



CITY OF
**West
Linn**

Annual Financial Report

for the fiscal year ended June 30, 2007

CITY OF WEST LINN, OREGON

Annual Financial Report

Year Ended June 30, 2007

Prepared by:
City Finance Department

CITY OF WEST LINN, OREGON

TABLE OF CONTENTS

	<u>Page</u>
<u>INTRODUCTORY SECTION:</u>	
City Councilors	i
<u>FINANCIAL SECTION:</u>	
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14
Governmental Fund Financial Statements:	
Balance Sheet	15
Statement of Revenues, Expenditures, and Changes in Fund Balance	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance, Governmental Funds to Statement of Activities	17
Proprietary Fund Financial Statements:	
Statement of Net Assets	18
Statement of Revenues, Expenses, and Changes in Fund Net Assets	19
Statement of Cash Flows	20
Statements of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
General Fund	21
Street Fund	22
Parks Fund	23
Library Fund	24
Public Safety Fund	25
System Development Fund	26
NOTES TO BASIC FINANCIAL STATEMENTS	27
SUPPLEMENTARY INFORMATION:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	44
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	45
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	47
Combining Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit)	48

CITY OF WEST LINN, OREGON

TABLE OF CONTENTS

	<u>Page</u>
<u>FINANCIAL SECTION (Continued):</u>	
<u>SUPPLEMENTARY INFORMATION (Continued):</u>	
Nonmajor Special Revenue Funds (Continued):	
Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
Cable TV/Public Access Fund	49
Public Works Support Services Fund	50
Building Inspection Fund	51
Planning Fund	52
Debt Service Fund:	
Schedule of Expenditures and Changes in Fund Balance – Budget and Actual:	
Debt Service Fund	54
Capital Projects Fund:	
Schedule of Expenditures and Changes in Fund Balance – Budget and Actual:	
Parks Bond Construction Fund	55
Enterprise Funds:	
Schedule of Expenditures and Changes in Fund Balance – Budget and Actual:	
Water Fund	57
Environmental Service Fund	58
Internal Service Fund:	
Schedule of Expenditures and Changes in Fund Balance – Budget and Actual:	
Vehicle/Equipment Maintenance Fund	60
Other Financial Schedules	
Schedule of Property Tax Transactions	61
Legal Debt Margin Information	62
AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS	63

CITY OF WEST LINN, OREGON

CITY COUNCILORS AS OF JUNE 30, 2007

<u>NAME</u>	<u>TERM EXPIRES</u>
Norm King, Mayor 22500 Salamo Road West Linn, OR 97068	December 31, 2008
Scott Burgess, Council President 22500 Salamo Road West Linn, OR 97068	December 31, 2010
Michele Eberle, Councilor 22500 Salamo Road West Linn, OR 97068	December 31, 2008
Mike Gates, Councilor 22500 Salamo Road West Linn, OR 97068	December 31, 2008
Jody Carson, Councilor 22500 Salamo Road West Linn, OR 97068	December 31, 2010

Chris Jordan, City Manager

Administrative Offices
22500 Salamo Road
West Linn, Oregon 97068

Legal Counsel:

Ramis, Crew, Corrigan and Bachrach, LLP
1727 NW Hoyt Street
Portland, Oregon 97209



4800 S.W. Macadam, Suite 400 • Portland, Oregon 97239-3973
503/274-2849 • Fax 503/274-2853

INDEPENDENT AUDITOR'S REPORT

December 11, 2008

Honorable Mayor and City Councilors
City of West Linn
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 West Linn, Oregon, (the City) as of and for the year ended June 30, 2007, 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.

Except as discussed in the following paragraph, 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 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.

The City does not maintain adequate capital asset records to support amounts recorded in the financial statements and we were unable to perform adequate alternative procedures to determine the cost and accumulated depreciation of capital assets.

In our opinion, except for the effects of such adjustment, if any, as might have been necessary had we been able to examine evidence regarding the cost and accumulated depreciation of capital assets, 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, 2007, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General, Street, Parks, Library, Public Safety, System Development and Park Bond Construction Funds, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

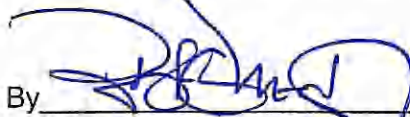
Management's Discussion and Analysis on pages 3 through 12 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally 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)

Honorable Mayor and City Councilors
City of West Linn
West Linn, Oregon
December 11, 2008
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 combining and individual nonmajor fund financial statements and other schedules, listed in the Table of Contents as supplementary information, 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.

TALBOT, KORVOLA & WARWICK, LLP
Certified Public Accountants

By 
Robert G. Moody, Jr., Partner

CITY OF WEST LINN, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007

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, 2007. 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 \$297.4 million at June 30, 2007, consisting of \$276.7 million in capital assets, \$11.7 million in unrestricted cash and investments, and \$9.0 million in investment in joint venture and other assets. Total assets increased by \$226.7 million including \$222.7 for the recognition of infrastructure not previously reflected in the financial statements. Capital assets increased due primarily to cost containment to rebuild working capital and decisions related to revenue restructuring.
- The City's liabilities totaled \$17.2 million at June 30, 2007 consisting of \$14.0 million in long-term debt and \$3.2 million in accounts payable and other liabilities.
- The assets of the City exceeded its liabilities by \$280.2 million at the close of fiscal year 2007. Unrestricted net assets totaled \$13.9 million with the remainder of the City's net assets invested in capital assets net of related debt (\$262.7 million) and restricted for capital projects (\$3.5 million).
- For its governmental activities, the City generated \$3.5 million in charges for services and received \$2.4 million in grants and contributions. Direct expenses, including unallocated depreciation for governmental activities were \$14.4 million for the year, resulting in a net expense of \$8.5 million. \$11.5 million of general revenues were received resulting in a net change in net assets of \$3.0 million.
- Fund balance in the City's governmental funds was \$7.6 million at June 30, 2007, up by \$1.45 million from June 30, 2006.
- For its business-type activities, the City generated \$5.2 million in charges for services to fund direct expenses of \$3.7 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

In addition to this discussion and analysis, the financial section of this annual report contains the *basic financial statements* 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 more details. Chart 1 on the following page, illustrates how the various sections of this annual report are arranged relative to one another.

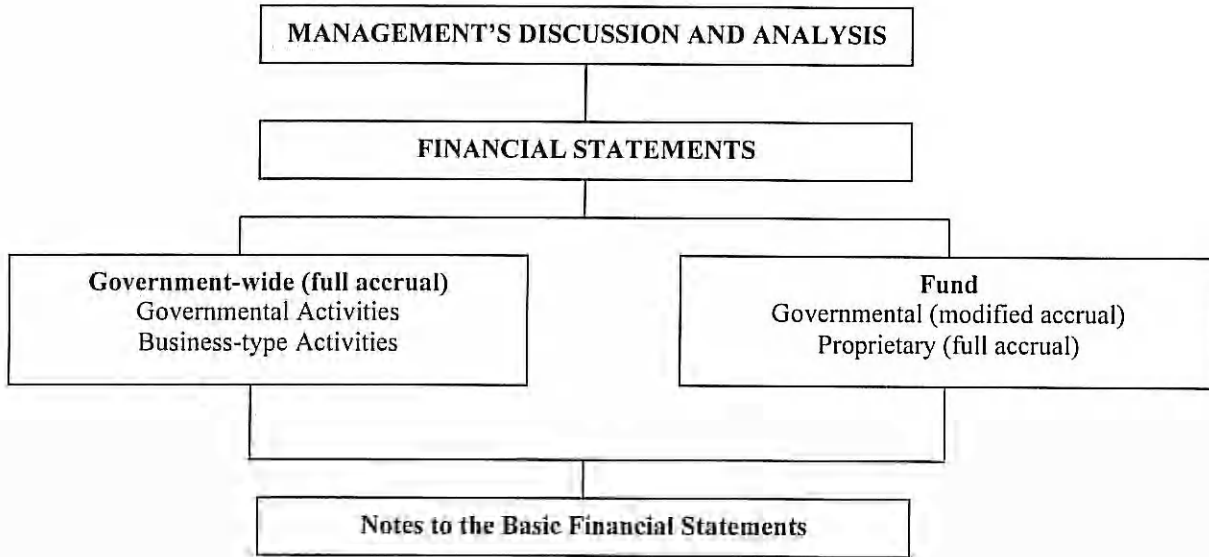
CITY OF WEST LINN, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2007

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Chart 1
Required Elements of the
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, community development, and general administration. Property taxes, charges for services, and state and federal grants finance most of these activities.

CITY OF WEST LINN, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2007

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Government-wide Statements (Continued)

- **Business-type activities**—The City charges fees to customers to help it cover the costs of certain services it provides. The City's water and environmental services including sanitary sewer and surface water management systems are included here.

Statement of Net Assets as of June 30, 2007

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 \$280 million at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (94 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves either cannot or are not expected to be used or liquidated to repay these liabilities.

Table 1
Net Assets as of Fiscal Year-end
(in millions)

	Government activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 9.9	\$ 7.7	\$ 10.9	\$ 2.9	\$ 20.8	\$ 10.6
Capital assets	254.5	31.1	22.1	28.9	276.6	60.0
Total assets	264.4	38.8	33.0	31.8	297.4	70.6
Current liabilities	3.0	2.5	0.9	0.9	3.9	3.4
Long-term liabilities	11.9	12.5	1.4	1.5	13.3	14.0
Total liabilities	14.9	15.0	2.3	2.4	17.2	17.4
Net assets:						
Invested in capital assets, net of related debt	242.0	18.0	20.7	21.1	262.7	39.1
Restricted	3.5	2.8	-	-	3.5	2.8
Unrestricted	4.0	3.0	10.0	8.4	14.0	11.4
Total net assets	\$ 249.5	\$ 23.8	\$ 30.7	\$ 29.5	\$ 280.2	\$ 53.3

CITY OF WEST LINN, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2007

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Statement of Net Assets as of June 30, 2007 (Continued)

An additional portion of the City's net assets (\$3.5 million or less than 1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$13.9 million or 5 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

As of June 30, 2007, the City had positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities. The same situation held true as of the end of the prior fiscal year.

Total net assets increased by \$3.4 million during the current fiscal year, exclusive of the impact of reporting the net assets of general government infrastructure for streets and sidewalks, right-of-way, and parks. The total adjustment to net assets, recognized and reported in fiscal year 2007, is \$222.7 million. Of this amount, \$187 million or 84 percent, is the estimated historical value of land owned and controlled by the City for right-of-way and parks. The remaining adjustment is the net asset value of streets and sidewalks, \$24.4 million, and parks, \$11.3 million.

Statement of Activities for the fiscal year ended June 30, 2007

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	
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenues						
Charges for services	\$ 3.5	\$ 4.0	\$ 5.2	\$ 4.4	\$ 8.7	\$ 8.4
Grants and contributions	2.4	2.4	-	-	2.4	2.4
General revenues						
Property taxes	7.6	6.6	-	-	7.6	6.6
Franchise and hotel/motel taxes	2.1	1.5	-	-	2.1	1.5
Other	0.8	0.6	0.8	0.5	1.6	1.1
Transfers	1.1	-	-	1.9	1.1	1.9
Total revenues	17.5	15.1	6.0	6.8	23.5	21.9

CITY OF WEST LINN, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2007

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Statement of Activities for the fiscal year ended June 30, 2007

Table 2 (Continued)
Changes in Net Assets
(in millions)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Expenses						
Governmental activities						
General government	\$ 4.7	\$ 4.1	\$ -	\$ -	\$ 4.7	\$ 4.1
Public safety	4.5	4.4	-	-	4.5	4.4
Culture and recreation	3.0	2.9	-	-	3.0	2.9
Highways and streets	1.0	1.4	-	-	1.0	1.4
Interest on long-term debt	0.6	0.6	-	-	0.6	0.6
Depreciation	0.6	1.5	-	-	0.6	1.5
Business-type activities						
Water	-	-	2.3	2.7	2.3	2.7
Environmental Services	-	-	1.4	2.1	1.4	2.1
Transfers	-	1.9	1.1	-	1.1	1.9
Total expenses	<u>14.5</u>	<u>16.8</u>	<u>4.8</u>	<u>4.8</u>	<u>19.3</u>	<u>23.5</u>
Change in net assets	<u>\$ 3.0</u>	<u>\$ (1.7)</u>	<u>\$ 1.2</u>	<u>\$ 2.0</u>	<u>\$ 4.2</u>	<u>\$ (1.6)</u>

Governmental Activities

Governmental activities increased the City's net assets by \$3 million, amounting to 72 percent of the total growth in the net assets of the City. Key elements of this increase 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 fees, charges for services, operating grants, capital contributions, and interest earnings. Property taxes continue to be the major source of revenue for the City's governmental activities.

