	-	490,090
Accounts receivable, net of allowance	588,793	832,317	1,421,110
Prepaid expenses	36,838	-	36,838
Bond issuance costs	249,372	71,739	321,111
Capital assets not being depreciated:			
Land and easements	188,514,929	403,590	188,918,519
Construction in progress	710,338	219,832	930,170
Capital assets net of accumulated depreciation:			
Buildings and improvements	16,690,869	701,747	17,392,616
Vehicles and equipment	1,212,343	625,376	1,837,719
Infrastructure	23,729,351	26,363,784	50,093,135
Investment in joint venture	-	7,275,298	7,275,298
TOTAL ASSETS	243,154,383	39,291,942	282,446,325
LIABILITIES:			
Accounts payable	709,133	296,236	1,005,369
Accrued salaries and payroll taxes payable	433,718	34,764	468,482
Accrued compensated absences payable	822,748	79,189	901,937
Accrued interest payable	50,208	17,992	68,200
Deposits payable	434,163	-	434,163
Noncurrent liabilities:			
Long-term debt obligations, due within one year	975,000	80,000	1,055,000
Long-term debt obligations, due in more than one year	13,535,128	1,145,000	14,680,128
Accrued other postemployment benefit obligations	477,516	40,757	518,273
TOTAL LIABILITIES	17,437,614	1,693,938	19,131,552
NET ASSETS:			
Invested in capital assets, net of related debt	217,987,830	27,089,329	245,077,159
Restricted for:			
Library endowment, nonexpendable	157,300	-	157,300
Debt service	117,054	154,500	271,554
Building operations	72,657	-	72,657
Capital projects	6,102,449	-	6,102,449
Unrestricted	1,279,479	10,354,175	11,633,654
TOTAL NET ASSETS	\$ 225,716,769	\$ 37,598,004	\$ 263,314,773

See notes to basic financial statements

CITY OF WEST LINN, OREGON

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

FUNCTION / PROGRAM	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES:							
General government	\$ 6,304,523	\$ 6,844,146	\$ 215,272	\$ 633,600	\$ 1,388,495	\$ -	\$ 1,388,495
Culture and recreation	5,491,882	1,589,722	1,241,837	-	(2,660,323)	-	(2,660,323)
Public safety	6,472,333	663,008	428,445	-	(5,380,880)	-	(5,380,880)
Highways and streets	3,491,626	778,226	1,159,718	135,731	(1,417,951)	-	(1,417,951)
Interest on long-term debt	626,391	-	-	-	(626,391)	-	(626,391)
TOTAL GOVERNMENTAL ACTIVITIES	22,386,755	9,875,102	3,045,272	769,331	(8,697,050)	-	(8,697,050)
BUSINESS-TYPE ACTIVITIES:							
Water	3,071,098	2,925,685	-	18,672	-	(126,741)	(126,741)
Environmental services	2,559,931	2,361,858	-	81,677	-	(116,396)	(116,396)
TOTAL BUSINESS-TYPE ACTIVITIES	5,631,029	5,287,543	-	100,349	-	(243,137)	(243,137)
TOTAL ACTIVITIES	\$ 28,017,784	\$ 15,162,645	\$ 3,045,272	\$ 869,680	(8,697,050)	(243,137)	(8,940,187)
GENERAL REVENUES:							
Property taxes, levied for general purposes					5,785,038	-	5,785,038
Property taxes, levied for debt service					828,376	-	828,376
Franchise taxes					1,952,259	-	1,952,259
Grants and contributions not restricted to specific programs					360,470	-	360,470
Unrestricted investment earnings					22,990	6,928	29,918
Gain on disposition of capital assets					-	14,240	14,240
TRANSFERS					(128,788)	128,788	-
TOTAL GENERAL REVENUES AND TRANSFERS					8,820,345	149,956	8,970,301
CHANGE IN NET ASSETS					123,295	(93,181)	30,114
NET ASSETS - beginning					225,593,474	37,691,185	263,284,659
NET ASSETS - ending					\$ 225,716,769	\$ 37,598,004	\$ 263,314,773

See notes to basic financial statements

CITY OF WEST LINN, OREGON

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2010

	General Fund	Public Safety Fund	Parks and Recreation Fund	Systems Development Charges Fund	Street Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:							
Cash and investments	\$ 1,790,513	\$ 599,612	\$ 505,942	\$ -	\$ 994,649	\$ 535,716	\$ 4,426,432
Restricted cash and investments	-	1,500,000	-	3,732,638	-	1,272,390	6,505,028
Property taxes receivable	-	281,723	97,146	-	-	111,221	490,090
Accounts receivable	21,471	89,553	141,552	-	208,171	128,046	588,793
Prepaid expenditures	36,838	-	-	-	-	-	36,838
TOTAL ASSETS	\$ 1,848,822	\$ 2,470,888	\$ 744,640	\$ 3,732,638	\$ 1,202,820	\$ 2,047,373	\$ 12,047,181
LIABILITIES:							
Accounts payable	\$ 217,035	\$ 34,019	\$ 217,646	\$ 5,022	\$ 131,841	\$ 103,570	\$ 709,133
Accrued salaries and payroll taxes	192,218	118,500	44,100	-	13,500	65,400	433,718
Deposits payable	258,033	-	-	-	128,506	47,624	434,163
Deferred revenue	-	233,288	80,444	-	-	92,100	405,832
TOTAL LIABILITIES	667,286	385,807	342,190	5,022	273,847	308,694	1,982,846
FUND BALANCES:							
Reserved for:							
Library endowment	-	-	-	-	-	157,300	157,300
Debt service	-	-	-	-	-	117,054	117,054
Building operations	-	-	-	-	-	72,657	72,657
Capital projects	-	1,500,000	-	3,727,616	-	874,833	6,102,449
Unreserved, reported in:							
General fund	1,181,536	-	-	-	-	-	1,181,536
Special revenue funds	-	585,081	402,450	-	928,973	516,835	2,433,339
TOTAL FUND BALANCES	1,181,536	2,085,081	402,450	3,727,616	928,973	1,738,679	10,064,335
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,848,822	\$ 2,470,888	\$ 744,640	\$ 3,732,638	\$ 1,202,820	\$ 2,047,373	

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported in funds.	230,857,830
Other assets are not available to pay for current-period expenditures and therefore, are deferred in the funds: Bond issuance costs	249,372
Liabilities, including accrued liabilities and bonds payable, that are not due and payable in the current period and therefore, are not reported in funds: Deferred property taxes Accrued compensated absences payable Accrued interest payable Long-term debt obligations Bond premium Accrued other postemployment benefit obligations	\$ 405,832 (822,748) (50,208) (14,370,000) (140,128) (477,516) (15,454,768)
Net assets of governmental activities	<u>\$ 225,716,769</u>

See notes to basic financial statements

CITY OF WEST LINN, OREGON

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General Fund	Public Safety Fund	Parks and Recreation Fund	Systems Development Charges Fund	Street Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:							
Property taxes	\$ -	\$ 3,850,870	\$ 1,527,886	\$ -	\$ -	\$ 1,224,676	\$ 6,603,432
Intergovernmental	8,441	428,445	47,900	633,600	1,159,718	1,400,768	3,678,872
Franchise taxes	-	1,568,040	-	-	100,875	283,344	1,952,259
Fines and forfeitures	428,171	78,248	-	-	-	58,732	565,151
Licenses and permits	177,743	27,078	-	-	-	832,187	1,037,008
Charges for services	5,079,000	-	1,530,990	-	778,226	276,000	7,664,216
Systems development charges	-	-	-	608,727	-	-	608,727
Investment earnings	3,118	4,487	530	8,402	2,141	4,312	22,990
Miscellaneous	207,676	49,725	25,150	-	64,816	13,103	360,470
TOTAL REVENUES	5,904,149	6,006,893	3,132,456	1,250,729	2,105,776	4,093,122	22,493,125
EXPENDITURES:							
Current:							
General government	5,347,131	-	-	35,000	-	812,334	6,194,465
Cultural and recreation	-	-	2,835,912	-	-	1,811,499	4,647,411
Public safety	-	5,892,818	-	-	-	369,785	6,262,603
Highways and streets	-	-	-	-	1,569,050	-	1,569,050
Debt service:							
Principal	190,000	34,000	11,000	-	45,000	545,000	825,000
Interest	151,095	79,000	26,186	-	105,000	380,263	741,544
Capital outlay	19,792	75,531	350,742	1,213,688	279,925	94,985	2,034,663
TOTAL EXPENDITURES	5,708,018	6,081,349	3,223,840	1,248,688	1,998,975	4,013,866	22,274,736
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND NET CHANGE IN FUND BALANCES	196,131	(74,456)	(91,384)	2,041	106,801	79,256	218,389
FUND BALANCES - beginning	985,405	2,159,537	493,834	3,725,575	822,172	1,659,423	9,845,946
FUND BALANCES - ending	\$ 1,181,536	\$ 2,085,081	\$ 402,450	\$ 3,727,616	\$ 928,973	\$ 1,738,679	\$ 10,064,335

See notes to basic financial statements

CITY OF WEST LINN, OREGON

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds (page 27)	\$	218,389
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation was greater than capital outlay.		(804,854)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and transfers) is to decrease net assets.		(63,936)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		9,982
The issuance of long-term debt (e.g., bonds, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. No debt was issued during the current fiscal year, therefore, this amount only represents scheduled principal payments on existing bonded debt.		825,000
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Accrued compensated absences payable	\$ (27,983)	
Accrued interest payable	115,153	
Accrued other postemployment benefit obligations	(138,164)	
Amortization of bond issuance costs	(26,186)	
Amortization of bond premium	15,894	
	(61,286)	
Change in net assets of governmental activities (page 25)	\$	123,295

See notes to basic financial statements

CITY OF WEST LINN, OREGON

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2010

	Business-type Activities - Enterprise Funds		
	Water Fund	Environmental Services Fund	Total
ASSETS:			
Current assets:			
Cash and investments	\$ 130,307	\$ 2,513,452	\$ 2,643,759
Restricted cash and investments	154,500	-	154,500
Accounts receivable, net of allowance for doubtful accounts	352,326	479,991	832,317
Bond issuance costs	6,522	-	6,522
	643,655	2,993,443	3,637,098
Total current assets			
Noncurrent assets:			
Capital assets not being depreciated	460,403	163,019	623,422
Capital assets, net of accumulated depreciation	9,894,768	17,796,139	27,690,907
Investment in joint venture	7,275,298	-	7,275,298
Bond issuance costs	65,217	-	65,217
	17,695,686	17,959,158	35,654,844
Total noncurrent assets			
TOTAL ASSETS	18,339,341	20,952,601	39,291,942
LIABILITIES:			
Current liabilities:			
Accounts payable	134,640	161,596	296,236
Accrued salaries and payroll taxes payable	19,000	15,764	34,764
Accrued compensated absences payable	46,713	32,476	79,189
Accrued interest payable	17,992	-	17,992
Bonds payable - due within one year	80,000	-	80,000
	298,345	209,836	508,181
Total current liabilities			
Noncurrent liabilities:			
Bonds payable	1,145,000	-	1,145,000
Accrued other postemployment benefit obligations	22,231	18,526	40,757
	1,167,231	18,526	1,185,757
Total noncurrent liabilities			
TOTAL LIABILITIES	1,465,576	228,362	1,693,938
NET ASSETS:			
Invested in capital assets, net of related debt	9,130,171	17,959,158	27,089,329
Restricted for debt service	154,500	-	154,500
Unrestricted	7,589,094	2,765,081	10,354,175
	16,873,765	20,724,239	37,598,004
TOTAL NET ASSETS	\$ 16,873,765	\$ 20,724,239	\$ 37,598,004

See notes to basic financial statements

CITY OF WEST LINN, OREGON

PROPRIETARY FUNDS

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Business-type Activities - Enterprise Funds		
	Water Fund	Environmental Services Fund	Total
OPERATING REVENUES:			
Charges for services	\$ 2,908,269	\$ 2,225,268	\$ 5,133,537
Systems development charges	13,367	75,209	88,576
Licenses and permits	-	56,381	56,381
Other operating revenues	47,670	5,000	52,670
TOTAL OPERATING REVENUES	<u>2,969,306</u>	<u>2,361,858</u>	<u>5,331,164</u>
OPERATING EXPENSES:			
Salaries and wages	580,497	462,996	1,043,493
Materials and supplies	1,998,707	1,298,249	3,296,956
Depreciation	419,028	798,686	1,217,714
TOTAL OPERATING EXPENSES	<u>2,998,232</u>	<u>2,559,931</u>	<u>5,558,163</u>
OPERATING LOSS	<u>(28,926)</u>	<u>(198,073)</u>	<u>(226,999)</u>
NONOPERATING INCOME (EXPENSE):			
Investment earnings	775	6,153	6,928
Net loss on investment in joint venture	(43,621)	-	(43,621)
Gain on disposal of capital assets	2,240	12,000	14,240
Interest expense	(72,866)	-	(72,866)
TOTAL NONOPERATING INCOME (EXPENSE)	<u>(113,472)</u>	<u>18,153</u>	<u>(95,319)</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS	<u>(142,398)</u>	<u>(179,920)</u>	<u>(322,318)</u>
CAPITAL CONTRIBUTIONS	<u>149,540</u>	<u>79,597</u>	<u>229,137</u>
CHANGE IN NET ASSETS	<u>7,142</u>	<u>(100,323)</u>	<u>(93,181)</u>
NET ASSETS - beginning	<u>16,866,623</u>	<u>20,824,562</u>	<u>37,691,185</u>
NET ASSETS - ending	<u>\$ 16,873,765</u>	<u>\$ 20,724,239</u>	<u>\$ 37,598,004</u>

