

CITY OF WEST LINN, OREGON

Annual Financial Report

Year Ended June 30, 2004

Prepared by:
City Finance Department

CITY OF WEST LINN, OREGON

TABLE OF CONTENTS

	<u>Page</u>
<u>INTRODUCTORY SECTION:</u>	
City Councilors	i
<u>FINANCIAL SECTION:</u>	
INDEPENDENT AUDITOR'S REPORT	1
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets	2
Statement of Activities	3
Governmental Fund Financial Statements:	
Balance Sheet	4
Statement of Revenues, Expenditures, and Changes in Fund Balances	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds to Statement of Activities	6
Proprietary Financial Statements:	
Statement of Net Assets	7
Statement of Revenues, Expenses, and Changes in Fund Net Assets	8
Statement of Cash Flows	9
Statements of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
General Fund	10
State Revenue Sharing Fund	11
Fire Local Option Levy Fund	12
System Development Fund	13
NOTES TO BASIC FINANCIAL STATEMENTS	14
SUPPLEMENTARY INFORMATION:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	30
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	31
Nonmajor Special Revenue Funds:	
Description of Funds	32
Combining Balance Sheet	33
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)	34

CITY OF WEST LINN, OREGON

TABLE OF CONTENTS (Continued)

Page

FINANCIAL SECTION (Continued):

SUPPLEMENTARY INFORMATION (Continued):

Nonmajor Special Revenue Funds (Continued):

Schedules of Revenues, Expenditures and Changes in Fund Balance –

Budget and Actual:

Street Fund	35
Library Levy Fund	36
911 Emergency Communications Fund	37
Cable TV/Public Access Fund	38
Solid Waste Recycling Program Fund	39
Arts Commission Fund	40
Community Center Operating Fund	41
Public Education Government Fund	42
Building Inspection Fund	43
Public Works Support Services Fund	44
Public Safety Grant Fund	45
Police Local Option Levy Fund	46
Caufield Trust Fund	47

Debt Service Fund:

Description of Fund	48
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	49

Nonmajor Capital Projects Funds:

Description of Funds	50
Combining Balance Sheet	51
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	52
Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
Capital Development Fund	53
Integrated M.I.S. Fund	54
Senior Center Construction Fund	55
Park Bond Construction Fund	56

Enterprise Funds:

Description of Funds	57
----------------------	----

Water Fund:

Combining Statement of Net Assets	58
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	59
Combining Statement of Cash Flows	60

Environmental Service Fund:

Combining Statement of Net Assets	61
Combining Statement of Revenues, Expenses and Changes In Fund Net Assets	62
Combining Statement of Cash Flows	63

CITY OF WEST LINN, OREGON

TABLE OF CONTENTS (Continued)

Page

FINANCIAL SECTION (Continued):

SUPPLEMENTARY INFORMATION (Continued):

Enterprise Funds (Continued):

Schedules of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual:

Water Fund	64
Water Bond Construction Fund	65
Environmental Service Fund	66
Sewer Fund	67

Internal Service Funds:

Description of Funds	68
Combining Statement of Net Assets	69
Combining Statements of Revenues, Expenses and Changes in Fund Net Assets	70
Combining Statement of Cash Flows	71
Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
Vehicle/Equipment Maintenance Fund	72
Insurance Fund	73
Other Financial Schedule:	
Schedule of Property Tax Transactions	74

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

75

CITY OF WEST LINN, OREGON

CITY COUNCILORS AS OF JUNE 30, 2004

<u>NAME</u>	<u>TERM EXPIRES</u>
David Dobbs, Mayor 22500 Salamo Road West Linn, OR 97068	December 31, 2004
Michael P. Kapigian 22500 Salamo Road West Linn, OR 97068	December 31, 2004
David M. Tripp 22500 Salamo Road West Linn, OR 97068	December 31, 2004
Bill Wilson 22500 Salamo Road West Linn, OR 97068	December 31, 2004
Norman B. King 22500 Salamo Road West Linn, OR 97068	December 31, 2004

Sandy Farley, City Manager

Administrative Offices
22500 Salamo Road
West Linn, Oregon 97068

Legal Counsel:

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

INDEPENDENT AUDITOR'S REPORT



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

INDEPENDENT AUDITOR'S REPORT

August 20, 2007

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

We were engaged to audit 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, 2004, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management.