CITY OF WEST LINN, OREGON

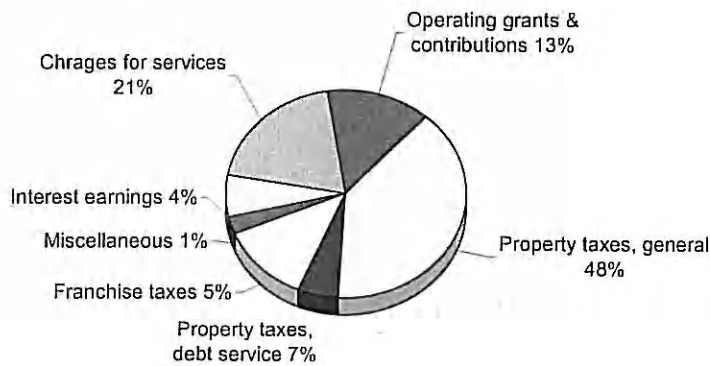
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2007

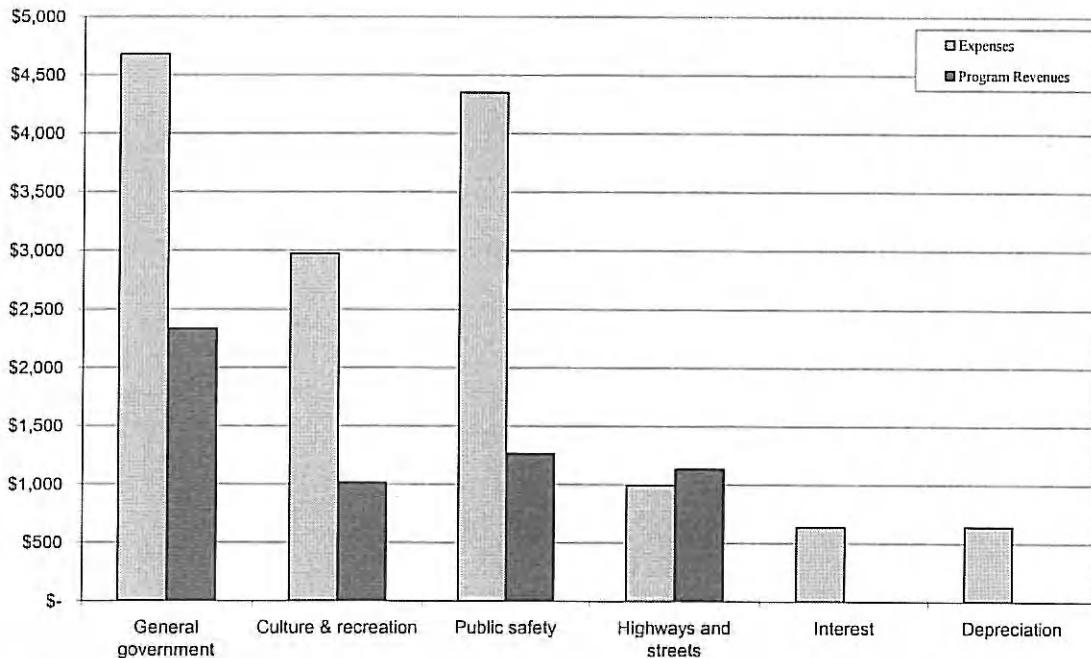
OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Governmental Activities

Revenues by Source - Governmental Activities



Expenses and Program Revenues (in thousands) - Governmental Activities



CITY OF WEST LINN, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2007

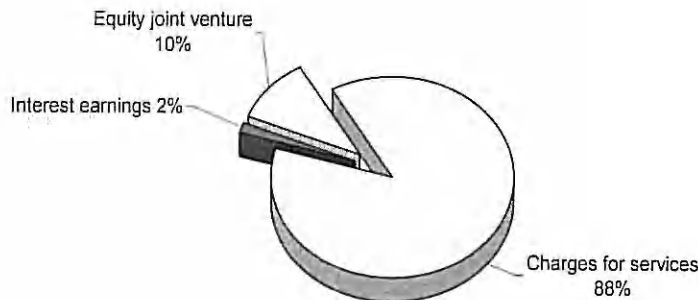
OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Business-type Activities

The Water Fund revenues represent approximately 57 percent of all utility revenues for the City. The City continued to realize improved operating results increasing funds available for planned significant capital investment. Additionally, the City's fifty percent equity investment in the South Fork Water Board, provided a return of \$620,000 in fiscal year 2007.

The Environmental Services Fund revenues represent approximately 43 percent of all utility revenues for the City. The fund provides wastewater collection services and surface water management services. Overall the Fund continues to realize improved operating results. The wastewater operations realized a positive margin while the surface water management operation has a negative margin. Given the rate limitation included in the City Charter the above results are expected to continue.

Revenues by Source - Business-type Activities



General Fund Budgetary Highlights

Differences between the original budget and the final amended budget of the General Fund netted to an increase in expenditures appropriations of \$167,000 from contingency. Contingency decreased by \$167,000 to support additional non-departmental expenditures, building facility, payouts of accrued leave for employees leaving the City in the city manager and human resources departments, and additional audit and consulting costs in the finance department.

CITY OF WEST LINN, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2007

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2007, the City had invested \$254.5 million in governmental capital assets, net of depreciation as reflected in the following table. This represents a net increase (additions, deductions and depreciation) of \$311,693 in fiscal year 2007. Governmental capital assets totaled \$254.5 million while business-type capital assets totaled \$22.2 million. During fiscal year 2007, the City implemented reporting of infrastructure capital assets, which includes the reporting of land, street and sidewalk and park improvements. This increased the value of capital assets by \$222.7 million as reported in June 30, 2006, including land valued at \$187 million.

Table 3
Capital Assets as of Fiscal Year-end
(net of depreciation, in millions)

	Governmental Activities		Business-type Activities		Total	
	FY06-07	FY05-06	FY06-07	FY05-06	FY06-07	FY05-06
	Land	\$ 207.6	\$ 20.5	\$ 0.3	\$ 0.3	\$ 207.9
Buildings and improvements	21.0	9.2	1.4	1.2	22.4	10.4
Machinery and equipment	0.6	0.4	0.5	0.3	1.1	0.7
Infrastructure	25.3	1.0	19.9	20.4	45.2	21.4
Construction in progress	-	-	0.1	0.4	0.1	0.4
Gross capital assets	<u>\$ 254.5</u>	<u>\$ 31.1</u>	<u>\$ 22.2</u>	<u>\$ 22.6</u>	<u>\$ 276.7</u>	<u>\$ 53.7</u>

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

Table 4
Change in Capital Assets
(in millions)

	Governmental Activities		Business-type Activities		Total	
	FY06-07	FY05-06	FY06-07	FY05-06	FY06-07	FY05-06
	Beginning balance	\$ 31.1	\$ 31.3	\$ 22.6	\$ 21.7	\$ 53.7
Adjustments	222.7	-	-	-	222.7	-
Additions	1.3	1.3	0.7	1.7	2.0	3.0
Reductions	-	-	(0.3)	(0.1)	(0.3)	(0.1)
Depreciation	(0.6)	(1.5)	(0.8)	(0.7)	(1.4)	(2.2)
Ending balance	<u>\$ 254.5</u>	<u>\$ 31.1</u>	<u>\$ 22.2</u>	<u>\$ 22.6</u>	<u>\$ 276.7</u>	<u>\$ 53.7</u>

CITY OF WEST LINN, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2007

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Assets utilized in governmental activities increased a net \$.7 million and include land, building, machinery and equipment, and sidewalk improvements, excluding the adjustment to include reporting of street and sidewalk improvements, park improvements, and related land for parks and right-of-way (net addition reported of \$222.7 million as of June 30, 2007). More detailed information about the City's capital assets is presented in Note 5 to the basic financial statements.

Debt Outstanding

As of the end of the fiscal year, the City had \$14 million in bonds outstanding—a decrease of 5 percent from last year—as shown in Table 5. More detailed information about the City's long-term debt is presented in Note 6 to the financial statements.

During the fiscal year ended June 30, 2007, the City did not sell any new bonds.

Bond Ratings

In July 2008, the City's credit rating for its general obligation bonds was restored to AA- by Standard & Poor's.

Limitations on Debt

The State limits the amount of general obligation debt that cities can issue to 3 percent of the real market value of all taxable property within city limits. The City's outstanding general obligation debt of \$9.1 million is significantly below the 3 percent limit of \$133.8 million.

Table 5
Outstanding Bonded Debt at Fiscal Year-end
(in millions)

	June 30,	
	2007	2006
Governmental:		
General obligation bonds	\$ 9.1	\$ 9.6
Full faith and credit bonds	3.4	3.6
Subtotal	12.5	13.2
Business-type:		
Water revenue bonds	1.5	1.5
Total	\$ 14.0	\$ 14.7

CITY OF WEST LINN, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2007

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Economic Factors

The City of West Linn is predominantly residential in nature, with commercial property representing less than five percent of the City's taxable assessed value. Therefore the City receives a significant share of its revenue directly from local residents in the form of property taxes and charges for services. The state of Oregon does not have a sales tax, making property taxes a primary funding source for general government, public safety, and culture and recreation services provided by the City. The underlying taxable assessed value is significantly below real market values (62.3 %), therefore, real market values would have to decrease by over 37 percent before the City's property tax levy would be negatively impacted.

Property tax revenue provided 44% of the resources used for governmental activities. A special tax levy of approximately \$1.8 million (24% of total levy) that provided public safety funding expired as of June 30, 2007. To maintain service levels and reduce the reliance on property taxes requiring a vote no less than each five years, the City implemented fees for parks and street maintenance to offset the foregone property tax revenue.

The next largest resource, at 20%, comes from fees and charges for services, and includes such items as permits, licenses, recreation charges and system development charges. Property taxes for general operations increased slightly over the last year and investment earnings were up due to an increase in interest rates and account balances.

The business-type activities are funded with utility fees and charges. After several years in which the City decided to defer utility rate increases, effective July 1, 2006, and January 1, 2007 the City increased utility rates by 5 percent each. The rate increases are limited by a Charter provision limiting annual utility rate increases to 5 percent. The rate increases are consistent with financial proformas prepared with the issuance of revenue bonds in 1999. Similar rate increases are anticipated over the next several years to generate sufficient revenue to fund operations and provide adequate funds for anticipated capital replacement projects.