See notes to basic financial statements

CITY OF WEST LINN, OREGON

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Business-type Activities - Enterprise Funds		
	Water Fund	Environmental Services Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users of services	\$ 3,042,755	\$ 2,319,645	\$ 5,362,400
Payments to suppliers for goods and services	(2,053,208)	(1,789,242)	(3,842,450)
Payments to employees for services	(566,714)	(459,998)	(1,026,712)
NET CASH FROM OPERATING ACTIVITIES	422,833	70,405	493,238
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal paid on capital debt	(80,000)	-	(80,000)
Interest paid on capital debt	(74,188)	-	(74,188)
Acquisition and construction of capital assets	(390,384)	(217,299)	(607,683)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(544,572)	(217,299)	(761,871)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest earnings received on investments	775	6,153	6,928
NET DECREASE IN CASH AND INVESTMENTS	(120,964)	(140,741)	(261,705)
CASH AND INVESTMENTS - beginning	405,771	2,654,193	3,059,964
CASH AND INVESTMENTS - ending	\$ 284,807	\$ 2,513,452	\$ 2,798,259
Cash and investments are shown in the <i>Statement of Net Assets</i> as follows:			
Cash and investments	\$ 130,307	\$ 2,513,452	\$ 2,643,759
Restricted cash and investments	154,500	-	154,500
	\$ 284,807	\$ 2,513,452	\$ 2,798,259
RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES:			
Operating loss	\$ (28,926)	\$ (198,073)	\$ (226,999)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation expense	419,028	798,686	1,217,714
Amortization of bond issuance costs	6,522	-	6,522
Decrease (increase) in accounts receivable	73,449	(37,214)	36,235
Decrease in accounts payable	(61,023)	(495,992)	(557,015)
Increase in accrued salaries and payroll taxes payable	3,900	3,314	7,214
Increase (decrease) in accrued compensated absences payable	3,451	(5,677)	(2,226)
Increase in accrued postemployment benefit obligations	6,432	5,361	11,793
NET CASH FROM OPERATING ACTIVITIES	\$ 422,833	\$ 70,405	\$ 493,238
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Net loss on investment in joint venture	\$ (43,621)	\$ -	\$ (43,621)
Capital assets transferred from (to) governmental funds	130,868	(2,080)	128,788
Capital assets contributed by developers	18,672	81,676	100,348

See notes to basic financial statements

CITY OF WEST LINN, OREGON

Notes to Basic Financial Statements

June 30, 2010

1. Summary of Significant Accounting Policies

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

Reporting Entity

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

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

Government-wide and Fund Financial Statements

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

Government-wide financial statements display information about the City as a whole. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the *Statement of Net Assets* and the *Statement of Activities*.

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

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Expenses reported for functional activities include allocated indirect expenses, such as administrative overhead. Program revenues include 1) charges

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

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

Measurement Focus and Basis of Accounting

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

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

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

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

all expenses affecting the economic resource status of the government are recognized.

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

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

The City reports the following major governmental funds:

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

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

- *Special Revenue Funds*
These funds account for the receipt and expenditures of dedicated revenue sources.
- *Debt Service Fund*
This fund accounts for the accumulation of resources for the payment of general obligation bond principal and interest.
- *Park Bond Construction Fund*
Accounts for bond proceeds used for the acquisition of park land and improvements.

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

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

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

Assets, Liabilities, and Equity

Cash and Investments

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

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

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

Receivables and Payables

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

In the fund financial statements, property taxes receivables that are collected within 60 days after the end of fiscal year are considered *measurable* and *available*, and therefore, are recognized as revenue. The property taxes receivable portion beyond 60 days is recorded as deferred revenue. Assessments are recognized as receivables at the time property owners are assessed on property improvements. These receivables are entirely offset by deferred revenue, as assessment revenue is recognized upon collection.

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

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

Capital Assets

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

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

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

Investment in Joint Venture

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

Accrued Compensated Absences

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

Other Postemployment Benefit Obligations

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

Long-term Debt Obligations

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

Fund Equity

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

Library Endowment

In 1981 the Wallace B. Caufield Trust endowed funds to the City where the principal is to be legally preserved and the interest can be used only to purchase books for the library. This Trust called for an initial distribution followed by the splitting of the proceeds from the sale of a building with the City of Oregon City. The final distribution of this Trust occurred in 1982 after the Trust completed the sale of the building. The City continues to properly account for the legally restricted principal in the net assets section of the *Statement of Net Assets* presented on page 24 and restricted cash and reserved fund balance on the library fund's *Balance Sheet* presented on page 63.

Use of Estimates

The preparation of the financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

2. Detailed Notes on All Funds

Deposits and Investments

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

As of June 30, 2010, the City's cash and investments were comprised of the following:

Cash on hand	\$ 1,700
Deposits with financial institutions	6,682,428
Oregon State Treasurer's Local Government Investment Pool	<u>7,045,591</u>
Total cash and investments	<u><u>\$ 13,729,719</u></u>

	<u>Government Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and investments	\$ 4,426,432	\$ 2,643,759	\$ 7,070,191
Restricted cash and investments	<u>6,505,028</u>	<u>154,500</u>	<u>6,659,528</u>
Total cash and investments	<u><u>\$ 10,931,460</u></u>	<u><u>\$ 2,798,259</u></u>	<u><u>\$ 13,729,719</u></u>

Deposits. Deposits with financial institutions are comprised of bank demand deposits. The combined total bank balance is \$6,722,893. Of these deposits, \$500,000 is covered by federal depository insurance. As required by Oregon Revised Statutes, deposits in excess of federal depository insurance were held at qualified depositories for public funds. All qualified depositories for public funds are included in the multiple financial institution collateral pool that is maintained by and in the name of the Office of the State Treasurer.

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

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

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

Custodial credit risk. Custodial risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. As of June 30, 2010, all the City deposits are insured or collateralized and therefore, are not subject to custodial credit risk.

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

The City's position in the LGIP at June 30, 2010 is stated at fair market value, which is 99.56 percent of pool shares.

Receivables

As of June 30, 2010, accounts receivable are reflected in the basic financial statements net of an allowance for uncollectible accounts. The allowance for uncollectible accounts pertains only to utility billing collections in the business-type activities.

Accounts, contracts and grants	\$ 1,438,110
Allowance for uncollectible accounts	<u>(17,000)</u>
Total accounts receivable	<u><u>\$ 1,421,110</u></u>

Accounts receivable - governmental activities	\$ 588,793
Accounts receivable - business-type activities	<u>832,317</u>
Total accounts receivable	<u><u>\$ 1,421,110</u></u>

Investment in Joint Venture

South Fork Water Board (SFWB) operates a water distribution system jointly with the City of West Linn and the City of Oregon City, each party owning 50 percent. Revenues earned by SFWB are expended for the continued operation and maintenance of facilities within the municipal boundaries of these two cities. Upon dissolution of the SFWB, the net assets will be shared 50 percent to each city. The SFWB is governed by a five-member board composed of three appointees from Oregon City and two from West Linn. The City's net investment and its share of the operating results of the SFWB are reported in the City's Water Fund. Net Assets of the City's Water Fund were decreased \$43,621 from a net loss of the joint venture in fiscal year 2009-10. Complete financial statements for the SFWB can be obtained from the City of Oregon City Finance Department, 625 Center Street, Oregon City, Oregon 97045. The investment in South Fork Water Board is accounted for using the equity method.

Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Beginning balance as of June 30, 2009	Additions	Reductions and adjustments	Ending balance as of June 30, 2010
Governmental activities:				
Capital assets not being depreciated:				
Land and easements	\$ 187,514,464	\$ 1,000,465	\$ -	\$ 188,514,929
Construction in progress	356,697	353,641	-	710,338
Total capital assets not being depreciated	<u>187,871,161</u>	<u>1,354,106</u>	<u>-</u>	<u>189,225,267</u>
Capital assets being depreciated:				
Buildings and improvements	25,739,353	380,659	-	26,120,012
Vehicles and equipment	2,659,381	63,071	(163,358)	2,559,094
Infrastructure	56,516,141	241,692	-	56,757,833
Total capital assets being depreciated	<u>84,914,875</u>	<u>685,422</u>	<u>(163,358)</u>	<u>85,436,939</u>
Less accumulated depreciation for:				
Buildings and improvements	(8,670,779)	(758,364)	-	(9,429,143)
Vehicles and equipment	(1,252,082)	(189,225)	94,556	(1,346,751)
Infrastructure	(31,136,554)	(1,891,928)	-	(33,028,482)
Total accumulated depreciation	<u>(41,059,415)</u>	<u>(2,839,517)</u>	<u>94,556</u>	<u>(43,804,376)</u>
Total capital assets being depreciated, net	<u>43,855,460</u>	<u>(2,154,095)</u>	<u>(68,802)</u>	<u>41,632,563</u>
Total capital assets, net	<u>\$ 231,726,621</u>	<u>\$ (799,989)</u>	<u>\$ (68,802)</u>	<u>\$ 230,857,830</u>
	Beginning balance as of June 30, 2009	Additions	Reductions and adjustments	Ending balance as of June 30, 2010
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 394,097	\$ 9,493	\$ -	\$ 403,590
Construction in progress	-	106,988	112,844	219,832
Total capital assets not being depreciated	<u>394,097</u>	<u>116,481</u>	<u>112,844</u>	<u>623,422</u>
Capital assets being depreciated:				
Buildings and improvements	1,579,504	-	-	1,579,504
Vehicles and equipment	1,075,086	77,268	50,696	1,203,050
Infrastructure	54,871,323	657,150	(222,982)	55,305,491
Total capital assets being depreciated	<u>57,525,913</u>	<u>734,418</u>	<u>(172,286)</u>	<u>58,088,045</u>
Less accumulated depreciation for:				
Buildings and improvements	(846,167)	(31,590)	-	(877,757)
Vehicles and equipment	(548,190)	(86,949)	57,465	(577,674)
Infrastructure	(27,844,669)	(1,099,175)	2,137	(28,941,707)
Total accumulated depreciation	<u>(29,239,026)</u>	<u>(1,217,714)</u>	<u>59,602</u>	<u>(30,397,138)</u>
Total capital assets being depreciated, net	<u>28,286,887</u>	<u>(483,296)</u>	<u>(112,684)</u>	<u>27,690,907</u>
Total capital assets, net	<u>\$ 28,680,984</u>	<u>\$ (366,815)</u>	<u>\$ 160</u>	<u>\$ 28,314,329</u>

Depreciation expense for governmental activities in the amount of \$2,839,517 and for business-type activities the amount of \$1,217,714 was charged to functions/programs as follows:

	Governmental activities	Business-type activities	Total
General government	\$ 41,163	\$ -	\$ 41,163
Culture and recreation	797,292	-	797,292
Public safety	85,413	-	85,413
Highways and streets	1,915,649	-	1,915,649
Water	-	419,028	419,028
Environmental services	-	798,686	798,686
Depreciation expense	<u>\$ 2,839,517</u>	<u>\$ 1,217,714</u>	<u>\$ 4,057,231</u>

Interfund Transfers

Transfers between funds provide support for various City programs in accordance with budgetary authorizations and are utilized to cover administrative services, provide for additional funding for reserve purposes, contribute towards the cost of capital projects, and to provide for other operational resources. For fiscal year ended June 30, 2010, all City transfers are properly classified under Charges for Services for financial reporting purposes. Transfers of capital assets are also made between funds to ensure full utilization of useable assets and are classified under Transfers for financial statement purposes.