Substantially all of the City's books of original entry: general and subsidiary ledgers; records such as worksheets and spreadsheets supporting allocations, computations, and reconciliations; as well as corroborating evidence in support of the financial statements have been the subject of misappropriation of cash and therefore cannot be relied upon. The City's internal control was apparently not adequate to safeguard City assets and to assure the proper recording of transactions. Other records are not sufficient to permit the application of auditing procedures that would be adequate for us to express opinions on the financial statements referred to above or the Supplementary Information, as listed in the Table of Contents.

Since the City was not able to provide certain evidence or corroborating evidence in support of the accompanying financial statements and did not have adequate internal control and we were not able to apply other auditing procedures to satisfy ourselves as to whether the financial statements are presented in accordance with accounting principles generally accepted in the United States of America, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to above or the Supplementary Information, as listed in the Table of Contents.

TALBOT, KORVOLA & WARWICK, LLP
Certified Public Accountants

By 
Timothy R. Gillette, Partner

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF WEST LINN, OREGON

STATEMENT OF NET ASSETS

JUNE 30, 2004

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and investments	\$ 10,462,055	\$ 2,755,936	\$ 13,217,991
Restricted cash	-	170,102	170,102
Cash held by fiscal agent	4,637	-	4,637
Cash held by County Treasurer	55,691	-	55,691
Property taxes receivable	448,320	-	448,320
Accounts receivable, net	116,737	928,711	1,045,448
Due from other governments	26,778	-	26,778
Capital assets, net of accumulated depreciation	29,157,976	20,651,097	49,809,073
Investment in joint venture	-	5,586,087	5,586,087
Other assets	79,834	-	79,834
TOTAL ASSETS	40,352,028	30,091,933	70,443,961
LIABILITIES:			
Current liabilities:			
Accounts payable	759,420	709,435	1,468,855
Accrued salaries and payroll taxes payable	383,270	56,427	439,697
Accrued vacation payable	125,385	90,591	215,976
Accrued interest payable	45,048	23,606	68,654
Deposits payable	120,883	22,177	143,060
Other liabilities	-	80,328	80,328
Current portion of long-term debt and capital leases	501,357	60,000	561,357
Total current liabilities	1,935,363	1,042,564	2,977,927
Non-current liabilities:			
Bonds payable	13,905,000	1,580,000	15,485,000
Capital leases payable	48,161	-	48,161
Total non-current liabilities	13,953,161	1,580,000	15,533,161
TOTAL LIABILITIES	15,888,524	2,622,564	18,511,088
NET ASSETS:			
Invested in capital assets, net of related debt	14,703,458	19,011,097	33,714,555
Restricted for capital projects	3,866,930	-	3,866,930
Unrestricted	5,893,116	8,458,272	14,351,388
TOTAL NET ASSETS	\$ 24,463,504	\$ 27,469,369	\$ 51,932,873

CITY OF WEST LINN, OREGON

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2004

FUNCTION / PROGRAM	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
GOVERNMENTAL ACTIVITIES:						
General government	\$ 3,636,799	\$ 2,564,443	\$ 1,387,965	\$ 315,609	\$ -	\$ 315,609
Culture and recreation	2,724,984	-	592,259	(2,132,725)	-	(2,132,725)
Public safety	5,767,180	-	121,913	(5,645,267)	-	(5,645,267)
Highways and streets	1,199,738	-	-	(1,199,738)	-	(1,199,738)
Interest on long-term debt	724,428	-	-	(724,428)	-	(724,428)
Unallocated depreciation	550,134	-	-	(550,134)	-	(550,134)
TOTAL GOVERNMENTAL ACTIVITIES	14,603,263	2,564,443	2,102,137	(9,936,683)	-	(9,936,683)
BUSINESS-TYPE ACTIVITIES:						
Water	2,361,839	2,588,887	-	-	227,048	227,048
Environmental services	1,879,965	1,810,923	-	-	(69,042)	(69,042)
TOTAL BUSINESS-TYPE ACTIVITIES	4,241,804	4,399,810	-	-	158,006	158,006
TOTAL ACTIVITIES	\$ 18,845,067	\$ 6,964,253	\$ 2,102,137	(9,936,683)	158,006	(9,778,677)
GENERAL REVENUES:						
Property taxes levied for:						
General purposes				4,271,915	-	4,271,915
Public safety				3,455,947	-	3,455,947
Debt service				910,793	-	910,793
Franchise fees				1,828,703	-	1,828,703
Earnings on investments				144,245	47,312	191,557
Miscellaneous				179,967	286,888	466,855
TOTAL GENERAL REVENUES				10,791,570	334,200	11,125,770
CHANGE IN NET ASSETS				854,887	492,206	1,347,093
NET ASSETS, July 1, 2003				22,646,800	26,999,896	49,646,696
RESTATEMENTS, Note 12				961,817	(22,733)	939,084
NET ASSETS, July 1, 2003, as restated				23,608,617	26,977,163	50,585,780
NET ASSETS, June 30, 2004				\$ 24,463,504	\$ 27,469,369	\$ 51,932,873

