

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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Courtesy of Old Oregon Photos

CITY OF
**West
Linn**
OREGON
100 Years ♦ 1913 - 2013

CITY OF WEST LINN, OREGON
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2014

prepared by

Finance Department
City of West Linn, Oregon

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



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CITY OF WEST LINN, OREGON

Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2014

TABLE OF CONTENTS

	Page
I. INTRODUCTORY SECTION	
Letter of Transmittal	1
Certificate of Achievement for Excellence in Financial Reporting	6
Elected and Appointed Officials	7
Organizational Chart	8
Audit Committee	9
II. FINANCIAL SECTION	
Independent Auditor's Report	12
Management's Discussion and Analysis	15
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	26
Statement of Activities	27
Fund Financial Statements	
Balance Sheet – Governmental Funds	28
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	29
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	30
Statement of Net Position – Proprietary Funds	31
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	32
Statement of Cash Flows – Proprietary Funds	33
Notes to Basic Financial Statements	34
Required Supplementary Information	
Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	
General Fund	55
Public Safety Fund	56
Parks and Recreation Fund	57
Library Fund	58
Street Fund	59
Schedule of Funding Progress	
Other Postemployment Benefits Plan	60
Notes to Required Supplementary Information	61

CITY OF WEST LINN, OREGON

Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2014

TABLE OF CONTENTS, CONTINUED

	Page
Other Supplementary Information	
Combining and Individual Fund Financial Statements and Schedules	
Schedule of Revenues, Expenditures and Changes in Fund Balances –	
Budget and Actual – Major Governmental Fund – Capital Projects	
Systems Development Charges Fund	64
Combining Balance Sheet – Nonmajor Governmental Funds	66
Combining Statement of Revenues, Expenditures and Changes in Fund Balances –	
Nonmajor Governmental Funds	67
Combining Balance Sheet – Nonmajor Special Revenue Funds	68
Combining Statement of Revenues, Expenditures and Changes in	
Fund Balances (Deficit) – Nonmajor Special Revenue Funds	69
Schedules of Revenues, Expenditures and Changes in Fund Balances (Deficit) –	
Budget and Actual – Nonmajor Governmental Funds	
Building Inspections Fund	70
Planning Fund	71
Debt Service Fund	72
Park Bond Construction Fund	73
Schedules of Revenues, Expenditures and Changes in Fund Balances –	
Budget and Actual – Proprietary Funds	
Water Fund	75
Environmental Services Fund	76
Other Financial Schedules	
Schedule of Future Debt Service Requirements	78
Schedule of Property Tax Transactions and Outstanding Balances	79
Schedule of Accountability of Independently Elected Officials	80

CITY OF WEST LINN, OREGON

Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2014

TABLE OF CONTENTS, CONTINUED

	Page
III. STATISTICAL SECTION	
Net Position by Component	83
Changes in Net Position	84
Governmental Activities Tax Revenues by Source	86
Fund Balances of Governmental Funds	87
Changes in Fund Balances of Governmental Funds	88
Assessed Value and Estimated Real Market Value of Taxable Property	89
Property Tax Rates – Direct and Overlapping Governments	90
Principal Property Taxpayers	91
Property Tax Levies and Collections	92
Ratios of Outstanding Debt by Type	93
Ratios of General Bonded Debt Outstanding	94
Direct and Overlapping Governmental Activities Debt	95
Legal Debt Margin Information	96
Pledged-Revenue Coverage	97
Demographic and Economic Statistics	98
Principal Employers	99
Full-time Equivalent City Government Employees by Function	100
Operating Indicators by Function	101
Capital Asset Statistics by Function	102
IV. COMPLIANCE SECTION	
Independent Auditor’s Report Required by Oregon State Regulations	105

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CITY OF WEST LINN, OREGON
COMPREHENSIVE ANNUAL FINANCIAL REPORT

SECTION I

INTRODUCTORY SECTION

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CITY OF West Linn

November 21, 2014

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

The Comprehensive Annual Financial Report (CAFR) of the City of West Linn, Oregon (the City) for the fiscal year ended June 30, 2014 is hereby submitted.

This report presents the financial position of the City as of June 30, 2014 and the results of its operations for the fiscal year then ended. The financial statements and supporting schedules have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and meet the requirements of the standards prescribed by the Oregon Secretary of State Audits Division. We believe the data, as presented, is accurate in all material respects and presented in a manner designed to fairly set forth the financial position and results of operations of the various funds of the City.

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

Talbot, Korvola & Warwick LLP, Certified Public Accountants, have issued an unmodified or "clean" opinion on the City's financial statements for the fiscal year ended June 30, 2014. The independent auditor's report is located at page 12 in the Financial Section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A is located at page 15 immediately following the independent auditor's report.

Profile of the Government

West Linn is a community where citizens, civic organizations, businesses and city government work together to ensure that the community retains its hometown identity, high quality of life and its natural beauty. The City incorporated in 1913 and today serves a population of 25,425. It is close to the region's business core and urban amenities, with Portland approximately twenty miles to the north. At the same time, the City provides a

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

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

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

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

Local Economy

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

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

Long-term Financial Planning

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

Along with the adoption of the 2014-2015 biennial budget, certain utility rate fee increases were approved by City Council with the support of the Citizens' Budget Committee and the Utility Advisory Board. Effective January 1, 2014, a five percent rate increase for water, sewer, and surface water management fees was approved. Effective July 1, 2014, a five percent rate increase was approved for the parks and residential street fees. Effective January 1, 2015, a five percent rate increase was approved for water, sewer, and surface water management.

In regards to the City's long-term debt obligations, the City had \$12.8 million outstanding in three general obligation bond issues, \$5.2 million outstanding in two full faith and credit obligations, and \$0.9 million outstanding in a water revenue bond issue, for a total of \$18.9 million in long-term debt outstanding as of June 30, 2014.

City's Credit Ratings

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

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

New Police Station

In November 2011, voters approved Ballot Measure 3-377 authorizing the issuance of up to \$8.5 million in general obligation bonds to allow for the acquisition, construction and furnishing of a new police station to be located on 8th Avenue. It was estimated at the time that this measure would increase the property tax rates by \$0.16 cents per thousand of assessed value and the tax impact on an average West Linn home with an assessed value of \$285,000 was estimated at \$46 per year.

In January 2012, the City marketed and subsequently sold \$8.5 million in general obligation bonds. The Official Statement outlined the demographics and financial condition of the City. With bond interest rates at historic lows, it was an excellent time to sell municipal bonds and resulted in the City receiving an overall true interest cost rate over twenty years of 2.25 percent. Commencing with the November 2012 property tax bills, the bonded debt tax rate increased by \$0.14 cents per thousand of assessed value to cover the debt service payments.

History of City's Low Permanent Property Tax Rate

Two serial levies were in place for the City of West Linn in fiscal years 1994-95, 1995-96 and 1996-97. Both of these serial levies expired before the Measure 50 permanent property tax rates were established. Hence, neither of these two serial levies rolled into the permanent rate for the City of West Linn. In March 1997, West Linn voters approved two local option levies which replaced the two serial levies; however, this election was too late for the permanent rate calculation which occurred in late 1996. Today, the permanent property tax rate for the City of West Linn is at \$2.12 per thousand of assessed value, the lowest property tax rate for cities in the surrounding area.

Major Initiatives

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

In preparing the budget for the 2014-2015 biennium, the City Council adopted various goals that were then incorporated into budgeted operations. The City Council updated their previous goal list and established guidelines for achievement in the following major areas: enhancing pedestrian safety and bike/pedestrian opportunities, decide upon an aquatic

center, create a master plan for the Blue Heron property, utility infrastructure, economic development, and plan for a successful Centennial celebration.

The Citizens' Budget Committee continued with biennial budgeting and approved the City's third biennial budget allowing better alignment of the City's budget with the State's and an increased focus on a longer term. With this financial report for the fiscal year ended June 30, 2014, the actual results reflect the first year of the biennium. Additionally, the City's Audit Committee, consisting of Councilors Thomas Frank and Jody Carson, partnering with Nathan Reagan who is a West Linn resident and certified public accountant, continue their focus on audit oversight and improving all finance processes.

Awards

Comprehensive Annual Financial Reporting Award. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. This was the sixth consecutive year that the City has achieved this prestigious award. In order to be awarded a *Certificate of Achievement*, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both accounting principles generally accepted accounting principles and applicable legal requirements.

A *Certificate of Achievement* is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Popular Annual Financial Reporting Award. The GFOA has given an *Award for Outstanding Achievement in Popular Annual Financial Reporting* to the City for its Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2013. The *Award for Outstanding Achievement in Popular Annual Financial Reporting* is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an *Award for Outstanding Achievement in Popular Annual Financial Reporting*, a government unit must publish a PAFR, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

An *Award for Outstanding Achievement in Popular Annual Financial Reporting* is valid for a period of one year only. The City has received a Popular Award for the last six consecutive years. We believe that our current PAFR continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to the GFOA.

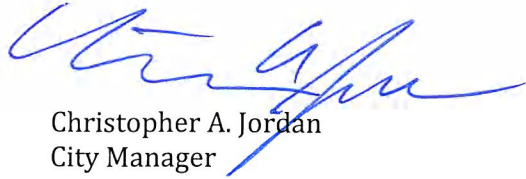
Distinguished Budget Presentation Award. The GFOA presented a *Distinguished Budget Presentation Award* to the City for its biennial budget for the biennium beginning July 1, 2013. In order to receive this award, a government unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communication device.

This award is valid for a period of two years only. We believe that our current budget continues to conform to program requirements, and will be submitting the next budget to GFOA to determine its eligibility for another award.


Acknowledgements

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

Respectfully submitted,



Christopher A. Jordan
City Manager



Richard W. Seals, CPA CMA CFM CFE CGMA
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of West Linn,
Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2013

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



Nancy L. Zielle

President

Jeffrey R. Emer

Executive Director

CITY OF WEST LINN, OREGON
Elected and Appointed Officials

Elected Officials	Term Expires
John Kovash, Mayor	December 31, 2016
Jody Carson, Council President	December 31, 2014
Thomas Frank, Councilor	December 31, 2016
Mike Jones, Councilor	December 31, 2014
Jenni Tan, Councilor	December 31, 2016
Rhett Bernstein, Municipal Court Judge	December 31, 2014

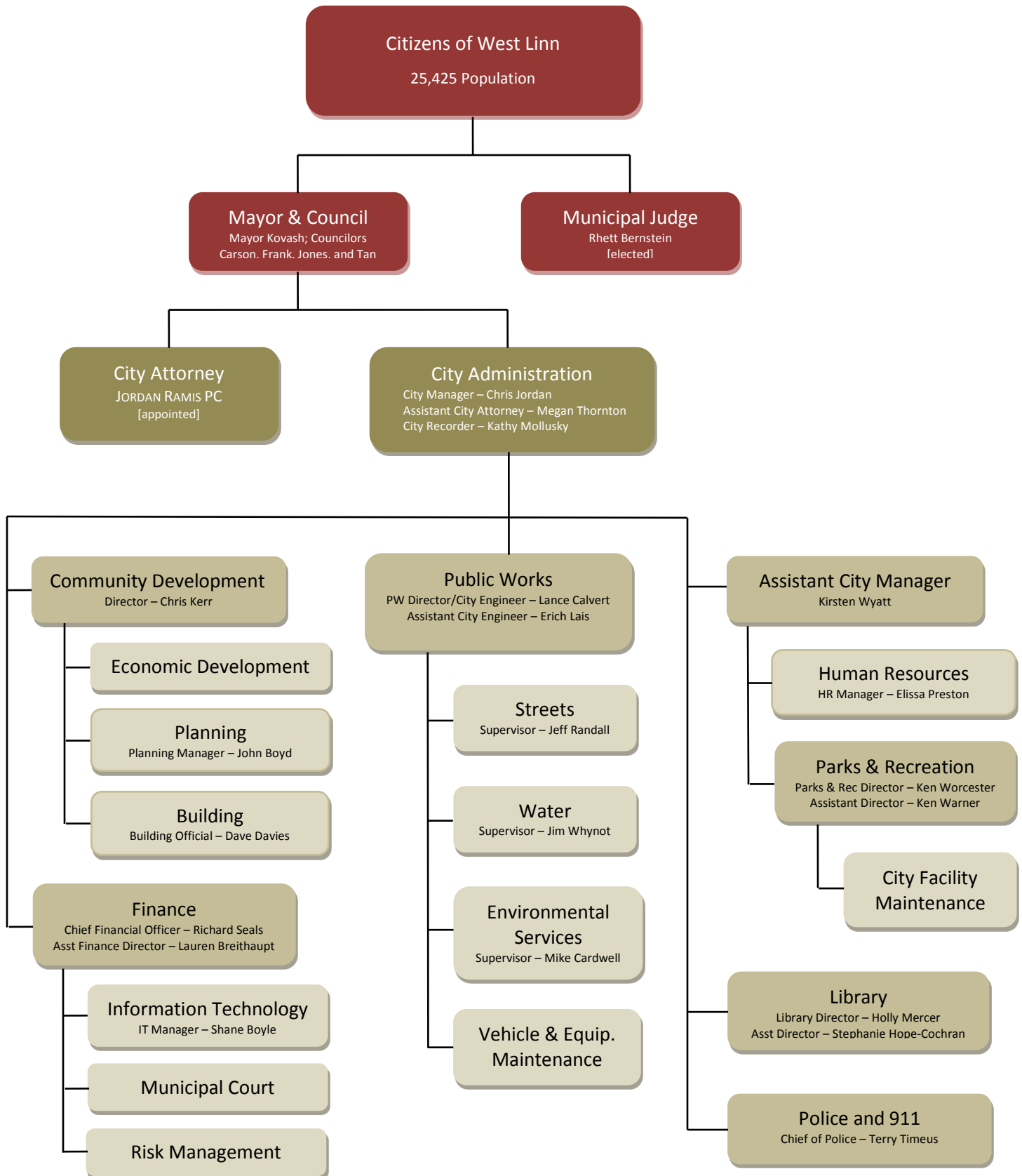
Appointed Officials	Position
Christopher A. Jordan	City Manager
JORDAN RAMIS PC	Legal Counsel/City Attorney

Management Team:

John Boyd, AICP CFM	Planning Manager
Shane Boyle	Information Tech. Manager
Lauren Breithaupt, CPA CGMA	Assistant Finance Director
Lance Calvert, PE	Public Works Director
Chris Kerr	Community Development Dir.
Holly Mercer	Library Director
Kathy Mollusky, CMC	City Recorder
Elissa Preston	Human Resources Manager
Richard Seals, CPA CMA CFM CFE	Chief Financial Officer
Megan Thornton	Assistant City Attorney
Terry Timeus	Chief of Police
Ken Worcester	Parks and Recreation Director
Kirsten Wyatt	Assistant City Manager

CITY OF WEST LINN, OREGON

Organizational Chart



CITY OF WEST LINN, OREGON
Audit Committee

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

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

Audit Committee Members	Term Expires
Council Members:	
Jody Carson, Councilor	December 31, 2014
Thomas Frank, Councilor	December 31, 2016
Citizen Member:	
Nathan Reagan, CPA	December 31, 2017

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

SECTION II

FINANCIAL SECTION



**Talbot, Korvola
& Warwick, LLP**

Certified Public Accountants
& Consultants

ACHIEVE MORE

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www.tkw.com

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Linn, Oregon (the City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the South Fork Water Board, a joint venture equity investment, which reflects the City's investment constituting three percent of total assets at June 30, 2014, and one percent of total revenues for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the South Forth Water Board, is based solely on the report of the other auditors. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

INDEPENDENT AUDITOR'S REPORT (Continued)

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

OPINIONS

In our opinion based on our audit and the report of other auditors, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Required Supplementary Information, such as Management's Discussion and Analysis and the Schedule of Funding Progress as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to this Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other schedules as listed in the Table of Contents as Other Supplementary Information and Other Financial Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Other Supplementary Information and Other Financial Schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing

INDEPENDENT AUDITOR'S REPORT (Continued)

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

OTHER MATTERS (Continued)

Other Information (Continued)

procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information and Other Financial Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections as listed in the Table of Contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

OTHER REPORTING REQUIRED BY OREGON MINIMUM STANDARDS

In accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated November 21, 2014, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

TALBOT, KORVOLA & WARWICK, LLP

By 

Angelique Whitlow, Partner

Lake Oswego, Oregon
November 21, 2014

CITY OF WEST LINN, OREGON

Management's Discussion and Analysis

For the fiscal year ended June 30, 2014

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, 2014. 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

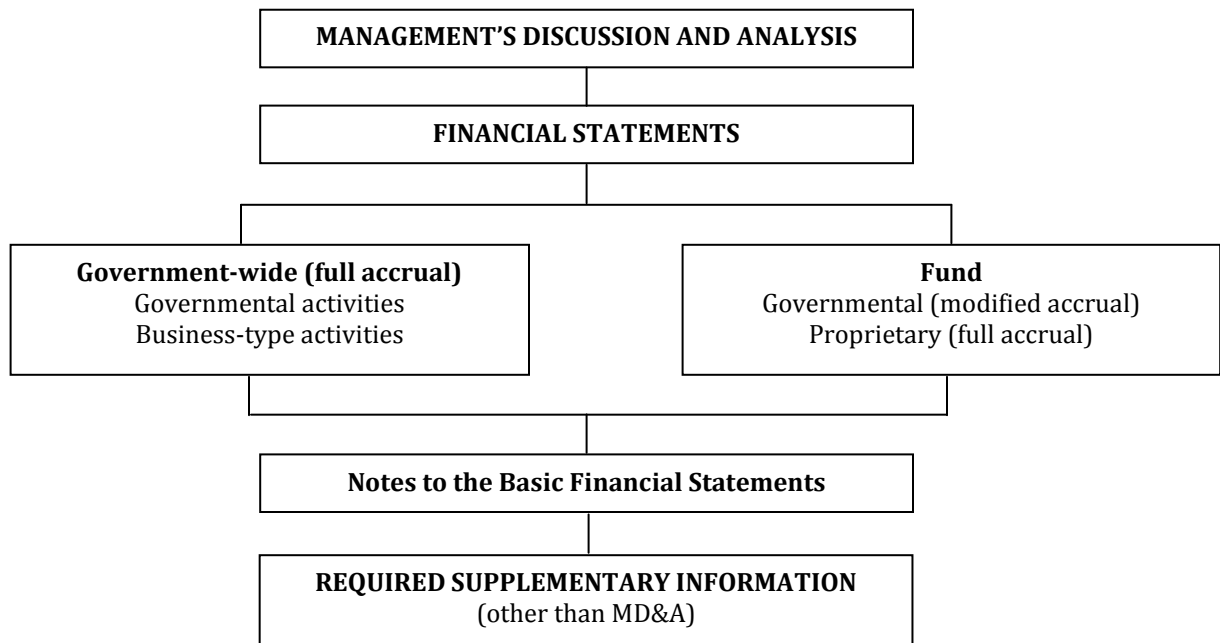
- The City's assets totaled \$303.2 million at June 30, 2014, consisting of \$265.2 million in capital assets, \$12.3 million in unrestricted cash and investments, \$14.0 million in restricted cash and investments, and \$11.7 million in investment in joint venture and other assets. Total assets increased by \$7.6 million from the previous fiscal year.
- The City's liabilities totaled \$29.4 million at June 30, 2014 consisting of \$19.2 million in long-term liabilities and \$10.2 million in accounts payable and other liabilities.
- The assets of the City exceeded its liabilities by \$273.8 million at the close of fiscal year 2013-14. Unrestricted net position totaled \$18.9 million with the remainder of the City's net position invested in capital assets net of related debt (\$247.4 million) and restricted for endowment, capital projects, building operations, and debt service (\$7.5 million).
- For its governmental activities, the City generated \$12.5 million in charges for services and received \$4.2 million in operating and capital grants and contributions. Direct expenses, including interest on long-term debt for governmental activities were \$24.5 million for the year, resulting in a net direct expense of \$7.9 million. \$10.0 million of general revenues received and \$0.2 million of transfers out resulted in a change in net position of \$1.9 million.
- For its business-type activities, the City generated \$7.5 million in charges for services and capital grants and contributions to fund direct expenses of \$6.2 million.
- Fund balance in the City's governmental funds was \$15.6 million at June 30, 2014, decreased by \$2.7 million from June 30, 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Chart 1 - Required Elements of the Comprehensive Annual Financial Report



Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The *Statement of Net Position* 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 position* and how they have changed. Net position—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 position are indicators of whether its *financial health* is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as changes in the City's property tax base and the condition of the City's roads.