Leases

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

The City leases various pieces of equipment for use in its operations under cancelable and noncancelable operating leases. Total costs for such leases were approximately \$83,000 for the year ended June 30, 2010. The future minimum lease payments for noncancelable operating leases are as follows:

Fiscal year ending June 30,	Amount
2011	\$ 83,161
2012	17,072
2013	1,605
2014	420
2015	210
	<u>\$ 102,468</u>

Long-term Debt Obligations

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

	Beginning balance as of June 30, 2009	Additions	Reductions	Ending balance as of June 30, 2010	Due within one year
Governmental activities:					
General Obligation bonds					
Series 2000 Library Expansion, interest at 4.7-5.4%, original issue of \$3,900,000, due 2021	\$ 3,190,000	\$ -	\$ (140,000)	\$ 3,050,000	\$ 155,000
Series 2009-A Park Refundings, interest at 3.0-4.0%, original issue of \$4,915,000, due 2019	4,915,000	-	(405,000)	4,510,000	470,000
Full Faith and Credit obligations					
Series 2000 City Hall, interest at 4.3-5.2%, original issue of \$4,300,000, due 2021	3,055,000	-	(190,000)	2,865,000	200,000
Series 2009-B St/Police/Parks, interest at 3.0-4.35%, original issue of \$4,035,000, due 2029	4,035,000	-	(90,000)	3,945,000	150,000
Plus: Bond issuance premium	156,022	-	(15,894)	140,128	-
Long-term bonded debt obligations	15,351,022	-	(840,894)	14,510,128	975,000
Compensated absences for governmental activities	794,765	1,051,983	(1,024,000)	822,748	822,748
Total governmental activities	<u>16,145,787</u>	<u>1,051,983</u>	<u>(1,864,894)</u>	<u>15,332,876</u>	<u>1,797,748</u>
Business-type activities:					
Revenue bonds					
Series 2000 Water Revenue and Refunding, interest at 4.7-5.6%, original issue of \$1,800,000,	1,305,000	-	(80,000)	1,225,000	80,000
Compensated absences for business-type activities	81,415	45,974	(48,200)	79,189	79,189
Total business-type activities	<u>1,386,415</u>	<u>45,974</u>	<u>(128,200)</u>	<u>1,304,189</u>	<u>159,189</u>
Total long-term debt obligations					
General Obligation bonds	8,105,000	-	(545,000)	7,560,000	625,000
Full Faith and Credit obligations	7,090,000	-	(280,000)	6,810,000	350,000
Revenue bonds	1,305,000	-	(80,000)	1,225,000	80,000
Plus: Bond issuance premium	156,022	-	(15,894)	140,128	-
Long-term bonded debt obligations	16,656,022	-	(920,894)	15,735,128	1,055,000
Compensated absences	876,180	1,097,957	(1,072,200)	901,937	901,937
Total long-term debt obligations	<u>\$ 17,532,202</u>	<u>\$ 1,097,957</u>	<u>\$ (1,993,094)</u>	<u>\$ 16,637,065</u>	<u>\$ 1,956,937</u>

Future maturities of bond principal and interest at June 30, 2010, are as follows:

Year	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 975,000	\$ 597,695	\$ 80,000	\$ 69,728	\$ 1,055,000	\$ 667,423
2012	1,030,000	561,762	85,000	65,044	1,115,000	626,806
2013	1,080,000	523,399	90,000	60,011	1,170,000	583,410
2014	1,130,000	482,559	95,000	54,694	1,225,000	537,253
2015	1,190,000	439,223	105,000	48,944	1,295,000	488,167
2016-2020	5,985,000	1,410,159	620,000	142,363	6,605,000	1,552,522
2021-2025	1,895,000	408,546	150,000	4,500	2,045,000	413,046
2026-2030	1,085,000	120,113	-	-	1,085,000	120,113
	<u>\$ 14,370,000</u>	<u>\$ 4,543,456</u>	<u>\$ 1,225,000</u>	<u>\$ 445,284</u>	<u>\$ 15,595,000</u>	<u>\$ 4,988,740</u>

Demand Bank Note. A short term bank note in the amount of \$175,000 was received in June 2008 and reported as a fund liability in the building inspection fund. This bank note required twelve monthly principal and interest payments, contained an initial interest rate of five percent, and matured in July 2009. The final payoff was completed at maturity making the outstanding principal balance as of June 30, 2010 equal to zero.

Employee Retirement Pension Plan

Plan Description. The City contributes to the Oregon Public Employees Retirement System (PERS) and to the Oregon Public Service Retirement Plan (OPSRP). PERS is an agent multi-employer defined benefit public employee retirement system. OPSRP is a hybrid retirement plan with two components: the Pension Program (defined benefit; established and maintained as a tax-qualified governmental defined benefit plan) and the Individual Account Program (defined contribution; established and maintained as a tax-qualified governmental defined contribution plan). A defined benefit plan is benefit-based and uses predictable criteria such as a pension determined by salary multiplied by length of service multiplied by a factor. A defined contribution plan has no guarantee. OPSRP is administered by PERS, which acts as a common investment and administrative agent for political subdivisions in the State of Oregon.

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

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

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

Funding Policy. The rate of employer contributions to PERS is determined periodically by PERS based on actuarial valuations performed at least every two years. Members of PERS and OPSRP are required to contribute 6 percent of their salary covered under the plan. The City is required by ORS 238.225 to contribute at an actuarially determined rate. The City's rate is 10.60 percent for PERS and 8.93 percent for OPSRP – general employees, and 11.64 percent for OPSRP – police employees, of salary covered under the plan. The contribution requirements for plan members and the City are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

Annual Pension Cost. For the years ended June 30, 2010, 2009, and 2008 the City's annual pension costs were approximately \$839,000, \$1,113,000, and \$973,000 respectively, and were equal to the City's required and actual contributions. The required contribution was determined as part of the actuarial valuation at December 31, 2007, using the projected unit credit actuarial cost method. The fair market value method is used to determine the actuarial value of the plan's assets. Significant actuarial assumptions used in the valuation include: (i) consumer price inflation of 2.75 percent per year, (ii) healthcare cost inflation assumed at 8 percent in 2008, then declining by 0.5 percent per year until the rate of 5 percent is reached in 2013; (iii) a rate of return on the future investment earnings of the assets of the members' regular accounts are assumed to accrue at an annual rate of 8 percent compounded annually; (iv) a rate of return on the future investment earnings of the members' variable accounts are assumed to accrue at an annual rate of 8.5 percent, compounded annually; (v) projected annual rate of wage inflation of 3.75 percent, compounded annually, excluding merit or longevity increases; (vi) unfunded actuarial liability is amortized on a level percentage of combined annual payroll on a closed group fixed term basis over twenty years.

Postemployment Healthcare Plan (implicit subsidy)

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

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

For fiscal year ended June 30, 2010, the City retirees paid 100 percent of their insurance premium costs.

The required monthly contributions of the plan members were as follows for the fiscal year ended June 30, 2010.

	Medical		Dental
	HealthNet	Kaiser	ODS
Employee	\$ 518	\$ 433	\$ 54
Employee + child(ren)	932	779	n/a
Employee + spouse	1,023	866	95
Employee + family	1,425	1,298	175

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

City's normal cost at year end	\$ 109,524
Amortization of UAAL with interest	108,433
Annual Required Contribution (ARC)	217,957
Interest on prior year net OPEB obligation	16,574
Adjustment to ARC	(25,998)
Annual OPEB cost	208,533
Less contribution (amounts paid during year for OPEB)	-
Less implicit benefit payments	(58,576)
Increase in net OPEB obligation	149,957
OPEB obligation at beginning of fiscal year	368,316
OPEB obligation at end of fiscal year	\$ 518,273

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

Fiscal Year Ended	Annual OPEB Cost	Percent of Annual OPEB Cost Contribution	Net OPEB Obligation
6/30/2010	\$ 208,533	28%	\$ 518,273
6/30/2009	\$ 239,118	22%	\$ 368,316
6/30/2008	\$ 227,671	20%	\$ 181,696

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

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

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

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

In the August 1, 2008 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8 percent, reduced incrementally to an ultimate rate of 5 percent. The UAAL is being amortized using the level percentage of payroll over an open period of fifteen years.

Retirement Health Insurance Account (RHIA)

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

information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700.

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

Participating cities are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.29 percent of annual covered payroll for Tier 1/Tier 2, and .19 percent for OPSRP. The OPERS Board of Trustees sets the employer contribution rate based on the annual required contribution (ARC) of the employers, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The City's contributions to RHIA for the year ended June 30, 2010 and 2009, were approximately \$22,900 and \$28,200 respectively which equaled the required contributions for that year.

Deferred Compensation Plan

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

3. Other Information

Commitments and Contingencies

The City has agreements with the Tri-City Service District to treat sewage wastewater. Pertinent terms of this agreement are as follows:

- The City will process and review all permit applications for hookup and inspection thereof; operate and maintain local collections facilities; bill and collect user charges, and bill and collect connection charges.
- Should the District fail to perform services outlined in the agreement, the City can terminate the agreement upon thirty-day written notice.

Risk Management

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

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

Property tax limitation

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

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

Subsequent Events

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

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

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

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REQUIRED SUPPLEMENTARY INFORMATION

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

Notes to Required Supplementary Information

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

General Fund

Special Revenue Funds

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

CITY OF WEST LINN, OREGON

GENERAL FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Budget for the 2010-2011 Biennium		1st year	Variance with Final Budget
	Original	Final	Actual Amounts	
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 8,441	\$ 8,441
Fines and forfeitures	1,001,000	1,001,000	428,171	(572,829)
Licenses and permits	689,000	689,000	177,743	(511,257)
Investment earnings	91,000	91,000	3,118	(87,882)
Miscellaneous	202,000	202,000	207,676	5,676
TOTAL REVENUES	1,983,000	1,983,000	825,149	(1,157,851)
EXPENDITURES:				
City Council	118,000	118,000	55,448	62,552
City Administration	1,919,000	1,919,000	916,256	1,002,744
Human Resources	704,000	704,000	333,165	370,835
Finance	1,973,000	1,973,000	944,439	1,028,561
Information Technology	1,938,000	1,938,000	740,381	1,197,619
Municipal Court	579,000	579,000	221,073	357,927
Facility Services	963,000	963,000	441,427	521,573
Public Works Support Services	2,600,000	2,600,000	1,238,473	1,361,527
Vehicle and Equipment Maintenance	749,000	749,000	340,878	408,122
Nondepartmental:				
General services	230,000	230,000	104,383	125,617
Debt service	683,000	683,000	341,095	341,905
Contingency	599,000	599,000	-	599,000
TOTAL EXPENDITURES	13,055,000	13,055,000	5,677,018	7,377,982
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(11,072,000)	(11,072,000)	(4,851,869)	6,220,131
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	10,931,000	10,931,000	5,079,000	(5,852,000)
Transfers to other funds	(277,000)	(277,000)	(31,000)	246,000
TOTAL OTHER FINANCING SOURCES	10,654,000	10,654,000	5,048,000	(5,606,000)
NET CHANGE IN FUND BALANCES	(418,000)	(418,000)	196,131	614,131
FUND BALANCES - beginning	717,000	717,000	985,405	268,405
FUND BALANCES - ending	\$ 299,000	\$ 299,000	\$ 1,181,536	\$ 882,536

CITY OF WEST LINN, OREGON

PUBLIC SAFETY FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Budget for the 2010-2011 Biennium		1st year	Variance with Final Budget
	Original	Final	Actual Amounts	
REVENUES:				
Property taxes	\$ 7,806,000	\$ 7,806,000	\$ 3,850,870	\$ (3,955,130)
Intergovernmental	785,000	785,000	428,445	(356,555)
Franchise taxes	3,006,000	3,006,000	1,568,040	(1,437,960)
Fines and forfeitures	193,000	193,000	78,248	(114,752)
Licenses and permits	67,000	67,000	27,078	(39,922)
Investment earnings	77,000	77,000	4,487	(72,513)
Miscellaneous	106,000	106,000	49,725	(56,275)
TOTAL REVENUES	12,040,000	12,040,000	6,006,893	(6,033,107)
EXPENDITURES:				
Personal services	7,705,000	7,705,000	3,923,723	3,781,277
Materials and services	1,120,000	1,120,000	510,095	609,905
Debt service:				
Principal	90,000	90,000	34,000	56,000
Interest	136,000	136,000	79,000	57,000
Capital outlay	1,700,000	1,700,000	75,531	1,624,469
Contingency	682,000	682,000	-	682,000
TOTAL EXPENDITURES	11,433,000	11,433,000	4,622,349	6,810,651
EXCESS OF REVENUES OVER EXPENDITURES	607,000	607,000	1,384,544	777,544
OTHER FINANCING USES:				
Transfers to other funds	(2,814,000)	(2,814,000)	(1,459,000)	1,355,000
NET CHANGE IN FUND BALANCES	(2,207,000)	(2,207,000)	(74,456)	2,132,544
FUND BALANCES - beginning	2,433,000	2,433,000	2,159,537	(273,463)
FUND BALANCES - ending	\$ 226,000	\$ 226,000	\$ 2,085,081	\$ 1,859,081