Requests for Information

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

CITY OF WEST LINN, OREGON

STATEMENT OF NET ASSETS

JUNE 30, 2007

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and investments	\$ 9,322,076	\$ 2,341,505	\$ 11,663,581
Cash held by fiscal agent	4,634	-	4,634
Property taxes receivable	366,643	-	366,643
Accounts receivable, net	52,214	1,500,083	1,552,297
Other assets	104,342	-	104,342
Capital assets, net of accumulated depreciation	254,526,696	22,173,420	276,700,116
Investment in joint venture	-	6,972,697	6,972,697
TOTAL ASSETS	264,376,605	32,987,705	297,364,310
LIABILITIES:			
Current liabilities:			
Accounts payable	581,264	757,182	1,338,446
Accrued salaries and payroll taxes payable	381,399	21,596	402,995
Accrued vacation payable	351,341	75,753	427,094
Accrued interest payable	41,938	21,087	63,025
Deposits payable	944,359	-	944,359
Other liabilities	28,735	-	28,735
Current portion of bonds payable	670,000	70,000	740,000
Total current liabilities	2,999,036	945,618	3,944,654
Non-current liabilities:			
Bonds payable	11,870,000	1,380,000	13,250,000
TOTAL LIABILITIES	14,869,036	2,325,618	17,194,654
NET ASSETS:			
Invested in capital assets, net of related debt	241,986,696	20,723,420	262,710,116
Restricted for capital projects	3,525,429	-	3,525,429
Unrestricted	3,995,444	9,938,667	13,934,111
TOTAL NET ASSETS	\$ 249,507,569	\$ 30,662,087	\$ 280,169,656

See notes to basic financial statements.

CITY OF WEST LINN, OREGON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

FUNCTION / PROGRAM	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
GOVERNMENTAL ACTIVITIES:						
General government	\$ 4,695,751	\$ 2,283,782	\$ 204,773	\$ (2,207,196)	\$ -	\$ (2,207,196)
Culture and recreation	2,973,587	460,131	554,826	(1,958,630)	-	(1,958,630)
Public safety	4,489,727	779,421	484,967	(3,225,339)	-	(3,225,339)
Highways and streets	994,334	3,793	1,129,618	139,077	-	139,077
Interest on long-term debt	639,505	-	-	(639,505)	-	(639,505)
Unallocated depreciation	643,851	-	-	(643,851)	-	(643,851)
TOTAL GOVERNMENTAL ACTIVITIES	14,436,755	3,527,127	2,374,184	(8,535,444)	-	(8,535,444)
BUSINESS-TYPE ACTIVITIES:						
Water	2,269,609	2,958,130	-	-	688,521	688,521
Environmental services	1,409,384	2,243,810	-	-	834,426	834,426
TOTAL BUSINESS-TYPE ACTIVITIES	3,678,993	5,201,940	-	-	1,522,947	1,522,947
TOTAL ACTIVITIES	\$ 18,115,748	\$ 8,729,067	\$ 2,374,184	(8,535,444)	1,522,947	(7,012,497)
GENERAL REVENUES:						
Property taxes levied for:						
Culture and recreation				3,009,326	-	3,009,326
Public safety				3,665,440	-	3,665,440
Debt service				930,892	-	930,892
Franchise fees				2,098,041	-	2,098,041
Equity in joint venture				-	620,460	620,460
Earnings on investments				468,348	109,918	578,266
Transfers in/(out)				1,092,116	(1,092,116)	-
Miscellaneous				279,634	-	279,634
TOTAL GENERAL REVENUES				11,543,797	(361,738)	11,182,059
CHANGE IN NET ASSETS				3,008,353	1,161,209	4,169,562
NET ASSETS, July 1, 2006, as previously stated				23,800,772	29,500,878	53,301,650
RESTATEMENT, Note 11				222,698,444	-	222,698,444
NET ASSETS, July 1, 2006, as restated				246,499,216	-	276,000,094
NET ASSETS, June 30, 2007				\$ 249,507,569	\$ 30,662,087	\$ 280,169,656

See notes to basic financial statements.

CITY OF WEST LINN, OREGON

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2007

	General Fund	Street Fund	Parks and Recreation Fund	Library Fund	Public Safety Fund	System Development Fund	Park Bond Construction Fund	Nonmajor Funds	Total Governmental Funds
ASSETS:									
Cash and investments	\$ 1,917,067	\$ 465,742	\$ 416,721	\$ 338,394	\$ 1,078,007	\$ 2,524,095	\$ 1,006,494	\$ 1,504,070	\$ 9,250,590
Cash held by fiscal agent	-	-	-	-	-	-	-	4,634	4,634
Property taxes receivable	-	-	-	-	320,605	-	-	46,038	366,643
Accounts receivable	3,255	-	-	-	-	-	-	48,959	52,214
Prepaid expenses	104,342	-	-	-	-	-	-	-	104,342
Interfund loan	-	-	-	-	-	250,000	-	-	250,000
TOTAL ASSETS	\$ 2,024,664	\$ 465,742	\$ 416,721	\$ 338,394	\$ 1,398,612	\$ 2,774,095	\$ 1,006,494	\$ 1,603,701	\$ 10,028,423
LIABILITIES:									
Accounts payable	\$ 279,107	\$ 50,258	\$ 83,690	\$ 10,302	\$ 41,728	\$ 5,160	\$ -	\$ 101,477	\$ 571,722
Accrued salaries and payroll taxes	250,367	6,856	24,991	15,512	57,415	-	-	23,613	378,754
Deposits payable	619,114	138,165	-	-	-	-	-	187,080	944,359
Deferred revenue	-	-	-	-	255,111	-	-	36,634	291,745
Interfund loan	-	-	-	-	-	-	-	250,000	250,000
Other liabilities	28,735	-	-	-	-	-	-	-	28,735
TOTAL LIABILITIES	1,177,323	195,279	108,681	25,814	354,254	5,160	-	598,804	2,465,315
FUND BALANCE:									
Reserved for interfund loan	-	-	-	-	-	250,000	-	-	250,000
Reserved for prepaid expenses	104,342	-	-	-	-	-	-	-	104,342
Reserved for debt service	-	-	-	-	-	-	-	272,710	272,710
Unreserved, reported in:									
General Fund	742,999	-	-	-	-	-	-	-	742,999
Special Revenue Funds	-	270,463	308,040	312,580	1,044,358	-	-	732,187	2,667,628
Capital Project Funds	-	-	-	-	-	2,518,935	1,006,494	-	3,525,429
TOTAL FUND BALANCE	847,341	270,463	308,040	312,580	1,044,358	2,768,935	1,006,494	1,004,897	7,563,108
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,024,664	\$ 465,742	\$ 416,721	\$ 338,394	\$ 1,398,612	\$ 2,774,095	\$ 1,006,494	\$ 1,603,701	\$ 10,028,423
Total fund balances									\$ 7,563,108
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.									254,526,696
Long-term taxes receivable are not available to pay for current-period expenditures and therefore, are deferred in the funds.									291,745
The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Assets.									52,525
Long-term liabilities, including bonds payable, capital leases and accrued vacation, are not due and payable in the current period and therefore are not reported in the funds.									(12,884,567)
Bond interest is not accrued as a liability in the government funds.									(41,938)
Net assets of governmental activities									\$ 249,507,569

CITY OF WEST LINN, OREGON

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2007

	General Fund	Street Fund	Parks Fund	Library Fund	Public Safety Fund	System Development Fund	Park Bond Construction Fund	Nonmajor Funds	Total Governmental Funds
REVENUES:									
Taxes	\$ -	\$ -	\$2,130,000	\$ 850,000	\$ 3,629,720	\$ -	\$ -	\$ 921,820	\$7,531,540
Intergovernmental	2,789	1,129,618	40,000	514,826	473,282	-	-	213,669	2,374,184
Franchise fees	-	550,503	-	-	1,186,248	-	-	361,290	2,088,041
Licenses and permits	50,023	-	48,025	-	55,947	-	-	1,001,025	1,155,020
Fines and forfeitures	476,019	-	-	64,610	26,530	-	-	-	567,159
Charges for services	91,040	-	347,496	-	1,008	-	-	13,200	452,744
Systems development fees	-	3,793	-	-	-	1,205,789	-	-	1,209,582
Interest	52,487	6,235	42,704	19,992	113,961	130,037	51,167	50,620	467,203
Miscellaneous	199,285	28,072	3,173	5,922	33,055	-	-	10,117	279,634
TOTAL REVENUES	671,653	1,718,221	2,611,398	1,455,350	5,519,751	1,335,826	51,167	2,571,741	16,135,107
EXPENDITURES:									
Current:									
General government	3,233,083	-	-	-	-	50	-	1,231,150	4,464,283
Cultural and recreation	-	-	1,728,853	1,121,355	-	10,565	-	112,814	2,973,587
Public safety	-	-	-	-	4,117,083	-	-	428,050	4,545,133
Highways and streets	-	994,334	-	-	-	-	-	49,609	1,043,943
Capital outlay	26,786	142,290	118,622	-	134,593	941,689	-	-	1,363,980
Debt service:									
Principal	165,000	-	-	-	-	-	-	460,000	625,000
Interest	176,000	-	-	-	-	-	-	463,505	639,505
TOTAL EXPENDITURES	3,600,869	1,136,624	1,847,475	1,121,355	4,251,676	952,304	-	2,745,128	15,655,431
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,729,216)	581,597	763,923	333,995	1,268,075	383,522	51,167	(173,387)	479,676
OTHER FINANCING SOURCES (USES):									
Transfers from other funds	2,643,900	-	-	-	-	-	-	1,264,492	3,908,392
Transfers to other funds	(300,000)	(457,856)	(455,883)	(242,100)	(789,200)	(216,692)	-	(476,173)	(2,937,904)
TOTAL OTHER FINANCING SOURCES (USES)	2,343,900	(457,856)	(455,883)	(242,100)	(789,200)	(216,692)	-	788,319	970,488
CHANGE IN FUND BALANCE	(385,316)	123,741	308,040	91,895	478,875	166,830	51,167	614,932	1,450,164
FUND BALANCE, July 1, 2006	1,232,657	146,722	-	220,685	565,483	2,602,105	955,327	389,965	6,112,944
FUND BALANCE, June 30, 2007	\$ 847,341	\$ 270,463	\$ 308,040	\$ 312,580	\$ 1,044,358	\$ 2,768,935	\$ 1,006,494	\$ 1,004,897	\$7,563,108

See notes to basic financial statements.

CITY OF WEST LINN, OREGON

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

YEAR ENDED JUNE 30, 2007

NET CHANGE IN FUND BALANCE	\$ 1,450,164
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay was greater than depreciation.	769,738
Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	74,118
Internal service funds are used to account for all costs arising from the operations of the City's central services activities and insurance programs. The primary funding sources are charges to the other funds. This is the net income of the fund for the year.	14,875
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which repayments exceed proceeds:	
Principal payments	625,000
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 vacation payable	131,691
Amount of capital assets by governmental funds transferred to enterprise funds	<u>(57,233)</u>
CHANGE IN NET ASSETS	<u>\$ 3,008,353</u>

See notes to basic financial statements.

CITY OF WEST LINN, OREGON

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2007

	Business-Type Activities - Enterprise Funds			Governmental Type Activity
	Water Fund	Environmental Service Fund	Total	Internal Service Funds
ASSETS:				
Current assets:				
Cash and investments	\$ 460,811	\$ 1,880,694	\$ 2,341,505	\$ 71,486
Accounts receivable, net of allowance for doubtful accounts	692,184	807,899	1,500,083	-
TOTAL CURRENT ASSETS	1,152,995	2,688,593	3,841,588	71,486
Capital assets not being depreciated	355,032	22,708	377,740	-
Capital assets, net	12,595,910	9,199,770	21,795,680	-
Investment in joint venture	6,972,697	-	6,972,697	-
TOTAL ASSETS	21,076,634	11,911,071	32,987,705	71,486
LIABILITIES:				
Current liabilities:				
Accounts payable	185,709	571,473	757,182	9,542
Accrued payroll payable	8,372	13,224	21,596	2,645
Accrued vacation payable	32,562	43,191	75,753	6,774
Accrued interest payable	21,087	-	21,087	-
Bonds payable - due within one year	70,000	-	70,000	-
TOTAL CURRENT LIABILITIES	317,730	627,888	945,618	18,961
Long-term liabilities:				
Bonds payable	1,380,000	-	1,380,000	-
TOTAL LIABILITIES	1,697,730	627,888	2,325,618	18,961
NET ASSETS:				
Invested in capital assets, net of related debt	11,500,942	9,222,478	20,723,420	-
Unrestricted	7,877,962	2,060,705	9,938,667	52,525
TOTAL NET ASSETS	\$ 19,378,904	\$ 11,283,183	\$ 30,662,087	\$ 52,525

See notes to basic financial statements.