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

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

Statement of Net Position

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$273.8 million at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (90 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment, and infrastructure), less any related debt outstanding used to acquire those assets. 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 Position as of June 30th
(in millions)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 18.3	\$ 21.1	\$ 19.7	\$ 13.7	\$ 38.0	\$ 34.8
Capital assets	235.2	231.5	30.0	29.3	265.2	260.8
Total assets	<u>253.5</u>	<u>252.6</u>	<u>49.7</u>	<u>43.0</u>	<u>303.2</u>	<u>295.6</u>
Long-term liabilities	18.3	21.4	0.9	1.1	19.2	22.5
Other liabilities	4.1	2.0	6.1	0.7	10.2	2.7
Total liabilities	<u>22.4</u>	<u>23.4</u>	<u>7.0</u>	<u>1.8</u>	<u>29.4</u>	<u>25.2</u>
Net position:						
Net investment in capital assets	218.3	217.9	29.1	28.3	247.4	246.2
Restricted for:						
Library endowment	0.2	0.1	-	-	0.2	0.1
Debt service	0.2	0.1	0.2	0.2	0.4	0.3
Building operations	0.1	0.1	-	-	0.1	0.1
Capital projects	6.8	6.1	-	-	6.8	6.1
Unrestricted	<u>5.5</u>	<u>4.9</u>	<u>13.4</u>	<u>12.7</u>	<u>18.9</u>	<u>17.6</u>
Total net position	<u>\$ 231.1</u>	<u>\$ 229.2</u>	<u>\$ 42.7</u>	<u>\$ 41.2</u>	<u>\$ 273.8</u>	<u>\$ 270.4</u>

A portion of the City's net position (\$7.5 million or about three percent) represents resources that are subject to external restrictions on how they may be used. The balance of *unrestricted net position* (\$18.9 million or about seven percent) may be used to meet the City's ongoing obligations to citizens and creditors.

As of June 30, 2014, the City had positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

Total net position increased by \$3.4 million during the fiscal year. This increase represents the degree to which ongoing revenues have exceeded similar increases in ongoing expenses.

Statement of Activities

As with the *Statement of Net Position*, 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 Position
(in millions)

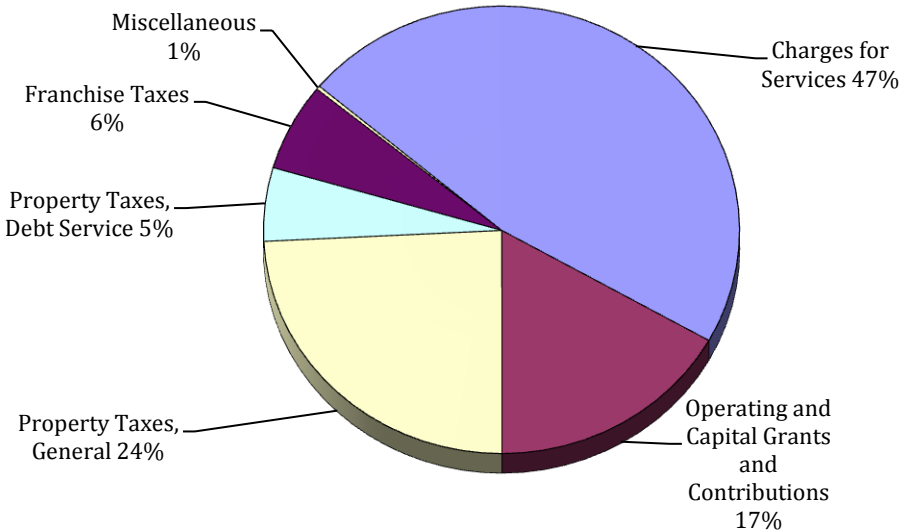
	Governmental Activities		Business-type Activities		Total	
	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013
Revenues						
Program revenues						
Charges for services	\$ 12.5	\$ 11.6	\$ 6.9	\$ 6.9	\$ 19.4	\$ 18.5
Operating grants and contributions	3.8	4.0	-	-	3.8	4.0
Capital grants and contributions	0.4	0.2	0.6	0.2	1.0	0.4
General revenues						
Property taxes	7.9	7.5	-	-	7.9	7.5
Franchise taxes	1.7	1.7	-	-	1.7	1.7
Grants and contributions not restricted to specific programs	0.3	0.3	-	-	0.3	0.3
Total revenues	<u>26.6</u>	<u>25.3</u>	<u>7.5</u>	<u>7.1</u>	<u>34.1</u>	<u>32.4</u>
Expenses						
Governmental activities						
General government	7.2	7.3	-	-	7.2	7.3
Culture and recreation	6.0	6.3	-	-	6.0	6.3
Public safety	7.1	7.1	-	-	7.1	7.1
Highways and streets	3.7	3.6	-	-	3.7	3.6
Interest on long-term debt	0.5	0.6	-	-	0.5	0.6
Business-type activities						
Water	-	-	3.3	3.2	3.3	3.2
Environmental services	-	-	2.9	2.8	2.9	2.8
Total expenses	<u>24.5</u>	<u>24.9</u>	<u>6.2</u>	<u>6.0</u>	<u>30.7</u>	<u>30.9</u>
Change in net position before transfers	2.1	0.4	1.3	1.1	3.4	1.5
Transfers	<u>(0.2)</u>	<u>(0.4)</u>	<u>0.2</u>	<u>0.4</u>	<u>-</u>	<u>-</u>
Change in net position	1.9	(0.0)	1.5	1.5	3.4	1.5
Net position - beginning	<u>229.2</u>	<u>229.2</u>	<u>41.2</u>	<u>39.7</u>	<u>270.4</u>	<u>268.9</u>
Net position - ending	<u>\$ 231.1</u>	<u>\$ 229.2</u>	<u>\$ 42.7</u>	<u>\$ 41.2</u>	<u>\$ 273.8</u>	<u>\$ 270.4</u>

Governmental Activities

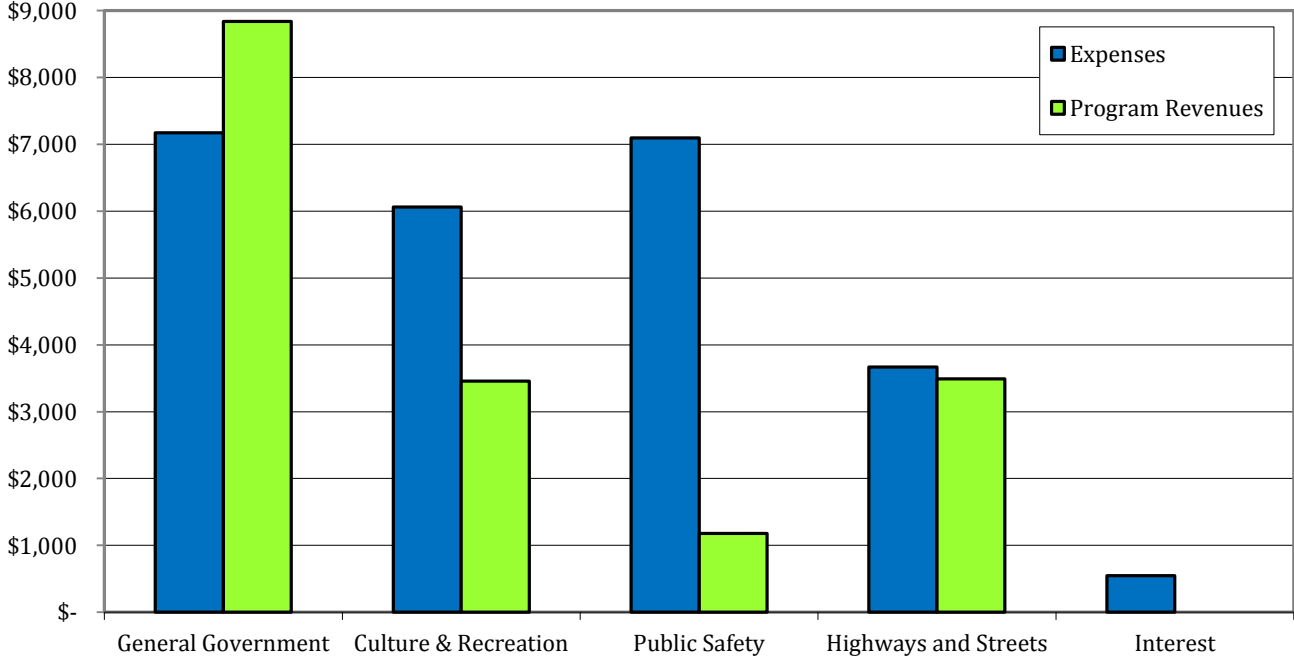
Governmental activities increased the City's net position by \$1.9 million in fiscal year 2013-14, as compared to a no change in the prior fiscal year, 2012-13. Key elements of these changes, as illustrated in Table 2 above, include the receipt of \$0.4 million in developer contributions in fiscal year 2013-14.

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

Revenues by Source - Governmental Activities



**Expenses and Program Revenues - Governmental Activities
(in thousands)**

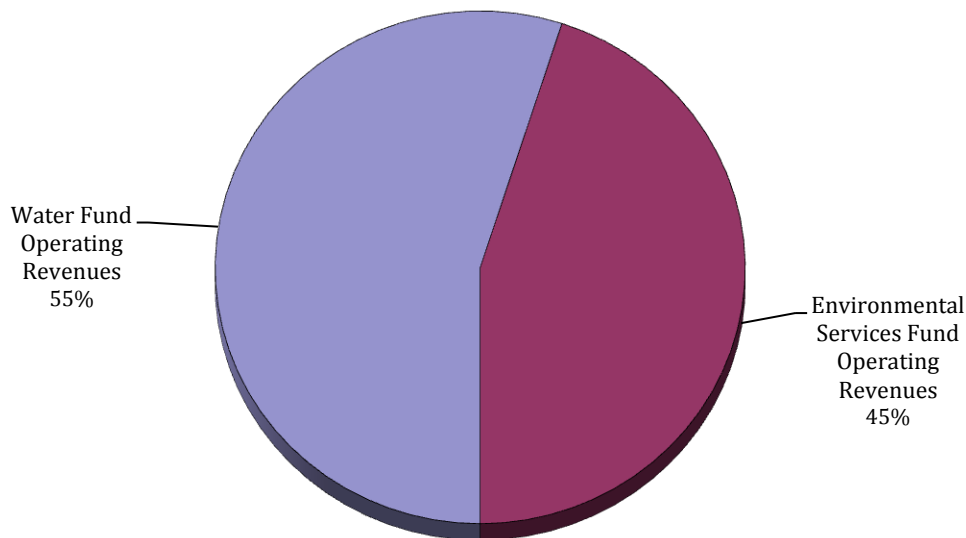


Business-type Activities

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

Environmental services fund revenues represent approximately 45 percent of all utility revenues for the City. The fund provides sewer collection services and surface water management services. Overall, the fund continues to realize improved operating results. Both sewer and surface water management operations realized positive margins.

Utility Revenues - Business-type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

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

As of June 30, 2014, the City's governmental funds reported a combined ending fund balance of \$15.6 million, a decrease of \$2.7 million when compared to the prior year. Unassigned fund balance combined with committed fund balance as of June 30, 2014, was \$6.6 million and is available for spending at the City's discretion.

General Fund

The general fund is the chief operating fund of the City. At June 30, 2014, total fund balance was \$2.1 million, reflecting an increase of \$0.6 million from the prior year. Within the general fund ending balance, \$1.9 million is considered unassigned. The City's general fund continues to be funded with charges for services from other funds, including the three special revenue funds receiving property tax revenues: public safety, parks and recreation, and library. General fund revenues increased slightly to \$6.8 million from the prior year. Expenditures in the general fund decreased by \$0.5 million from \$6.7 million in the prior year to \$6.2 million in the current year.

Public Safety Fund

This special revenue fund accounts for police, 911 dispatch, and overall safety activities within city limits. Revenues decreased to \$6.1 million from \$6.2 million in the prior year attributed to a decrease in intergovernmental revenues. Expenditures in the public safety fund increased to \$11.0 million as spending for the new police station capital construction project continued. Funding for the new police station came from \$8.5 million in general obligation bonds issued in January 2012.

Parks and Recreation Fund

This special revenue fund is used to account for funding parks and recreation programs throughout the City. Overall revenues remained constant at \$3.5 million in the current year. Overall expenditures decreased to \$3.1 million resulting in an overall fund balance increase of \$0.5 million. Debt service payments continued for the full faith and credit obligations issued in 2009 for the Parker Road property.

Library Fund

This special revenue fund is used to account for funding the City's library operations. Overall revenues increased to \$2.4 million from \$2.1 million in the prior year. Overall expenditures increased slightly to \$2.5 million, to include the completion of the parking lot project. Overall fund balance decreased to \$0.7 million.

Street Fund

This special revenue fund accounts for the operation and maintenance of the City's street and sidewalk systems, including medians. Revenue increased to \$3.1 million attributable to increases in the street maintenance fee. Overall street expenditures increased to \$2.8 million from \$2.1 million in the 2012-13 fiscal year. The street fund had an overall increase in fund balance of \$0.3 million for the fiscal year ended June 30, 2014.

Systems Development Charges Fund

This capital projects fund accounts for systems development charges and improvements including those for the street, water, surface water, sewer, park, and bike/pedestrian systems. Revenues decreased slightly from \$1.4 million in the 2012-13 fiscal year to \$1.3 million in the 2013-14 fiscal year due to less new development in the City. Expenditures in the systems development charges fund decreased to \$0.5 million from \$0.9 million in the 2012-13 fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original appropriated budget of the general fund for the 2014-2015 biennium budget period amounted to \$15.3 million including \$0.7 million for contingencies. There were no supplemental budget adjustments during this first year of the 2014-2015 biennium and all departments within the general fund came in under their targeted budget amounts for the first year of the biennium. As fiscal year 2013-14 is the first year of the budget biennium, all of the variances were positive and will carry forward to the second year of the biennium. Also, as there were no supplemental budget adjustments, there are no differences between the original general fund budget and the final general fund budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2014, the City had invested \$265.2 million in capital assets, net of depreciation as reflected in the following table. This represents a net increase (additions, deductions and depreciation) of \$4.4 million in fiscal year 2013-14. Governmental capital assets totaled \$235.2 million while business-type capital assets totaled \$30.0 million.

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land and easements	\$ 192.1	\$ 192.1	\$ 0.5	\$ 0.5	\$ 192.6	\$ 192.6
Buildings and improvements	16.2	16.5	0.6	0.6	16.8	17.1
Vehicles and equipment	1.1	1.2	1.0	0.7	2.1	1.9
Infrastructure	19.9	20.6	27.5	27.2	47.4	47.8
Construction in progress	5.9	1.1	0.4	0.3	6.3	1.4
Capital assets, net	<u>\$ 235.2</u>	<u>\$ 231.5</u>	<u>\$ 30.0</u>	<u>\$ 29.3</u>	<u>\$ 265.2</u>	<u>\$ 260.8</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 asset dispositions and transfers of construction projects in progress that were completed during the fiscal year. Additions include capital contributions from outside developers with the revenue from these contributions reflected in program revenues on the *Statement of Activities*.

Table 4
Change in Capital Assets
(in millions)

	Governmental Activities		Business-type Activities		Total	
	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013
Beginning balance	\$ 231.5	\$ 232.1	\$ 29.3	\$ 28.5	\$ 260.8	\$ 260.6
Additions	6.9	2.4	2.0	2.1	8.9	4.5
Reductions and adjustments	(0.1)	(0.1)	-	-	(0.1)	(0.1)
Depreciation	(3.1)	(2.9)	(1.3)	(1.3)	(4.4)	(4.2)
Ending balance	<u>\$ 235.2</u>	<u>\$ 231.5</u>	<u>\$ 30.0</u>	<u>\$ 29.3</u>	<u>\$ 265.2</u>	<u>\$ 260.8</u>

Assets utilized in governmental activities increased by a net \$3.7 million. This change includes increases in land, building, machinery and equipment, and sidewalk improvements, offset by depreciation. Capital asset additions include completion of various projects throughout the community. Additional detail on the City's capital assets can be found in the capital assets note on page 43 of this report.

Debt Outstanding

As of the end of the fiscal year, the City had \$18.9 million in long-term bonded debt obligations outstanding – a decrease of seven percent from the prior year – as shown in Table 5. Additional detail on the City's long-term debt obligations can be found in the long-term debt obligations note on page 45 of this report.

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

	2014	2013
Governmental Activities:		
General obligation bonds	\$ 12.8	\$ 13.8
Full faith and credit obligations	5.2	5.6
Sub-total	18.0	19.4
Business-type Activities:		
Water revenue bonds	0.9	1.0
Total	<u>\$ 18.9</u>	<u>\$ 20.4</u>

During fiscal year 2011-12, \$8.5 million of general obligation bonds were issued for a new police station. With this bond issue which closed in January 2012, both Standard and Poor's and Moody's reaffirmed the City's bond ratings of AA and Aa2 respectively.

Under Oregon Revised Statutes, general obligation debt issues are limited to three percent of the real market value of all taxable property within the City's boundaries. The \$12.8 million in general obligation debt applicable to this limit is well below the City's \$103.8 million maximum limitation.

Economic Factors

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

The State of Oregon does not have a sales tax, making property taxes a primary funding source for general government, public safety, and culture and recreation services provided by the City. The underlying taxable assessed values continue to be below real market values which are currently about 91 percent; therefore, real market values would have to decrease more than 9 percent before the City's property tax revenues would be negatively impacted.

The largest resource used for governmental activities, at 47 percent, consisted of charges for service, including permits, licenses, recreation charges, and system development charges. Property tax revenue, the next largest revenue sources, provided 29 percent of the resources used for governmental activities. A special tax levy of approximately \$1.8 million (24 percent of total levy) that provided public safety funding expired as of June 30, 2007. To maintain service levels and reduce the reliance on a local option levy requiring a vote every five years, the City implemented fees for parks and street maintenance to offset the foregone property tax revenue. Property taxes for general operations increased slightly over the last year and investment earnings were down due to the decline in interest rates.

The business-type activities are funded with utility fees and charges. After several years in which the City decided to defer utility rate increases, effective July 1, 2005, July 1, 2006 and subsequently on January 1, of every year since, the City increased utility rates by five percent each. The rate increases are restricted by a Charter provision limiting annual utility rate increases to no more than five percent without a vote of the citizens. The rate increases are consistent with financial proformas prepared with the issuance of revenue bonds in 1999 and were necessary to maintain a revenue coverage ratio above the rate promised to the bond holders in the revenue bond covenants. Similar rate increases are anticipated over the next several years to generate sufficient revenue to fund operations and provide adequate funds for anticipated capital replacement projects.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

Statement of Net Position

Statement of Activities

Fund Financial Statements

Notes to Basic Financial Statements

CITY OF WEST LINN, OREGON

STATEMENT OF NET POSITION

JUNE 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and investments	\$ 7,772,205	\$ 4,531,761	\$ 12,303,966
Restricted cash and investments	8,923,210	5,154,500	14,077,710
Property taxes receivable	518,407	-	518,407
Accounts receivable, net of allowance	894,918	1,692,147	2,587,065
Prepaid expenses	150,427	-	150,427
Capital assets not being depreciated:			
Land and easements	192,113,825	482,625	192,596,450
Construction in progress	5,867,079	396,741	6,263,820
Capital assets net of accumulated depreciation:			
Buildings and improvements	16,221,287	599,997	16,821,284
Vehicles and equipment	1,120,645	977,145	2,097,790
Infrastructure	19,908,896	27,554,671	47,463,567
Investment in joint venture	-	8,345,886	8,345,886
TOTAL ASSETS	253,490,899	49,735,473	303,226,372
LIABILITIES:			
Accounts payable	1,316,585	869,754	2,186,339
Accrued salaries and payroll taxes payable	435,000	45,519	480,519
Accrued interest payable	74,996	12,991	87,987
Deposits and other liabilities	481,203	5,000,000	5,481,203
Noncurrent liabilities:			
Due within one year	1,779,214	149,557	1,928,771
Due in more than one year	18,340,657	926,345	19,267,002
TOTAL LIABILITIES	22,427,655	7,004,166	29,431,821
NET POSITION:			
Net investment in capital assets	218,326,952	29,136,179	247,463,131
Restricted for:			
Library endowment, nonexpendable	157,300	-	157,300
Debt service	163,541	154,500	318,041
Building operations	70,955	-	70,955
Capital projects	6,844,726	-	6,844,726
Unrestricted	5,499,770	13,440,628	18,940,398
TOTAL NET POSITION	\$ 231,063,244	\$ 42,731,307	\$ 273,794,551

The notes to basic financial statements are an integral part of this statement

CITY OF WEST LINN, OREGON

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

FUNCTION / PROGRAM	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES:							
General government	\$ 7,169,337	\$ 8,482,787	\$ 353,742	\$ -	\$ 1,667,192	\$ -	\$ 1,667,192
Culture and recreation	6,060,451	2,005,359	1,453,697	-	(2,601,395)	-	(2,601,395)
Public safety	7,094,794	664,152	517,357	-	(5,913,285)	-	(5,913,285)
Highways and streets	3,663,301	1,350,783	1,451,422	354,072	(507,024)	-	(507,024)
Interest on long-term debt	549,004	-	-	-	(549,004)	-	(549,004)
TOTAL GOVERNMENTAL ACTIVITIES	24,536,887	12,503,081	3,776,218	354,072	(7,903,516)	-	(7,903,516)
BUSINESS-TYPE ACTIVITIES:							
Water	3,242,689	3,968,378	-	449,201	-	1,174,890	1,174,890
Environmental services	2,906,143	2,995,443	-	131,878	-	221,178	221,178
TOTAL BUSINESS-TYPE ACTIVITIES	6,148,832	6,963,821	-	581,079	-	1,396,068	1,396,068
TOTAL ACTIVITIES	\$ 30,685,719	\$ 19,466,902	\$ 3,776,218	\$ 935,151	(7,903,516)	1,396,068	(6,507,448)
GENERAL REVENUES:							
Property taxes, levied for general purposes					6,440,401	-	6,440,401
Property taxes, levied for debt service					1,405,799	-	1,405,799
Franchise taxes					1,682,559	-	1,682,559
Grants and contributions not restricted to specific programs					337,149	-	337,149
Unrestricted investment earnings					7,512	-	7,512
Gain on disposition of capital assets					62,997	-	62,997
TRANSFERS					(166,783)	166,783	-
TOTAL GENERAL REVENUES AND TRANSFERS					9,769,634	166,783	9,936,417
CHANGE IN NET POSITION					1,866,118	1,562,851	3,428,969
NET POSITION - beginning					229,197,126	41,168,456	270,365,582
NET POSITION - ending					\$ 231,063,244	\$ 42,731,307	\$ 273,794,551