CITY OF WEST LINN, OREGON

PARKS AND RECREATION FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Budget for the 2010-2011 Biennium		1st year	Variance with Final Budget
	Original	Final	Actual Amounts	
REVENUES:				
Property taxes	\$ 2,832,000	\$ 2,832,000	\$ 1,527,886	\$ (1,304,114)
Intergovernmental	997,000	997,000	47,900	(949,100)
Charges for services	3,234,000	3,234,000	1,530,990	(1,703,010)
Investment earnings	20,000	20,000	530	(19,470)
Miscellaneous	52,000	52,000	25,150	(26,850)
TOTAL REVENUES	7,135,000	7,135,000	3,132,456	(4,002,544)
EXPENDITURES:				
Personal services	2,870,000	2,870,000	1,386,426	1,483,574
Materials and services	1,506,000	1,506,000	669,486	836,514
Debt service:				
Principal	30,000	30,000	11,000	19,000
Interest	50,000	50,000	26,186	23,814
Capital outlay	1,297,000	1,297,000	350,742	946,258
Contingency	347,000	347,000	-	347,000
TOTAL EXPENDITURES	6,100,000	6,100,000	2,443,840	3,656,160
EXCESS OF REVENUES OVER EXPENDITURES	1,035,000	1,035,000	688,616	(346,384)
OTHER FINANCING USES:				
Transfers to other funds	(1,583,000)	(1,583,000)	(780,000)	803,000
NET CHANGE IN FUND BALANCES	(548,000)	(548,000)	(91,384)	456,616
FUND BALANCES - beginning	660,000	660,000	493,834	(166,166)
FUND BALANCES - ending	\$ 112,000	\$ 112,000	\$ 402,450	\$ 290,450

CITY OF WEST LINN, OREGON

SYSTEMS DEVELOPMENT CHARGES FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Budget for the 2010-2011 Biennium		1st year Actual Amounts	
	Original	Final	Street	Surface Water
REVENUES:				
Systems development charges:				
Street - systems development charges	\$ 41,000	\$ 41,000	\$ 181,558	\$ -
Surface water - systems development charges	18,000	18,000	-	13,266
Water - systems development charges	138,000	138,000	-	-
Sewer - systems development charges	65,000	65,000	-	-
Parks - systems development charges	254,000	254,000	-	-
Bike/Pedestrian - systems development charges	-	-	-	-
Intergovernmental	667,000	667,000	-	-
Investment earnings	207,000	207,000	1,314	1,518
TOTAL REVENUES	1,390,000	1,390,000	182,872	14,784
EXPENDITURES:				
Materials and services	100,000	100,000	-	-
Capital outlay	4,600,000	4,600,000	6,311	-
Contingency	251,000	251,000	-	-
TOTAL EXPENDITURES	4,951,000	4,951,000	6,311	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,561,000)	(3,561,000)	176,561	14,784
OTHER FINANCING USES:				
Transfers to other funds	(71,000)	(71,000)	-	-
NET CHANGE IN FUND BALANCES	(3,632,000)	(3,632,000)	176,561	14,784
FUND BALANCES - beginning	3,632,000	3,632,000	415,078	669,247
FUND BALANCES - ending	\$ -	\$ -	\$ 591,639	\$ 684,031

Continued on next page

1st year Actual Amounts					Variance with Final Budget
Water	Sewer	Parks	Bike/Pedestrian	Total	
\$ -	\$ -	\$ -	\$ -	\$ 181,558	\$ 140,558
-	-	-	-	13,266	(4,734)
191,264	-	-	-	191,264	53,264
-	91,954	-	-	91,954	26,954
-	-	123,878	-	123,878	(130,122)
-	-	-	6,807	6,807	6,807
-	-	633,600	-	633,600	(33,400)
2,856	2,700	-	14	8,402	(198,598)
<u>194,120</u>	<u>94,654</u>	<u>757,478</u>	<u>6,821</u>	<u>1,250,729</u>	<u>(139,271)</u>
-	-	-	-	-	100,000
130,868	-	1,076,509	-	1,213,688	3,386,312
-	-	-	-	-	251,000
<u>130,868</u>	<u>-</u>	<u>1,076,509</u>	<u>-</u>	<u>1,213,688</u>	<u>3,737,312</u>
63,252	94,654	(319,031)	6,821	37,041	3,598,041
<u>(15,000)</u>	<u>-</u>	<u>(20,000)</u>	<u>-</u>	<u>(35,000)</u>	<u>36,000</u>
48,252	94,654	(339,031)	6,821	2,041	3,634,041
<u>1,240,033</u>	<u>1,125,632</u>	<u>275,585</u>	<u>-</u>	<u>3,725,575</u>	<u>93,575</u>
<u>\$ 1,288,285</u>	<u>\$ 1,220,286</u>	<u>\$ (63,446)</u>	<u>\$ 6,821</u>	<u>\$ 3,727,616</u>	<u>\$ 3,727,616</u>

Continued from previous page

CITY OF WEST LINN, OREGON

STREET FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Budget for the 2010-2011 Biennium		1st year	Variance with Final Budget
	Original	Final	Actual Amounts	
REVENUES:				
Intergovernmental	\$ 3,507,000	\$ 3,507,000	\$ 1,159,718	\$ (2,347,282)
Franchise taxes	136,000	136,000	100,875	(35,125)
Charges for services	1,492,000	1,492,000	778,226	(713,774)
Investment earnings	12,000	12,000	2,141	(9,859)
Miscellaneous	40,000	40,000	64,816	24,816
TOTAL REVENUES	5,187,000	5,187,000	2,105,776	(3,081,224)
EXPENDITURES:				
Personal services	873,000	873,000	410,546	462,454
Materials and services	1,170,000	1,170,000	487,504	682,496
Debt service:				
Principal	120,000	120,000	45,000	75,000
Interest	182,000	182,000	105,000	77,000
Capital outlay	2,959,000	2,959,000	279,925	2,679,075
Contingency	155,000	155,000	-	155,000
TOTAL EXPENDITURES	5,459,000	5,459,000	1,327,975	4,131,025
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(272,000)	(272,000)	777,801	1,049,801
OTHER FINANCING USES:				
Transfers to other funds	(1,330,000)	(1,330,000)	(671,000)	659,000
NET CHANGE IN FUND BALANCES	(1,602,000)	(1,602,000)	106,801	1,708,801
FUND BALANCES - beginning	1,654,000	1,654,000	822,172	(831,828)
FUND BALANCES - ending	\$ 52,000	\$ 52,000	\$ 928,973	\$ 876,973

CITY OF WEST LINN, OREGON

Required Supplementary Information

June 30, 2010

Oregon Public Employees Retirement System – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (Asset)	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability (Asset) as a Percent of Covered Payroll
12/31/2007	\$ 41,594,000	\$ 38,664,625	\$ (2,929,375)	108 %	\$ 6,684,358	(44) %
12/31/2005	35,196,000	36,127,000	931,000	97	6,342,000	15
12/31/2003	26,970,000	32,807,000	5,837,000	82	5,626,000	104

Other Postemployment Benefits Plan – Schedule of Funding Progress

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

CITY OF WEST LINN, OREGON

Notes to Required Supplementary Information

June 30, 2010

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

1. Budgetary Information

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

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

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

The City Council may modify the budget by transferring appropriations between levels of control and by adopting supplemental budgets. Unexpected additional resources may be added to the budget through the use of a supplemental budget. Some supplemental budgets require hearings before the public, publications in newspapers and approval by the City Council. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the City Council. For the year ended June 30, 2010, no supplemental budget resolutions were proposed or approved.

SUPPLEMENTARY INFORMATION

Combining and Individual Fund Financial Statements and Schedules

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

Special Revenue Funds

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

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

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

Building Inspections Fund – accounts for the City’s building inspection activities. The primary revenue source is licenses and permit fees.

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

Debt Service Fund

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

Capital Projects Fund

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

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

JUNE 30, 2010

	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total
ASSETS:				
Cash and investments	\$ 535,716	\$ -	\$ -	\$ 535,716
Restricted cash and investments	291,524	105,448	875,418	1,272,390
Property taxes receivable	43,715	67,506	-	111,221
Accounts receivable	128,046	-	-	128,046
	<u>999,001</u>	<u>172,954</u>	<u>875,418</u>	<u>2,047,373</u>
TOTAL ASSETS	\$ 999,001	\$ 172,954	\$ 875,418	\$ 2,047,373
LIABILITIES:				
Accounts payable	\$ 102,985	\$ -	\$ 585	\$ 103,570
Accrued salaries and payroll taxes	65,400	-	-	65,400
Deposits payable	47,624	-	-	47,624
Deferred revenue	36,200	55,900	-	92,100
	<u>252,209</u>	<u>55,900</u>	<u>585</u>	<u>308,694</u>
TOTAL LIABILITIES	252,209	55,900	585	308,694
FUND BALANCES:				
Reserved for:				
Library endowment	157,300	-	-	157,300
Debt service	-	117,054	-	117,054
Building operations	72,657	-	-	72,657
Capital projects	-	-	874,833	874,833
Unreserved	516,835	-	-	516,835
	<u>746,792</u>	<u>117,054</u>	<u>874,833</u>	<u>1,738,679</u>
TOTAL FUND BALANCES	746,792	117,054	874,833	1,738,679
TOTAL LIABILITIES AND FUND BALANCES	\$ 999,001	\$ 172,954	\$ 875,418	\$ 2,047,373

CITY OF WEST LINN, OREGON

NONMAJOR GOVERNMENTAL FUNDS

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total
REVENUES:				
Property taxes	\$ 397,550	\$ 827,126	\$ -	\$ 1,224,676
Intergovernmental	1,400,768	-	-	1,400,768
Franchise taxes	283,344	-	-	283,344
Licenses and permits	832,187	-	-	832,187
Fines and forfeitures	58,732	-	-	58,732
Charges for services	276,000	-	-	276,000
Investment earnings	2,048	314	1,950	4,312
Miscellaneous	13,103	-	-	13,103
TOTAL REVENUES	3,263,732	827,440	1,950	4,093,122
EXPENDITURES:				
Current:				
General government	\$ 812,334	\$ -	\$ -	\$ 812,334
Cultural and recreation	1,811,239	-	260	1,811,499
Public safety	369,785	-	-	369,785
Debt service:				
Principal	-	545,000	-	545,000
Interest	491	379,772	-	380,263
Capital outlay	-	-	94,985	94,985
TOTAL EXPENDITURES	2,993,849	924,772	95,245	4,013,866
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND NET CHANGE IN FUND BALANCES	269,883	(97,332)	(93,295)	79,256
FUND BALANCES - beginning	476,909	214,386	968,128	1,659,423
FUND BALANCES - ending	\$ 746,792	\$ 117,054	\$ 874,833	\$ 1,738,679

CITY OF WEST LINN, OREGON

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2010

	Library Fund	Communications Fund	Building Inspections Fund	Planning Fund	Total
ASSETS:					
Cash and investments	\$ 132,274	\$ 104,285	\$ -	\$ 299,157	\$ 535,716
Restricted cash and investments	157,300	-	134,224	-	291,524
Property taxes receivable	43,715	-	-	-	43,715
Accounts receivable	-	29,900	-	98,146	128,046
TOTAL ASSETS	\$ 333,289	\$ 134,185	\$ 134,224	\$ 397,303	\$ 999,001
LIABILITIES:					
Accounts payable	\$ 11,899	\$ 32,583	\$ 50,125	\$ 8,378	\$ 102,985
Accrued salaries and payroll taxes	38,200	-	8,800	18,400	65,400
Deposits payable	-	-	2,642	44,982	47,624
Deferred revenue	36,200	-	-	-	36,200
TOTAL LIABILITIES	86,299	32,583	61,567	71,760	252,209
FUND BALANCES:					
Reserved for library endowment	157,300	-	-	-	157,300
Reserved for building operations	-	-	72,657	-	72,657
Unreserved	89,690	101,602	-	325,543	516,835
TOTAL FUND BALANCES	246,990	101,602	72,657	325,543	746,792
TOTAL LIABILITIES AND FUND BALANCES	\$ 333,289	\$ 134,185	\$ 134,224	\$ 397,303	\$ 999,001

CITY OF WEST LINN, OREGON

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (DEFICIT)