CITY OF WEST LINN, OREGON

PROPRIETARY FUNDS

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

YEAR ENDED JUNE 30, 2007

	Business-Type Activities - Enterprise Funds			Governmental Type Activity
	Water Fund	Environmental Service Fund	Total	Internal Service Funds
OPERATING REVENUES:				
Charges for services	\$ 2,869,342	\$ 2,147,373	\$ 5,016,715	\$ 142,622
Connection fees	46,953	-	46,953	-
Licenses and permits	-	35,576	35,576	-
Other operating revenues	41,835	60,861	102,696	-
TOTAL OPERATING REVENUES	2,958,130	2,243,810	5,201,940	142,622
OPERATING EXPENSES:				
Salaries and wages	580,662	795,833	1,376,495	159,682
Materials and supplies	1,206,197	265,704	1,471,901	148,071
Depreciation	397,769	347,847	745,616	-
TOTAL OPERATING EXPENSES	2,184,628	1,409,384	3,594,012	307,753
OPERATING INCOME (LOSS)	773,502	834,426	1,607,928	(165,131)
NONOPERATING INCOME (EXPENSE):				
Interest income	19,754	90,164	109,918	1,145
Net income from equity in joint venture	620,460	-	620,460	-
Interest expense	(84,981)	-	(84,981)	-
TOTAL NONOPERATING INCOME (EXPENSE)	555,233	90,164	645,397	1,145
INCOME (LOSS) BEFORE TRANSFERS	1,328,735	924,590	2,253,325	(163,986)
TRANSFERS IN (OUT):				
Transfers from other funds	79,992	106,500	186,492	258,861
Transfers to other funds	(560,505)	(775,336)	(1,335,841)	(80,000)
Transfers of capital assets from governmental funds	47,179	10,054	57,233	-
TOTAL TRANSFERS IN (OUT)	(433,334)	(658,782)	(1,092,116)	178,861
CHANGE IN NET ASSETS	895,401	265,808	1,161,209	14,875
NET ASSETS, July 1, 2006	18,483,503	11,017,375	29,500,878	37,650
NET ASSETS, June 30, 2007	\$ 19,378,904	\$ 11,283,183	\$ 30,662,087	\$ 52,525

See notes to basic financial statements.

CITY OF WEST LINN, OREGON

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2007

	Business-Type Activities - Enterprise Funds			Governmental Type Activity
	Water Fund	Environmental Service Fund	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received for services	\$ 2,661,479	\$ 1,903,857	\$ 4,565,336	\$ 142,622
Cash paid to suppliers for goods and services	(1,331,601)	(95,957)	(1,427,558)	(138,760)
Cash paid to employees for services	(585,236)	(783,981)	(1,369,217)	(161,030)
NET CASH FROM OPERATING ACTIVITIES	744,642	1,023,919	1,768,561	(157,168)
CASH FLOWS FROM NONCAPITAL AND RELATED ACTIVITY				
Transfers from other funds	79,992	106,500	186,492	258,861
Transfers to other funds	(560,505)	(775,336)	(1,335,841)	(80,000)
NET CASH FROM NONCAPITAL AND RELATED ACTIVITIES	(480,513)	(668,836)	(1,149,349)	178,861
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Bond principal paid	(65,000)	-	(65,000)	-
Interest paid	(86,102)	-	(86,102)	-
Acquisition of capital assets	(8,600)	(278,971)	(287,571)	-
Transfer of restricted cash	180,760	-	180,760	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	21,058	(278,971)	(257,913)	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received on investments	19,754	90,164	109,918	1,145
NET CHANGE IN CASH AND INVESTMENTS	304,941	166,276	471,217	22,838
CASH AND INVESTMENTS, July 1, 2006	155,870	1,714,418	1,870,288	48,648
CASH AND INVESTMENTS, June 30, 2007	\$ 460,811	\$ 1,880,694	\$ 2,341,506	\$ 71,486
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:				
Operating income	\$ 773,502	\$ 834,426	\$ 1,607,928	\$ 93,730
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation	397,769	347,847	745,616	-
Change in assets and liabilities:				
Accounts receivable	(296,651)	(339,953)	(636,604)	-
Accounts payable	(17,519)	169,747	152,228	9,311
Accrued payroll payable	(3,178)	(2,087)	(5,265)	(926)
Accrued vacation payable	(1,396)	13,939	12,543	(422)
Other liabilities	(107,885)	-	(107,885)	-
Total adjustments	(28,860)	189,493	160,633	7,963
NET CASH FROM OPERATING ACTIVITIES	\$ 744,642	\$ 1,023,919	\$ 1,768,561	\$ 101,693
NON-CASH TRANSACTIONS:				
Net income from equity in joint venture	\$ 620,460	\$ -	\$ 620,460	\$ -
Capital assets transferred from governmental funds	\$ 47,179	\$ 10,054	\$ 57,233	\$ -

See notes to basic financial statements.

CITY OF WEST LINN, OREGON

GENERAL FUND

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

YEAR ENDED JUNE 30, 2007

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 2,789	\$ 2,789
Licenses and permits	38,000	38,000	50,023	12,023
Fines and forfeitures	400,000	400,000	476,019	76,019
Charges for services	65,100	65,100	91,040	25,940
Interest earnings	24,000	24,000	52,487	28,487
Miscellaneous	516,000	516,000	199,295	(316,705)
TOTAL REVENUES	1,043,100	1,043,100	871,653	(171,447)
EXPENDITURES:				
City Council	66,500	71,500	71,430	70
City Manager	487,800	527,800	525,827	1,973
Human Resources	367,500	392,500	390,131	2,369
Community Services	417,123	417,123	416,701	422
Finance	823,900	840,900	837,144	3,756
Information Services	392,700	392,700	385,265	7,435
Municipal Court	258,700	258,700	257,714	986
General facility services	294,800	351,800	349,138	2,662
Nondepartmental:				
General services department	4,100	27,100	26,519	581
Debt service	341,000	341,000	341,000	-
Contingency	504,162	337,162	-	337,162
TOTAL EXPENDITURES	3,958,285	3,958,285	3,600,869	357,416
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(2,915,185)	(2,915,185)	(2,729,216)	185,969
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	2,637,300	2,637,300	2,643,900	6,600
Transfers to other funds	(300,000)	(300,000)	(300,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	2,337,300	2,337,300	2,343,900	6,600
NET CHANGE IN FUND BALANCE	(577,885)	(577,885)	(385,316)	192,569
FUND BALANCE, July 1, 2006	577,885	577,885	1,232,657	654,772
FUND BALANCE, June 30, 2007	\$ -	\$ -	\$ 847,341	\$ 847,341

See notes to basic financial statements.

CITY OF WEST LINN, OREGON

STREET FUND

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

YEAR ENDED JUNE 30, 2007

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES:				
Intergovernmental	\$ 1,200,000	\$ 1,200,000	\$ 1,129,618	\$ (70,382)
Franchise fees	568,000	568,000	550,503	(17,497)
Interest	2,500	2,500	6,235	3,735
System development charges	10,000	10,000	3,793	(6,207)
Miscellaneous	9,000	9,000	28,072	19,072
TOTAL REVENUES	1,789,500	1,789,500	1,718,221	(71,279)
EXPENDITURES:				
Personal services	420,000	444,000	439,725	4,275
Materials and services	729,300	729,300	554,609	174,691
Capital outlay	173,000	173,000	142,290	30,710
Contingency	76,264	52,264	-	52,264
TOTAL EXPENDITURES	1,398,564	1,398,564	1,136,624	261,940
EXCESS OF REVENUES OVER EXPENDITURES	390,936	390,936	581,597	190,661
OTHER FINANCING USES:				
Transfers to other funds	(458,000)	(458,000)	(457,856)	144
NET CHANGE IN FUND BALANCE	(67,064)	(67,064)	123,741	190,805
FUND BALANCE, July 1, 2006	67,064	67,064	146,722	79,658
FUND BALANCE, June 30, 2007	\$ -	\$ -	\$ 270,463	\$ 270,463

See notes to basic financial statements.

CITY OF WEST LINN, OREGON

PARKS FUND

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

YEAR ENDED JUNE 30, 2007

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES:				
Property taxes	\$ 2,130,000	\$ 2,130,000	\$ 2,130,000	\$ -
Intergovernmental	142,000	142,000	40,000	(102,000)
Licenses and permits	52,500	52,500	48,025	(4,475)
Charges for services	370,000	370,000	347,496	(22,504)
Interest	2,000	2,000	42,704	40,704
Miscellaneous	-	-	3,173	3,173
TOTAL REVENUES	2,696,500	2,696,500	2,611,398	(85,102)
EXPENDITURES:				
Personal services	1,202,800	1,202,800	1,124,034	78,766
Materials and services	647,500	647,500	604,819	42,681
Capital outlay	300,000	300,000	118,622	181,378
Contingency	90,300	90,300	-	90,300
TOTAL EXPENDITURES	2,240,600	2,240,600	1,847,475	393,125
EXCESS OF REVENUES OVER EXPENDITURES	455,900	455,900	763,923	308,023
OTHER FINANCING USES:				
Transfers to other funds	(455,900)	(455,900)	(455,883)	17
NET CHANGE IN FUND BALANCE	-	-	308,040	308,040
FUND BALANCE, July 1, 2006	-	-	-	-
FUND BALANCE, June 30, 2007	\$ -	\$ -	\$ 308,040	\$ 308,040

See notes to basic financial statements.

CITY OF WEST LINN, OREGON

LIBRARY FUND

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

YEAR ENDED JUNE 30, 2007

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Property taxes	\$ 850,000	\$ 850,000	\$ -
Intergovernmental	514,000	514,826	826
Fines and forfeitures	60,000	64,610	4,610
Interest	-	19,992	19,992
Miscellaneous	5,000	5,922	922
TOTAL REVENUES	1,429,000	1,455,350	26,350
EXPENDITURES:			
Personal services	956,600	914,844	41,756
Materials and services	223,000	206,511	16,489
Contingency	65,650	-	65,650
Other requirements	154,000	-	154,000
TOTAL EXPENDITURES	1,399,250	1,121,355	277,895
EXCESS OF REVENUES OVER EXPENDITURES	29,750	333,995	304,245
OTHER FINANCING USES:			
Transfers to other funds	(242,100)	(242,100)	-
NET CHANGE IN FUND BALANCE	(212,350)	91,895	304,245
FUND BALANCE, July 1, 2006	212,350	220,685	8,335
FUND BALANCE, June 30, 2007	\$ -	\$ 312,580	\$ 312,580

See notes to basic financial statements.

CITY OF WEST LINN, OREGON

PUBLIC SAFETY FUND

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

YEAR ENDED JUNE 30, 2007

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Property taxes	\$ 3,609,000	\$ 3,629,720	\$ 20,720
Intergovernmental	396,000	473,282	77,282
Franchise fees	1,168,000	1,186,248	18,248
Licenses and permits	64,000	55,947	(8,053)
Charges for services	800	1,008	208
Fines and forfeitures	20,000	26,530	6,530
Interest	30,000	113,961	83,961
Miscellaneous	15,000	33,055	18,055
TOTAL REVENUES	5,302,800	5,519,751	216,951
EXPENDITURES:			
Personal services	3,458,000	3,215,160	242,840
Materials and services	998,200	901,923	96,277
Capital outlay	156,400	134,593	21,807
Contingency	578,787		578,787
TOTAL EXPENDITURES	5,191,387	4,251,676	939,711
EXCESS OF REVENUES OVER EXPENDITURES	111,413	1,268,075	1,156,662
OTHER FINANCING USES:			
Transfers to other funds	(789,200)	(789,200)	-
NET CHANGE IN FUND BALANCE	(677,787)	478,875	1,156,662
FUND BALANCE, July 1, 2006	677,787	565,483	(112,304)
FUND BALANCE, June 30, 2007	\$ -	\$ 1,044,358	\$ 1,044,358

See notes to basic financial statements.