The notes to basic financial statements are an integral part of this statement

CITY OF WEST LINN, OREGON

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2014

	General Fund	Public Safety Fund	Parks and Recreation Fund	Library Fund	Street Fund	Systems Development Charges Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS:								
Cash and investments	\$ 2,550,670	\$ 1,638,502	\$ 675,293	\$ 584,363	\$ 2,323,377	\$ -	\$ -	\$ 7,772,205
Restricted cash and investments	-	1,486,560	86,042	157,300	-	6,786,169	407,139	8,923,210
Property taxes receivable	-	297,318	79,285	59,464	-	-	82,340	518,407
Accounts receivable	63,468	73,622	216,727	652	349,692	-	130,757	834,918
Prepaid expenditures	150,427	-	-	-	-	-	-	150,427
TOTAL ASSETS	\$ 2,764,565	\$ 3,496,002	\$ 1,057,347	\$ 801,779	\$ 2,673,069	\$ 6,786,169	\$ 620,236	\$ 18,199,167
LIABILITIES:								
Accounts payable	\$ 217,656	\$ 726,167	\$ 70,388	\$ 18,352	\$ 61,852	\$ 57,838	\$ 104,332	\$ 1,256,585
Accrued salaries and payroll taxes	131,000	149,000	56,200	45,500	19,800	-	33,500	435,000
Deposits and other liabilities	332,748	22,913	565	2,484	83,595	-	38,898	481,203
TOTAL LIABILITIES	681,404	898,080	127,153	66,336	165,247	57,838	176,730	2,172,788
DEFERRED INFLOWS OF RESOURCES:								
Unavailable revenue - property taxes	-	245,877	65,567	49,175	-	-	68,093	428,712
FUND BALANCES:								
Non-spendable	150,427	-	-	157,300	-	-	-	307,727
Restricted	-	1,486,560	86,042	-	-	6,728,331	350,891	8,651,824
Committed	-	865,485	778,585	528,968	2,507,822	-	24,522	4,705,382
Unassigned	1,932,734	-	-	-	-	-	-	1,932,734
TOTAL FUND BALANCES	2,083,161	2,352,045	864,627	686,268	2,507,822	6,728,331	375,413	15,597,667
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 2,764,565	\$ 3,496,002	\$ 1,057,347	\$ 801,779	\$ 2,673,069	\$ 6,786,169	\$ 620,236	

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported in funds. 235,231,732

Liabilities, including accrued liabilities and bonds payable, that are not due and payable in the current period and therefore, are not reported in funds:

Unavailable revenue - property taxes	\$ 428,712	
Accrued compensated absences payable	(765,382)	
Accrued interest payable	(74,996)	
Capital lease	(29,945)	
Long-term bonded debt obligations	(18,045,000)	
Bond premium	(346,340)	
Net other postemployment benefit obligations	(933,204)	(19,766,155)

Net position of governmental activities \$ 231,063,244

CITY OF WEST LINN, OREGON

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General Fund	Public Safety Fund	Parks and Recreation Fund	Library Fund	Street Fund	Systems Development Charges Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES:								
Property taxes	\$ -	\$ 4,171,571	\$ 1,374,254	\$ 922,315	\$ -	\$ -	\$ 1,406,964	\$ 7,875,104
Intergovernmental	74,000	457,357	93,259	1,360,438	1,451,422	-	279,742	3,716,218
Franchise taxes	-	1,367,705	-	-	116,428	-	198,426	1,682,559
Fines and forfeitures	397,387	13,553	-	67,254	-	-	-	478,194
Licenses and permits	259,195	21,545	-	-	-	-	825,697	1,106,437
Charges for services	6,025,000	-	1,938,105	-	1,350,783	-	326,490	9,640,378
Systems development charges	-	-	-	-	-	1,278,072	-	1,278,072
Investment earnings	6,737	-	-	-	-	775	-	7,512
Miscellaneous	70,106	17,958	9,730	29,799	197,762	-	11,794	337,149
TOTAL REVENUES	6,832,425	6,049,689	3,415,348	2,379,806	3,116,395	1,278,847	3,049,113	26,121,623
EXPENDITURES:								
Current:								
General government	5,790,688	-	-	-	-	42,703	924,728	6,758,119
Cultural and recreation	-	-	3,035,642	2,114,035	-	-	-	5,149,677
Public safety	-	6,159,738	-	-	-	-	691,802	6,851,540
Highways and streets	-	-	-	-	1,617,973	-	-	1,617,973
Debt service:								
Principal	292,000	-	20,000	-	83,000	-	975,000	1,370,000
Interest	117,925	-	17,764	-	68,000	-	349,113	552,802
Capital outlay	19,009	4,812,414	27,796	353,413	1,054,624	477,131	9,536	6,753,923
TOTAL EXPENDITURES	6,219,622	10,972,152	3,101,202	2,467,448	2,823,597	519,834	2,950,179	29,054,034
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	612,803	(4,922,463)	314,146	(87,642)	292,798	759,013	98,934	(2,932,411)
OTHER FINANCING SOURCES:								
Proceeds from sale of capital assets	-	-	191,947	-	-	-	-	191,947
NET CHANGE IN FUND BALANCES	612,803	(4,922,463)	506,093	(87,642)	292,798	759,013	98,934	(2,740,464)
FUND BALANCES - beginning	1,470,358	7,274,508	358,534	773,910	2,215,024	5,969,318	276,479	18,338,131
FUND BALANCES - ending	<u>\$ 2,083,161</u>	<u>\$ 2,352,045</u>	<u>\$ 864,627</u>	<u>\$ 686,268</u>	<u>\$ 2,507,822</u>	<u>\$ 6,728,331</u>	<u>\$ 375,413</u>	<u>\$ 15,597,667</u>

The notes to basic financial statements are an integral part of this statement

CITY OF WEST LINN, OREGON

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

Net change in fund balances - total governmental funds (page 29)		\$ (2,740,464)
<p>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 exceeded depreciation expense.</p>		
Capital outlay	\$ 6,753,923	
Depreciation expense	<u>(3,031,379)</u>	3,722,544
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and transfers) is to increase net position.		58,337
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(30,904)
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of bond premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Principal repayments on capital lease	16,127	
Principal repayments on long-term bonded debt	<u>1,370,000</u>	1,386,127
<p>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.</p>		
Accrued compensated absences payable	(45,060)	
Accrued interest payable	3,798	
Net other postemployment benefit obligations	(105,229)	
Accrued contract payable	(60,000)	
Amortization of bond issuance costs	(370,865)	
Amortization of bond premium	<u>47,834</u>	<u>(529,522)</u>
Change in net position of governmental activities (page 27)		<u>\$ 1,866,118</u>

The notes to basic financial statements are an integral part of this statement

CITY OF WEST LINN, OREGON

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2014

	Business-type Activities - Enterprise Funds		
	Water Fund	Environmental Services Fund	Total
ASSETS:			
Current assets:			
Cash and investments	\$ 1,168,220	\$ 3,363,541	\$ 4,531,761
Restricted cash and investments	5,154,500	-	5,154,500
Accounts receivable, net of allowance for doubtful accounts	910,136	782,011	1,692,147
Total current assets	7,232,856	4,145,552	11,378,408
Noncurrent assets:			
Capital assets not being depreciated	665,756	213,610	879,366
Capital assets, net of accumulated depreciation	10,374,914	18,756,899	29,131,813
Investment in joint venture	8,345,886	-	8,345,886
Total noncurrent assets	19,386,556	18,970,509	38,357,065
TOTAL ASSETS	26,619,412	23,116,061	49,735,473
LIABILITIES:			
Current liabilities:			
Accounts payable	203,466	666,288	869,754
Deposits and other liabilities	5,000,000	-	5,000,000
Accrued salaries and payroll taxes payable	21,000	24,519	45,519
Accrued compensated absences payable	24,743	19,814	44,557
Accrued interest payable	12,991	-	12,991
Bonds payable - due within one year	105,000	-	105,000
Total current liabilities	5,367,200	710,621	6,077,821
Noncurrent liabilities:			
Bonds payable	770,000	-	770,000
Accrued compensated absences payable	34,002	27,228	61,230
Net other postemployment benefit obligations	41,354	53,761	95,115
Total noncurrent liabilities	845,356	80,989	926,345
TOTAL LIABILITIES	6,212,556	791,610	7,004,166
NET POSITION:			
Net investment in capital assets	10,165,670	18,970,509	29,136,179
Restricted for debt service	154,500	-	154,500
Unrestricted	10,086,686	3,353,942	13,440,628
TOTAL NET POSITION	\$ 20,406,856	\$ 22,324,451	\$ 42,731,307

The notes to basic financial statements are an integral part of this statement

CITY OF WEST LINN, OREGON

PROPRIETARY FUNDS

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION**

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Business-type Activities - Enterprise Funds		
	Water Fund	Environmental Services Fund	Total
OPERATING REVENUES:			
Charges for services	\$ 3,592,104	\$ 2,785,787	\$ 6,377,891
Systems development charges	40,239	97,309	137,548
Other operating revenues	58,586	112,347	170,933
TOTAL OPERATING REVENUES	3,690,929	2,995,443	6,686,372
OPERATING EXPENSES:			
Salaries and wages	532,163	666,050	1,198,213
Materials and supplies	2,191,674	1,344,435	3,536,109
Depreciation	465,523	895,658	1,361,181
TOTAL OPERATING EXPENSES	3,189,360	2,906,143	6,095,503
OPERATING INCOME	501,569	89,300	590,869
NONOPERATING INCOME (EXPENSE):			
Intergovernmental	428,771	-	428,771
Net gain on investment in joint venture	277,449	-	277,449
Interest expense	(53,329)	-	(53,329)
TOTAL NONOPERATING INCOME (EXPENSE)	652,891	-	652,891
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	1,154,460	89,300	1,243,760
CAPITAL CONTRIBUTIONS TRANSFERS IN	20,430 166,783	131,878 -	152,308 166,783
CHANGE IN NET POSITION	1,341,673	221,178	1,562,851
NET POSITION - beginning	19,065,183	22,103,273	41,168,456
NET POSITION - ending	\$ 20,406,856	\$ 22,324,451	\$ 42,731,307

The notes to basic financial statements are an integral part of this statement

CITY OF WEST LINN, OREGON

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Business-type Activities - Enterprise Funds		
	Water Fund	Environmental Services Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users of services	\$ 3,309,547	\$ 2,984,769	\$ 6,294,316
Payments to suppliers for goods and services	(2,274,128)	(979,039)	(3,253,167)
Payments to employees for services	(525,391)	(638,946)	(1,164,337)
NET CASH FROM OPERATING ACTIVITIES	<u>510,028</u>	<u>1,366,784</u>	<u>1,876,812</u>
CASH FLOWS FROM (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital grants	5,428,771	-	5,428,771
Principal paid on capital debt	(95,000)	-	(95,000)
Interest paid on capital debt	(54,694)	-	(54,694)
Acquisition and construction of capital assets	(732,680)	(1,002,102)	(1,734,782)
NET CASH FROM (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>4,546,397</u>	<u>(1,002,102)</u>	<u>3,544,295</u>
NET INCREASE IN CASH AND INVESTMENTS	5,056,425	364,682	5,421,107
CASH AND INVESTMENTS - beginning	<u>1,266,295</u>	<u>2,998,859</u>	<u>4,265,154</u>
CASH AND INVESTMENTS - ending (including \$5,154,500 for the water fund reported in a restricted account)	<u>\$ 6,322,720</u>	<u>\$ 3,363,541</u>	<u>\$ 9,686,261</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:			
Operating income	\$ 501,569	\$ 89,300	\$ 590,869
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation expense	465,523	895,658	1,361,181
Amortization of bond issuance costs	52,173	-	52,173
Increase in accounts receivable	(381,382)	(10,674)	(392,056)
Increase (decrease) in accounts payable	(134,625)	365,396	230,771
Decrease in accrued salaries and payroll taxes payable	(4,100)	(3,071)	(7,171)
Increase in accrued compensated absences payable	3,220	10,118	13,338
Increase in net other postemployment benefit obligations	7,650	20,057	27,707
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 510,028</u>	<u>\$ 1,366,784</u>	<u>\$ 1,876,812</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Capital assets contributed by developers	\$ 20,430	\$ 131,878	\$ 152,308
Capital assets transferred from governmental funds	166,783	-	166,783

The notes to basic financial statements are an integral part of this statement

CITY OF WEST LINN, OREGON

Notes to Basic Financial Statements

June 30, 2014

1. Summary of Significant Accounting Policies

The financial statements of the City of West Linn, Oregon (the City) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). GAAP statements require the application of all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Reporting Entity

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

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

Basis of Presentation – Government-wide Financial Statements

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

Government-wide financial statements display information about the City as a whole. The effect of interfund activity has been removed from these statements except for interfund services provided and used and reimbursements between funds which if eliminated would distort the direct costs and program revenues reported for the various functions. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

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

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not attributable to a specific program are reported as general revenues.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include charges between the City's business-type activities/enterprise funds, as well as some special revenue funds, and the general fund. The City allocates charges as reimbursement for services provided by the general fund in support of those functions based on levels of service provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. These charges are included in direct program expenses.

Basis of Presentation – Fund Financial Statements

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

The City reports the following major governmental funds:

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

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

- *Special Revenue Funds*
These funds account for the receipt and expenditures of restricted and committed revenue sources.
- *Debt Service Fund*
This fund accounts for the accumulation of resources for the payment of general obligation bond principal and interest.
- *Capital Projects Fund*
This fund accounts for bond proceeds used for the acquisition of land and improvements.

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

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

Measurement Focus and Basis of Accounting

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

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

An unavailable revenue deferred inflow arises on the balance sheets of the governmental funds when potential revenue does not meet both the *measurable* and *available* criteria for recognition in the current period. This unavailable revenue consists primarily of uncollected property taxes not

deemed available to finance operations of the current period. In the government-wide statement of activities, with a full accrual basis of accounting, revenue must be recognized as soon as it is earned regardless of its availability. Thus, the deferred inflow created on the balance sheets of the governmental funds for unavailable revenue, is eliminated.

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

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

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

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position

Cash and Investments

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

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

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

Receivables and Revenues

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

In the fund financial statements, property tax receivables that are collected within 60 days after the end of fiscal year are considered *measurable* and *available*, and therefore, are recognized as

revenue. The property taxes receivable portion beyond 60 days is recorded as deferred inflows of resources. Assessments are recognized as receivables at the time property owners are assessed on property improvements. These receivables are entirely offset by deferred inflows of resources, as assessment revenue is recognized upon collection.

In the government-wide financial statements, property tax receivables and billings for parks and street fees are recognized as revenue when earned net of an allowance for uncollectible amounts.

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

Prepaid Expenses

In both government-wide and fund financial statements, certain payments to vendors reflect costs applicable to future City accounting periods and are recorded as prepaid expenses. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

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

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

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

Investment in Joint Venture

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

Accrued Compensated Absences

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

Other Postemployment Benefit Obligations

In accordance with GASB Statement 45, *Accounting and Financial Reporting by Employers for the Postemployment Benefits Other Than Pensions* (OPEB), the City's net OPEB obligation is recognized as a long-term liability in the government-wide financial statements, the amount of which is actuarially determined. The annual required contribution is recognized on an accrual basis in accordance with actuarial standards.

Long-term Debt Obligations

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City does not have items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has only one type of deferred inflow, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the deferred inflow, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund Balance

The City reports fund balance in the governmental funds within categories according to the relative constraints placed on these balances. These fund balance categories are:

- *Non-spendable* – Includes items that are not in a spendable form because they are either legally or contractually required to be maintained intact.
- *Restricted* – Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.
- *Committed* – Includes items committed by resolution of the City Council. Commitments may be modified or rescinded by similar resolution.
- *Assigned* – Includes items assigned by specific uses, authorized by the City Manager and/or Finance Director/Chief Financial Officer.
- *Unassigned* – This is the residual classification used for those balances not assigned to another category in the General Fund. Deficit fund balance in other governmental funds are also presented as unassigned.

GASB Statement 54 requires the highest legal authority to approve authorized commitments of fund balance and to approve who can authorize making assignments of fund balance. These requirements, to include designating the City Manager and/or Finance Director/Chief Financial Officer to make assignments of fund balance, were approved by the City Council on June 14, 2010, utilizing the highest relevant means appropriate for such action with Resolution No. 2010-23.

Net Position Flow Assumptions

The City may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which resources are considered to have been applied. It is the City's policy to deplete restricted net position first before unrestricted net position is depleted.

Fund Balance Flow Assumptions

The City may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which resources are considered to have been applied. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. When components of restricted fund balance can be used for the same purpose, committed fund balance is depleted second, followed by assigned fund balance. Unassigned fund balance is applied last.

Library Endowment

In 1981 the Wallace B. Caufield Trust endowed funds to the City where the principal is to be legally preserved and the interest can be used only to purchase books for the library. This Trust called for an initial distribution followed by the splitting of the proceeds from the sale of a building with the City of Oregon City. The final distribution of this Trust occurred in 1982 after the Trust completed the sale of the building. As the amount of this endowment is immaterial to the financial statements as a whole, a separate permanent fund is not utilized. The City properly accounts for the legally restricted principal in the net position section of the *Statement of Net Position* and restricted cash and non-spendable fund balance on the library fund's *Balance Sheet*.

Use of Estimates

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

2. Detailed Notes on All Funds

Deposits and Investments

The City maintains a common cash and investment pool for all City funds. The types of investments in which the City may invest are restricted by State of Oregon statutes and a Council adopted investment policy. Authorized investments consist of U.S. Treasury obligations including treasury notes, bonds and strips; Federal instrumentality securities from specific Federal Agencies; commercial paper rated at least A-1 or an equivalent rating; corporate bonds rated at least Aa or an

equivalent rating; bankers acceptances rated at least Aa or an equivalent rating; Oregon State Treasurer's Local Government Investment Pool limited by state statute; certificates of deposits; repurchase agreements and obligations of the states of Oregon, California, Idaho and Washington rated AA or better.

As of June 30, 2014, the City's cash and investments were comprised of the following:

Cash on hand	\$ 1,375
Deposits with financial institutions	9,913,650
Oregon State Treasurer's Local Government Investment Pool	<u>16,466,651</u>
Total cash and investments	<u><u>\$ 26,381,676</u></u>

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and investments	\$ 7,772,205	\$ 4,531,761	\$ 12,303,966
Restricted cash and investments	<u>8,923,210</u>	<u>5,154,500</u>	<u>14,077,710</u>
Total cash and investments	<u><u>\$ 16,695,415</u></u>	<u><u>\$ 9,686,261</u></u>	<u><u>\$ 26,381,676</u></u>

Deposits. Deposits with financial institutions are comprised of bank demand deposits. To provide additional security required and authorized by Oregon Revised Statutes, Chapter 295, deposits above insurance limits are covered by collateral held in a multiple financial institution collateral pool administered by the State of Oregon. At the fiscal year end, bank balances of \$9,825,674 were covered by federal depository insurance (FDIC) or by collateral held by one or more of the State's authorized collateral pool managers. Cash on hand balances representing petty cash accounts are uninsured and uncollateralized.

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

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

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

Custodial credit risk. Custodial risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. As of June 30, 2014, all the City deposits are insured and are therefore not subject to custodial credit risk.

The City participates in an external investment pool, the LGIP. The LGIP is not registered with the U.S. Securities and Exchange Commission as an investment company. The State's investment policies are governed by the Oregon Revised Statutes (ORS) and the Oregon Investment Council (Council). The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury.

Investments in the LGIP are stated at share value, which approximates fair value, and is the value at which the shares can be withdrawn. These investments are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which establishes diversification percentages and specifies investment types and maturities. The portion of the external investment

pool belonging to local government participants is reported in an Investment Trust Fund in the State's Comprehensive Annual Financial Report. A copy of the State's Comprehensive Annual Financial Report may be obtained online at www.ost.state.or.us or by mail at the Oregon State Treasury, 350 Winter St. NE, Salem, Oregon 97310-0840.

Receivables

As of June 30, 2014, accounts receivable are reflected in the basic financial statements net of an allowance for uncollectible accounts. The allowance for uncollectible accounts pertains to utility billing collections for parks, streets, water, sewer and surface water management fees.