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Library Fund	Communications Fund	Building Inspections Fund	Planning Fund	Total
REVENUES:					
Property taxes	\$ 397,550	\$ -	\$ -	\$ -	\$ 397,550
Intergovernmental	1,193,937	-	-	206,831	1,400,768
Franchise taxes	-	114,708	-	168,636	283,344
Licenses and permits	-	-	557,682	274,505	832,187
Fines and forfeitures	58,732	-	-	-	58,732
Charges for services	-	-	-	276,000	276,000
Investment earnings	817	228	248	755	2,048
Miscellaneous	6,132	-	6,614	357	13,103
TOTAL REVENUES	1,657,168	114,936	564,544	927,084	3,263,732
EXPENDITURES:					
Current:					
General government	-	-	-	812,334	812,334
Cultural and recreation	1,641,383	169,856	-	-	1,811,239
Public safety	-	-	369,785	-	369,785
Debt service:					
Interest	-	-	491	-	491
TOTAL EXPENDITURES	1,641,383	169,856	370,276	812,334	2,993,849
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND NET CHANGE IN FUND BALANCE	15,785	(54,920)	194,268	114,750	269,883
FUND BALANCES (DEFICIT) - beginning	231,205	156,522	(121,611)	210,793	476,909
FUND BALANCES - ending	\$ 246,990	\$ 101,602	\$ 72,657	\$ 325,543	\$ 746,792

CITY OF WEST LINN, OREGON

LIBRARY FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Budget for the 2010-2011 Biennium		1st year	Variance with Final Budget
	Original	Final	Actual Amounts	
REVENUES:				
Property taxes	\$ 1,128,000	\$ 1,128,000	\$ 397,550	\$ (730,450)
Intergovernmental	3,525,000	3,525,000	1,193,937	(2,331,063)
Fines and forfeitures	166,000	166,000	58,732	(107,268)
Investment earnings	16,000	16,000	817	(15,183)
Miscellaneous	25,000	25,000	6,132	(18,868)
TOTAL REVENUES	4,860,000	4,860,000	1,657,168	(3,202,832)
EXPENDITURES:				
Personal services	2,496,000	2,496,000	1,083,161	1,412,839
Materials and services	464,000	464,000	189,221	274,779
Capital outlay	1,075,000	1,075,000	-	1,075,000
Contingency	233,000	233,000	-	233,000
TOTAL EXPENDITURES	4,268,000	4,268,000	1,272,382	2,995,618
EXCESS OF REVENUES OVER EXPENDITURES	592,000	592,000	384,786	(207,214)
OTHER FINANCING USES:				
Transfers to other funds	(748,000)	(748,000)	(369,000)	379,000
NET CHANGE IN FUND BALANCES	(156,000)	(156,000)	15,786	171,786
FUND BALANCES - beginning	314,000	314,000	231,205	(82,795)
FUND BALANCES - ending	\$ 158,000	\$ 158,000	\$ 246,991	\$ 88,991

CITY OF WEST LINN, OREGON

COMMUNICATIONS FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Budget for the 2010-2011 Biennium		1st year	Variance with Final Budget
	Original	Final	Actual Amounts	
REVENUES:				
Franchise taxes	\$ 265,000	\$ 265,000	\$ 114,708	\$ (150,292)
Investment earnings	28,000	28,000	228	(27,772)
TOTAL REVENUES	293,000	293,000	114,936	(178,064)
EXPENDITURES:				
Materials and services	334,000	334,000	169,856	164,144
Capital outlay	100,000	100,000	-	100,000
Contingency	15,000	15,000	-	15,000
TOTAL EXPENDITURES	449,000	449,000	169,856	279,144
DEFICIENCY OF REVENUES UNDER EXPENDITURES AND NET CHANGE IN FUND BALANCES	(156,000)	(156,000)	(54,920)	101,080
FUND BALANCES - beginning	164,000	164,000	156,522	(7,478)
FUND BALANCES - ending	\$ 8,000	\$ 8,000	\$ 101,602	\$ 93,602

CITY OF WEST LINN, OREGON

BUILDING INSPECTIONS FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Budget for the 2010-2011 Biennium		1st year	Variance with
	Original	Final	Actual Amounts	Final Budget
REVENUES:				
Licenses and permits	\$ 788,000	\$ 788,000	\$ 557,682	\$ (230,318)
Investment earnings	-	-	248	248
Miscellaneous	-	-	6,614	6,614
TOTAL REVENUES	788,000	788,000	564,544	(223,456)
EXPENDITURES:				
Personal services	531,000	531,000	289,805	241,195
Materials and services	59,000	59,000	8,980	50,020
Debt service:				
Principal	120,000	120,000	119,552	448
Interest	1,000	1,000	491	509
Contingency	28,000	28,000	-	28,000
TOTAL EXPENDITURES	739,000	739,000	418,828	320,172
EXCESS OF REVENUES OVER EXPENDITURES	49,000	49,000	145,716	96,716
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	214,000	214,000	-	(214,000)
Transfers to other funds	(144,000)	(144,000)	(71,000)	73,000
TOTAL OTHER FINANCING SOURCES (USES)	70,000	70,000	(71,000)	(141,000)
NET CHANGE IN FUND BALANCES	119,000	119,000	74,716	(44,284)
FUND BALANCES (DEFICIT) - beginning	-	-	(2,059)	(2,059)
FUND BALANCES - ending	\$ 119,000	\$ 119,000	\$ 72,657	\$ (46,343)

CITY OF WEST LINN, OREGON

PLANNING FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Budget for the 2010-2011 Biennium		1st year	Variance with Final Budget
	Original	Final	Actual Amounts	
REVENUES:				
Intergovernmental	\$ 444,000	\$ 444,000	\$ 206,831	\$ (237,169)
Franchise taxes	298,000	298,000	168,636	(129,364)
Licenses and permits	231,000	231,000	274,505	43,505
Investment earnings	2,000	2,000	755	(1,245)
Miscellaneous	2,000	2,000	357	(1,643)
TOTAL REVENUES	977,000	977,000	651,084	(325,916)
EXPENDITURES:				
Personal services	1,284,000	1,284,000	573,688	710,312
Material and services	76,000	76,000	36,647	39,353
Contingency	120,000	120,000	-	120,000
TOTAL EXPENDITURES	1,480,000	1,480,000	610,335	869,665
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(503,000)	(503,000)	40,749	543,749
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	630,000	630,000	276,000	(354,000)
Transfers to other funds	(409,000)	(409,000)	(202,000)	(207,000)
TOTAL OTHER FINANCING SOURCES (USES)	221,000	221,000	74,000	(561,000)
NET CHANGE IN FUND BALANCES	(282,000)	(282,000)	114,749	396,749
FUND BALANCES - beginning	318,000	318,000	210,793	(107,207)
FUND BALANCES - ending	\$ 36,000	\$ 36,000	\$ 325,542	\$ 289,542

CITY OF WEST LINN, OREGON

DEBT SERVICE FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Budget for the 2010-2011 Biennium		1st year	Variance with Final Budget
	Original	Final	Actual Amounts	
REVENUES:				
Property taxes	\$ 1,770,000	\$ 1,770,000	\$ 827,126	\$ (942,874)
Investment earnings	12,000	12,000	314	(11,686)
TOTAL REVENUES	<u>1,782,000</u>	<u>1,782,000</u>	<u>827,440</u>	<u>(954,560)</u>
EXPENDITURES:				
Debt service:				
Principal	1,170,000	1,170,000	545,000	625,000
Interest	690,000	690,000	379,772	310,228
TOTAL EXPENDITURES	<u>1,860,000</u>	<u>1,860,000</u>	<u>924,772</u>	<u>935,228</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES AND NET CHANGE IN FUND BALANCES	(78,000)	(78,000)	(97,332)	(19,332)
FUND BALANCES - beginning	<u>222,000</u>	<u>222,000</u>	<u>214,386</u>	<u>(7,614)</u>
FUND BALANCES - ending	<u>\$ 144,000</u>	<u>\$ 144,000</u>	<u>\$ 117,054</u>	<u>\$ (26,946)</u>

CITY OF WEST LINN, OREGON

PARK BOND CONSTRUCTION FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Budget for the 2010-2011 Biennium		1st year	Variance with Final Budget
	Original	Final	Actual Amount	
REVENUES:				
Investment earnings	\$ 10,000	\$ 10,000	\$ 1,950	\$ (8,050)
EXPENDITURES:				
Materials and services	40,000	40,000	260	39,740
Capital outlay	1,016,000	1,016,000	94,985	921,015
TOTAL EXPENDITURES	<u>1,056,000</u>	<u>1,056,000</u>	<u>95,245</u>	<u>960,755</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES AND NET CHANGE IN FUND BALANCE	(1,046,000)	(1,046,000)	(93,295)	952,705
FUND BALANCES - beginning	<u>1,046,000</u>	<u>1,046,000</u>	<u>968,128</u>	<u>(77,872)</u>
FUND BALANCES - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 874,833</u>	<u>\$ 874,833</u>

**INDIVIDUAL FUND FINANCIAL
SCHEDULES**
Proprietary Funds

Proprietary Funds

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

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

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

CITY OF WEST LINN, OREGON

WATER FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Budget for the 2010-2011 Biennium		1st year	Variance with Final Budget
	Original	Final	Actual Amount	
REVENUES:				
Water charges	\$ 6,579,000	\$ 6,579,000	\$ 2,908,269	\$ (3,670,731)
Systems development charges	13,000	13,000	13,367	367
Investment earnings	83,000	83,000	775	(82,225)
Miscellaneous	80,000	80,000	47,671	(32,329)
TOTAL REVENUES	6,755,000	6,755,000	2,970,082	(3,784,918)
EXPENDITURES:				
Personal services	1,236,000	1,236,000	580,497	655,503
Materials and services	2,882,000	2,882,000	1,312,707	1,569,293
Debt service	304,000	304,000	152,866	151,134
Capital outlay	680,000	680,000	390,385	289,615
Contingency	360,000	360,000	-	360,000
TOTAL EXPENDITURES	5,462,000	5,462,000	2,436,455	3,025,545
EXCESS OF REVENUES OVER EXPENDITURES	1,293,000	1,293,000	533,627	(759,373)
OTHER FINANCING USES:				
Transfers to other funds	(2,229,000)	(2,229,000)	(686,000)	1,543,000
NET CHANGE IN FUND BALANCES	(936,000)	(936,000)	(152,373)	783,627
FUND BALANCES - beginning	1,087,000	1,087,000	620,669	466,331
FUND BALANCES - ending	\$ 151,000	\$ 151,000	468,296	\$ 1,249,958
RECONCILIATION TO GAAP BASIS:				
Adjustment for capital assets not being depreciated			460,403	
Adjustment for capital assets, net of accumulated depreciation			9,894,768	
Adjustment for investment in joint venture			7,275,298	
Adjustment for bonds payable - due within one year			(80,000)	
Adjustment for bonds payable			(1,145,000)	
FUND BALANCES - GAAP BASIS, ending			\$ 16,873,765	

CITY OF WEST LINN, OREGON

ENVIRONMENTAL SERVICES FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Budget for the 2010-2011 Biennium		1st year	Variance with Final Budget
	Original	Final	Actual Amount	
REVENUES:				
Sewer charges	\$ 3,233,000	\$ 3,233,000	\$ 1,632,385	\$ (1,600,615)
Surface water charges	1,187,000	1,187,000	592,883	(594,117)
Intergovernmental	63,000	63,000	56,381	(6,619)
Systems development charges	58,000	58,000	75,209	17,209
Investment earnings	126,000	126,000	6,153	(119,847)
Miscellaneous	57,000	57,000	5,000	(52,000)
TOTAL REVENUES	4,724,000	4,724,000	2,368,011	(2,355,989)
EXPENDITURES:				
Personal services	1,024,000	1,024,000	462,996	561,004
Materials and services	635,000	635,000	247,249	387,751
Capital outlay	3,000,000	3,000,000	217,298	2,782,702
Contingency	241,000	241,000	-	241,000
TOTAL EXPENDITURES	4,900,000	4,900,000	927,543	3,972,457
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(176,000)	(176,000)	1,440,468	1,616,468
OTHER FINANCING USES:				
Transfers to other funds	(2,170,000)	(2,170,000)	(1,051,000)	1,119,000
NET CHANGE IN FUND BALANCES	(2,346,000)	(2,346,000)	389,468	2,735,468
FUND BALANCES - beginning	2,388,000	2,388,000	2,375,613	12,387
FUND BALANCES - ending	\$ 42,000	\$ 42,000	2,765,081	\$ 2,747,855
RECONCILIATION TO GAAP BASIS:				
Adjustment for capital assets not being depreciated			163,019	
Adjustment for capital assets, net of accumulated depreciation			17,796,139	
FUND BALANCES - GAAP BASIS, ending			\$ 20,724,239	