See notes to basic financial statements.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

CITY OF WEST LINN, OREGON

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2004

	General Fund	State Revenue Sharing Fund	Fire Local Option Levy Fund	System Development Fund	Park Bond Construction Fund	Nonmajor Funds	Total Governmental Funds
ASSETS:							
Cash and investments	\$ 1,172,849	\$ 1,319,544	\$ 675,113	\$ 3,904,767	\$ 959,498	\$ 2,478,858	\$ 10,510,629
Cash held by fiscal agent	-	-	-	-	-	4,637	4,637
Cash held by County Treasurer	28,291	-	12,876	-	-	14,524	55,691
Property taxes receivable	233,471	-	76,927	-	-	137,922	448,320
Accounts receivable	65,597	6,330	3,247	23,449	4,598	11,864	115,085
Due from other governments	26,778	-	-	-	-	-	26,778
Other assets	79,834	-	-	-	-	-	79,834
TOTAL ASSETS	\$ 1,606,820	\$ 1,325,874	\$ 768,163	\$ 3,928,216	\$ 964,096	\$ 2,647,805	\$ 11,240,974
LIABILITIES:							
Book overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 230,106	\$ 230,106
Accounts payable	292,217	150,467	-	61,286	940	243,576	748,486
Accrued salaries and payroll taxes	263,104	-	-	-	-	111,733	374,837
Accrued vacation payable	88,966	-	-	-	-	31,375	120,341
Matured interest payable	-	-	-	-	-	3,320	3,320
Deposits payable	120,883	-	-	-	-	-	120,883
Deferred revenue	197,143	-	57,852	-	-	107,947	362,942
TOTAL LIABILITIES	962,313	150,467	57,852	61,286	940	728,057	1,960,915
FUND BALANCES:							
Reserved for construction	-	-	-	3,866,930	-	-	3,866,930
Unreserved, reported in:							
General Fund	644,507	-	-	-	-	-	644,507
Special Revenue Funds	-	1,175,407	710,311	-	-	1,080,186	2,965,904
Debt Service Fund	-	-	-	-	-	364,826	364,826
Capital Project Funds	-	-	-	-	963,156	474,736	1,437,892
TOTAL FUND BALANCES	644,507	1,175,407	710,311	3,866,930	963,156	1,919,748	9,280,059
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,606,820	\$ 1,325,874	\$ 768,163	\$ 3,928,216	\$ 964,096	\$ 2,647,805	\$ 11,240,974
Total fund balances							\$ 9,280,059
Amounts reported for governmental activities in the Statement of Net Assets are different because:							
Capital assets used in governmental activities are not financial resources and therefore, are not reported in funds.							29,133,434
Long-term taxes receivable are not available to pay for current-period expenditures and therefore, are deferred in the funds.							362,942
The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Assets.							183,315
Long-term liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds.							(14,454,518)
Bond interest is not accrued as a liability in the government funds.							(41,728)
Net assets of governmental activities							\$ 24,463,504