Accounts, contracts and grants	\$ 2,695,065
Allowance for uncollectible accounts	<u>(108,000)</u>
Total accounts receivable	<u>\$ 2,587,065</u>
Accounts receivable - governmental activities	\$ 894,918
Accounts receivable - business-type activities	<u>1,692,147</u>
Total accounts receivable	<u>\$ 2,587,065</u>

Investment in Joint Venture

South Fork Water Board (SFWB) operates a water distribution system jointly with the City of West Linn and the City of Oregon City, each party owning 50 percent. Revenues earned by SFWB are expended for the continued operation and maintenance of facilities within the municipal boundaries of these two cities. Upon dissolution of the SFWB, the net position will be shared 50 percent to each city. The SFWB is governed by a six-member board composed of three appointees from the City of West Linn and three from the City of Oregon City. The City's net investment and its share of the operating results of the SFWB are reported in the City's water fund. Net position of the City's water fund was increased \$277,449 from a net gain in fiscal year 2013-14. Complete financial statements for the SFWB can be obtained from the City of Oregon City Finance Department, 625 Center Street, Oregon City, Oregon 97045. The City's \$8.3 million investment in South Fork Water Board is accounted for using the equity method.

Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Beginning balance as of June 30, 2013	Additions	Reductions and adjustments	Ending balance as of June 30, 2014
Governmental activities:				
Capital assets not being depreciated:				
Land and easements	\$ 192,113,825	\$ -	\$ -	\$ 192,113,825
Construction in progress	1,085,499	4,872,453	(90,873)	5,867,079
Total capital assets not being depreciated	<u>193,199,324</u>	<u>4,872,453</u>	<u>(90,873)</u>	<u>197,980,904</u>
Capital assets being depreciated:				
Buildings and improvements	28,280,241	559,038	(2,142)	28,837,137
Vehicles and equipment	2,562,568	147,493	(147,229)	2,562,832
Infrastructure	59,413,986	1,362,228	2,788	60,779,002
Total capital assets being depreciated	<u>90,256,795</u>	<u>2,068,759</u>	<u>(146,583)</u>	<u>92,178,971</u>
Less accumulated depreciation for:				
Buildings and improvements	(11,768,512)	(847,479)	141	(12,615,850)
Vehicles and equipment	(1,369,914)	(180,636)	108,363	(1,442,187)
Infrastructure	(38,866,842)	(2,003,264)	-	(40,870,106)
Total accumulated depreciation	<u>(52,005,268)</u>	<u>(3,031,379)</u>	<u>108,504</u>	<u>(54,928,143)</u>
Total capital assets being depreciated, net	<u>38,251,527</u>	<u>(962,620)</u>	<u>(38,079)</u>	<u>37,250,828</u>
Total capital assets, net	<u>\$ 231,450,851</u>	<u>\$ 3,909,833</u>	<u>\$ (128,952)</u>	<u>\$ 235,231,732</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 482,625	\$ -	\$ -	\$ 482,625
Construction in progress	257,091	139,650	-	396,741
Total capital assets not being depreciated	<u>739,716</u>	<u>139,650</u>	<u>-</u>	<u>879,366</u>
Capital assets being depreciated:				
Buildings and improvements	1,605,131	542	-	1,605,673
Vehicles and equipment	1,431,415	395,785	-	1,827,200
Infrastructure	59,633,970	1,517,897	-	61,151,867
Total capital assets being depreciated	<u>62,670,516</u>	<u>1,914,224</u>	<u>-</u>	<u>64,584,740</u>
Less accumulated depreciation for:				
Buildings and improvements	(973,563)	(32,113)	-	(1,005,676)
Vehicles and equipment	(729,179)	(120,876)	-	(850,055)
Infrastructure	(32,389,004)	(1,208,192)	-	(33,597,196)
Total accumulated depreciation	<u>(34,091,746)</u>	<u>(1,361,181)</u>	<u>-</u>	<u>(35,452,927)</u>
Total capital assets being depreciated, net	<u>28,578,770</u>	<u>553,043</u>	<u>-</u>	<u>29,131,813</u>
Total capital assets, net	<u>\$ 29,318,486</u>	<u>\$ 692,693</u>	<u>\$ -</u>	<u>\$ 30,011,179</u>

Depreciation expense for governmental activities in the amount of \$3,031,379 and for business-type activities the amount of \$1,361,181 was charged to functions/programs as follows:

	Governmental Activities	Business-type Activities	Total
General government	\$ 53,910	\$ -	\$ 53,910
Culture and recreation	879,613	-	879,613
Public safety	62,697	-	62,697
Highways and streets	2,035,159	-	2,035,159
Water	-	465,523	465,523
Environmental services	-	895,658	895,658
Depreciation expense	<u>\$ 3,031,379</u>	<u>\$ 1,361,181</u>	<u>\$ 4,392,560</u>

Interfund Transfers

Transfers between funds provide support for various City programs in accordance with budgetary authorizations and are utilized to cover administrative services, provide for additional funding for reserve purposes, contribute towards the cost of capital projects, and to provide for other operational resources. For the fiscal year ended June 30, 2014, all City cash transfers are properly classified as charges for services for financial reporting purposes. Transfers of capital assets are also made between funds to ensure full utilization of useable assets and are classified as transfers for financial statement purposes.

Capital Lease

In fiscal year 2012-13, the City entered into a lease agreement as lessee for financing the acquisition of park maintenance equipment valued at \$50,176. The equipment has a ten-year estimated useful life. For this fiscal year, \$5,018 was included in depreciation expense. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014, were as follows:

Fiscal year ending June 30	Governmental Activities
2015	\$ 17,793
2016	13,346
Total minimum lease payments	<u>31,139</u>
Less: amount representing interest	<u>(1,194)</u>
Present value of minimum lease payments	<u>\$ 29,945</u>

Long-term Debt Obligations

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

	Beginning balance as of June 30, 2013	Additions	Reductions	Ending balance as of June 30, 2014	Due within one year
Governmental activities:					
General Obligation bonds					
Series 2009-A Park Refundings, interest at 3.0-4.0%, original issue of \$4,915,000, due 2019	\$ 3,045,000	\$ -	\$ (515,000)	\$ 2,530,000	\$ 535,000
Series 2010-A Library Refundings, interest at 2.0- 3.0%, original issue of \$3,900,000, due 2021	2,435,000	-	(240,000)	2,195,000	250,000
Series 2012 Police Station, interest at 1.0-2.75%, original issue of \$8,500,000, due 2032	8,365,000	-	(220,000)	8,145,000	245,000
Full Faith and Credit obligations					
Series 2009-B Streets/Parks, interest at 3.0-4.35%, original issue of \$4,035,000, due 2029	3,480,000	-	(165,000)	3,315,000	170,000
Series 2010-B City Hall Refunding, interest at 3.0- 4.0%, original issue of \$4,300,000, due 2021	2,090,000	-	(230,000)	1,860,000	240,000
Plus: Bond issuance premium	394,174	-	(47,834)	346,340	-
Long-term bonded debt obligations	19,809,174	-	(1,417,834)	18,391,340	1,440,000
Capital lease for park maintenance equipment	46,072	-	(16,127)	29,945	16,835
Compensated absences	720,322	369,060	(324,000)	765,382	322,379
Net other postemployment benefit obligations	827,975	105,229	-	933,204	-
Total governmental activities	<u>21,403,543</u>	<u>474,289</u>	<u>(1,757,961)</u>	<u>20,119,871</u>	<u>1,779,214</u>
Business-type activities:					
Revenue bonds					
Series 2000 Water Revenue, interest at 5.75-6.0%, original issue of \$1,800,000, due 2021	970,000	-	(95,000)	875,000	105,000
Compensated absences	92,447	50,313	(36,973)	105,787	44,557
Net other postemployment benefit obligations	67,408	27,707	-	95,115	-
Total business-type activities	<u>1,129,855</u>	<u>78,020</u>	<u>(131,973)</u>	<u>1,075,902</u>	<u>149,557</u>
Total long-term debt obligations					
General Obligation bonds	13,845,000	-	(975,000)	12,870,000	1,030,000
Full Faith and Credit obligations	5,570,000	-	(395,000)	5,175,000	410,000
Revenue bonds	970,000	-	(95,000)	875,000	105,000
Plus: Bond issuance premium	394,174	-	(47,834)	346,340	-
Long-term bonded debt obligations	20,779,174	-	(1,512,834)	19,266,340	1,545,000
Capital lease for park maintenance equipment	46,072	-	(16,127)	29,945	16,835
Compensated absences	812,769	419,373	(360,973)	871,169	366,936
Net other postemployment benefit obligations	895,383	132,936	-	1,028,319	-
Total long-term debt obligations	<u>\$ 22,533,398</u>	<u>\$ 552,309</u>	<u>\$ (1,889,934)</u>	<u>\$ 21,195,773</u>	<u>\$ 1,928,771</u>

Future Principal and Interest. Future maturities of bond principal and interest at June 30, 2014, are as follows:

Year	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 1,440,000	\$ 516,161	\$ 105,000	\$ 48,944	\$ 1,545,000	\$ 565,105
2016	1,525,000	477,837	110,000	42,763	1,635,000	520,600
2017	1,590,000	434,335	115,000	36,150	1,705,000	470,485
2018	1,660,000	385,261	125,000	28,950	1,785,000	414,211
2019	1,410,000	328,235	130,000	21,300	1,540,000	349,535
2020-2024	4,410,000	1,172,577	290,000	17,700	4,700,000	1,190,277
2025-2029	4,000,000	644,443	-	-	4,000,000	644,443
2030-2032	2,010,000	102,268	-	-	2,010,000	102,268
	<u>\$ 18,045,000</u>	<u>\$ 4,061,117</u>	<u>\$ 875,000</u>	<u>\$ 195,807</u>	<u>\$ 18,920,000</u>	<u>\$ 4,256,924</u>

Employee Retirement Pension Plan

Plan Description. The City is a participating employer in the Oregon Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system established under Oregon Revised Statutes 238.600 that acts as a common investment and administrative agent for public employers in the State of Oregon. OPERS is a defined benefit pension plan that provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Benefits are established by state statute.

In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for OPERS. The Oregon Public Service Retirement Plan (OPSRP) is effective for all new employees hired on or after August 29, 2003, and applies to any inactive OPERS members who return to employment following a six month or greater break in service. The new plan consists of a defined benefit program (the Pension Program) and a defined contribution portion (the Individual Account Program or IAP). The Pension Program portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service and a factor that varies based on type of service (general versus police or fire).

Beginning January 1, 2004, all OPERS member contributions go into the IAP portion of OPSRP. OPERS members retain their existing OPERS accounts, but any future member contributions are deposited into the member's IAP, not the member's OPERS account. Those employees who had established an OPERS membership prior to creation of OPSRP will be members of both the OPERS and OPSRP system as long as they remain in covered employment.

Both OPERS and OPSRP are administered by the Oregon Public Employees Retirement Board (OPERB). The comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700, by calling (503) 598-7377, or by accessing the OPERS web site at www.pers.state.or.us.

Funding Policy. The rate of employer contributions to OPERS is determined periodically by OPERS based on actuarial valuations performed as of December 31 of odd numbered years for new rates to be implemented July 1 of the next odd numbered year. Thus rates for the biennium beginning July 1, 2013 are based on the actuarial valuation as of December 31, 2011.

Members of OPERS and OPSRP are required to contribute 6 percent of their salary covered under the plan which is invested in the IAP. The City makes this contribution on behalf of its employees. The City contributed approximately \$437,000 for the year ended June 30, 2014.

The City is required by ORS 238.225 to contribute at an actuarially determined rate. The City's rate is 12.95 percent for OPERS and 9.02 percent for OPSRP – general employees, and 11.75 percent for OPSRP – police employees, of salary covered under the plan. These rates are reported inclusive of the retiree healthcare rates disclosed in a separate note disclosure. The contribution requirements for plan members and the City are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

Annual Pension Cost. For the years ended June 30, 2014, 2013, and 2012 the City's annual pension costs were approximately \$943,000, \$1,100,000, and \$1,040,000 respectively, and were equal to the City's required and actual contributions. The required contribution was determined as part of the actuarial valuation at December 31, 2011, 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.

Assumptions. Significant actuarial assumptions used in the valuation include: (i) consumer price inflation of 2.75 percent per year, (ii) healthcare cost inflation assumed is graded from 6.9 percent in 2012 to 4.5 percent in 2029; (iii) a rate of return on the future investment earnings of the assets of the members' regular accounts are assumed to accrue at an annual rate of 8 percent compounded annually; (iv) a rate of return on the future investment earnings of the members' variable accounts are assumed to accrue at an annual rate of 8.25 percent, compounded annually; (v) projected annual rate of wage inflation of 3.75 percent, compounded annually, excluding merit or longevity increases; (vi) unfunded actuarial liability is amortized on a level percentage of combined annual payroll on a closed group fixed term basis over twenty years.

Postemployment Healthcare Plan (implicit subsidy)

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

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

For the fiscal year ended June 30, 2014, the City retirees paid 100 percent of their insurance premium costs. The required monthly contributions of the plan members were as follows for the fiscal year ended June 30, 2014.

	Medical		Dental	
	HealthNet	Kaiser	CIS-ODS	Kaiser
Employee	\$ 662	\$ 563	\$ 55	\$ 72
Employee + child(ren)	1,192	1,014	157	107
Employee + spouse	1,308	1,127	97	125
Employee + family	1,835	1,690	181	231

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

City's normal cost at year end	\$ 108,788
Amortization of UAAL with interest	<u>179,238</u>
Annual Required Contribution (ARC)	288,026
Interest on prior year net OPEB obligation	31,338
Adjustment to ARC	<u>(107,662)</u>
Annual OPEB cost	211,702
Less contribution (amounts paid during year for OPEB)	-
Less implicit benefit payments	<u>(78,766)</u>
Increase in net OPEB obligation	132,936
OPEB obligation at beginning of fiscal year	<u>895,383</u>
OPEB obligation at end of fiscal year	<u><u>\$ 1,028,319</u></u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (annual payroll of active members)	\$ 8,652,000
UAAL as a percentage of covered payroll	17%

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

Fiscal Year Ended	Annual OPEB Cost	Percent of Annual OPEB Cost Contribution	Net OPEB Obligation
6/30/2014	\$ 211,702	37%	\$ 1,028,319
6/30/2013	214,857	41%	895,383
6/30/2012	204,603	46%	768,441

Funded Status and Funding Progress. As of August 1, 2012, representing the date of the most recent actuarial valuation, the plan was zero percent funded. The actuarial accrued liability for benefits was \$1,444,381 and the actuarial value of assets was zero, resulting in an unfunded accrued liability of \$1,444,381.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. These actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented immediately following the financial statements as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the August 1, 2012 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a general inflation rate of 2.75 percent per year, a 3.50 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7.25 percent, reduced incrementally to an ultimate rate of 5.50 percent. The UAAL is being amortized using the level percentage of payroll over an open period of ten years.

Retirement Health Insurance Account (RHIA)

Plan Description. As a member of Oregon Public Employees Retirement System (OPERS), the City contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700.

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

Participating cities are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.59 percent of annual covered payroll for Tier 1/Tier 2, and 0.49 percent for OPSRP. The OPERS Board of Trustees sets the employer contribution rate based on the annual required contribution (ARC) of the employers, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The City's contributions to RHIA for the fiscal years ended June 30, 2014, 2013 and 2012 were approximately \$47,700, \$51,000, and \$48,600 respectively which equals the required contributions for that year.

Deferred Compensation Plan

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

be used by the City for any purpose other than the payment of benefits to the Plan participants. Accordingly, these Plan assets and related liability are not recorded in the City's basic financial statements.

3. Other Information

Commitments

Police Station Construction Commitment – The City had an active construction project involving the design and construction of the new police station on 8th Avenue. At fiscal year end, the City had spent \$7 million of the \$8.5 million in general obligation bond proceeds funding this project. Of the remaining \$1.5 million unspent at fiscal year end, the City is committed to the general contractor for a remaining \$1.3 million. The project was completed in August 2014.

Sewage Treatment Arrangement – The City has an agreement with the Tri-City Service District to treat sewage wastewater. Pertinent terms of this agreement are as follows:

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

Financial Management Services – The City entered into an intergovernmental agreement effective February 1, 2011 with the City of Milwaukie to provide professional financial management services at the Finance Director level overseeing their Finance Department.

- The agreement included providing financial management services for each City targeting one contract director to be present on-site at each City, five days per week. The City of Milwaukie reimbursed the City of West Linn for the services provided.
- The term of the agreement expired June 30, 2014.

Public Safety 911/Communication Services – The City has an agreement with the City of Lake Oswego to provide public safety dispatching services for West Linn's Police Department. Pertinent terms of this agreement are as follows:

- Intergovernmental Cooperative Agreement was entered July 2011 for dispatching public safety services and is currently being proposed to be renewed for the next five years through fiscal year 2015-16.
- The dispatching services include, but are not limited to 24-hour-per-day answering of emergency telephone lines (including 911 calls) for fire, police, and emergency medical service requests; radio communications with police personnel regarding emergency and routine police matters; and other dispatching services for law enforcement purposes.
- As part of this agreement, the State redirects the City's state-allocated 911 monies directly to the City of Lake Oswego to help offset the annual contract costs summarized below. These annual monies from the State average approximately \$120,000 per fiscal year.
- Following is a summary of the annual contract costs going forward:

Fiscal Year	Annual Contract Amt
2014-15	\$ 421,356
2015-16	435,403

Contingencies

The City is a defendant in various litigation proceedings. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Risk Management

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

Settled claims have not exceeded coverage for any of the past three fiscal years. Claim liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not exact as it depends on many complex factors, such as, inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. At fiscal year end, the balance of accrued claims liability for IBNR was estimated at \$50,000.

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 thousand 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 thousand of assessed value. Assessed values can only grow by a maximum of 3 percent per year, exclusive of new construction and annexations.

Fund Balance Classification

In accordance with the requirements of GASB Statement 54, below are schedules of ending fund balances as of June 30, 2014:

	General Fund	Public Safety Fund	Parks and Recreation Fund	Library Fund	Street Fund	Systems Development Charges Fund	Total Nonmajor Funds	Total Governmental Funds
Non-spendable								
Prepaid expenditures	\$ 150,427	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 150,427
Library endowment	-	-	-	157,300	-	-	-	157,300
	<u>150,427</u>	<u>-</u>	<u>-</u>	<u>157,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>307,727</u>
Restricted								
Police station bond	-	1,486,560	-	-	-	-	-	1,486,560
Systems development	-	-	-	-	-	6,728,331	-	6,728,331
Building operations	-	-	-	-	-	-	70,955	70,955
Debt service	-	-	-	-	-	-	163,541	163,541
Park improvements	-	-	86,042	-	-	-	116,395	202,437
	<u>-</u>	<u>1,486,560</u>	<u>86,042</u>	<u>-</u>	<u>-</u>	<u>6,728,331</u>	<u>350,891</u>	<u>8,651,824</u>
Committed								
Police services	-	865,485	-	-	-	-	-	865,485
Recreation services	-	-	778,585	-	-	-	-	778,585
Library services	-	-	-	528,968	-	-	-	528,968
Street services	-	-	-	-	2,507,822	-	-	2,507,822
Planning services	-	-	-	-	-	-	24,522	24,522
	<u>-</u>	<u>865,485</u>	<u>778,585</u>	<u>528,968</u>	<u>2,507,822</u>	<u>-</u>	<u>24,522</u>	<u>4,705,382</u>
Assigned	-	-	-	-	-	-	-	-
Unassigned	1,932,734	-	-	-	-	-	-	1,932,734
	<u>\$ 2,083,161</u>	<u>\$ 2,352,045</u>	<u>\$ 864,627</u>	<u>\$ 686,268</u>	<u>\$ 2,507,822</u>	<u>\$ 6,728,331</u>	<u>\$ 375,413</u>	<u>\$15,597,667</u>

REQUIRED SUPPLEMENTARY INFORMATION

*Schedules of Revenues, Expenditures and
Changes in Fund Balances – Budget and Actual
Schedule of Funding Progress
Notes to Required Supplementary Information*

**SCHEDULES OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**
(required supplementary information)

General Fund

Special Revenue Funds

Public Safety Fund
Parks and Recreation Fund
Library Fund
Street Fund

CITY OF WEST LINN, OREGON

GENERAL FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Budget for the 2014-2015 Biennium		Actual	Variance with Final Budget
	Original	Final	1st Year FY 2013-14	
REVENUES:				
Intergovernmental	\$ 378,000	\$ 378,000	\$ 74,000	\$ (304,000)
Fines and forfeitures	737,000	737,000	397,387	(339,613)
Licenses and permits	585,000	585,000	259,195	(325,805)
Investment earnings	10,000	10,000	6,737	(3,263)
Miscellaneous	206,000	206,000	70,106	(135,894)
TOTAL REVENUES	1,916,000	1,916,000	807,425	(1,108,575)
EXPENDITURES:				
City council	307,000	307,000	151,488	155,512
City administration	2,054,000	2,054,000	950,047	1,103,953
Economic development	634,000	634,000	172,712	461,288
Human resources	868,000	868,000	424,615	443,385
Finance	2,014,000	2,014,000	777,478	1,236,522
Information technology	2,039,000	2,039,000	1,003,504	1,035,496
Municipal court	666,000	666,000	286,600	379,400
Facility services	1,037,000	1,037,000	472,269	564,731
Public works support services	2,192,000	2,192,000	905,993	1,286,007
Vehicle and equipment maintenance	804,000	804,000	304,029	499,971
Nondepartmental	1,156,000	1,156,000	571,887	584,113
Contingency	700,000	700,000	-	700,000
TOTAL EXPENDITURES	14,471,000	14,471,000	6,020,622	8,450,378
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(12,555,000)	(12,555,000)	(5,213,197)	7,341,803
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	12,254,000	12,254,000	6,025,000	(6,229,000)
Transfers to other funds	(814,000)	(814,000)	(199,000)	615,000
TOTAL OTHER FINANCING SOURCES (USES)	11,440,000	11,440,000	5,826,000	(5,614,000)
NET CHANGE IN FUND BALANCES	(1,115,000)	(1,115,000)	612,803	1,727,803
FUND BALANCES - beginning	1,578,000	1,578,000	1,470,358	(107,642)
FUND BALANCES - ending	\$ 463,000	\$ 463,000	\$ 2,083,161	\$ 1,620,161