CITY OF WEST LINN, OREGON

SYSTEM DEVELOPMENT FUND

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

YEAR ENDED JUNE 30, 2007

	Original Budget	Final Budget	Actual		
			Street	Storm Drain	Water
REVENUES:					
System development fees:					
Street	\$ 8,000	\$ 8,000	\$ 254,375	\$ -	\$ -
Storm drain	40,000	40,000	-	36,494	-
Water	290,000	290,000	-	-	325,030
Sewer	140,000	140,000	-	-	-
Parks	550,000	550,000	-	-	-
Interest	58,000	58,000	4,139	40,193	26,414
TOTAL REVENUES	1,086,000	1,086,000	258,514	76,687	351,444
EXPENDITURES:					
Materials and services	-	16,000	-	-	50
Capital outlay	561,000	1,054,000	-	10,054	47,179
Contingency	2,711,191	2,202,191	-	-	-
TOTAL EXPENDITURES	3,272,191	3,272,191	-	10,054	47,229
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,186,191)	(2,186,191)	258,514	66,633	304,215
OTHER FINANCING USES:					
Transfers to other funds	(238,000)	(238,000)	-	(108,500)	(91,592)
NET CHANGE IN FUND BALANCE	(2,424,191)	(2,424,191)	258,514	(41,867)	212,623
FUND BALANCE, July 1, 2006	2,424,191	2,424,191	15,986	401,290	576,959
FUND BALANCE, June 30, 2007	\$ -	\$ -	\$ 274,500	359,423	\$ 789,582
RECONCILIATION TO GAAP BASIS:					
Adjustment for loan to other fund				250,000	
FUND BALANCE GAAP BASIS, June 30, 2007				\$ 609,423	

Actual			Variance
Sewer	Parks	Total	Positive (Negative)
\$ -	\$ -	\$ 254,375	\$ 246,375
-	-	36,494	(3,506)
-	-	325,030	35,030
154,276	-	154,276	14,276
-	435,614	435,614	(114,386)
35,609	23,682	130,037	72,037
<u>189,885</u>	<u>459,296</u>	<u>1,335,826</u>	<u>249,826</u>
-	10,565	10,615	5,385
-	884,456	941,689	112,311
-	-	-	2,202,191
<u>-</u>	<u>895,021</u>	<u>952,304</u>	<u>2,319,887</u>
189,885	(435,725)	383,522	2,569,713
<u>(5,600)</u>	<u>(11,000)</u>	<u>(216,692)</u>	<u>21,308</u>
184,285	(446,725)	166,830	2,591,021
691,403	666,467	2,352,105	(72,086)
<u>\$ 875,688</u>	<u>\$ 219,742</u>	2,518,935	<u>\$ 2,518,935</u>
		<u>250,000</u>	
		<u>\$ 2,768,935</u>	

Notes to Basic Financial Statements

CITY OF WEST LINN, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

1. Summary of Significant Accounting Policies

Reporting Entity

The City of West Linn, Oregon (the City) operates under its own charter with a council - 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 and fire protection, traffic control and improvement, street maintenance and improvement, water, sewer and storm drain services, planning and zoning regulation, building inspection and regulation, parks and recreation services, and community library services.

As required by accounting principles generally accepted in the United States of America (GAAP), these basic financial statements present all operations of the City.

Basis of Presentation

Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the City. These statements include the financial activities of the overall City. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities are financed through charges for services, property taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed primarily by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each activity of its governmental and business-type programs. Direct expenses are those that are specifically associated with an activity and, therefore, are clearly identifiable to that activity. Program revenues include fees, fines, and charges paid by the recipients of goods or services and grants and contributions that are restricted to meeting operational requirements. Revenues that are not classified as program revenues, including property taxes and interest earnings, are presented as general revenues. The effect of interfund activity such as transfers is eliminated. Net assets are reported as restricted when constraints placed on their use are either externally restricted, imposed by creditors (such as through grantors, contributors or laws), or through constitutional provisions or enabling resolutions.

CITY OF WEST LINN, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2007

1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category - governmental and proprietary are presented. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds are aggregated and reported as nonmajor funds.

The City reports the following major funds:

Governmental

General Fund - The General Fund accounts for the City's legislative, administrative, financial, information technology, building services and related debt service, and municipal court operations. The primary revenue sources are reimbursement charges for services to other funds, fines and forfeitures, charges for services and miscellaneous income.

Street Fund - Accounts for the operation and maintenance of the City's street and sidewalk systems including medians. The primary revenue sources are state gas tax and franchise fees.

Parks Fund - Accounts for the operation and maintenance of the City's parks and recreation programs. The primary sources of revenue include an allocation of the City's property tax levy, intergovernmental grants, and program fees.

Library Fund - Accounts for the operation of the City's library facility. The primary sources of revenue include an allocation of the City's property tax levy, intergovernmental funding, and fees.

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, a special property tax levy dedicated to police funding, intergovernmental revenue and fines and fees.

System Development Fund - Accounts for the receipt and expenditures of system development funds dedicated to streets, parks, storm drain, water and sewer.

Park Bond Construction Fund - Accounts for the expenditures of bond proceeds for the acquisition of park land and improvements.

CITY OF WEST LINN, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2007

1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Fund Financial Statements (Continued)

Proprietary (Enterprise)

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 service and collection system.

Non-major

The City also reports the following non-major 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.

Internal Service Fund – This fund accounts for fleet maintenance, motor vehicle use and insurance activities.

Measurement Focus and Basis of Accounting

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

Under terms of grant agreements, the City funds certain programs with a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

CITY OF WEST LINN, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2007

1. Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued)

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

For purposes of the proprietary fund financial statements the City follows private-sector standards of accounting and financial reporting issued on or before November 30, 1989, unless those pronouncements conflict or contradict the guidance of Governmental Accounting Standards Board pronouncements. The City has elected not to follow subsequent private-sector guidance.

The proprietary fund types distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the funds' ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses include the costs of sales and services, administrative expenses, and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Use of Estimates

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

Cash and Investments

Cash and investments are 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.

CITY OF WEST LINN, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2007

1. Summary of Significant Accounting Policies (Continued)

Cash and Investments (Continued)

Investments consist of investments in the Oregon State Treasurer's Local Government Investment Pool (LGIP). The individual funds' portion of the pool's fair value is presented as "Cash and Investments" in the basic financial statements.

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

Receivables

Real and personal property taxes are levied and assessed and become a lien against the property as of July 1 each year. Property taxes are payable in three installments, following the lien date, on November 15, February 15 and May 15. Discounts are allowed if the amount is paid by November 15 or February 15. Taxes unpaid and outstanding on May 15 are considered delinquent.

All accounts, property taxes, grants and other receivables are shown net of an allowance for uncollectible accounts.

Investment in Joint Ventures

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

Capital Assets

Purchased or constructed capital assets are recorded at estimated historical cost with subsequent additions at cost. Donated capital assets are recorded at their estimated fair value at the time of donation. Infrastructure (bridges, roads, and drainage systems) acquired during the year have been recorded at cost or fair value if donated by developers. The City defines capital assets as assets with an initial cost of more than \$5,000 and an estimated life of more than five years. 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.

CITY OF WEST LINN, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2007

1. Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

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

	<u>Years</u>
Buildings and structures	25-50
Improvements other than buildings	10-20
Machinery and equipment	5-30
Utility system	25-50
Vehicles	5-10
Infrastructure	20 to 50

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.

Long-term Debt

In the government-wide financial statements, long-term debt issued for construction and acquisition of capital assets is reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the governmental fund financial statements, bond premiums and discounts are recognized when incurred and not deferred. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses.

CITY OF WEST LINN, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2007

1. Summary of Significant Accounting Policies (Continued)

Pension Plan

Substantially all of the City's employees are participants in the Oregon Public Employees Retirement System (PERS) and the Oregon Public Service Retirement Plan (OPSRP), a statewide agent multi-employer defined benefit pension plan (PERS), and a defined benefit and a combined benefit plan (OPSRP). Contributions are made on a current basis as required by the plan and are charged to expenditures/expenses as funded.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Budget

The City is required by state law to budget all funds. Budgets for all funds are prepared on the modified accrual basis of accounting. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. The resolution established the level of budgetary control at the department level for the General Fund. All remaining funds of the City establish the levels of budgetary control at the category level (personal services, materials and services, capital outlay, transfers, contingency, debt service and reserves).

All annual appropriations lapse at fiscal year end. The City did not incur any over expenditures of its appropriations during the fiscal year.

The detail budget document is required to contain more specific, detailed information for the aforementioned expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriations ordinance. Supplemental budgets less than 10% of the fund's original budget may be adopted by the Board of Councilors at a regular meeting. A supplemental budget greater than 10% of the fund's original budget requires hearings before the public, publication in newspapers and approval by the Board of Councilors. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the Board of Councilors for the City. The City adjusted budget includes several appropriation transfers during the year ended June 30, 2007.

CITY OF WEST LINN, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2007

1. Summary of Significant Accounting Policies (Continued)

Fund Balance Deficit

The Building Inspection Fund has a GAAP basis deficit fund balance of \$58,443. An interfund loan of \$250,000 payable with interest of five percent (5%) from the System Development Fund provides a positive budget basis fund balance of \$191,557. The interfund loan was repaid in fiscal year 2008.

2. Cash and Investments

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

At June 30, 2007, the City's cash and investments were comprised of the following:

Cash on hand	\$	2,875
Deposits with financial institutions		272,283
Investments:		
Oregon State Treasurer's Local Government Investment Pool		11,368,413
Certificate of deposit		20,010
Total pooled cash and investments	\$	11,663,581

	Government Activities	Business-Type Activities	Total
Cash and investments	\$ 9,322,076	\$ 2,341,505	\$ 11,663,581

CITY OF WEST LINN, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2007

2. Cash and Investments (Continued)

Deposits

The total balance as shown on the bank statements at June 30, 2007, was \$395,160. Of these deposits, \$100,000 was covered by Federal depository insurance, \$295,160 was collateralized with securities held in the pledging bank's trust department in the City's name.

Oregon Revised Statutes require the depository institution to maintain on deposit, with a collateral pool manager, securities having a value not less than 25% of the outstanding certificates of participation issued by the pool manager. However, in accordance with state statutes, the State Treasurer allows certain depository banks to be the custodian with respect to their own pledged collateral securities. For these institutions, the State Treasurer is the collateral pool manager.

Interest Rate Risk

The City does not have a formal investment policy that limits its investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Currently, all of the City's investments are held in the Oregon State Treasurer's Local Government Investment Pool, with weighted average maturity of the underlying investments of less than one year.

Credit Risk

As mentioned above, Oregon Revised Statutes limits the investments that the City may have. The City is in compliance with these Statutes at June 30, 2007.

Custodial Credit Risk

Custodial credit 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. At June 30, 2007, the City does not have investments exposed to custodial credit risk.

3. Accounts Receivable

As of June 30, 2007, accounts receivable consisted of the following:

Accounts, contracts and grants	\$ 1,562,197
Allowance for uncollectible accounts	<u>(9,900)</u>
Total	<u>\$ 1,552,297</u>

CITY OF WEST LINN, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2007

3. Accounts Receivable (Continued)

The allowance for uncollectible accounts pertains to utility billing collections and impacts only the business-type activities.

Accounts receivable are reflected in the basic financial statements as follows:

Accounts receivable - governmental activities	\$ 52,214
Accounts receivable - business-type activities	<u>1,500,083</u>
Total	<u>\$ 1,552,297</u>

4. Joint Venture

The South Fork Water Board (SFWB) operates a water distribution system jointly with the City and the City of Oregon City, each party owning 50%. Revenues earned by SFWB are expended for the continued operation and maintenance of facilities within the municipal boundaries of these cities. Upon dissolution of the SFWB, the net assets will be shared 50 percent to each city. The SFWB is governed by a five-member board composed of three appointees from Oregon City and two from West Linn. The City's net investment and its share of the operating results of the SFWB are reported in the City's Water Fund. Net Assets of the City's Water Fund were increased \$620,460 from net income of the joint venture in fiscal year 2007. Complete financial statements for the SFWB can be obtained from the City of Oregon City Finance Department, 320 Warner-Milne Road, Oregon City, Oregon 97045. The investment in South Fork Water Board is accounted for using the equity method.