OTHER FINANCIAL SCHEDULES

Schedule of Property Tax Transactions and Outstanding Balance

Schedule of Accountability of Independently Elected Officials

CITY OF WEST LINN, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<u>Tax Year</u>	<u>Uncollected Property Taxes as of June 30, 2009</u>	<u>Add Tax Levy Extended by Assessor</u>	<u>Add (deduct) Adjustments and Discounts</u>	<u>Deduct Cash Collections</u>	<u>Uncollected Property Taxes as of June 30, 2010</u>
Current fiscal year 2009-10	\$ -	\$ 6,783,509	\$ (178,413)	(6,337,912)	\$ 286,542
Prior fiscal years					
2008-09	322,393	-	(4,840)	(197,745)	119,808
2007-08	85,433	-	(1,425)	(39,810)	44,198
2006-07	40,865	-	(1,336)	(17,617)	21,912
2005-06	15,253	-	(1,285)	(10,352)	3,616
2004-05 & prior	17,021	-	(1,973)	(1,034)	14,014
Sub-total prior	<u>480,965</u>	<u>-</u>	<u>(10,859)</u>	<u>(266,558)</u>	<u>203,548</u>
Total	<u>\$ 480,965</u>	<u>\$ 6,783,509</u>	<u>\$ (189,272)</u>	<u>\$ (6,604,470)</u>	<u>\$ 490,090</u>

Parks and Recreation Fund	\$ 97,146
Library Fund	43,715
Public Safety Fund	281,723
Debt Service Fund	<u>67,506</u>
	<u>\$ 490,090</u>

CITY OF WEST LINN, OREGON
SCHEDULE OF ACCOUNTABILITY OF INDEPENDENTLY ELECTED OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

SECTION III

STATISTICAL SECTION

STATISTICAL SECTION

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

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how financial performance has changed over time.	79
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.	85
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	89
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	94
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	96

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

CITY OF WEST LINN, OREGON

**Net Assets by Component
for the last eight fiscal years ¹
(accrual basis of accounting)
(in thousands)**

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

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

CITY OF WEST LINN, OREGON

**Changes in Net Assets
for the last eight fiscal years ¹
(accrual basis of accounting)
(in thousands)**

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

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

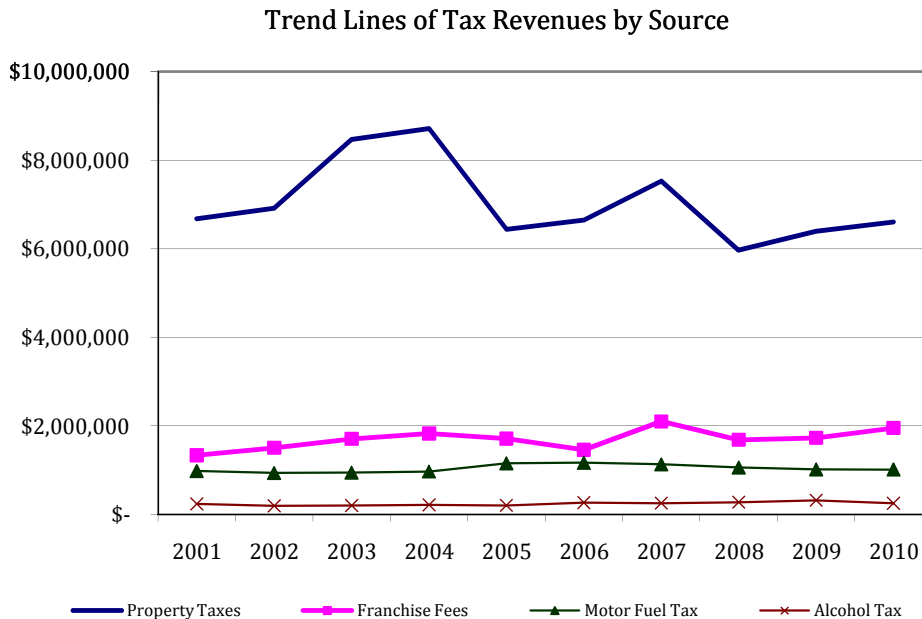
	Fiscal Year Ended							
	2003	2004	2005	2006	2007	2008	2009	2010
Net (Expense) Revenue								
Governmental activities	\$ (8,002)	\$ (9,937)	\$ (7,087)	\$ (8,453)	\$ (8,535)	\$ (7,288)	\$ (9,231)	\$ (8,697)
Business-type activities	585	445	43	59	2,144	60	1,183	(243)
Total primary government expenses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

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

<u>Fiscal year</u>	<u>Property tax</u>	<u>Franchise tax</u>	<u>Motor fuel tax¹</u>	<u>Alcoholic beverage tax¹</u>	<u>Total</u>
2001	\$ 6,677,888	\$ 1,336,078	\$ 979,859	\$ 235,641	\$ 9,229,466
2002	6,916,387	1,503,792	934,479	192,801	9,547,459
2003	8,471,069	1,706,007	943,841	202,288	11,323,205
2004	8,712,331	1,828,703	967,752	214,322	11,723,108
2005	6,440,143	1,711,039	1,156,516	203,690	9,511,388
2006	6,650,854	1,459,842	1,166,254	266,193	9,543,143
2007	7,531,540	2,098,041	1,129,618	252,951	11,012,150
2008	5,965,524	1,685,632	1,057,792	275,206	8,984,154
2009	6,392,688	1,727,918	1,018,039	319,257	9,457,902
2010	6,603,432	1,952,259	1,012,955	252,198	9,820,844

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



CITY OF WEST LINN, OREGON
Fund Balances of Governmental Funds
for the last eight fiscal years ¹
(modified accrual basis of accounting)

	Fiscal Year Ended							
	2003	2004	2005	2006	2007	2008	2009	2010
General fund								
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 104,342	\$ 142,264	\$ -	\$ -
Unreserved	620,683	644,507	439,342	1,232,657	742,999	695,299	985,405	1,181,536
Total general fund	<u>\$ 620,683</u>	<u>\$ 644,507</u>	<u>\$ 439,342</u>	<u>\$ 1,232,657</u>	<u>\$ 847,341</u>	<u>\$ 837,563</u>	<u>\$ 985,405</u>	<u>\$ 1,181,536</u>
All other governmental funds								
Reserved	\$ 3,612,195	\$ 3,866,930	\$ 4,079,592	\$ 501,455	\$ 522,710	\$ 4,479,402	\$ 6,565,389	\$ 6,449,460
Unreserved, reported in:								
Special revenue funds	2,865,310	2,965,904	1,973,454	1,071,400	2,667,628	1,923,871	2,295,152	2,433,339
Capital projects funds	1,455,605	1,437,892	1,407,968	3,307,432	3,525,429	-	-	-
Debt service funds	345,802	364,826	285,478	-	-	-	-	-
Total all other governmental funds	<u>\$ 8,278,912</u>	<u>\$ 8,635,552</u>	<u>\$ 7,746,492</u>	<u>\$ 4,880,287</u>	<u>\$ 6,715,767</u>	<u>\$ 6,403,273</u>	<u>\$ 8,860,541</u>	<u>\$ 8,882,799</u>

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

CITY OF WEST LINN, OREGON
Changes in Fund Balances of Governmental Funds
for the last eight fiscal years ¹
(modified accrual basis of accounting)

	Fiscal Year Ended							
	2003	2004	2005	2006	2007	2008	2009	2010
Revenues:								
Property taxes	\$ 8,471,069	\$ 8,712,331	\$ 6,440,143	\$ 6,650,854	\$ 7,531,540	\$ 5,965,524	\$ 6,392,688	\$ 6,603,432
Intergovernmental	2,353,038	2,102,137	2,716,878	2,410,889	2,374,184	2,371,677	2,486,047	3,678,872
Franchise taxes	1,706,007	1,828,703	1,711,039	1,459,842	2,098,041	1,685,632	1,727,918	1,952,259
Fines and forfeitures	378,226	314,451	463,254	513,503	567,159	517,662	586,145	565,151
Licenses and fees	628,525	548,215	703,169	672,024	1,155,020	1,108,494	1,006,790	1,037,008
Charges for services	1,216,947	1,803,957	2,160,498	2,373,428	452,744	5,770,614	7,192,160	7,664,216
Systems development charges	1,165,220	774,017	622,099	1,155,017	1,209,582	963,567	618,819	608,727
Investment earnings	256,499	142,692	173,518	202,996	467,203	419,705	50,420	22,990
Miscellaneous	1,000,893	150,248	164,664	382,899	279,634	263,531	604,187	360,470
Total revenues	<u>17,176,424</u>	<u>16,376,751</u>	<u>15,155,262</u>	<u>15,821,452</u>	<u>16,135,107</u>	<u>19,066,406</u>	<u>20,665,174</u>	<u>22,493,125</u>
Expenditures:								
Current:								
General government	5,597,314	4,419,135	4,615,175	4,810,789	4,464,283	5,334,764	5,944,189	6,194,465
Culture and recreation	2,787,800	2,810,471	3,591,126	2,908,948	2,973,587	4,274,399	4,548,376	4,647,411
Public safety	6,141,779	5,971,735	4,323,057	4,578,620	4,545,133	5,642,339	5,940,429	6,262,603
Highways and streets	1,315,363	1,199,738	1,614,965	1,534,138	1,043,943	1,236,200	1,634,945	1,569,050
Debt service:								
Principal	425,000	616,092	654,887	590,000	625,000	670,000	705,000	825,000
Interest	536,800	729,153	694,268	669,356	639,505	626,604	472,048	741,544
Capital outlay	1,242,161	764,912	756,008	2,188,791	1,363,980	1,611,978	2,944,474	2,034,663
Total expenditures	<u>18,046,217</u>	<u>16,511,236</u>	<u>16,249,486</u>	<u>17,280,642</u>	<u>15,655,431</u>	<u>19,396,284</u>	<u>22,189,461</u>	<u>22,274,736</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(869,793)</u>	<u>(134,485)</u>	<u>(1,094,224)</u>	<u>(1,459,190)</u>	<u>479,676</u>	<u>(329,878)</u>	<u>(1,524,287)</u>	<u>218,389</u>
Other financing sources (uses):								
Transfers from other funds	2,279,927	1,909,921	1,655,936	3,731,852	3,908,392	713,200	322,500	-
Transfers to other funds	(2,279,927)	(1,909,921)	(1,655,936)	(4,345,554)	(2,937,904)	(705,594)	(322,500)	-
Full faith and credit obligation bonds issued	-	-	-	-	-	-	4,035,000	-
Refunding bonds issued	-	-	-	-	-	-	4,915,000	-
Bond premium on issuance of debt	-	-	-	-	-	-	171,916	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	(4,992,519)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(613,702)</u>	<u>970,488</u>	<u>7,606</u>	<u>4,129,397</u>	<u>-</u>
Net change in fund balances	<u>\$ (869,793)</u>	<u>\$ (134,485)</u>	<u>\$ (1,094,224)</u>	<u>\$ (2,072,892)</u>	<u>\$ 1,450,164</u>	<u>\$ (322,272)</u>	<u>\$ 2,605,110</u>	<u>\$ 218,389</u>
Debt service as a percentage of noncapital expenditures	5.7%	8.5%	8.7%	8.3%	8.8%	7.3%	6.1%	7.7%

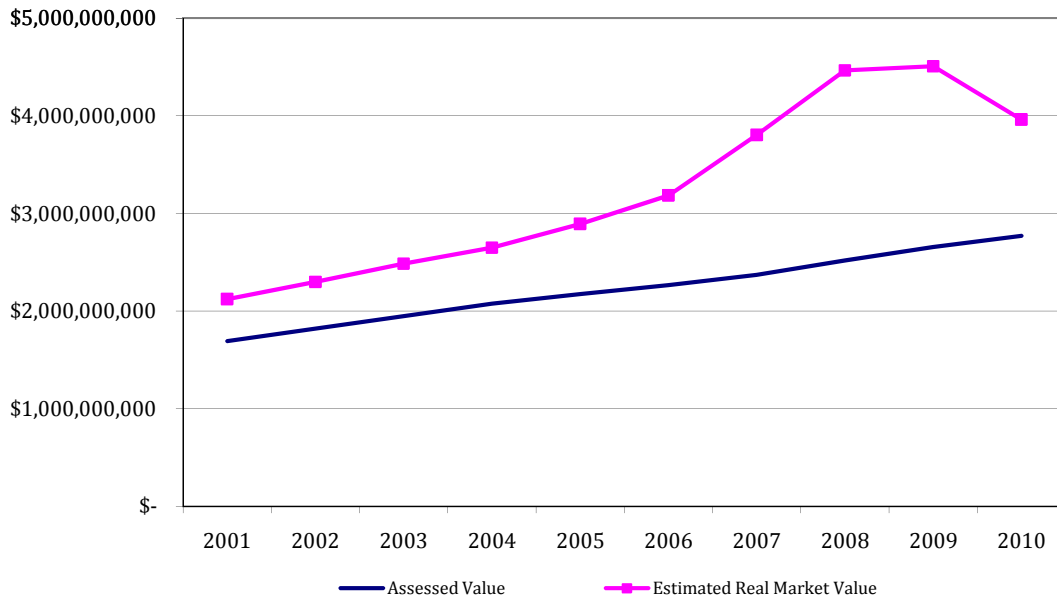
¹ Fiscal year 2002-03 was the first year that the new reporting requirements of GASB 34 were implemented except for the infrastructure provisions which were implemented in fiscal year 2007-08.