CITY OF WEST LINN, OREGON

PUBLIC SAFETY FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Budget for the 2014-2015 Biennium		Actual	Variance with Final Budget
	Original	Final	1st Year FY 2013-14	
REVENUES:				
Property taxes	\$ 8,141,000	\$ 8,141,000	\$ 4,171,571	\$(3,969,429)
Intergovernmental	1,405,000	1,405,000	457,357	(947,643)
Franchise taxes	3,089,000	3,089,000	1,367,705	(1,721,295)
Fines and forfeitures	85,000	85,000	13,553	(71,447)
Licenses and permits	73,000	73,000	21,545	(51,455)
Miscellaneous	115,000	115,000	17,958	(97,042)
TOTAL REVENUES	12,908,000	12,908,000	6,049,689	(6,858,311)
EXPENDITURES:				
Personnel services	8,918,000	8,918,000	4,107,494	4,810,506
Materials and services	1,615,000	1,615,000	642,244	972,756
Capital outlay	6,537,000	6,537,000	4,812,414	1,724,586
Contingency	820,000	820,000	-	820,000
TOTAL EXPENDITURES	17,890,000	17,890,000	9,562,152	8,327,848
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(4,982,000)	(4,982,000)	(3,512,463)	1,469,537
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	365,000	365,000	-	(365,000)
Transfers to other funds	(2,862,000)	(2,862,000)	(1,410,000)	1,452,000
TOTAL OTHER FINANCING SOURCES (USES)	(2,497,000)	(2,497,000)	(1,410,000)	1,087,000
NET CHANGE IN FUND BALANCES	(7,479,000)	(7,479,000)	(4,922,463)	2,556,537
FUND BALANCES - beginning	7,735,000	7,735,000	7,274,508	(460,492)
FUND BALANCES - ending	\$ 256,000	\$ 256,000	\$ 2,352,045	\$ 2,096,045

CITY OF WEST LINN, OREGON

PARKS AND RECREATION FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Budget for the 2014-2015 Biennium		Actual	Variance with Final Budget
	Original	Final	1st Year FY 2013-14	
REVENUES:				
Property taxes	\$ 2,489,000	\$ 2,489,000	\$ 1,374,254	\$ (1,114,746)
Intergovernmental	1,791,000	1,791,000	93,259	(1,697,741)
Charges for services	4,084,000	4,084,000	1,938,105	(2,145,895)
Miscellaneous	57,000	57,000	9,730	(47,270)
TOTAL REVENUES	8,421,000	8,421,000	3,415,348	(5,005,652)
EXPENDITURES:				
Personnel services	3,357,000	3,357,000	1,388,757	1,968,243
Materials and services	1,569,000	1,569,000	745,885	823,115
Debt service:				
Principal	41,000	41,000	20,000	21,000
Interest	35,000	35,000	17,764	17,236
Capital outlay	1,550,000	1,550,000	27,796	1,522,204
Contingency	390,000	390,000	-	390,000
TOTAL EXPENDITURES	6,942,000	6,942,000	2,200,202	4,741,798
EXCESS OF REVENUES OVER EXPENDITURES	1,479,000	1,479,000	1,215,146	(263,854)
OTHER FINANCING SOURCES (USES):				
Transfers to other funds	(1,842,000)	(1,842,000)	(901,000)	941,000
Proceeds from sale of capital assets	-	-	191,947	191,947
TOTAL OTHER FINANCING SOURCES (USES)	(1,842,000)	(1,842,000)	(709,053)	1,132,947
NET CHANGE IN FUND BALANCES	(363,000)	(363,000)	506,093	869,093
FUND BALANCES - beginning	475,000	475,000	358,534	(116,466)
FUND BALANCES - ending	\$ 112,000	\$ 112,000	\$ 864,627	\$ 752,627

CITY OF WEST LINN, OREGON

LIBRARY FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Budget for the 2014-2015 Biennium		Actual	Variance with Final Budget
	Original	Final	1st Year FY 2013-14	
REVENUES:				
Property taxes	\$ 2,191,000	\$ 2,191,000	\$ 922,315	\$ (1,268,685)
Intergovernmental	2,679,000	2,679,000	1,360,438	(1,318,562)
Fines and forfeitures	134,000	134,000	67,254	(66,746)
Miscellaneous	28,000	28,000	29,799	1,799
TOTAL REVENUES	5,032,000	5,032,000	2,379,806	(2,652,194)
EXPENDITURES:				
Personnel services	2,732,000	2,732,000	1,169,118	1,562,882
Materials and services	441,000	441,000	170,917	270,083
Capital outlay	607,000	607,000	353,413	253,587
Contingency	245,000	245,000	-	245,000
TOTAL EXPENDITURES	4,025,000	4,025,000	1,693,448	2,331,552
EXCESS OF REVENUES OVER EXPENDITURES	1,007,000	1,007,000	686,358	(320,642)
OTHER FINANCING USES:				
Transfers to other funds	(1,578,000)	(1,578,000)	(774,000)	804,000
NET CHANGE IN FUND BALANCES	(571,000)	(571,000)	(87,642)	483,358
FUND BALANCES - beginning	651,000	651,000	773,910	122,910
FUND BALANCES - ending	\$ 80,000	\$ 80,000	\$ 686,268	\$ 606,268

CITY OF WEST LINN, OREGON

STREET FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Budget for the 2014-2015 Biennium		Actual	Variance with Final Budget
	Original	Final	1st Year FY 2013-14	
REVENUES:				
Intergovernmental	\$ 2,842,000	\$ 2,842,000	\$ 1,451,422	\$ (1,390,578)
Franchise taxes	248,000	248,000	116,428	(131,572)
Charges for services	1,941,000	1,941,000	1,350,783	(590,217)
Miscellaneous	105,000	105,000	197,762	92,762
TOTAL REVENUES	5,136,000	5,136,000	3,116,395	(2,019,605)
EXPENDITURES:				
Personnel services	1,187,000	1,187,000	518,851	668,149
Materials and services	1,024,000	1,024,000	439,122	584,878
Debt service:				
Principal	168,000	168,000	83,000	85,000
Interest	136,000	136,000	68,000	68,000
Capital outlay	2,193,000	2,193,000	1,054,624	1,138,376
Contingency	600,000	600,000	-	600,000
TOTAL EXPENDITURES	5,308,000	5,308,000	2,163,597	3,144,403
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(172,000)	(172,000)	952,798	1,124,798
OTHER FINANCING USES:				
Transfers to other funds	(1,343,000)	(1,343,000)	(660,000)	683,000
NET CHANGE IN FUND BALANCES	(1,515,000)	(1,515,000)	292,798	1,807,798
FUND BALANCES - beginning	2,067,000	2,067,000	2,215,024	148,024
FUND BALANCES - ending	\$ 552,000	\$ 552,000	\$ 2,507,822	\$ 1,955,822

CITY OF WEST LINN, OREGON
Schedule of Funding Progress
June 30, 2014

Other Postemployment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percent of Covered Payroll
8/1/2012	\$ -	\$ 1,444,381	\$ 1,444,381	0 %	\$ 8,240,000	18 %
8/1/2010	-	1,535,710	1,535,710	0	7,897,000	19
8/1/2008	-	1,422,086	1,422,086	0	6,986,000	20

CITY OF WEST LINN, OREGON

Notes to Required Supplementary Information

June 30, 2014

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

1. Budgetary Information

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

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

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

The City Council may modify the budget by transferring appropriations between levels of control and by adopting supplemental budgets. Unexpected additional resources may be added to the budget through the use of a supplemental budget. Some supplemental budgets require hearings before the public, publications in newspapers and approval by the City Council. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the City Council. For the 2014-2015 biennium, there were no supplemental budget adjustments revising appropriations through June 30, 2014.

OTHER SUPPLEMENTARY INFORMATION

Combining and Individual Fund Financial Statements and Schedules

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

MAJOR

Capital Projects Fund

Systems Development Charges Fund – accounts for the receipt and expenditure of systems development charges (SDCs) dedicated to streets, surface water, water, sewer, parks, and bike/pedestrian.

NONMAJOR

Special Revenue Funds

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

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

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

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.

Capital Projects Fund

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

CITY OF WEST LINN, OREGON

MAJOR GOVERNMENTAL FUND - CAPITAL PROJECTS
SYSTEMS DEVELOPMENT CHARGES FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Budget for the 2014-2015 Biennium	
	Original	Final
REVENUES:		
Systems development charges:		
Street - systems development charges	\$ 406,000	\$ 406,000
Surface water - systems development charges	21,000	21,000
Water - systems development charges	467,000	467,000
Sewer - systems development charges	203,000	203,000
Parks - systems development charges	609,000	609,000
Bike/Pedestrian - systems development charges	51,000	51,000
Investment earnings	10,000	10,000
TOTAL REVENUES	<u>1,767,000</u>	<u>1,767,000</u>
EXPENDITURES:		
Materials and services	300,000	300,000
Capital outlay	3,349,000	3,349,000
Contingency	<u>1,740,000</u>	<u>1,740,000</u>
TOTAL EXPENDITURES	<u>5,389,000</u>	<u>5,389,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,622,000)	(3,622,000)
OTHER FINANCING USES:		
Transfers to other funds	<u>(200,000)</u>	<u>(200,000)</u>
NET CHANGE IN FUND BALANCES	(3,822,000)	(3,822,000)
FUND BALANCES - beginning	<u>5,413,000</u>	<u>5,413,000</u>
FUND BALANCES - ending	<u>\$ 1,591,000</u>	<u>\$ 1,591,000</u>

Continued on next page

1st Year Actual FY 2013-14							Variance with Final Budget
Street	Surface Water	Water	Sewer	Parks	Bike/ Pedestrian	Total	
\$ 239,621	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 239,621	\$ (166,379)
-	10,918	-	-	-	-	10,918	(10,082)
-	-	402,150	-	-	-	402,150	(64,850)
-	-	-	119,979	-	-	119,979	(83,021)
-	-	-	-	432,459	-	432,459	(176,541)
-	-	-	-	-	72,945	72,945	21,945
667	-	-	108	-	-	775	(9,225)
<u>240,288</u>	<u>10,918</u>	<u>402,150</u>	<u>120,087</u>	<u>432,459</u>	<u>72,945</u>	<u>1,278,847</u>	<u>(488,153)</u>
242	122	381	237	151	80	1,213	298,787
119,051	-	166,783	-	191,297	-	477,131	2,871,869
-	-	-	-	-	-	-	1,740,000
<u>119,293</u>	<u>122</u>	<u>167,164</u>	<u>237</u>	<u>191,448</u>	<u>80</u>	<u>478,344</u>	<u>4,910,656</u>
120,995	10,796	234,986	119,850	241,011	72,865	800,503	4,422,503
(41,490)	-	-	-	-	-	(41,490)	158,510
79,505	10,796	234,986	119,850	241,011	72,865	759,013	4,581,013
<u>1,212,788</u>	<u>676,734</u>	<u>1,883,939</u>	<u>1,243,625</u>	<u>555,439</u>	<u>396,793</u>	<u>5,969,318</u>	<u>556,318</u>
<u>\$ 1,292,293</u>	<u>\$ 687,530</u>	<u>\$ 2,118,925</u>	<u>\$ 1,363,475</u>	<u>\$ 796,450</u>	<u>\$ 469,658</u>	<u>\$ 6,728,331</u>	<u>\$ 5,137,331</u>

Continued from previous page

CITY OF WEST LINN, OREGON

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2014

	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS:				
Restricted cash and investments	\$ 141,100	\$ 149,294	\$ 116,745	\$ 407,139
Property taxes receivable	-	82,340	-	82,340
Accounts receivable	<u>130,757</u>	<u>-</u>	<u>-</u>	<u>130,757</u>
 TOTAL ASSETS	 <u>\$ 271,857</u>	 <u>\$ 231,634</u>	 <u>\$ 116,745</u>	 <u>\$ 620,236</u>
LIABILITIES:				
Accounts payable	\$ 103,982	\$ -	\$ 350	\$ 104,332
Accrued salaries and payroll taxes	33,500	-	-	33,500
Deposits payable	<u>38,898</u>	<u>-</u>	<u>-</u>	<u>38,898</u>
 TOTAL LIABILITIES	 <u>176,380</u>	 <u>-</u>	 <u>350</u>	 <u>176,730</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - property taxes	<u>-</u>	<u>68,093</u>	<u>-</u>	<u>68,093</u>
FUND BALANCES:				
Restricted	70,955	163,541	116,395	350,891
Committed	<u>24,522</u>	<u>-</u>	<u>-</u>	<u>24,522</u>
 TOTAL FUND BALANCES	 <u>95,477</u>	 <u>163,541</u>	 <u>116,395</u>	 <u>375,413</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 271,857</u>	 <u>\$ 231,634</u>	 <u>\$ 116,745</u>	 <u>\$ 620,236</u>

CITY OF WEST LINN, OREGON

NONMAJOR GOVERNMENTAL FUNDS

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
REVENUES:				
Property taxes	\$ -	\$ 1,406,964	\$ -	\$ 1,406,964
Intergovernmental	279,742	-	-	279,742
Franchise taxes	198,426	-	-	198,426
Licenses and permits	825,697	-	-	825,697
Charges for services	326,490	-	-	326,490
Miscellaneous	11,794	-	-	11,794
	<u>1,642,149</u>	<u>1,406,964</u>	<u>-</u>	<u>3,049,113</u>
EXPENDITURES:				
Current:				
General government	924,728	-	-	924,728
Public safety	691,802	-	-	691,802
Debt service:				
Principal	-	975,000	-	975,000
Interest	-	349,113	-	349,113
Capital outlay	-	-	9,536	9,536
	<u>1,616,530</u>	<u>1,324,113</u>	<u>9,536</u>	<u>2,950,179</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND NET CHANGE IN FUND BALANCES	 25,619	 82,851	 (9,536)	 98,934
 FUND BALANCES - beginning	 <u>69,858</u>	 <u>80,690</u>	 <u>125,931</u>	 <u>276,479</u>
 FUND BALANCES - ending	 <u>\$ 95,477</u>	 <u>\$ 163,541</u>	 <u>\$ 116,395</u>	 <u>\$ 375,413</u>

CITY OF WEST LINN, OREGON
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014

	Building Inspections Fund	Planning Fund	Total
ASSETS:			
Restricted cash and investments	\$ 141,100	\$ -	\$ 141,100
Accounts receivable	-	130,757	130,757
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 141,100</u>	<u>\$ 130,757</u>	<u>\$ 271,857</u>
LIABILITIES:			
Accounts payable	\$ 54,545	\$ 49,437	\$ 103,982
Accrued salaries and payroll taxes	14,100	19,400	33,500
Deposits payable	1,500	37,398	38,898
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>70,145</u>	<u>106,235</u>	<u>176,380</u>
FUND BALANCES:			
Restricted	70,955	-	70,955
Committed	-	24,522	24,522
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>70,955</u>	<u>24,522</u>	<u>95,477</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 141,100</u>	<u>\$ 130,757</u>	<u>\$ 271,857</u>

CITY OF WEST LINN, OREGON

NONMAJOR SPECIAL REVENUE FUNDS

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Building Inspections Fund	Planning Fund	Total
	<u> </u>	<u> </u>	<u> </u>
REVENUES:			
Intergovernmental	\$ -	\$ 279,742	\$ 279,742
Franchise taxes	-	198,426	198,426
Licenses and permits	629,054	196,643	825,697
Charges for services	-	326,490	326,490
Miscellaneous	-	11,794	11,794
	<u>629,054</u>	<u>1,013,095</u>	<u>1,642,149</u>
TOTAL REVENUES			
	<u>629,054</u>	<u>1,013,095</u>	<u>1,642,149</u>
EXPENDITURES:			
Current:			
General government	-	924,728	924,728
Public safety	691,802	-	691,802
	<u>691,802</u>	<u>924,728</u>	<u>1,616,530</u>
TOTAL EXPENDITURES			
	<u>691,802</u>	<u>924,728</u>	<u>1,616,530</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND NET CHANGE IN FUND BALANCES	(62,748)	88,367	25,619
FUND BALANCES (DEFICIT) - beginning	<u>133,703</u>	<u>(63,845)</u>	<u>69,858</u>
FUND BALANCES - ending	<u><u>\$ 70,955</u></u>	<u><u>\$ 24,522</u></u>	<u><u>\$ 95,477</u></u>

CITY OF WEST LINN, OREGON

BUILDING INSPECTIONS FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Budget for the 2014-2015 Biennium		Actual	Variance with Final Budget
	Original	Final	1st Year FY 2013-14	
REVENUES:				
Licenses and permits	\$ 1,418,000	\$ 1,418,000	\$ 629,054	\$ (788,946)
Miscellaneous	2,000	2,000	-	(2,000)
TOTAL REVENUES	1,420,000	1,420,000	629,054	(790,946)
EXPENDITURES:				
Personnel services	843,000	843,000	371,511	471,489
Materials and services	93,000	93,000	16,291	76,709
Contingency	50,000	50,000	-	50,000
TOTAL EXPENDITURES	986,000	986,000	387,802	598,198
EXCESS OF REVENUES OVER EXPENDITURES	434,000	434,000	241,252	(192,748)
OTHER FINANCING USES:				
Transfers to other funds	(619,000)	(619,000)	(304,000)	315,000
NET CHANGE IN FUND BALANCES	(185,000)	(185,000)	(62,748)	122,252
FUND BALANCES - beginning	233,000	233,000	133,703	(99,297)
FUND BALANCES - ending	<u>\$ 48,000</u>	<u>\$ 48,000</u>	<u>\$ 70,955</u>	<u>\$ 22,955</u>

CITY OF WEST LINN, OREGON

PLANNING FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Budget for the 2014-2015 Biennium		Actual	Variance with Final Budget
	Original	Final	1st Year FY 2013-14	
REVENUES:				
Intergovernmental	\$ 653,000	\$ 653,000	\$ 279,742	\$ (373,258)
Franchise taxes	398,000	398,000	198,426	(199,574)
Licenses and permits	431,000	431,000	196,643	(234,357)
Miscellaneous	2,000	2,000	11,794	9,794
TOTAL REVENUES	1,484,000	1,484,000	686,605	(797,395)
EXPENDITURES:				
Personnel services	1,157,000	1,157,000	507,844	649,156
Material and services	382,000	382,000	151,884	230,116
Contingency	80,000	80,000	-	80,000
TOTAL EXPENDITURES	1,619,000	1,619,000	659,728	959,272
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(135,000)	(135,000)	26,877	161,877
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	823,000	823,000	326,490	(496,510)
Transfers to other funds	(539,000)	(539,000)	(265,000)	274,000
TOTAL OTHER FINANCING SOURCES (USES)	284,000	284,000	61,490	(222,510)
NET CHANGE IN FUND BALANCES	149,000	149,000	88,367	(60,633)
FUND BALANCES (DEFICIT) - beginning	(127,000)	(127,000)	(63,845)	63,155
FUND BALANCES - ending	\$ 22,000	\$ 22,000	\$ 24,522	\$ 2,522

CITY OF WEST LINN, OREGON

DEBT SERVICE FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Budget for the 2014-2015 Biennium		Actual	Variance with Final Budget
	Original	Final	1st Year FY 2013-14	
REVENUES:				
Property taxes	\$ 2,781,000	\$ 2,781,000	\$ 1,406,964	\$ (1,374,036)
EXPENDITURES:				
Debt service:				
Principal	2,005,000	2,005,000	975,000	1,030,000
Interest	677,000	677,000	349,113	327,887
TOTAL EXPENDITURES	2,682,000	2,682,000	1,324,113	1,357,887
EXCESS OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCES	99,000	99,000	82,851	(16,149)
FUND BALANCES - beginning	37,000	37,000	80,690	43,690
FUND BALANCES - ending	\$ 136,000	\$ 136,000	\$ 163,541	\$ 27,541

CITY OF WEST LINN, OREGON

PARK BOND CONSTRUCTION FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Budget for the 2014-2015 Biennium		Actual	Variance with Final Budget
	Original	Final	1st Year FY 2013-14	
EXPENDITURES:				
Capital outlay	\$ 131,000	\$ 131,000	\$ 9,536	\$ 121,464
DEFICIENCY OF REVENUES UNDER EXPENDITURES AND NET CHANGE IN FUND BALANCE	(131,000)	(131,000)	(9,536)	121,464
FUND BALANCES - beginning	131,000	131,000	125,931	(5,069)
FUND BALANCES - ending	\$ -	\$ -	\$ 116,395	\$ 116,395