CITY OF WEST LINN, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2007

5. Capital Assets

Capital asset activity for year ended June 30, 2007, was as follows:

	Balance July 1, 2006	Adjustments	Increases/ (Decreases)	Balance June 30, 2007
Governmental activities:				
Capital assets not being depreciated:				
Land and easements	\$ 20,543,728	\$ 186,978,462	\$ 26,422	\$ 207,548,612
Capital assets being depreciated:				
Buildings and improvements	11,898,139	16,414,785	987,557	29,300,481
Vehicles and equipment	4,197,274	-	325,056	4,522,330
Infrastructure	1,083,465	52,228,463	17,320	53,329,248
Total capital assets being depreciated	17,178,878	68,643,248	1,329,933	87,152,059
Less accumulated depreciation for:				
Buildings and improvements	(2,659,853)	(5,120,259)	(486,604)	(8,266,716)
Vehicles and equipment	(3,753,237)	-	(121,313)	(3,874,550)
Infrastructure	(193,768)	(27,803,007)	(35,934)	(28,032,709)
Total accumulated depreciation	(6,606,858)	(32,923,266)	(643,851)	(40,173,975)
Total capital assets being depreciated, net	10,572,020	35,719,982	686,082	46,978,084
Total capital assets, net	\$ 31,115,748	\$ 222,698,444	\$ 712,504	\$ 254,526,696
	Balance July 1, 2006	Adjustments	Increases/ (Decreases)	Balance June 30, 2007
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 334,742	\$ (19,429)	\$ -	\$ 315,313
Construction in progress	388,229	19,429	(345,231)	62,427
Total capital assets not being depreciated	722,971	-	(345,231)	377,740
Capital assets being depreciated:				
Buildings and improvements	2,278,566	59,943	-	2,338,509
Vehicles and equipment	1,940,732	(2,947)	262,191	2,199,976
Utility system	28,904,857	(43,234)	427,844	29,289,467
Total capital assets being depreciated	33,124,155	13,762	690,035	33,827,952
Less accumulated depreciation for:				
Buildings and improvements	(1,049,770)	113,464	(51,262)	(987,568)
Vehicles and equipment	(1,593,227)	13,285	(118,565)	(1,698,507)
Utility system	(8,629,897)	(140,511)	(575,789)	(9,346,197)
Total accumulated depreciation	(11,272,894)	(13,762)	(745,616)	(12,032,272)
Total capital assets being depreciated, net	21,851,261	-	(55,581)	21,795,680
Total capital assets, net	\$ 22,574,232	\$ -	\$ (400,812)	\$ 22,173,420

Depreciation expense of \$397,769 and \$347,847 was charged to the Water and Environmental Services Funds, respectively. Additionally, \$643,851 of depreciation was charged to the governmental activities.

CITY OF WEST LINN, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2007

6. Long-term Debt

Bonds Payable

Bonds payable transactions for the year are as follows:

	Original Amount	Outstanding July 1, 2006	Redeemed	Outstanding June 30, 2007
Governmental activities:				
General obligation				
interest 2.6%-5.4%	\$ 13,315,000	\$ 9,590,000	\$ 460,000	\$ 9,130,000
Full Faith and credit bonds, interest 4.3% - 5.25%	4,300,000	3,575,000	165,000	3,410,000
	<u>\$ 17,615,000</u>	<u>\$ 13,165,000</u>	<u>\$ 625,000</u>	<u>12,540,000</u>
Current portion				670,000
Long-term portion				<u>\$ 11,870,000</u>
Business-type activities:				
2000 Water System Revenue and refunding				
bonds interest 4.7% - 6%	\$ 1,800,000	\$ 1,515,000	\$ 65,000	\$ 1,450,000
Current portion				70,000
Long-term portion				<u>\$ 1,380,000</u>

Future maturities of bond principal and interest at June 30, 2007, are as follows:

Year	Governmental Activities		Enterprise Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 670,000	\$ 618,064	\$ 70,000	\$ 82,440	\$ 740,000	\$ 700,504
2009	705,000	587,325	75,000	78,470	780,000	665,795
2010	750,000	554,428	80,000	74,188	830,000	628,616
2011	795,000	519,454	80,000	69,728	875,000	589,182
2012	850,000	468,165	85,000	65,044	935,000	533,209
2013-2017	5,115,000	1,733,678	515,000	242,562	5,630,000	1,976,240
2018-2021	3,655,000	422,744	545,000	63,449	4,200,000	486,193
	<u>\$ 12,540,000</u>	<u>\$ 4,903,858</u>	<u>\$ 1,450,000</u>	<u>\$ 675,881</u>	<u>\$ 13,990,000</u>	<u>\$ 5,579,739</u>

The City did not meet its bond covenant related to timely completion of audits.

Changes in Accrued Compensated Absences Liability

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave, since the City does not have a policy to pay any amounts 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 when it has matured, for example, as a result of employee resignations or retirements.

CITY OF WEST LINN, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2007

6. Long-term Debt (Continued)

Changes in Accrued Compensated Absences Liability (Continued)

	Balance June 30, 2006	Accrued	Taken	Balance June 30, 2007
Accrued compensated absences liability	\$ 546,242	\$ 219,302	\$ (338,450)	\$ 427,094

7. Transfers to/from Other Funds

Transfers to/from other funds consisted of the following:

Amount	Description
\$ 433,000	Nonmajor funds to General Fund for general government
300,000	General Fund to nonmajor funds for general government
229,000	Street Fund to General Fund for general government
25,000	Street Fund to Planning Fund for general government
203,856	Street Fund to nonmajor funds for general government
373,000	Parks Fund to General Fund for general government
82,883	Parks Fund to nonmajor funds for general government
242,100	Library Fund to General Fund for general government
789,200	Public Safety Fund to General Fund for general government
9,600	System Development Charge Fund to General Fund for general government
186,492	System Development Charge Fund to Enterprise funds for general government
20,600	System Development Charge Fund to nonmajor funds for general government
43,172	Nonmajor funds to nonmajor funds for general government
568,000	Enterprise funds to General Fund for general government
767,842	Enterprise funds to nonmajor funds for general government

8. Pension Plan Description

Substantially all City employees, after six months of employment, are participants in the State of Oregon Public Employees Retirement System (PERS). The City's policy is to fund pension costs as determined by actuarial valuations.

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

CITY OF WEST LINN, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2007

8. Pension Plan Description (Continued)

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

Benefits generally vest after five years of continuous service. General Service employees may retire after reaching age 55; police personnel are eligible after reaching age 50. PERS Tier One and Tier Two employees with 30 years of service (25 years for police personnel at age 50) receive unreduced benefits. General Service employee benefits are reduced if retirement occurs prior to age 58 with less than 30 years of service (age 60 for Tier Two). OPSRP General Service employees receive full benefits if they are 58 years of age and have 30 years of service or are age 65. OPSRP police officer personnel receive full benefits if they are 53 years of age and have 25 years of service or are age 60.

Retirement benefits are based on final average salary and length of service. PERS retirement benefits are calculated using three methods: Full Formula, Formula Plus Annuity, and Money Match. PERS will use the method that produces the highest benefit amount. OPSRP pension benefits are calculated as follows: general service members – 1.5 percent of final average salary multiplied by the number of years of retirement credit attributable to service; police – 1.8 percent of final average salary multiplied by the number of years of retirement credit attributable to service. PERS also provides death and disability benefits. These benefit provisions and other requirements are established by state statutes.

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

Members of PERS and OPSRP are required to contribute 6% and 8.04%, respectively, of their salary covered under the plan. The City is required by ORS 238.225 to contribute at an actuarially determined rate. The current rate is 14.05% for PERS, 11.65% for OPSRP general service, and 17.75% for OPSRP police and fire 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.

CITY OF WEST LINN, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2007

8. Pension Plan Description (Continued)

Annual Pension Cost

For the years ended June 30, 2007, 2006, and 2005 the City's annual pension costs were approximately \$1,107,500, \$1,115,600, and \$781,900 respectively, and were equal to the City's required and actual contributions. Approximately \$261,857 of the annual pension costs incurred in 2007 was funding of the Unfunded Actuarial Accrued Liability (UAL).

The required contribution was determined as part of the actuarial valuation at December 31, 2005, using the projected unit credit actuarial cost method. The fair market value method is used to determine the actuarial value of the plan's assets. Significant actuarial assumptions used in the valuation include: (i) consumer price inflation of 2.75% per year; (ii) health care cost inflation assumed at 9.0% in 2008, then declining by .5% per year until the rate of 5.0% is reached in 2013; (iii) a rate of return on the future investment earnings of the assets of the System are assumed to accrue at an annual rate of 8.0% compounded annually; (iv) a rate of return on the future investment earnings of the Variable Accounts are assumed to accrue at an annual rate of 8.5%, compounded annually; (v) projected annual rate of wage inflation of 3.75%, 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 (20) years.

The following table presents a schedule of funding progress for the City's UAL:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Liability (Asset)	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability (Asset) as a Percent of Covered Payroll
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
12/31/2001	25,727,000	25,058,000	(1,669,000)	107	5,367,000	21

9. Other Information

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. Except for unemployment compensation, the City purchases commercial insurance to minimize its exposure to these risks. There has been no reduction in commercial

CITY OF WEST LINN, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2007

9. Other Information (Continued)

Risk Management (Continued)

insurance coverage from fiscal year 2006 to 2007. Workers compensation claims are insured through incurred loss retrospective policies. Settled claims have not exceeded this commercial coverage for any of the past three years. The City is self-insured for unemployment compensation claims.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

Deferred Compensation Plan

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

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.

CITY OF WEST LINN, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2007

10. 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 this agreement, the City can terminate the agreement upon 30 days written notice.

11. Restatement

Effective with the City's reporting for fiscal year ended June 30, 2007, the City completed its implementation of GASB Statement No. 34 by recording governmental infrastructure, net of related depreciation in the Statement of Net Assets. The effect was to increase total assets by \$222.7 million, with an offsetting increase to net assets invested in capital assets, net of related debt.

12. Subsequent Events

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

In fiscal 2007, the former Finance Director admitted to the embezzlement in an agreement with legal authorities. The agreement entitles the City to restitution of the \$1,420,000 plus statutory interest of 9% per annum. The former Finance Director agreed to transfer to the City, 75% of the equity in her personal residence (estimated to be \$100,000) and her Public Employee Retirement System personal retirement account (estimated to be worth \$175,000). The City received \$100,000 from its insurance carrier during fiscal 2007 and \$100,692 from the proceeds of her personal residence during fiscal year 2008, related to the embezzlement. The PERS account balance is expected to be received in fiscal year 2009.

The City is in mediation with its former auditors and their insurance carrier to recover a portion of the embezzled funds. The amount of recovery, if any, cannot be determined at this time.