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

Fiscal year	Assessed Value					Total direct tax rate	RMV	Assessed value as a percentage of RMV
	Real property	Personal property	Manuf'd structure	Public utility	Total assessed value		Estimated real market value (RMV)	
2001	\$ 1,636,195,534	\$ 16,992,692	\$ 3,911,352	\$ 34,405,739	\$ 1,691,505,317	4.0667	\$ 2,123,112,668	80 %
2002	1,756,061,644	19,608,575	3,889,686	39,342,078	1,818,901,983	3.9159	2,298,004,436	79
2003	1,883,294,435	19,826,228	2,979,343	40,872,922	1,946,972,928	4.4625	2,485,047,559	78
2004	2,008,413,161	20,002,100	2,720,712	43,154,797	2,074,290,770	4.2794	2,649,685,014	78
2005	2,101,719,925	19,893,788	2,842,100	49,379,559	2,173,835,372	3.0127	2,893,044,240	75
2006	2,195,743,606	19,493,768	2,639,830	49,034,500	2,266,911,704	3.0265	3,184,053,186	71
2007	2,297,035,876	19,771,894	1,529,407	51,125,300	2,369,462,477	3.2626	3,804,091,192	62
2008	2,429,084,775	23,088,571	97,310	64,467,300	2,516,737,956	2.4317	4,464,348,037	56
2009	2,551,018,947	24,133,819	13,260	80,383,350	2,655,549,376	2.4984	4,507,161,484	59
2010	2,651,268,406	21,528,027	12,220	95,893,520	2,768,702,173	2.4493	3,960,668,206	70

Source: Clackamas County Assessor's Office

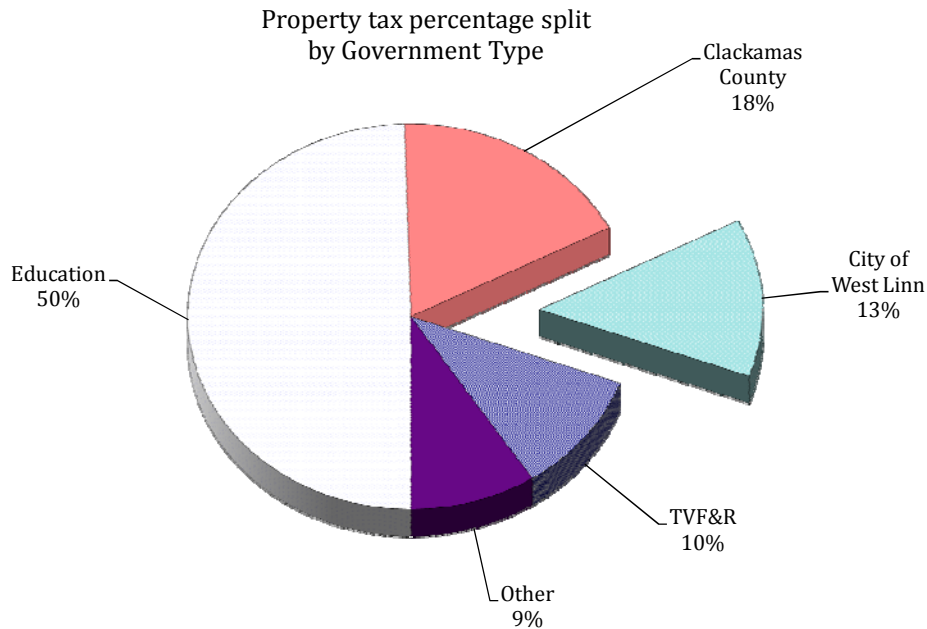
The gap between Assessed Value and Estimated Real Market Value



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

Fiscal year	City direct rates				Overlapping rates						Total direct and overlapping
	Permanent tax rate	Local option levy rate	Bonded debt tax rate	Total direct	West Linn Wilsonville School District	Clackamas County	Clackamas Community College	Education Service District	Tualain Valley Fire and Rescue	Other	
2001	2.1200	1.2545	0.6922	4.0667	9.02	2.57	0.62	0.37	-	1.35	17.99
2002	2.1200	1.1666	0.6293	3.9159	8.97	2.57	0.86	0.37	-	0.93	17.62
2003	2.1200	1.7200	0.6225	4.4625	9.15	2.59	0.74	0.36	-	0.47	17.77
2004	2.1200	1.7200	0.4394	4.2794	9.28	2.58	0.74	0.36	-	0.46	17.69
2005	2.1200	0.5050	0.3877	3.0127	9.18	2.58	0.78	0.36	1.83	0.46	18.19
2006	2.1200	0.4844	0.4221	3.0265	9.23	2.59	0.77	0.36	1.82	0.49	18.28
2007	2.1200	0.7550	0.3876	3.2626	9.31	2.53	0.73	0.36	1.82	0.47	18.48
2008	2.1200	-	0.3117	2.4317	9.24	2.80	0.74	0.36	1.87	0.61	18.05
2009	2.1200	-	0.3784	2.4984	9.05	2.81	0.74	0.36	1.84	0.57	17.88
2010	2.1200	-	0.3293	2.4493	9.18	3.30	0.72	0.36	1.89	0.62	18.52

Source: Clackamas County Assessor's Office



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

Name	2010			2001		
	Assessed value	Rank	% of total value	Assessed value	Rank	% of total value
Portland General Electric	\$ 61,359,000	1	2.2%	\$ 16,849,200	2	1.1%
Simpson Realty Group	23,555,470	2	0.9%	16,924,440	1	1.1%
West Linn Paper Prop. Co.	19,118,310	3	0.7%	-		
West Linn Shopping Ctr. Assoc.	17,303,762	4	0.6%	-		
Cascade Summit Realty	15,792,497	5	0.6%	-		
Blackhawk Nevada LLC	15,156,294	6	0.5%	-		
Comcast Corporation	13,746,300	7	0.5%			
Northwes Natural Gas Company	13,289,300	8	0.5%	6,531,720	5	0.4%
VPC-OR West Linn LP	9,885,024	9	0.4%	-		
Blackhawk LLC	8,689,345	10	0.3%			
West Linn Paper Co.	-			16,638,340	3	1.1%
Deerpoint LLC	-			7,365,730	4	0.5%
Tanner Spring LLC	-			5,553,050	6	0.4%
EA West Family LLC	-			4,495,030	7	0.3%
West Linn Associates	-			4,464,580	8	0.3%
Bean Terrence	-			4,333,380	9	0.3%
US West Communications	-			3,522,570	10	0.2%
Sub-total, top ten	197,895,302		7.1%	86,678,040		5.6%
All other City taxpayers	2,570,806,871		92.9%	1,452,545,340		94.4%
Total City taxpayers	<u>\$ 2,768,702,173</u>		<u>100.0%</u>	<u>\$ 1,539,223,380</u>		<u>100.0%</u>

Source: Clackamas County Assessor's Office

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

Fiscal year	Taxes levied for the fiscal year	Collected within the fiscal year of the levy		Collections in subsequent years	Total collections to date	
		Amount	Percentage of levy		Amount	Percentage of levy
2001	\$ 6,884,421	\$ 6,422,057	93 %	\$ 195,677	\$ 6,617,734	96 %
2002	7,130,296	6,661,853	93	270,393	6,932,246	97
2003	8,704,528	8,169,273	94	289,309	8,458,582	97
2004	8,879,234	8,368,846	94	258,565	8,627,411	97
2005	6,553,401	6,197,891	95	174,247	6,372,138	97
2006	6,864,067	6,523,682	95	163,344	6,687,026	97
2007	7,759,907	7,310,877	94	229,730	7,540,607	97
2008	6,123,920	5,725,655	93	192,789	5,918,444	97
2009	6,639,388	6,163,584	93	197,745	6,361,329	96
2010	6,783,509	6,337,912	93	-	6,337,912	93

Source: Annual financial statements of the City of West Linn

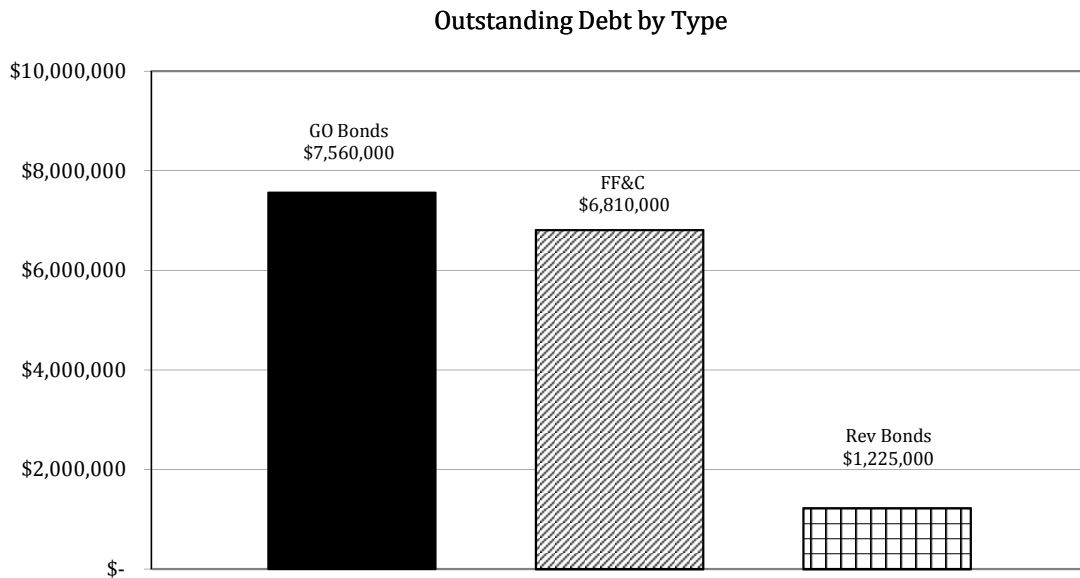


CITY OF WEST LINN, OREGON
Ratios of Outstanding Debt by Type
for the last ten fiscal years

Fiscal year	Governmental Activities		Business-type Activities	Total primary government	Percentage of personal income	Per capita
	General Obligation bonds	Full Faith and Credit obligations	Water Revenue bonds			
2001	\$ 11,745,000	\$ 4,300,000	\$ 1,800,000	\$ 17,845,000	27.93 %	\$ 773
2002	11,230,000	4,170,000	1,750,000	17,150,000	26.48	732
2003	10,805,000	4,030,000	1,695,000	16,530,000	25.06	694
2004	10,425,000	3,885,000	1,640,000	15,950,000	22.74	665
2005	10,020,000	3,735,000	1,580,000	15,335,000	20.98	637
2006	9,590,000	3,575,000	1,515,000	14,680,000	18.67	607
2007	9,130,000	3,410,000	1,450,000	13,990,000	16.70	579
2008	8,635,000	3,235,000	1,380,000	13,250,000	15.05	543
2009	8,105,000	7,090,000	1,305,000	16,500,000	*	676
2010	7,560,000	6,810,000	1,225,000	15,595,000	*	637

* Information unavailable at this time.

Source: Annual financial statements of the City of West Linn



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

Fiscal year	General Obligation bonds	Less: amounts available in debt service fund	Net	Percentage of net over assessed value of property¹	Per capita²
2001	\$ 11,745,000	\$ (104,497)	\$ 11,640,503	0.01 %	\$ 504
2002	11,230,000	(119,711)	11,110,289	0.61	474
2003	10,805,000	(345,802)	10,459,198	0.54	439
2004	10,425,000	(364,826)	10,060,174	0.48	420
2005	10,020,000	(285,478)	9,734,522	0.45	404
2006	9,590,000	(251,455)	9,338,545	0.41	386
2007	9,130,000	(272,710)	8,857,290	0.37	366
2008	8,635,000	(116,773)	8,518,227	0.34	349
2009	8,105,000	(214,386)	7,890,614	0.30	323
2010	7,560,000	(117,054)	7,442,946	0.27	304

¹ Assessed value data of property can be found on page 85.

² Population data can be found on page 94.