**INDIVIDUAL FUND FINANCIAL
SCHEDULES**
Proprietary Funds

Proprietary Funds

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

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

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

CITY OF WEST LINN, OREGON

WATER FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Budget for the 2014-2015 Biennium		Actual	Variance with Final Budget
	Original	Final	1st Year FY 2013-14	
REVENUES:				
Water charges	\$ 6,857,000	\$ 6,857,000	\$ 3,592,104	\$ (3,264,896)
Intergovernmental	-	-	5,428,771	5,428,771
Systems development charges	-	-	40,239	40,239
Miscellaneous	85,000	85,000	58,586	(26,414)
TOTAL REVENUES	6,942,000	6,942,000	9,119,700	2,177,700
EXPENDITURES:				
Personnel services	1,255,000	1,255,000	521,293	733,707
Materials and services	3,245,000	3,245,000	1,436,501	1,808,499
Debt service	304,000	304,000	149,694	154,306
Capital outlay	976,000	976,000	732,680	243,320
Contingency	300,000	300,000	-	300,000
TOTAL EXPENDITURES	6,080,000	6,080,000	2,840,168	3,239,832
EXCESS OF REVENUES OVER EXPENDITURES	862,000	862,000	6,279,532	5,417,532
OTHER FINANCING USES:				
Transfers to other funds	(1,433,000)	(1,433,000)	(703,000)	730,000
NET CHANGE IN FUND BALANCES	(571,000)	(571,000)	5,576,532	6,147,532
FUND BALANCES - beginning	996,000	996,000	1,431,858	435,858
FUND BALANCES - ending	\$ 425,000	\$ 425,000	7,008,390	\$ 6,583,390
RECONCILIATION TO NET POSITION - GAAP BASIS:				
Adjustment for compensated absences being accrued			(58,745)	
Adjustment for OPEB liability being accrued			(41,354)	
Adjustment for interest payable being accrued			(12,991)	
Adjustment for capital assets not being depreciated			665,756	
Adjustment for capital assets, net of accumulated depreciation			10,374,914	
Adjustment for investment in joint venture			8,345,886	
Adjustment for deposits payable - not earned			(5,000,000)	
Adjustment for bonds payable - due within one year			(105,000)	
Adjustment for long term bonds payable			(770,000)	
NET POSITION - GAAP BASIS			\$ 20,406,856	

CITY OF WEST LINN, OREGON

ENVIRONMENTAL SERVICES FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Budget for the 2014-2015 Biennium		Actual	Variance with Final Budget
	Original	Final	1st Year FY 2013-14	
REVENUES:				
Sewer charges	\$ 4,375,000	\$ 4,375,000	\$ 2,041,382	\$ (2,333,618)
Surface water charges	1,507,000	1,507,000	744,405	(762,595)
Systems development charges	164,000	164,000	97,309	(66,691)
Miscellaneous	107,000	107,000	112,347	5,347
TOTAL REVENUES	6,153,000	6,153,000	2,995,443	(3,157,557)
EXPENDITURES:				
Personnel services	1,518,000	1,518,000	635,874	882,126
Materials and services	752,000	752,000	250,435	501,565
Capital outlay	3,158,000	3,158,000	1,002,102	2,155,898
Contingency	750,000	750,000	-	750,000
TOTAL EXPENDITURES	6,178,000	6,178,000	1,888,411	4,289,589
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(25,000)	(25,000)	1,107,032	1,132,032
OTHER FINANCING USES:				
Transfers to other funds	(2,212,000)	(2,212,000)	(1,094,000)	1,118,000
NET CHANGE IN FUND BALANCES	(2,237,000)	(2,237,000)	13,032	2,250,032
FUND BALANCES - beginning	3,349,000	3,349,000	3,441,713	92,713
FUND BALANCES - ending	<u>\$ 1,112,000</u>	<u>\$ 1,112,000</u>	3,454,745	<u>\$ 2,342,745</u>
RECONCILIATION TO NET POSITION - GAAP BASIS:				
Adjustment for compensated absences being accrued			(47,042)	
Adjustment for OPEB liability being accrued			(53,761)	
Adjustment for capital assets not being depreciated			213,610	
Adjustment for capital assets, net of accumulated depreciation			18,756,899	
NET POSITION - GAAP BASIS			<u>\$ 22,324,451</u>	

OTHER FINANCIAL SCHEDULES

Schedule of Future Debt Service Requirements

Schedule of Property Tax Transactions and Outstanding Balances

Schedule of Accountability of Independently Elected Officials

CITY OF WEST LINN, OREGON

SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS

JUNE 30, 2014

FUTURE BOND PRINCIPAL

Fiscal year	General Obligation Bonds			Full Faith and Credit Obligations Bonds		Revenue Bonds	Total
	Series 2009-A	Series 2010-A	Series 2012	Series 2009-B	Series 2010-B	Series 2000	
	Refunded Parks	Refunded Library	Police Station	Streets/Parks	Refunded City Hall	Water	
	Jan. 21, 2009	Sep. 2, 2010	Jan. 25, 2012	Jan. 21, 2009	Sep. 2, 2010	Oct. 1, 2000	
2015	\$ 535,000	\$ 250,000	\$ 245,000	\$ 170,000	\$ 240,000	\$ 105,000	\$ 1,545,000
2016	555,000	275,000	275,000	175,000	245,000	110,000	1,635,000
2017	570,000	290,000	295,000	180,000	255,000	115,000	1,705,000
2018	590,000	310,000	310,000	185,000	265,000	125,000	1,785,000
2019	280,000	330,000	335,000	190,000	275,000	130,000	1,540,000
2020	-	355,000	355,000	200,000	285,000	140,000	1,335,000
2021	-	385,000	375,000	210,000	295,000	150,000	1,415,000
2022	-	-	400,000	215,000	-	-	615,000
2023	-	-	425,000	225,000	-	-	650,000
2024	-	-	450,000	235,000	-	-	685,000
2025	-	-	475,000	245,000	-	-	720,000
2026	-	-	505,000	255,000	-	-	760,000
2027	-	-	530,000	265,000	-	-	795,000
2028	-	-	565,000	275,000	-	-	840,000
2029	-	-	595,000	290,000	-	-	885,000
2030	-	-	630,000	-	-	-	630,000
2031	-	-	665,000	-	-	-	665,000
2032	-	-	715,000	-	-	-	715,000
	<u>\$ 2,530,000</u>	<u>\$ 2,195,000</u>	<u>\$ 8,145,000</u>	<u>\$ 3,315,000</u>	<u>\$ 1,860,000</u>	<u>\$ 875,000</u>	<u>\$ 18,920,000</u>

FUTURE BOND INTEREST

Fiscal year	General Obligation Bonds			Full Faith and Credit Obligations Bonds		Revenue Bonds	Total
	Series 2009-A	Series 2010-A	Series 2012	Series 2009-B	Series 2010-B	Series 2000	
	Refunded Parks	Refunded Library	Police Station	Streets/Parks	Refunded City Hall	Water	
	Jan. 21, 2009	Sep. 2, 2010	Jan. 25, 2012	Jan. 21, 2009	Sep. 2, 2010	Oct. 1, 2000	
2015	\$ 85,888	\$ 54,338	\$ 184,237	\$ 132,823	\$ 58,875	\$ 48,944	\$ 565,105
2016	69,838	49,338	179,338	127,723	51,600	42,763	520,600
2017	51,800	43,838	173,837	122,035	42,825	36,150	470,485
2018	31,850	37,313	167,938	115,735	32,425	28,950	414,211
2019	5,600	29,563	161,737	108,335	23,000	21,300	349,535
2020	-	21,313	155,038	100,735	14,600	13,200	304,886
2021	-	11,550	147,937	92,735	5,163	4,500	261,885
2022	-	-	140,438	84,335	-	-	224,773
2023	-	-	132,437	75,735	-	-	208,172
2024	-	-	123,938	66,623	-	-	190,561
2025	-	-	114,937	57,105	-	-	172,042
2026	-	-	105,438	46,815	-	-	152,253
2027	-	-	94,706	36,105	-	-	130,811
2028	-	-	82,781	24,578	-	-	107,359
2029	-	-	69,363	12,615	-	-	81,978
2030	-	-	54,487	-	-	-	54,487
2031	-	-	37,950	-	-	-	37,950
2032	-	-	9,831	-	-	-	9,831
	<u>\$ 244,976</u>	<u>\$ 247,253</u>	<u>\$ 2,136,368</u>	<u>\$ 1,204,032</u>	<u>\$ 228,488</u>	<u>\$ 195,807</u>	<u>\$ 4,256,924</u>

CITY OF WEST LINN, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<u>Tax Year</u>	<u>Uncollected Property Taxes as of June 30, 2013</u>	<u>Add Tax Levy Extended by Assessor</u>	<u>Deduct Adjustments and Discounts</u>	<u>Deduct Cash Collections</u>	<u>Uncollected Property Taxes as of June 30, 2014</u>
Current fiscal year 2013-14	\$ -	\$ 8,044,298	\$ (186,361)	\$ (7,628,822)	\$ 229,115
Prior fiscal years					
2012-13	251,595	-	(6,131)	(127,259)	118,205
2011-12	124,321	-	(1,846)	(43,405)	79,070
2010-11	79,282	-	(528)	(31,390)	47,364
2009-10	46,390	-	(810)	(15,529)	30,051
2008-09 & prior	20,229	-	(2,421)	(3,206)	14,602
Sub-total prior	<u>521,817</u>	<u>-</u>	<u>(11,736)</u>	<u>(220,789)</u>	<u>289,292</u>
Total	<u>\$ 521,817</u>	<u>\$ 8,044,298</u>	<u>\$ (198,097)</u>	<u>\$ (7,849,611)</u>	<u>\$ 518,407</u>

Public Safety Fund	\$ 297,318
Parks and Recreation Fund	79,285
Library Fund	59,464
Debt Service Fund	<u>82,340</u>
	<u>\$ 518,407</u>

CITY OF WEST LINN, OREGON
SCHEDULE OF ACCOUNTABILITY OF INDEPENDENTLY ELECTED OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

CITY OF WEST LINN, OREGON
COMPREHENSIVE ANNUAL FINANCIAL REPORT

SECTION III

STATISTICAL SECTION

STATISTICAL SECTION

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

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how financial performance has changed over time.	83
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.	89
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	93
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	98
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	100

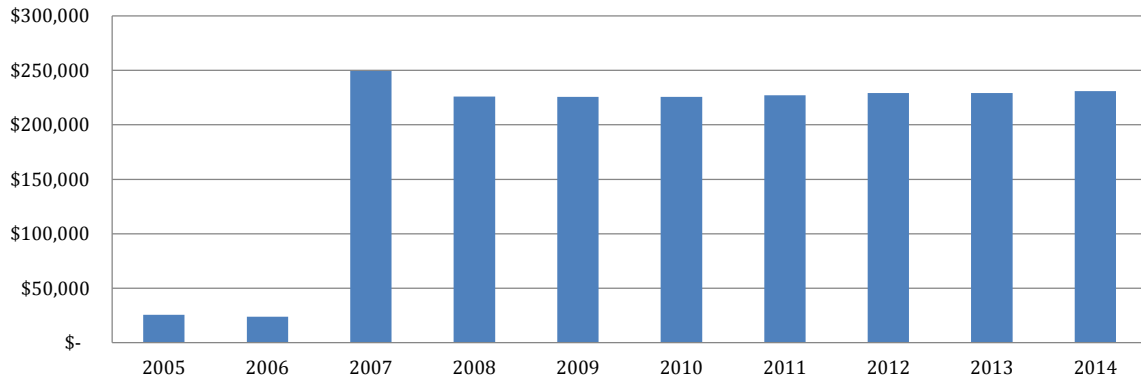
Sources: The information in these schedules is derived from the comprehensive annual financial reports for the relevant year, unless otherwise noted. The City implemented GASB Statement 34 in fiscal year 2002-03, except for the infrastructure provisions which were implemented in fiscal year 2007-08, GASB Statement 44 in fiscal year 2007-08, GASB Statement 54 in fiscal year 2010-11, GASB Statement 63 in fiscal year 2012-13, and GASB Statement 65 in fiscal year 2013-14.

CITY OF WEST LINN, OREGON

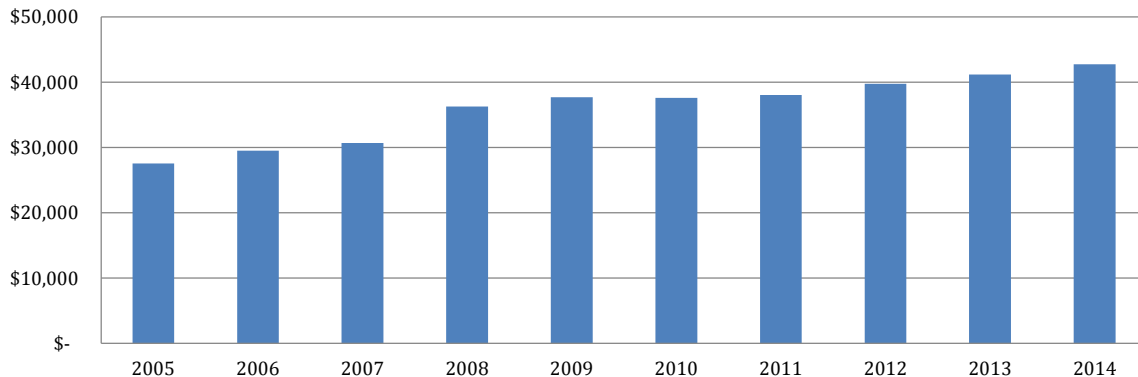
Net Position by Component
for the last ten fiscal years
(accrual basis of accounting)
(in thousands)

	Fiscal Year Ended									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in capital assets	\$ 17,453	\$ 17,951	\$ 241,987	\$ 218,998	\$ 219,277	\$ 217,988	\$ 218,578	\$ 217,951	\$ 217,876	\$ 218,327
Restricted	4,080	2,854	3,526	4,479	6,565	6,450	4,930	6,077	6,467	7,236
Unrestricted (deficit)	3,921	2,996	3,995	2,514	(248)	1,279	3,483	5,123	4,854	5,500
Total governmental activities net position	<u>25,454</u>	<u>23,801</u>	<u>249,508</u>	<u>225,991</u>	<u>225,594</u>	<u>225,717</u>	<u>226,991</u>	<u>229,151</u>	<u>229,197</u>	<u>231,063</u>
Business-type activities										
Net investment in capital assets	20,447	21,059	20,723	26,201	27,454	27,089	26,945	27,482	28,348	29,136
Restricted	-	-	-	-	155	155	155	155	155	155
Unrestricted	7,085	8,442	9,939	10,090	10,082	10,354	10,943	12,104	12,666	13,441
Total business-type activities net position	<u>27,532</u>	<u>29,501</u>	<u>30,662</u>	<u>36,291</u>	<u>37,691</u>	<u>37,598</u>	<u>38,043</u>	<u>39,741</u>	<u>41,169</u>	<u>42,732</u>
Primary government										
Net investment in capital assets	37,900	39,010	262,710	245,199	246,731	245,077	245,523	245,433	246,224	247,463
Restricted	4,080	2,854	3,526	4,479	6,720	6,605	5,085	6,232	6,622	7,391
Unrestricted	11,006	11,438	13,934	12,604	9,834	11,633	14,426	17,227	17,520	18,941
Total primary government net position	<u>\$ 52,986</u>	<u>\$ 53,302</u>	<u>\$ 280,170</u>	<u>\$ 262,282</u>	<u>\$ 263,285</u>	<u>\$ 263,315</u>	<u>\$ 265,034</u>	<u>\$ 268,892</u>	<u>\$ 270,366</u>	<u>\$ 273,795</u>

Net Position - Governmental Activities ('000s)



Net Position - Business-type Activities ('000s)



CITY OF WEST LINN, OREGON

**Changes in Net Position
for the last ten fiscal years
(accrual basis of accounting)
(in thousands)**

	Fiscal Year Ended									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government	\$ 3,838	\$ 4,040	\$ 4,695	\$ 6,007	\$ 5,970	\$ 6,305	\$ 6,676	\$ 7,110	\$ 7,305	\$ 7,169
Culture and recreation	2,776	2,846	2,973	4,279	5,433	5,492	5,788	6,038	6,291	6,060
Public safety	4,315	4,414	4,490	5,658	6,318	6,472	6,368	6,803	7,074	7,095
Highways and streets	609	1,442	994	1,235	3,528	3,492	3,492	3,431	3,581	3,664
Interest on long-term debt	773	591	640	631	599	626	404	507	615	549
Unallocated depreciation	626	1,486	644	2,395	-	-	-	-	-	-
Total governmental activities expenses	<u>12,937</u>	<u>14,819</u>	<u>14,436</u>	<u>20,205</u>	<u>21,848</u>	<u>22,387</u>	<u>22,728</u>	<u>23,889</u>	<u>24,866</u>	<u>24,537</u>
Business-type activities:										
Water	2,450	2,732	2,270	2,914	3,269	3,071	3,061	3,025	3,219	3,243
Environmental services	1,950	2,094	1,409	2,814	2,704	2,560	2,640	2,721	2,756	2,906
Total business-type activities expenses	<u>4,400</u>	<u>4,826</u>	<u>3,679</u>	<u>5,728</u>	<u>5,973</u>	<u>5,631</u>	<u>5,701</u>	<u>5,746</u>	<u>5,975</u>	<u>6,149</u>
Total primary government expenses	<u>\$ 17,337</u>	<u>\$ 19,645</u>	<u>\$ 18,115</u>	<u>\$ 25,933</u>	<u>\$ 27,821</u>	<u>\$ 28,018</u>	<u>\$ 28,429</u>	<u>\$ 29,635</u>	<u>\$ 30,841</u>	<u>\$ 30,686</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 3,134	\$ 3,955	\$ 3,527	\$ 6,473	\$ 6,364	\$ 6,844	\$ 7,232	\$ 8,228	\$ 8,167	\$ 8,483
Culture and recreation	-	-	-	1,321	1,543	1,590	1,764	1,905	1,911	2,005
Public safety	-	-	-	753	664	663	693	741	612	664
Highways and streets	-	-	-	243	833	778	792	870	904	1,351
Operating grants and contributions	2,716	2,411	2,374	2,372	2,486	3,045	4,015	3,852	3,974	3,776
Capital grants and contributions	-	-	-	1,755	727	770	493	1,531	248	354
Total governmental activities program revenues	<u>5,850</u>	<u>6,366</u>	<u>5,901</u>	<u>12,917</u>	<u>12,617</u>	<u>13,690</u>	<u>14,989</u>	<u>17,127</u>	<u>15,816</u>	<u>16,633</u>
Business-type activities:										
Charges for services:										
Water	2,573	2,986	3,579	2,903	3,069	2,926	3,071	3,554	4,021	3,968
Environmental services	1,870	1,899	2,244	2,020	2,452	2,362	2,500	2,784	2,813	2,996
Capital grants and contributions	-	-	-	865	1,635	100	206	936	155	581
Total business-type activities program revenues	<u>4,443</u>	<u>4,885</u>	<u>5,823</u>	<u>5,788</u>	<u>7,156</u>	<u>5,388</u>	<u>5,777</u>	<u>7,274</u>	<u>6,989</u>	<u>7,545</u>
Total primary government program revenues	<u>\$ 10,293</u>	<u>\$ 11,251</u>	<u>\$ 11,724</u>	<u>\$ 18,705</u>	<u>\$ 19,773</u>	<u>\$ 19,078</u>	<u>\$ 20,766</u>	<u>\$ 24,401</u>	<u>\$ 22,805</u>	<u>\$ 24,178</u>