Supplementary Information

Governmental Funds

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

JUNE 30, 2007

	Special Revenue Funds	Debt Service Fund	Total
ASSETS:			
Cash and investments	\$ 1,245,398	\$ 258,672	\$ 1,504,070
Cash held by fiscal agent	-	4,634	4,634
Property taxes receivable	-	46,038	46,038
Accounts receivable	48,959	-	48,959
	<u>1,294,357</u>	<u>309,344</u>	<u>1,603,701</u>
TOTAL ASSETS	<u>\$ 1,294,357</u>	<u>\$ 309,344</u>	<u>\$ 1,603,701</u>
LIABILITIES AND FUND BALANCE:			
Accounts payable	\$ 101,477	\$ -	\$ 101,477
Accrued salaries and payroll taxes	23,613	-	23,613
Deposits payable	187,080	-	187,080
Deferred revenue	-	36,634	36,634
Interfund loan	250,000	-	250,000
	<u>562,170</u>	<u>36,634</u>	<u>598,804</u>
TOTAL LIABILITIES	<u>562,170</u>	<u>36,634</u>	<u>598,804</u>
FUND BALANCE:			
Unreserved:			
Designated for debt service	-	272,710	272,710
Undesignated	732,187	-	732,187
	<u>732,187</u>	<u>272,710</u>	<u>1,004,897</u>
TOTAL FUND BALANCE	<u>732,187</u>	<u>272,710</u>	<u>1,004,897</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,294,357</u>	<u>\$ 309,344</u>	<u>\$ 1,603,701</u>

CITY OF WEST LINN, OREGON

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2007

	Special Revenue Funds	Debt Service Fund	Total Governmental Funds
REVENUES:			
Property taxes	\$ -	\$ 921,820	\$ 921,820
Charges for services	13,200	-	13,200
Licenses, permits and fees	1,001,025	-	1,001,025
Franchise fees	361,290	-	361,290
Intergovernmental	213,669	-	213,669
Interest	27,680	22,940	50,620
Miscellaneous	10,117	-	10,117
TOTAL REVENUES	1,626,981	944,760	2,571,741
EXPENDITURES:			
Program:			
General government	1,231,150	-	1,231,150
Cultural and recreation	112,814	-	112,814
Public safety	428,050	-	428,050
Capital outlay	49,609	-	49,609
Debt service:			
Bond principal	-	460,000	460,000
Bond interest	-	463,505	463,505
TOTAL EXPENDITURES	1,821,623	923,505	2,745,128
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(194,642)	21,255	(173,387)
OTHER FINANCING SOURCES (USES):			
Transfers from other funds	1,264,492	-	1,264,492
Transfers to other funds	(476,173)	-	(476,173)
TOTAL OTHER FINANCING SOURCES (USES)	788,319	-	788,319
NET CHANGE IN FUND BALANCE	593,677	21,255	614,932
FUND BALANCES, July 1, 2006	138,510	251,455	389,965
FUND BALANCES, June 30, 2007	\$ 732,187	\$ 272,710	\$ 1,004,897

Nonmajor Special Revenue Funds

Cable TV/Public Access Fund – this fund accounts for the receipt and expenditure of funds received from cable TV franchise fees for public access television.

Public Works Support Services Fund – accounts for the professional and administrative support services provide by public works administrative and engineering staff.

Building Inspection Fund – accounts for the City's building inspection activities. The primary revenue source is permit fees.

Planning Fund – accounts for the City's planning activities. Primary revenue sources are planning fees and charges, intergovernmental grants, franchise fees, and transfer from the general fund.

CITY OF WEST LINN, OREGON
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2007

	Cable TV/ Public Access Fund	Public Works Support Services Fund	Building Inspection Fund	Planning Fund	Totals
ASSETS:					
Cash and investments	\$ 454,051	\$ 193,336	\$ 243,432	\$ 354,579	\$ 1,245,398
Accounts receivable	-	-	-	48,959	48,959
TOTAL ASSETS	<u>\$ 454,051</u>	<u>\$ 193,336</u>	<u>\$ 243,432</u>	<u>\$ 403,538</u>	<u>\$ 1,294,357</u>
LIABILITIES AND FUND BALANCE (DEFICIT):					
Liabilities:					
Accounts payable	\$ 28,465	\$ 24,407	44,559	4,046	\$ 101,477
Accrued salaries and payroll taxes	-	10,374	6,333	6,906	23,613
Deposits payable	-	-	983	186,097	187,080
Interfund loan	-	-	250,000	-	250,000
TOTAL LIABILITIES	28,465	34,781	301,875	197,049	562,170
FUND BALANCE (DEFICIT):					
Undesignated	<u>425,586</u>	<u>158,555</u>	<u>(58,443)</u>	<u>206,489</u>	<u>732,187</u>
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	<u>\$ 454,051</u>	<u>\$ 193,336</u>	<u>\$ 243,432</u>	<u>\$ 403,538</u>	<u>\$ 1,294,357</u>

CITY OF WEST LINN, OREGON

NONMAJOR SPECIAL REVENUE FUNDS

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

YEAR ENDED JUNE 30, 2007

	Cable TV/ Public Access Fund	Public Works Support Services Fund	Building Inspection Fund	Planning Fund	Totals
REVENUES:					
Charges for services	\$ -	\$ 13,200	\$ -	\$ -	\$ 13,200
Licenses, permits and fees	-	66,743	695,936	238,346	1,001,025
Franchise fees	231,780	-	-	129,510	361,290
Intergovernmental	-	-	11,685	201,984	213,669
Interest	17,456	6,773	3,451	-	27,680
Miscellaneous	-	8,044	133	1,940	10,117
TOTAL REVENUES	249,236	94,760	711,205	571,780	1,626,981
EXPENDITURES:					
General government	-	645,267	-	585,883	1,231,150
Cultural and recreation	112,814	-	-	-	112,814
Public safety	-	-	428,050	-	428,050
Capital outlay	25,220	24,389	-	-	49,609
TOTAL EXPENDITURES	138,034	669,656	428,050	585,883	1,821,623
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	111,202	(574,896)	283,155	(14,103)	(194,642)
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	-	850,900	-	413,592	1,264,492
Transfers to other funds	(3,000)	(139,000)	(141,173)	(193,000)	(476,173)
TOTAL OTHER FINANCING SOURCES (USES)	(3,000)	711,900	(141,173)	220,592	788,319
NET CHANGE IN FUND BALANCE	108,202	137,004	141,982	206,489	593,677
FUND BALANCE (DEFICIT), July 1, 2006	317,384	21,551	(200,425)	-	138,510
FUND BALANCE (DEFICIT), June 30, 2007	\$ 425,586	\$ 158,555	\$ (58,443)	\$ 206,489	\$ 732,187

CITY OF WEST LINN, OREGON

CABLE TV/PUBLIC ACCESS FUND

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

YEAR ENDED JUNE 30, 2007

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Franchise fees	\$ 98,000	\$ 231,780	\$ 133,780
Interest	10,000	17,456	7,456
TOTAL REVENUES	<u>108,000</u>	<u>249,236</u>	<u>141,236</u>
EXPENDITURES:			
Materials and services	116,900	112,814	4,086
Capital outlay	44,700	25,220	19,480
Contingency	256,197	-	256,197
TOTAL EXPENDITURES	<u>417,797</u>	<u>138,034</u>	<u>279,763</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(309,797)	111,202	420,999
OTHER FINANCING USES:			
Transfers to other funds	(3,000)	(3,000)	-
NET CHANGE IN FUND BALANCE	(312,797)	108,202	420,999
FUND BALANCE, July 1, 2006	<u>312,797</u>	<u>317,384</u>	<u>4,587</u>
FUND BALANCE, June 30, 2007	<u>\$ -</u>	<u>\$ 425,586</u>	<u>\$ 425,586</u>

CITY OF WEST LINN, OREGON

PUBLIC WORKS SUPPORT SERVICES FUND

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

YEAR ENDED JUNE 30, 2007

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES:				
Charges for services	\$ 864,100	\$ 864,100	\$ 13,200	\$ (850,900)
Licenses and permits	87,600	87,600	66,743	(20,857)
Interest	-	-	6,773	6,773
Miscellaneous	3,000	3,000	8,044	5,044
TOTAL REVENUES	954,700	954,700	94,760	(859,940)
EXPENDITURES:				
Personal services	579,600	579,600	521,580	58,020
Materials and services	149,100	187,100	123,687	63,413
Capital outlay	29,000	43,000	24,389	18,611
Contingency	63,833	7,833	-	7,833
TOTAL EXPENDITURES	821,533	817,533	669,656	147,877
EXCESS OF REVENUES OVER EXPENDITURES	133,167	137,167	(574,896)	(712,063)
OTHER FINANCING USES:				
Transfers from other funds	-	-	850,900	850,900
Transfers to other funds	(135,000)	(139,000)	(139,000)	-
TOTAL OTHER FINANCING USES	(135,000)	(139,000)	711,900	850,900
NET CHANGE IN FUND BALANCE	(1,833)	(1,833)	137,004	138,837
FUND BALANCE, July 1, 2006	1,833	1,833	21,551	19,718
FUND BALANCE, June 30, 2007	\$ -	\$ -	\$ 158,555	\$ 158,555

CITY OF WEST LINN, OREGON

BUILDING INSPECTION FUND

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

YEAR ENDED JUNE 30, 2007

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES:				
Licenses and fees	\$ 566,000	\$ 566,000	\$ 695,936	\$ 129,936
Intergovernmental	-	-	11,685	11,685
Interest	1,000	1,000	3,451	2,451
Miscellaneous	500	500	133	(367)
TOTAL REVENUES	<u>567,500</u>	<u>567,500</u>	<u>711,205</u>	<u>143,705</u>
EXPENDITURES:				
Personal services	383,800	383,800	377,050	6,750
Materials and services	29,400	43,400	38,500	4,900
Debt service	12,500	12,500	12,500	-
Contingency	38,605	24,605	-	24,605
TOTAL EXPENDITURES	<u>464,305</u>	<u>464,305</u>	<u>428,050</u>	<u>36,255</u>
EXCESS OF REVENUES OVER EXPENDITURES	103,195	103,195	283,155	179,960
OTHER FINANCING USES:				
Transfers to other funds	(141,400)	(141,400)	(141,173)	227
NET CHANGE IN FUND BALANCE	(38,205)	(38,205)	141,982	180,187
FUND BALANCE, July 1, 2006	<u>38,205</u>	<u>38,205</u>	<u>49,575</u>	<u>11,370</u>
FUND BALANCE, June 30, 2007	<u>\$ -</u>	<u>\$ -</u>	191,557	<u>\$ 191,557</u>
RECONCILIATION TO GAAP BASIS:				
Adjustment for loan from other fund			(250,000)	
FUND BALANCE (DEFICIT) GAAP BASIS, June 30, 2007			<u>\$ (58,443)</u>	

CITY OF WEST LINN, OREGON

PLANNING FUND

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

YEAR ENDED JUNE 30, 2007

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Franchise fees	\$ 125,000	\$ 129,510	\$ 4,510
Intergovernmental	427,000	201,984	(225,016)
Licenses and permits	190,000	238,346	48,346
Miscellaneous	-	1,940	1,940
TOTAL REVENUES	742,000	571,780	(170,220)
EXPENDITURES:			
Personal services	490,000	441,773	48,227
Material and services	445,400	144,110	301,290
Contingency	27,200	-	27,200
TOTAL EXPENDITURES	962,600	585,883	376,717
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(220,600)	(14,103)	206,497
OTHER FINANCING SOURCES (USES):			
Transfers from other funds	413,600	413,592	(8)
Transfers to other funds	(193,000)	(193,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	220,600	220,592	(8)
NET CHANGE IN FUND BALANCE	-	206,489	206,489
FUND BALANCE, July 1, 2006	-	-	-
FUND BALANCE, June 30, 2007	\$ -	\$ 206,489	\$ 206,489

Debt Service Fund

Debt Service Fund – 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.