CITY OF WEST LINN, OREGON
Direct and Overlapping Governmental Activities Debt
as of June 30, 2010

<u>Governmental unit</u>	<u>Real Market Values of Overlapping Districts</u>	<u>Tax-Supported Debt Outstanding</u>	<u>Percentage Overlapping¹</u>	<u>Overlapping Debt Applicable to the City of West Linn</u>
Debt repaid with property taxes:				
West Linn Wilsonville School District	\$ 8,484,506,408	\$ 233,592,238	46.20%	\$ 107,915,876
Clackamas Community College	39,181,851,197	87,770,000	10.00%	8,780,423
Clackamas County	54,443,394,601	106,525,000	7.27%	7,749,481
Metro	208,138,998,272	230,868,356	1.90%	4,393,194
Tualatin Valley Fire and Rescue	61,322,615,295	44,885,000	6.46%	2,898,987
Tri-Met	207,106,827,948	27,960,000	1.91%	534,707
Lake Oswego School District No. 7J	10,057,831,994	114,290,796	0.41%	465,506
Portland Community College	<u>165,643,387,831</u>	<u>412,915,000</u>	0.02%	<u>101,990</u>
Subtotal, overlapping debt	754,379,413,546	1,258,806,390		132,840,164
Direct debt outstanding:				
City of West Linn	<u>3,960,668,206</u>	<u>14,370,000</u>	100.00%	<u>14,370,000</u>
Total direct and overlapping debt outstanding	<u>\$ 758,340,081,752</u>	<u>\$ 1,273,176,390</u>		<u>\$ 147,210,164</u>

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

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

Source: Oregon State Treasury Department, Debt Management Division

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

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Debt maximum limitation	\$ 63,693,380	\$ 68,940,133	\$ 74,551,427	\$ 79,490,550	\$ 86,791,327
Debt applicable to maximum limit	11,640,503	11,110,289	10,459,198	10,060,174	9,734,522
Legal debt margin available	<u>\$ 52,052,877</u>	<u>\$ 57,829,844</u>	<u>\$ 64,092,229</u>	<u>\$ 69,430,376</u>	<u>\$ 77,056,805</u>
Debt applicable to the maximum limit as a percentage of debt limitation	18.28%	16.12%	14.03%	12.66%	11.22%

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Debt maximum limitation	\$ 95,521,596	\$ 114,122,736	\$ 133,930,441	\$ 135,214,845	\$ 118,820,046
Debt applicable to maximum limit	9,338,545	8,857,290	8,518,227	7,890,614	7,442,946
Legal debt margin available	<u>\$ 86,183,051</u>	<u>\$ 105,265,446</u>	<u>\$ 125,412,214</u>	<u>\$ 127,324,231</u>	<u>\$ 111,377,100</u>
Debt applicable to the maximum limit as a percentage of debt limitation	9.78%	7.76%	6.36%	5.84%	6.26%

Legal debt margin calculation for fiscal year ended June 30, 2010

Total property real market value	\$ 3,960,668,206
	3%
Debt maximum limitation (3% of total property real market value) ¹	<u>118,820,046</u>
Amount of debt applicable to debt limit:	
Total bonded debt	15,595,000
Less debt excluded from debt limit:	
Full Faith and Credit obligations	(6,810,000)
Water Revenue bonds	(1,225,000)
Less funds applicable to the payment of principal in the debt service fund per ORS 287.004	<u>(117,054)</u>
Net amount of debt applicable to limit	<u>7,442,946</u>
Legal debt margin - amount available for future indebtedness	<u>\$ 111,377,100</u>
Percentage of City's indebtedness to total allowed	6.26%

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

Source: Clackamas County Department of Assessment and Taxation

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

Fiscal year	Water Revenue Bonds						Coverage ³
	Utility service charges ¹	Less: operating expenses ²	Net available revenue	Debt service requirements			
				Principal	Interest		
2001	\$ 2,331,212	\$ 1,966,750	\$ 364,462	\$ -	\$ 51,123	n/a	
2002	2,288,510	1,921,713	366,797	50,000	101,070	2.43	
2003	2,766,922	1,984,630	782,292	55,000	98,548	5.09	
2004	2,610,461	2,007,494	602,967	55,000	95,811	4.00	
2005	2,301,095	2,003,300	297,795	60,000	92,863	1.95	
2006	2,512,238	2,266,952	245,286	65,000	89,580	1.59	
2007	2,977,884	2,347,364	630,520	65,000	86,103	4.17	
2008	2,640,413	2,396,602	243,811	70,000	82,440	1.60	
2009	3,096,470	2,786,354	310,116	75,000	78,470	2.02	
2010	2,970,082	2,579,204	390,878	80,000	72,866	2.56	

¹ Charges include operating revenue plus interest income on operating earnings.

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

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

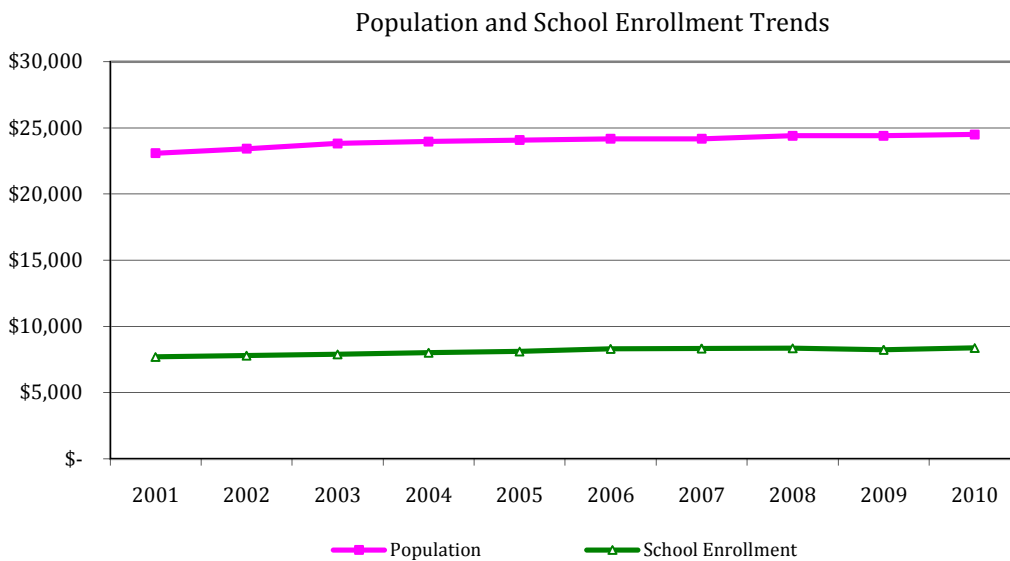
Source: Annual financial statements of the City of West Linn

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

Fiscal year	Population	Personal income (in millions)	Per capita personal income	School enrollment	Unemployment rate
2001	23,090	\$ 63,892	\$ 35,658	7,700	4.8 %
2002	23,430	64,755	35,316	7,793	5.5
2003	23,820	65,959	35,973	7,895	6.7
2004	23,970	70,144	37,631	8,016	7.5
2005	24,075	73,087	39,116	8,104	6.9
2006	24,180	78,618	41,378	8,315	5.3
2007	24,180	83,765	38,511	8,340	4.1
2008	24,400	88,022	39,942	8,350	5.3
2009	24,400	*	*	8,237	10.7
2010	24,500	*	*	8,378	10.1

* Information unavailable at this time.

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



CITY OF WEST LINN, OREGON

Principal Employers *current year and nine years ago*

<u>Employer</u>	<u>2010</u>			<u>2001</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of total City employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of total City employment</u>
West Linn - Wilsonville SD	372	1	3.02%	608	1	4.08%
Tanner Spring Assisted Living	250	2	2.03%	*		
West Linn Paper Company	200	3	1.63%	*		
Safeway Inc.	170	4	1.38%	*		
City of West Linn	123	5	1.00%	149		1.00
New Albertsons Inc.	100	6	0.81%	*		
Technocom Inc.	90	7	0.73%	*		
American Golf Corporation	80	8	0.65%	*		
Rose Linn Vintage Place	80	9	0.65%	*		
Pond Maintenance Services	75	10	0.61%	*		
Elton Enterprises IV Inc	70	11	0.57%	*		
First Student Inc.	70	12	0.57%	*		
Zupans	70	13	0.57%	*		
Fisher Corporation	40	14	0.33%	*		
Thriftway Stores	40	15	0.33%	*		
Total	<u>1,830</u>		<u>7.32%</u>			

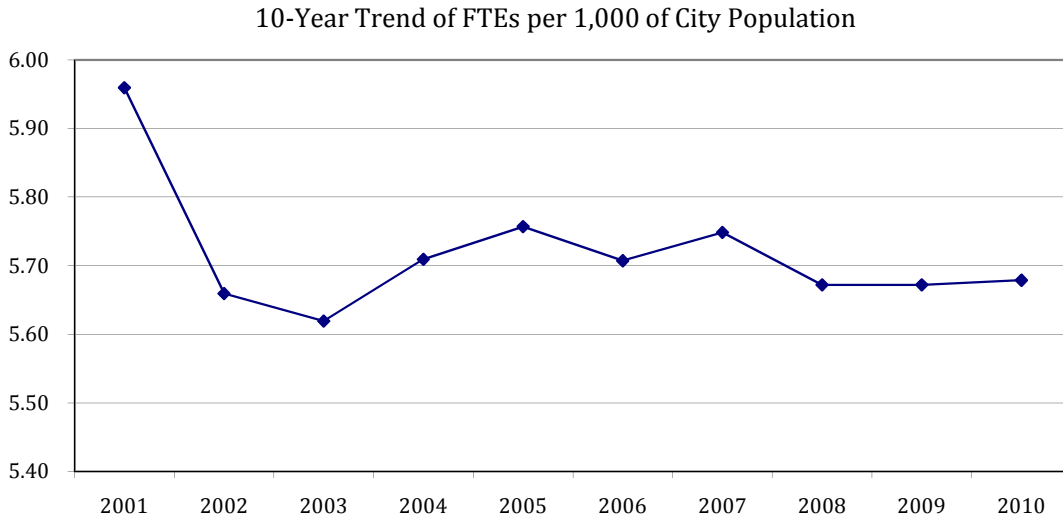
* Historical number of employees information unavailable for this fiscal year nine years ago.

Sources: Chamber of Commerce and Clackamas County

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

Function/Program	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government	16.50	15.50	15.75	16.75	17.50	18.00	19.00	17.00	16.60	19.60
Public safety	39.50	37.50	37.50	39.00	40.00	44.60	44.60	44.60	45.50	43.00
Culture and recreation	32.80	33.80	34.80	34.80	34.80	38.80	38.80	39.20	40.43	40.43
Community development	12.00	11.00	11.00	11.50	11.50	5.00	5.00	5.50	5.50	6.50
Highways and streets	5.25	5.25	5.25	4.95	5.30	7.00	7.00	7.00	7.00	7.00
Water	7.81	7.81	7.81	7.91	7.56	7.00	7.00	6.00	6.00	6.00
Sewer and surface water	9.44	9.44	10.04	10.24	10.24	7.00	7.00	7.00	6.00	5.00
Public works	14.30	12.30	11.70	11.70	11.70	10.60	10.60	12.10	12.60	11.60
Total FTEs	137.60	132.60	133.85	136.85	138.60	138.00	139.00	138.40	139.63	139.13
City Population	23,090	23,430	23,820	23,970	24,075	24,180	24,180	24,400	24,400	24,500
FTEs per 1,000 of population	5.96	5.66	5.62	5.71	5.76	5.71	5.75	5.67	5.67	5.68

Source: City of West Linn's Finance department



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

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

¹ These are estimated statistics based upon best historic information available.

Source: City of West Linn's Finance department

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

<u>Function/Program</u>	<u>2010</u>	<u>2001</u>
Governmental activities:		
General government		
City-owned building facilities	5	4
Public safety		
Police stations	1	1
Patrol units	13	8
Culture and recreation		
Park and open space acreage	632	620
Baseball/softball fields	7	5
Community development		
Value of new building construction (in thousands)	17,137	40,504 *
Highways and streets		
Miles of streets	107	104
Miles of bikeways	70 *	43
Surface water catch basins	2,815	2,075 *
Miles of Sidewalk	122 *	70 *
Business-type activities:		
Water		
Water mains (miles)	118	203 *
Maximum daily capacity (in thousands of gallons)	6,480	6,800 *
Sanitary sewer		
Sanitary sewer (miles)	193	174 *
Maximum daily treatment capacity (in thousands of gallons)	8,500	6,000 *

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

Source: City of West Linn's Finance department

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

SECTION IV

COMPLIANCE SECTION

COMPLIANCE SECTION

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

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

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



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INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

November 22, 2010

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of West Linn, Oregon (the City), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Minimum Standards for Audits of Oregon Municipal Corporations*.

COMPLIANCE

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

We performed 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)**

Page 2

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*.

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

We have separately communicated suggestions for improvements of the City's processes in a letter to management dated November 22, 2010.

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



Certified Public Accountants



CITY OF
**West
Linn**
FINANCE

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