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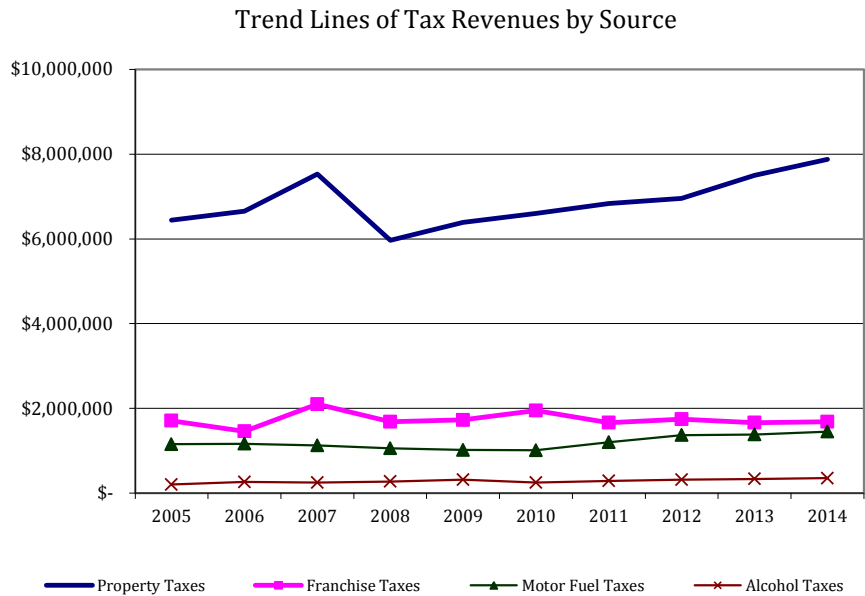
	Fiscal Year Ended									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net (Expense) Revenue										
Governmental activities	\$ (7,087)	\$ (8,453)	\$ (8,535)	\$ (7,288)	\$ (9,231)	\$ (8,697)	\$ (7,739)	\$ (6,762)	\$ (9,050)	\$ (7,904)
Business-type activities	43	59	2,144	60	1,183	(243)	76	1,528	1,014	1,396
Total primary government expenses	<u>\$ (7,044)</u>	<u>\$ (8,394)</u>	<u>\$ (6,391)</u>	<u>\$ (7,228)</u>	<u>\$ (8,048)</u>	<u>\$ (8,940)</u>	<u>\$ (7,663)</u>	<u>\$ (5,234)</u>	<u>\$ (8,036)</u>	<u>\$ (6,508)</u>
General Revenues										
Governmental activities:										
Property taxes, levied for general purposes	\$ 5,520	\$ 5,760	\$ 6,675	\$ 5,264	\$ 5,536	\$ 5,785	\$ 5,918	\$ 6,181	\$ 6,197	\$ 6,440
Property taxes, levied for debt service	811	854	931	769	942	828	884	839	1,321	1,406
Franchise taxes	1,711	1,460	2,098	1,686	1,728	1,952	1,662	1,749	1,662	1,683
Unrestricted grants and contributions	-	382	279	263	604	361	675	303	319	337
Interest and investment earnings	171	210	468	420	51	23	18	19	10	8
Gain on disposition of capital assets	-	-	-	-	-	-	222	-	-	63
Transfers	165	(1,866)	1,092	(132)	(27)	(129)	(365)	(170)	(413)	(167)
Total governmental activities	<u>8,378</u>	<u>6,800</u>	<u>11,543</u>	<u>8,270</u>	<u>8,834</u>	<u>8,820</u>	<u>9,014</u>	<u>8,921</u>	<u>9,096</u>	<u>9,770</u>
Business-type activities:										
Investment earnings	20	44	110	109	190	7	3	-	-	-
Gain on disposition of capital assets	-	-	-	-	-	14	1	-	-	-
Transfers	-	1,866	(1,092)	132	27	129	365	170	413	167
Total business-type activities	<u>20</u>	<u>1,910</u>	<u>(982)</u>	<u>241</u>	<u>217</u>	<u>150</u>	<u>369</u>	<u>170</u>	<u>413</u>	<u>167</u>
Total primary government	<u>\$ 8,398</u>	<u>\$ 8,710</u>	<u>\$ 10,561</u>	<u>\$ 8,511</u>	<u>\$ 9,051</u>	<u>\$ 8,970</u>	<u>\$ 9,383</u>	<u>\$ 9,091</u>	<u>\$ 9,509</u>	<u>\$ 9,937</u>
Changes in Net Position										
Governmental activities	\$ 1,291	\$ (1,653)	\$ 3,008	\$ 982	\$ (397)	\$ 123	\$ 1,275	\$ 2,159	\$ 46	\$ 1,866
Business-type activities	63	1,969	1,162	301	1,400	(93)	445	1,698	1,427	1,563
Total primary government	<u>\$ 1,354</u>	<u>\$ 316</u>	<u>\$ 4,170</u>	<u>\$ 1,283</u>	<u>\$ 1,003</u>	<u>\$ 30</u>	<u>\$ 1,720</u>	<u>\$ 3,857</u>	<u>\$ 1,473</u>	<u>\$ 3,429</u>

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

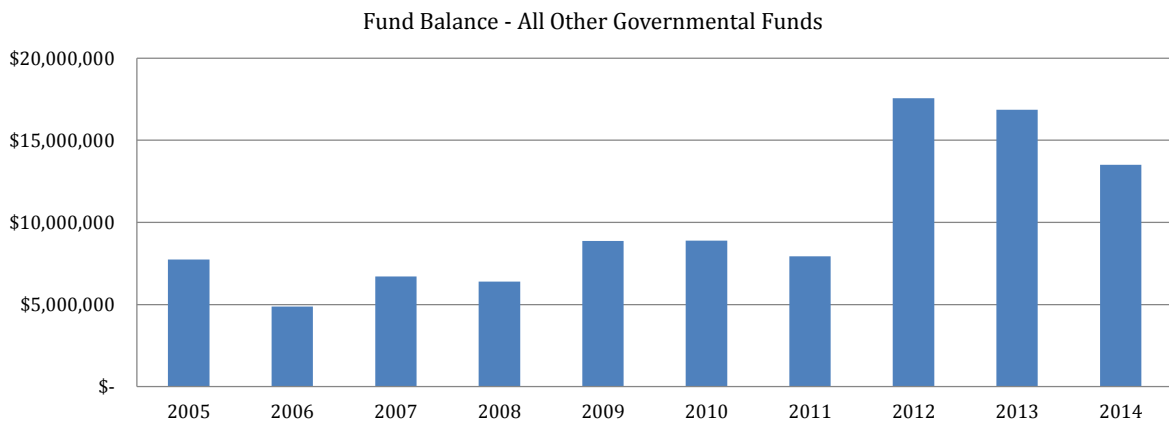
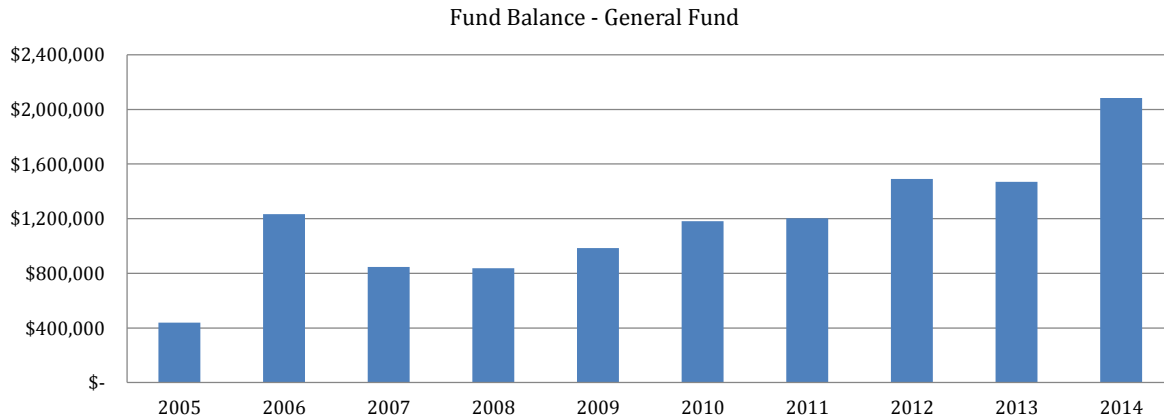
Fiscal year	Property tax	Franchise tax	Motor fuel tax¹	Alcoholic beverage tax¹	Total
2005	\$ 6,440,143	\$ 1,711,039	\$ 1,156,516	\$ 203,690	\$ 9,511,388
2006	6,650,854	1,459,842	1,166,254	266,193	9,543,143
2007	7,531,540	2,098,041	1,129,618	252,951	11,012,150
2008	5,965,524	1,685,632	1,057,792	275,206	8,984,154
2009	6,392,688	1,727,918	1,018,039	319,257	9,457,902
2010	6,603,432	1,952,259	1,012,955	252,198	9,820,844
2011	6,834,048	1,662,509	1,204,209	289,005	9,989,771
2012	6,957,799	1,748,619	1,372,076	321,952	10,400,446
2013	7,497,058	1,661,718	1,384,642	337,394	10,880,812
2014	7,875,104	1,682,559	1,451,422	355,788	11,364,873

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



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

	Fiscal Year Ended									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General fund										
Nonspendable	\$ -	\$ -	\$ 104,342	\$ 142,264	\$ -	\$ 36,838	\$ 150,378	\$ 164,462	\$ 169,275	\$ 150,427
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	439,342	1,232,657	742,999	695,299	985,405	1,144,698	1,052,484	1,325,884	1,301,083	1,932,734
Total general fund	\$ 439,342	\$ 1,232,657	\$ 847,341	\$ 837,563	\$ 985,405	\$ 1,181,536	\$ 1,202,862	\$ 1,490,346	\$ 1,470,358	\$ 2,083,161
All other governmental funds										
Nonspendable	\$ -	\$ 250,000	\$ 250,000	\$ 157,298	\$ 157,300	\$ 157,300	\$ 157,300	\$ 157,300	\$ 157,300	\$ 157,300
Restricted	5,773,038	3,798,139	3,558,887	4,322,104	6,408,089	6,292,160	4,773,436	12,922,103	12,544,353	8,651,824
Committed	1,973,454	514,764	2,481,294	1,683,251	2,138,630	2,331,737	3,000,053	4,482,238	4,166,120	4,705,382
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	317,384	425,586	240,620	156,522	101,602	-	-	-	-
Total all other governmental funds	\$ 7,746,492	\$ 4,880,287	\$ 6,715,767	\$ 6,403,273	\$ 8,860,541	\$ 8,882,799	\$ 7,930,789	\$ 17,561,641	\$ 16,867,773	\$ 13,514,506



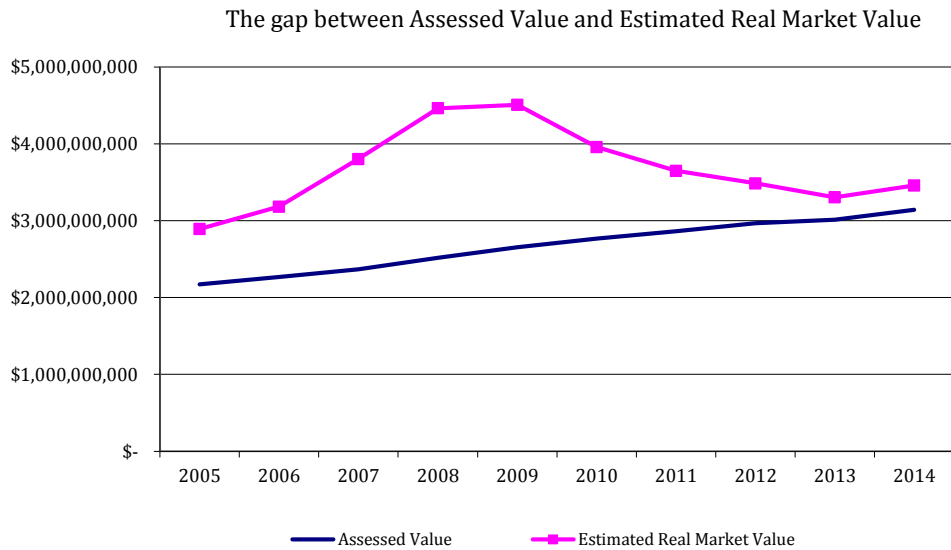
CITY OF WEST LINN, OREGON
Changes in Fund Balances of Governmental Funds
for the last ten fiscal years
(modified accrual basis of accounting)

	Fiscal Year Ended									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues:										
Property taxes	\$ 6,440,143	\$ 6,650,854	\$ 7,531,540	\$ 5,965,524	\$6,392,688	\$6,603,432	\$6,834,048	\$6,957,799	\$7,497,058	\$ 7,875,104
Intergovernmental	2,716,878	2,410,889	2,374,184	2,371,677	2,486,047	3,678,872	4,015,212	4,789,930	3,912,898	3,716,218
Franchise taxes	1,711,039	1,459,842	2,098,041	1,685,632	1,727,918	1,952,259	1,662,509	1,748,619	1,661,718	1,682,559
Fines and forfeitures	463,254	513,503	567,159	517,662	586,145	565,151	520,087	403,165	432,940	478,194
Licenses and fees	703,169	672,024	1,155,020	1,108,494	1,006,790	1,037,008	1,012,185	1,218,483	1,049,767	1,106,437
Charges for services	2,160,498	2,373,428	452,744	5,770,614	7,192,160	7,664,216	7,920,641	8,355,873	8,742,651	9,640,378
Systems development charges	622,099	1,155,017	1,209,582	963,567	618,819	608,727	1,027,067	1,765,887	1,367,798	1,278,072
Investment earnings	173,518	202,996	467,203	419,705	50,420	22,990	17,718	18,944	9,833	7,512
Miscellaneous	164,664	382,899	279,634	263,531	604,187	360,470	674,790	303,350	319,017	337,149
Total revenues	<u>15,155,262</u>	<u>15,821,452</u>	<u>16,135,107</u>	<u>19,066,406</u>	<u>20,665,174</u>	<u>22,493,125</u>	<u>23,684,257</u>	<u>25,562,050</u>	<u>24,993,680</u>	<u>26,121,623</u>
Expenditures:										
Current:										
General government	4,615,175	4,810,789	4,464,283	5,334,764	5,944,189	6,194,465	6,520,299	6,704,454	7,209,531	6,758,119
Culture and recreation	3,591,126	2,908,948	2,973,587	4,274,399	4,548,376	4,647,411	4,934,363	5,182,185	5,440,445	5,149,677
Public safety	4,323,057	4,578,620	4,545,133	5,642,339	5,940,429	6,262,603	6,261,541	6,711,910	7,041,384	6,851,540
Highways and streets	1,614,965	1,534,138	1,043,943	1,236,200	1,634,945	1,569,050	1,545,578	1,452,551	1,591,059	1,617,973
Debt service:										
Principal	654,887	590,000	625,000	670,000	705,000	825,000	1,070,000	1,065,000	1,245,000	1,370,000
Interest	694,268	669,356	639,505	626,604	472,048	741,544	418,655	427,366	651,831	552,802
Current refunding	-	-	-	-	4,992,519	-	5,933,478	-	-	-
Capital outlay	756,008	2,188,791	1,363,980	1,611,978	2,944,474	2,034,663	4,353,775	2,793,021	2,578,462	6,753,923
Total expenditures	<u>16,249,486</u>	<u>17,280,642</u>	<u>15,655,431</u>	<u>19,396,284</u>	<u>27,181,980</u>	<u>22,274,736</u>	<u>31,037,689</u>	<u>24,336,487</u>	<u>25,757,712</u>	<u>29,054,034</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,094,224)</u>	<u>(1,459,190)</u>	<u>479,676</u>	<u>(329,878)</u>	<u>(6,516,806)</u>	<u>218,389</u>	<u>(7,353,432)</u>	<u>1,225,563</u>	<u>(764,032)</u>	<u>(2,932,411)</u>
Other financing sources (uses):										
Transfers from other funds	1,655,936	3,731,852	3,908,392	713,200	322,500	-	-	-	-	-
Transfers to other funds	(1,655,936)	(4,345,554)	(2,937,904)	(705,594)	(322,500)	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-	-	487,887	90,085	-	191,947
Full faith and credit obligation bonds	-	-	-	-	4,035,000	-	-	-	-	-
Refunding bonds issued	-	-	-	-	4,915,000	-	5,640,000	-	-	-
General obligation bonds issued	-	-	-	-	-	-	-	8,500,000	-	-
Bond premium on issuance of debt	-	-	-	-	171,916	-	294,861	102,688	-	-
Capital lease	-	-	-	-	-	-	-	-	50,176	-
Total other financing sources (uses)	<u>-</u>	<u>(613,702)</u>	<u>970,488</u>	<u>7,606</u>	<u>9,121,916</u>	<u>-</u>	<u>6,422,748</u>	<u>8,692,773</u>	<u>50,176</u>	<u>191,947</u>
Net change in fund balances	<u><u>\$(1,094,224)</u></u>	<u><u>\$(2,072,892)</u></u>	<u><u>\$ 1,450,164</u></u>	<u><u>\$(322,272)</u></u>	<u><u>\$2,605,110</u></u>	<u><u>\$ 218,389</u></u>	<u><u>\$(930,684)</u></u>	<u><u>\$9,918,336</u></u>	<u><u>\$(713,856)</u></u>	<u><u>\$(2,740,464)</u></u>
Debt service as a percentage of noncapital expenditures	8.7%	8.3%	8.8%	7.3%	4.9%	7.7%	5.6%	6.9%	8.2%	8.6%

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

Fiscal year	Assessed Value					Total direct tax rate	RMV	Assessed value as a percentage of RMV
	Real property	Personal property	Manuf'd structure	Public utility	Total assessed value		Estimated real market value (RMV)	
2005	\$ 2,101,719,925	\$ 19,893,788	\$ 2,842,100	\$ 49,379,559	\$ 2,173,835,372	\$ 3.0127	\$ 2,893,044,240	75 %
2006	2,195,743,606	19,493,768	2,639,830	49,034,500	2,266,911,704	3.0265	3,184,053,186	71
2007	2,297,035,876	19,771,894	1,529,407	51,125,300	2,369,462,477	3.2626	3,804,091,192	62
2008	2,429,084,775	23,088,571	97,310	64,467,300	2,516,737,956	2.4317	4,464,348,037	56
2009	2,551,018,947	24,133,819	13,260	80,383,350	2,655,549,376	2.4984	4,507,161,484	59
2010	2,651,268,406	21,528,027	12,220	95,893,520	2,768,702,173	2.4493	3,960,668,206	70
2011	2,746,237,479	20,571,834	5,760	98,229,395	2,865,044,468	2.4522	3,650,547,820	78
2012	2,844,388,454	20,971,094	5,720	100,553,420	2,965,918,688	2.4180	3,487,305,552	85
2013	2,896,939,017	20,871,017	5,740	93,960,465	3,011,776,239	2.5629	3,305,208,425	91
2014	3,026,911,233	23,699,155	11,320	92,241,830	3,142,863,538	2.5590	3,460,978,688	91

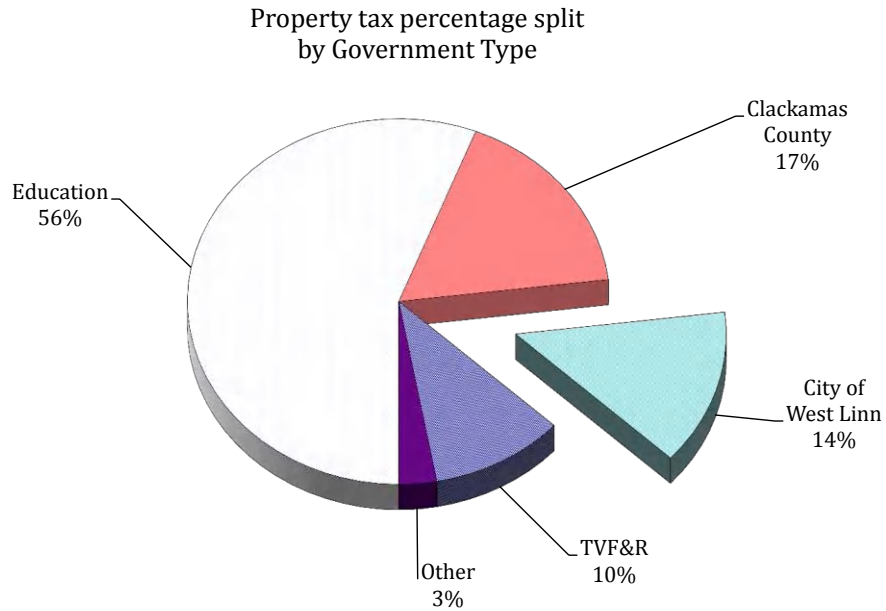
Source: Clackamas County Assessor's Office



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

Fiscal year	City direct rates				Overlapping rates							Total direct and overlapping
	Permanent tax rate	Local option levy rate	Bonded debt tax rate	Total direct	West Linn Wilsonville School District	Clackamas County	Clackamas Community College	Education Service District	Tualain Valley Fire and Rescue	Other		
2005	\$ 2.1200	\$ 0.5050	\$ 0.3877	\$ 3.0127	\$ 9.18	\$ 2.58	\$ 0.78	\$ 0.36	\$ 1.83	\$ 0.46	\$ 18.19	
2006	2.1200	0.4844	0.4221	3.0265	9.23	2.59	0.77	0.36	1.82	0.49	18.28	
2007	2.1200	0.7550	0.3876	3.2626	9.31	2.53	0.73	0.36	1.82	0.47	18.48	
2008	2.1200	-	0.3117	2.4317	9.24	2.80	0.74	0.36	1.87	0.61	18.05	
2009	2.1200	-	0.3784	2.4984	9.05	2.81	0.74	0.36	1.84	0.57	17.88	
2010	2.1200	-	0.3293	2.4493	9.18	3.30	0.72	0.36	1.89	0.62	18.52	
2011	2.1200	-	0.3322	2.4522	9.34	3.29	0.70	0.36	1.78	0.70	18.62	
2012	2.1200	-	0.2980	2.4180	9.36	3.28	0.68	0.36	1.78	0.62	18.50	
2013	2.1200	-	0.4429	2.5629	9.38	3.29	0.70	0.36	1.91	0.50	18.71	
2014	2.1200	-	0.4390	2.5590	9.32	3.18	0.71	0.37	1.91	0.54	18.58	