CITY OF WEST LINN, OREGON

DEBT SERVICE FUND

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

YEAR ENDED JUNE 30, 2007

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Property taxes	\$ 875,245	\$ 921,820	\$ 46,575
Interest	-	22,940	22,940
TOTAL REVENUES	<u>875,245</u>	<u>944,760</u>	<u>69,515</u>
EXPENDITURES:			
Debt service:			
Principal	460,000	460,000	-
Interest	470,469	463,505	6,964
Reserve for future debt service	164,000	-	164,000
TOTAL EXPENDITURES	<u>1,094,469</u>	<u>923,505</u>	<u>170,964</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND NET CHANGE IN FUND BALANCE	(219,224)	21,255	240,479
FUND BALANCE, July 1, 2006	<u>219,224</u>	<u>251,455</u>	<u>32,231</u>
FUND BALANCE, June 30, 2007	<u>\$ -</u>	<u>\$ 272,710</u>	<u>\$ 272,710</u>

CITY OF WEST LINN, OREGON

PARK BOND CONSTRUCTION FUND

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

YEAR ENDED JUNE 30, 2007

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Interest	\$ 1,500	\$ 51,167	\$ 49,667
EXPENDITURES:			
Capital outlay	958,204	-	958,204
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND NET CHANGE IN FUND BALANCE	(956,704)	51,167	1,007,871
FUND BALANCE, July 1, 2006	956,704	955,327	(1,377)
FUND BALANCE, June 30, 2007	<u>\$ -</u>	<u>\$ 1,006,494</u>	<u>\$ 1,006,494</u>

Enterprise Funds

Water Fund – accounts for the City's water utility operations. It includes the Water Fund and Water Bond Construction Fund. The Water Bond Construction Fund was closed, with the remaining balance transferred to the Water Fund as of June 30, 2006.

Environmental Services Fund – accounts for the City's wastewater and stormwater operations. It includes the Environmental Services Fund and the Sewer Fund. The Sewer Fund was closed, with the remaining balance transferred to the Environmental Services Fund as of June 30, 2006.

CITY OF WEST LINN, OREGON

WATER FUND

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

YEAR ENDED JUNE 30, 2007

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES:				
Water sales	\$ 2,701,500	\$ 2,701,500	\$ 2,869,342	\$ 167,842
Water connection fees	40,000	40,000	46,953	6,953
Interest	15,000	15,000	19,754	4,754
Miscellaneous	30,500	30,500	31,955	1,455
System development charges	12,000	12,000	9,880	(2,120)
TOTAL REVENUES	2,799,000	2,799,000	2,977,884	178,884
EXPENDITURES:				
Personal services	650,600	668,600	580,662	87,938
Materials and services	1,430,400	1,430,400	1,206,197	224,203
Capital outlay	15,000	24,000	8,600	15,400
Debt service	163,603	163,603	149,981	13,622
Contingency	169,228	142,228	-	142,228
Reserve for debt service	151,103	151,103	-	151,103
TOTAL EXPENDITURES	2,579,934	2,579,934	1,945,440	634,494
EXCESS OF REVENUES OVER EXPENDITURES	219,066	219,066	1,032,444	813,378
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	80,000	80,000	79,992	(8)
Transfers to other funds	(561,000)	(561,000)	(560,505)	495
TOTAL OTHER FINANCING SOURCES (USES)	(481,000)	(481,000)	(480,513)	487
NET CHANGE IN FUND BALANCE	(261,934)	(261,934)	551,931	813,865
FUND BALANCE, July 1, 2006	261,934	261,934	655,018	393,084
FUND BALANCE, June 30, 2007	\$ -	\$ -	\$ 1,206,949	\$ 1,206,949

CITY OF WEST LINN, OREGON

ENVIRONMENTAL SERVICE FUND

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

YEAR ENDED JUNE 30, 2007

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES:				
Licenses and permits	\$ 40,000	\$ 40,000	\$ 35,576	\$ (4,424)
Sewer charges	1,415,000	1,415,000	1,586,689	171,689
Storm drain charges	504,000	504,000	560,684	56,684
Interest	40,000	40,000	90,164	50,164
Miscellaneous	25,000	25,000	17,825	(7,175)
System development charges	39,000	39,000	43,036	4,036
TOTAL REVENUES	<u>2,063,000</u>	<u>2,063,000</u>	<u>2,333,974</u>	<u>270,974</u>
EXPENDITURES:				
Personal services	854,800	854,800	795,833	58,967
Materials and services	373,300	373,300	265,704	107,596
Capital outlay	292,500	292,500	278,971	13,529
Contingency	1,066,346	1,066,346	-	1,066,346
TOTAL EXPENDITURES	<u>2,586,946</u>	<u>2,586,946</u>	<u>1,340,508</u>	<u>1,246,438</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(523,946)</u>	<u>(523,946)</u>	<u>993,466</u>	<u>1,517,412</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	106,500	106,500	106,500	-
Transfers to other funds	(778,000)	(778,000)	(775,336)	2,664
TOTAL OTHER FINANCING SOURCES (USES)	<u>(671,500)</u>	<u>(671,500)</u>	<u>(668,836)</u>	<u>2,664</u>
NET CHANGE IN FUND BALANCE	(1,195,446)	(1,195,446)	324,630	1,520,076
FUND BALANCE, July 1, 2006	<u>1,195,446</u>	<u>1,195,446</u>	<u>1,719,421</u>	<u>523,975</u>
FUND BALANCE, June 30, 2007	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,044,051</u>	<u>\$ 2,044,051</u>

Internal Service Fund

Vehicle/Equipment Maintenance Fund – accounts for the maintenance of the City's vehicles and equipment. Charges are made to the various City operations to recover the costs of providing services.

CITY OF WEST LINN, OREGON

VEHICLE/EQUIPMENT MAINTENANCE FUND

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

YEAR ENDED JUNE 30, 2007

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES:				
Charges for services	\$ 427,500	\$ 427,500	\$ 142,622	\$ (284,878)
Interest income	-	-	1,145	1,145
TOTAL REVENUES	<u>427,500</u>	<u>427,500</u>	<u>143,767</u>	<u>(283,733)</u>
EXPENDITURES:				
Personal services	189,500	189,500	159,682	29,818
Materials and services	145,400	145,400	140,604	4,796
Capital outlay	7,500	7,500	7,467	33
Contingency	6,699	6,699	-	6,699
TOTAL EXPENDITURES	<u>349,099</u>	<u>349,099</u>	<u>307,753</u>	<u>41,346</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>78,401</u>	<u>78,401</u>	<u>(163,986)</u>	<u>(242,387)</u>
OTHER FINANCING USES:				
Transfers from other funds	-	-	258,861	258,861
Transfers to other funds	(80,000)	(80,000)	(80,000)	-
TOTAL OTHER FINANCING USES	<u>(80,000)</u>	<u>(80,000)</u>	<u>178,861</u>	<u>258,861</u>
NET CHANGE IN FUND BALANCE	<u>(1,599)</u>	<u>(1,599)</u>	<u>14,875</u>	<u>16,474</u>
FUND BALANCE, July 1, 2006	<u>1,599</u>	<u>1,599</u>	<u>37,650</u>	<u>36,051</u>
FUND BALANCE, June 30, 2007	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,525</u>	<u>\$ 52,525</u>

Other Financial Schedules

CITY OF WEST LINN, OREGON
 SCHEDULE OF PROPERTY TAX TRANSACTIONS
 FOR THE YEAR ENDED JUNE 30, 2007

Tax Year	Property Taxes Uncollected July 1, 2006	Add Levy Extended by Assessor	Discounts Allowed	Cancellation Adjustments	Interest	Collections	Property Taxes Uncollected June 30, 2007
2006-07	\$ -	\$ 7,759,907	\$ (187,488)	\$ (13,419)	\$ 2,292	\$ (7,310,877)	\$ 250,415
2005-06	165,663	-	(1)	(1,199)	5,411	(112,288)	57,586
2004-05	50,095	-	13	(1,397)	3,126	(25,721)	26,116
2003-04	36,602	-	3	(1,284)	3,476	(20,301)	18,496
2002-03	19,992	-	1	(5,635)	1,998	(10,057)	6,299
2001-02	5,003	-	1	(891)	286	(1,256)	3,143
2000-01 & prior	4,801	-	4	(384)	390	(223)	4,588
Total prior	<u>282,156</u>	<u>-</u>	<u>21</u>	<u>(10,790)</u>	<u>14,687</u>	<u>(169,846)</u>	<u>116,228</u>
Grand total	<u>\$ 282,156</u>	<u>\$ 7,759,907</u>	<u>\$ (187,467)</u>	<u>\$ (24,209)</u>	<u>\$ 16,979</u>	<u>\$ (7,480,723)</u>	<u>\$ 366,643</u>

Public Safety Fund	\$ 320,605
Debt Service Fund	<u>46,038</u>
	<u>\$ 366,643</u>

**AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS**

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, and comments and disclosures required in audit reports. The required statements and schedules are set forth in the preceding sections of this report. Required comments and disclosures related to the audit of such statements and schedules are set forth in the following pages.



4800 S.W. Macadam, Suite 400 • Portland, Oregon 97239-3973
503/274-2849 • Fax 503/274-2853

AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

December 11, 2008

Honorable Mayor and City Councilors
City of West Linn
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 June 30, 2007, and have issued our report dated December 11, 2008. 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*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on internal control over financial reporting. We have issued under separate cover, required communications in accordance with Statement on Auditing Standards No. 112, dated December 11, 2008.

ADEQUACY OF ACCOUNTING RECORDS

The City's accounting records were adequate to support our opinions on the audit of the financial statements except with regards to capital assets.

ADEQUACY OF COLLATERAL SECURING DEPOSITORY BALANCES

Oregon Revised Statutes (ORS) Chapter 295 requires that each depository throughout the period of its possession of public funds deposits shall maintain on deposit with its custodians, at its own expense, securities having a value of not less than 25% of the certificates of participation issued by the pool manager for funds in excess of those insured by the Federal Deposit Insurance Corporation. Our review of adequacy of collateral securing depository balances indicated the collateral was sufficient during the year ended June 30, 2007.

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

Page 2

INVESTMENTS

Our review of deposit and investment balances indicated that, during the year ended June 30, 2007, the City was in compliance with ORS 294 as it pertains to investment of public funds.

LEGAL REQUIREMENTS RELATING TO DEBT

We noted the indebtedness of the City was in compliance with ORS 287.004 during the year ended June 30, 2007. We noted no defaults in principal, interest, sinking fund or redemption provisions with respect to any of the City's bonded debt, and no breach of the bond agreements, at June 30, 2007. The City did not meet its bond covenant related to timely completion of audits or the City's minimum required debt ratio.

BUDGET COMPLIANCE

The City appears to have complied with Local Budget Law (ORS 294.305 to 294.520) in the preparation, adoption and execution of its budget and tax levy for the year ended June 30, 2007, and the preparation and adoption of its budget for the year ending June 30, 2008, except as noted below:

1. The City has an interfund loan between the System Development Fund and the Building Inspection Fund, with a repayment term of five years. Repayment in full was not budgeted for the 2007-2008 fiscal year. ORS 294.460(a) requires repayment of non-capital interfund loans within the ensuing fiscal year.
2. The budget document for the year ended June 30, 2007, did not contain the required statement of outstanding indebtedness.
3. We were unable to verify that the budget hearing related to the budget for the year ended June 30, 2007, was publicized as required by Local Budget Law.
4. The interfund loan of Systems Development Funds to the Building Inspection Fund is inconsistent with the restricted use of those monies, and violates ORS 24.460(d).

INSURANCE POLICIES AND FIDELITY BONDS

We have reviewed the City's insurance and fidelity bond coverage at June 30, 2007. We ascertained that such policies appeared to be in force and in compliance with legal requirements relating to insurance and fidelity bond coverage. The City's fidelity bond may be inadequate to cover the misappropriation of cash. We are not competent by training to comment on the adequacy of the insurance policies covering City-owned property at June 30, 2007.

PUBLIC CONTRACTS

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

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

Page 3

HIGHWAY FUNDS

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

OTHER

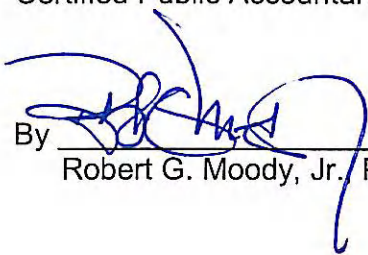
The following audit comments and disclosures do not apply to the City:

- Programs funded from outside sources.
- Financial reporting requirements.

* * * * *

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

TALBOT, KORVOLA & WARWICK, LLP
Certified Public Accountants

By  _____
Robert G. Moody, Jr. Partner