Source: Clackamas County Assessor's Office



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

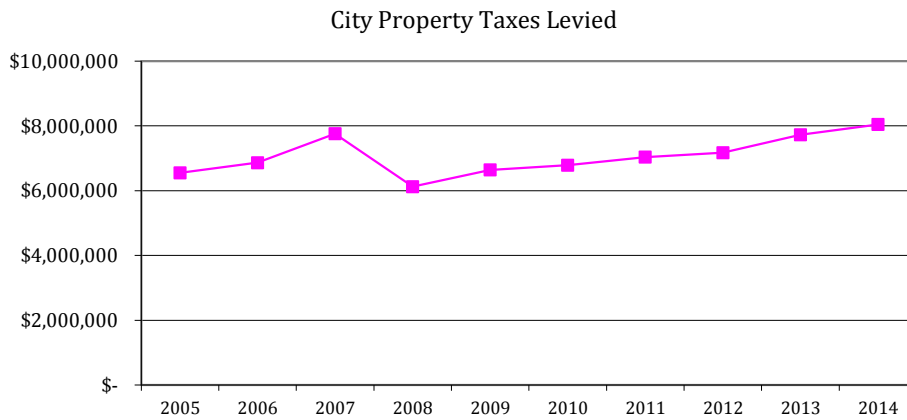
Name	2014			2005		
	Assessed value	Rank	% of total value	Assessed value	Rank	% of total value
Portland General Electric Co	\$ 57,380,000	1	1.8 %	\$ 30,318,000	1	1.4 %
Simpson Realty Group LP	26,511,889	2	0.8	20,319,156	2	0.9
West Linn Paper Company	24,232,736	3	0.8	17,490,084	3	0.8
West Linn Shopping Ctr. Assoc. LLC	19,909,237	4	0.6	13,073,952	5	0.6
Comcast Corporation	18,181,500	5	0.6			
Blackhawk Nevada LLC	15,780,107	6	0.5			
Elliott Associates Inc	11,020,085	7	0.4			
ROIC Cascade Summit LLC	10,580,248	8	0.3			
BHSUM LLC	9,835,363	9	0.3			
NW Natural Gas Company	9,742,000	10	0.3	10,104,200	7	0.5
Koss-Brod-Goodrich & Assoc				15,382,647	4	0.7
Maier-Traub Gloria				11,112,258	6	0.5
Tanner Spring LLC				6,795,782	8	0.3
More William				5,210,971	9	0.2
Bean Investment Real Estate				5,023,574	10	0.2
Sub-total, top ten	203,173,165		6.5	134,830,624		6.2
All other City taxpayers	2,939,690,373		93.5	2,039,004,748		93.8
Total City taxpayers	<u>\$ 3,142,863,538</u>		<u>100.0 %</u>	<u>\$ 2,173,835,372</u>		<u>100.0 %</u>

Source: Clackamas County Assessor's Office

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

Fiscal year	Taxes levied for the fiscal year	Collected within the fiscal year of the levy		Collections in subsequent years	Total collections to date	
		Amount	Percentage of levy		Amount	Percentage of levy
2005	\$ 6,553,401	\$ 6,197,891	95 %	\$ 174,247	\$ 6,372,138	97 %
2006	6,864,067	6,523,682	95	165,180	6,688,862	97
2007	7,759,907	7,310,877	94	248,883	7,559,760	97
2008	6,123,920	5,725,655	93	233,023	5,958,678	97
2009	6,639,388	6,163,584	93	306,503	6,470,087	97
2010	6,783,509	6,337,912	93	237,361	6,575,273	97
2011	7,032,330	6,567,529	93	217,473	6,785,002	96
2012	7,174,440	6,799,324	95	166,631	6,965,955	97
2013	7,724,400	7,283,059	94	127,259	7,410,318	96
2014	8,044,298	7,628,822	95	-	7,628,822	95

Source: Annual financial statements of the City of West Linn



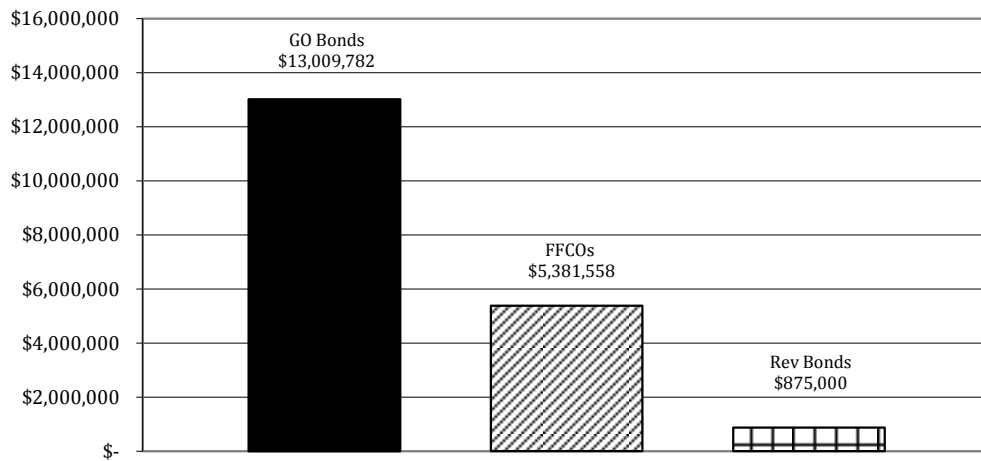
CITY OF WEST LINN, OREGON
Ratios of Outstanding Debt by Type
for the last ten fiscal years

Fiscal year	Governmental Activities		Business-type Activities		Total primary government	Percentage of personal income	Per capita
	General Obligation bonds	Full Faith and Credit obligations	Water Revenue bonds				
2005	\$ 10,020,000	\$ 3,735,000	\$ 1,580,000		\$ 15,335,000	1.76 %	\$ 637
2006	9,590,000	3,575,000	1,515,000		14,680,000	1.58	607
2007	9,130,000	3,410,000	1,450,000		13,990,000	1.45	579
2008	8,635,000	3,235,000	1,380,000		13,250,000	1.31	543
2009	8,105,000	7,246,022	1,305,000		16,656,022	1.75	683
2010	7,560,000	6,950,128	1,225,000		15,735,128	1.57	627
2011	6,977,330	6,639,959	1,145,000		14,762,289	1.42	587
2012	14,871,516	6,230,492	1,060,000		22,162,008	2.25	878
2013	13,998,149	5,811,025	970,000		20,779,174	*	819
2014	13,009,782	5,381,558	875,000		19,266,340	*	758

* Information unavailable at this time.

Source: Annual financial statements of the City of West Linn

Outstanding Debt by Type



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

Fiscal year	General obligation bonds	Less: amounts available in debt service fund	Net	Percentage of net over assessed value of property ¹	Per capita ²
2005	\$ 10,020,000	\$ (285,478)	\$ 9,734,522	0.45 %	\$ 404
2006	9,590,000	(251,455)	9,338,545	0.41	386
2007	9,130,000	(272,710)	8,857,290	0.37	366
2008	8,635,000	(116,773)	8,518,227	0.34	349
2009	8,105,000	(214,386)	7,890,614	0.30	323
2010	7,560,000	(117,054)	7,442,946	0.27	296
2011	6,977,330	(125,395)	6,851,935	0.24	272
2012	14,871,516	(68,681)	14,802,835	0.50	586
2013	13,998,149	(80,690)	13,917,459	0.46	549
2014	13,009,782	(163,541)	12,846,241	0.41	505

¹ Assessed value data of property can be found on page 89.

² Population data can be found on page 98.

CITY OF WEST LINN, OREGON
Direct and Overlapping Governmental Activities Debt
as of June 30, 2014

<u>Governmental unit</u>	<u>Real market values of overlapping districts</u>	<u>Tax-supported debt outstanding</u>	<u>Percentage overlapping¹</u>	<u>Overlapping debt applicable to the City of West Linn</u>
Debt repaid with property taxes:				
West Linn Wilsonville School District	\$ 7,240,085,461	\$ 186,589,645	47.37 %	\$ 88,381,917
Clackamas Community College	35,051,197,874	24,370,000	9.78	2,384,361
Clackamas County	47,967,006,273	103,805,000	7.22	7,489,738
Clackamas County ESD	45,382,450,355	-	-	-
Metro	194,728,180,196	222,955,000	1.78	3,962,579
Tualatin Valley Fire and Rescue	57,272,274,452	42,600,000	6.04	2,574,275
Lake Oswego School District No. 7]	8,243,108,547	99,037,049	0.38	378,322
Port of Portland	212,084,310,892	-	-	-
Portland Community College	155,978,706,597	167,875,000	0.02	33,911
Subtotal, overlapping debt	<u>763,947,320,647</u>	<u>847,231,694</u>		<u>105,205,103</u>
Direct debt outstanding:				
City of West Linn	<u>3,460,978,688</u>	<u>18,391,340</u>	100.00	<u>18,391,340</u>
Total direct and overlapping debt outstanding	<u>\$ 767,408,299,335</u>	<u>\$ 865,623,034</u>		<u>\$ 123,596,443</u>

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

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

Source: Oregon State Treasury Department, Debt Management Division

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Debt maximum limitation	\$ 86,791,327	\$ 95,521,596	\$ 114,122,736	\$ 133,930,441	\$ 135,214,845
Debt applicable to maximum limit	<u>9,734,522</u>	<u>9,338,545</u>	<u>8,857,290</u>	<u>8,518,227</u>	<u>7,890,614</u>
Legal debt margin available	<u>\$ 77,056,805</u>	<u>\$ 86,183,051</u>	<u>\$ 105,265,446</u>	<u>\$ 125,412,214</u>	<u>\$ 127,324,231</u>
Debt applicable to the maximum limit as a percentage of debt limitation	11.22%	9.78%	7.76%	6.36%	5.84%

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Debt maximum limitation	\$ 118,820,046	\$ 109,516,435	\$ 104,619,167	\$ 99,156,253	\$ 103,829,361
Debt applicable to maximum limit	<u>7,442,946</u>	<u>6,769,605</u>	<u>14,636,319</u>	<u>13,764,310</u>	<u>12,706,459</u>
Legal debt margin available	<u>\$ 111,377,100</u>	<u>\$ 102,746,830</u>	<u>\$ 89,982,848</u>	<u>\$ 85,391,943</u>	<u>\$ 91,122,902</u>
Debt applicable to the maximum limit as a percentage of debt limitation	6.26%	6.18%	13.99%	13.88%	12.24%

Legal debt margin calculation for the fiscal year ended June 30, 2014:

Total property real market value	\$ 3,460,978,688
	<u>3%</u>
Debt maximum limitation (3% of total property real market value) ¹	<u>103,829,361</u>
Amount of debt applicable to debt limit:	
Total bonded debt outstanding	18,920,000
Less debt excluded from debt limit:	
Full faith and credit obligations	(5,175,000)
Water revenue bonds	(875,000)
Less funds applicable to the payment of principal in the debt service fund per ORS 287.004	<u>(163,541)</u>
Net amount of debt applicable to limit	<u>12,706,459</u>
Legal debt margin - amount available for future indebtedness	<u>\$ 91,122,902</u>
Percentage of City's indebtedness to total allowed	12.24%

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

Source: Clackamas County Department of Assessment and Taxation

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

Fiscal year	Water Revenue Bonds						Coverage
	Utility service charges ¹	Less: operating expenses ²	Net available revenue	Debt service requirements			
				Principal	Interest		
2005	\$ 2,301,095	\$ 2,003,300	\$ 297,795	\$ 60,000	\$ 92,863	1.95	
2006	2,512,238	2,266,952	245,286	65,000	89,580	1.59	
2007	2,977,884	2,347,364	630,520	65,000	86,103	4.17	
2008	2,640,413	2,396,602	243,811	70,000	82,440	1.60	
2009	3,096,470	2,786,354	310,116	75,000	78,470	2.02	
2010	2,970,082	2,579,204	390,878	80,000	72,866	2.56	
2011	2,996,565	2,563,535	433,030	80,000	68,608	2.91	
2012	3,265,914	2,527,838	738,076	85,000	63,822	4.96	
2013	3,590,818	2,665,637	925,181	90,000	60,013	6.17	
2014	3,690,929	2,660,794	1,030,135	95,000	54,694	6.88	

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

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

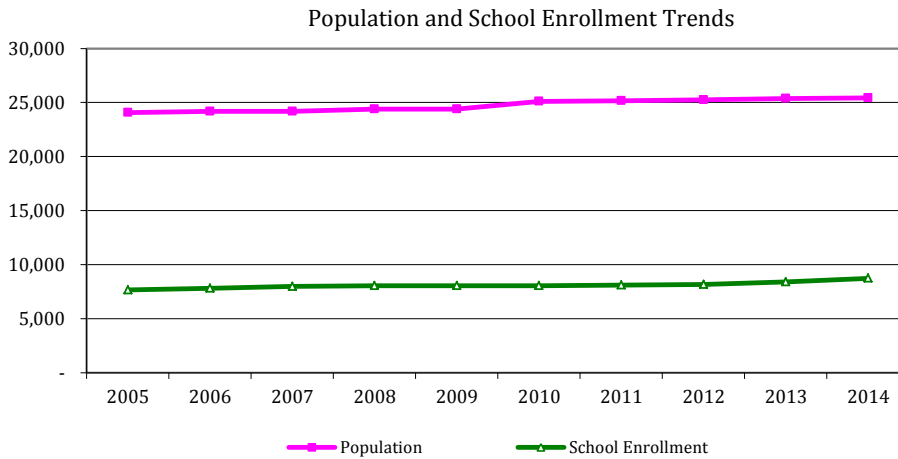
Source: Annual financial statements of the City of West Linn

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

Fiscal year	Population	Personal income (in thousands)	Per capita personal income	School enrollment	Unemployment rate
2005	24,075	\$ 870,504	\$ 36,158	7,673	6.9 %
2006	24,180	928,899	38,416	7,812	5.3
2007	24,180	964,855	39,903	7,990	4.1
2008	24,400	1,010,404	41,410	8,059	5.3
2009	24,400	950,844	38,969	8,047	10.7
2010	25,109	1,000,418	39,843	8,065	10.1
2011	25,150	1,038,745	41,302	8,118	9.6
2012	25,250	986,980	43,103	8,175	8.7
2013	25,370	*	*	8,395	7.8
2014	25,425	*	*	8,746	6.9

* Information unavailable at this time.

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



CITY OF WEST LINN, OREGON

Principal Employers *current year and nine years ago*

Employer	2014			2005		
	Employees	Rank	Percentage of total City employment	Employees	Rank	Percentage of total City employment
West Linn Wilsonville SD	718	1	6.30 %	608	1	4.08 %
West Linn Paper Company	300	2	2.63	*		
City of West Linn	124	3	1.09	139	N/A	1.00
Safeway Inc.	114	4	1.00	*		
First Transit, Inc.	100	5	0.88	*		
Oregon Golf Club	100	6	0.88	*		
Rose Linn Vintage Place	100	7	0.88	*		
Albertsons	90	8	0.79	*		
Pond Maintenance Services	75	9	0.66	*		
Tanner Springs Assisted Living	63	10	0.55	*		
Total	1,784		15.65 %			

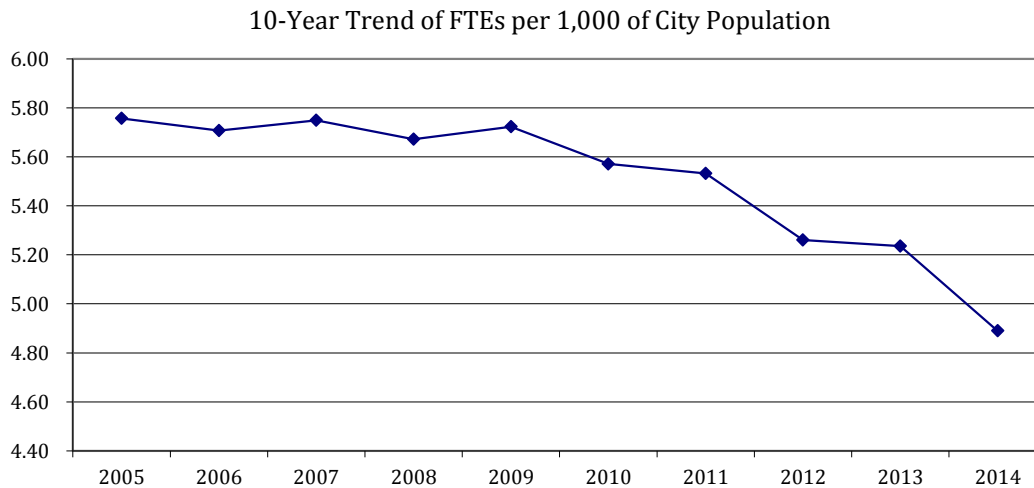
* Historical number of employees information unavailable for this fiscal year nine years ago.

Sources: Chamber of Commerce, Clackamas County, and ReferenceUSA

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

Function/Program	Fiscal Year Ended									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government	17.50	18.00	19.00	17.00	16.60	19.60	19.60	17.80	17.80	16.30
Public safety	40.00	44.60	44.60	44.60	45.50	43.25	43.00	42.50	42.50	39.00
Culture and recreation	34.80	38.80	38.80	39.20	40.43	40.43	40.43	39.03	39.03	36.78
Community development	11.50	5.00	5.00	5.50	5.50	6.50	6.50	6.50	6.50	5.75
Highways and streets	5.30	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Water	7.56	7.00	7.00	6.00	6.00	6.00	6.00	5.00	5.00	5.00
Sewer and surface water	10.24	7.00	7.00	7.00	6.00	5.00	5.00	5.00	5.00	6.50
Public works	11.70	10.60	10.60	12.10	12.60	12.10	11.60	10.00	10.00	8.00
Total full-time equivalent (FTE)	138.60	138.00	139.00	138.40	139.63	139.88	139.13	132.83	132.83	124.33
City Population	24,075	24,180	24,180	24,400	24,400	25,109	25,150	25,250	25,370	25,425
FTEs per 1,000 of population	5.76	5.71	5.75	5.67	5.72	5.57	5.53	5.26	5.24	4.89

Source: City of West Linn's Finance department



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

Function/Program	Fiscal Year Ended									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities:										
Public safety										
Citations:										
Traffic	2,141	2,435	2,109	2,153	2,556	2,772	2,584	1,735	1,875	2,460
Criminal	98	90	103	74	157	248	159	258	261	227
Parking	1,068	845	1,029	922	1,094	532	541	334	312	455
City ordinance/non-traffic	122	145	145	189	100	68	53	69	72	46
Impound hearing	-	-	-	1	1	1	1	-	-	-
Culture and recreation										
Library volunteer hours	4,409	4,454	4,634	5,803	5,896	6,353	6,254	5,588	5,972	6,005
Library - average items circulated per capita	23.87	24.43	25.01	25.75	28.65	28.58	30.87	29.04	27.02	25.78
Community development										
Residential building permits issued	67	58	81	67	54	52	38	96	56	56
Land use applications processed	48	-	-	-	-	131	101	103	117	108
Business-type activities: ¹										
Water										
Service connections	7,613	7,848	8,175	8,322	8,428	8,514	8,592	8,698	8,716	8,773
Average daily consumption (in thousands of gallons)	2,949	3,041	2,955	2,445	2,550	2,718	2,665	2,598	2,620	2,635
Sanitary sewer										
Service connections	5,394	5,398	5,410	5,412	5,392	5,404	5,502	5,495	5,509	5,525
Average daily sewage treatment (in thousands of gallons)	4,750	4,948	5,101	5,200	5,314	4,957	5,012	5,050	5,079	5,085

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

Source: City of West Linn's Finance department

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

<u>Function/Program</u>	<u>2014</u>	<u>2005</u>
Governmental activities:		
General government		
City-owned building facilities	5	4
Public safety		
Police stations	1	1
Patrol units	13	8
Culture and recreation		
Park and open space acreage	632	620
Baseball/softball fields	7	5
Community development		
Value of new building construction (in thousands)	18,315	40,504 *
Highways and streets		
Miles of streets	107	104
Miles of bikeways	70 *	43
Surface water catch basins	2,815	2,075 *
Miles of sidewalk	122 *	70 *
Business-type activities:		
Water		
Water mains (miles)	118	108 *
Maximum daily capacity (in thousands of gallons)	6,500	6,500 *
Sanitary sewer		
Sanitary sewer (miles)	193	174 *
Maximum daily treatment capacity (in thousands of gallons)	8,500	8,500 *

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

Source: City of West Linn's Finance department

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

SECTION IV

COMPLIANCE SECTION

COMPLIANCE SECTION

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

The following report from Talbot, Korvola & Warwick LLP is contained in this section:

- Independent Auditor's Report Required by Oregon State Regulations



Talbot, Korvola
& Warwick, LLP

Certified Public Accountants
& Consultants

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INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, 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 (the City) as of and for the year ended June 30, 2014, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 21, 2014.

COMPLIANCE

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

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

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

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

OAR 162-10-0230 INTERNAL CONTROL

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Page 2

RESTRICTIONS ON USE

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

Talbot, Korvola & Warwick, LLP

Lake Oswego, Oregon
November 21, 2014

CITY OF
**West
Linn**
FINANCE

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

Biennial Budget

2013 Comprehensive Annual Financial Report

2013 Popular Annual Financial Report

Five Year Financial Forecast

Budget Overview

2014 Comprehensive Annual Financial Report

2014 Popular Annual Financial Report

Six Year Capital Improvement Plan

Five Year Financial Forecast

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