CITY OF WEST LINN, OREGON

GOVERNMENTAL FUNDS

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE**

YEAR ENDED JUNE 30, 2004

	General Fund	State Revenue Sharing Fund	Fire Local Option Levy Fund	System Development Fund	Park Bond Construction Fund	Nonmajor Funds	Total Governmental Funds
REVENUES:							
Taxes	\$4,308,348	\$ -	\$1,956,022	\$ -	\$ -	\$2,447,961	\$8,712,331
Intergovernmental revenues	277,967	142,246	-	-	-	1,681,924	2,102,137
Franchise fees	1,685,735	-	-	-	-	142,968	1,828,703
Licenses and permits	228,256	-	-	-	-	319,959	548,215
Fines and forfeitures	314,451	-	-	-	-	-	314,451
Charges for services	1,137,629	-	-	-	-	666,328	1,803,957
Systems development fees	-	-	-	774,017	-	-	774,017
Interest	17,572	17,748	9,814	50,164	12,651	34,743	142,692
Miscellaneous	125,730	-	498	2,412	-	21,608	150,248
TOTAL REVENUES	8,095,688	159,994	1,966,334	826,593	12,651	5,315,491	16,376,751
EXPENDITURES:							
Current:							
General government	2,967,186	-	-	-	-	1,451,949	4,419,135
Cultural and recreation	2,562,872	-	-	33,308	-	214,291	2,810,471
Public safety	2,122,875	-	2,448,570	-	-	1,400,290	5,971,735
Highways and streets	-	-	-	-	-	1,199,738	1,199,738
Capital outlay	-	154,156	-	609,391	1,365	-	764,912
Debt service:							
Principal	236,092	-	-	-	-	380,000	616,092
Interest	205,845	-	-	-	-	523,308	729,153
TOTAL EXPENDITURES	8,094,870	154,156	2,448,570	642,699	1,365	5,169,576	16,511,236
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	818	5,838	(482,236)	183,894	11,286	145,915	(134,485)
OTHER FINANCING SOURCES (USES):							
Operating transfers in	775,445	-	789,740	-	-	344,736	1,909,921
Operating transfers out	(1,073,530)	-	(30,473)	-	-	(805,918)	(1,909,921)
TOTAL OTHER FINANCING SOURCES (USES)	(298,085)	-	759,267	-	-	(461,182)	-
CHANGE IN FUND BALANCE	(297,267)	5,838	277,031	183,894	11,286	(315,267)	(134,485)
FUND BALANCE, July 1, 2003, as previously reported	620,683	1,169,569	433,280	3,612,195	951,870	2,111,998	8,899,595
RESTATEMENT, Note 12	321,091	-	-	70,841	-	123,017	514,949
FUND BALANCE, July 1, 2003 as restated	941,774	1,169,569	433,280	3,683,036	951,870	2,235,015	9,414,544
FUND BALANCE, June 30, 2004	\$ 644,507	\$1,175,407	\$ 710,311	\$3,866,930	\$ 963,156	\$1,919,748	\$9,280,059

See notes to basic financial statements.

CITY OF WEST LINN, OREGON

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

YEAR ENDED JUNE 30, 2004

NET CHANGE IN FUND BALANCES	\$ (134,485)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation.	422,445
Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(43,957)
Internal service funds are used to account for all costs arising from the operations of the City's central services activities and insurance programs. The primary funding sources are charges to the other funds. This is the net loss of the funds for the year.	(9,933)
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which repayments exceed proceeds:	
Principal payments	616,092
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:	
Change in interest payable	<u>4,725</u>
CHANGE IN NET ASSETS	<u>\$ 854,887</u>

See notes to basic financial statements.

PROPRIETARY FUND FINANCIAL STATEMENTS

CITY OF WEST LINN, OREGON

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2004

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Water</u>	<u>Environmental</u>	<u>Total</u>	<u>Activity</u>
	<u>Fund</u>	<u>Services Fund</u>		<u>Internal</u>
				<u>Service Funds</u>
ASSETS:				
Current assets:				
Cash and investments	\$ 793,108	\$ 1,962,828	\$ 2,755,936	\$ 181,532
Restricted cash	170,102	-	170,102	-
Accounts receivable, net of allowance for doubtful accounts	453,875	474,836	928,711	1,652
TOTAL CURRENT ASSETS	1,417,085	2,437,664	3,854,749	183,184
Capital assets, net of accumulated depreciation	12,039,346	8,611,751	20,651,097	24,542
Investment in joint venture	5,586,087	-	5,586,087	-
TOTAL ASSETS	19,042,518	11,049,415	30,091,933	207,726
LIABILITIES:				
Current liabilities:				
Accounts payable	334,508	374,927	709,435	10,934
Deposits	-	22,177	22,177	-
Other liabilities	78,308	2,020	80,328	-
Accrued payroll payable	23,920	32,507	56,427	8,433
Accrued vacation payable	49,776	40,815	90,591	5,044
Accrued interest payable	23,606	-	23,606	-
Bonds payable - due within one year	60,000	-	60,000	-
TOTAL CURRENT LIABILITIES	570,118	472,446	1,042,564	24,411
Long-term liabilities:				
Bonds payable	1,580,000	-	1,580,000	-
TOTAL LIABILITIES	2,150,118	472,446	2,622,564	24,411
NET ASSETS:				
Invested in capital assets, net of related debt	10,399,346	8,611,751	19,011,097	24,542
Unrestricted	6,493,054	1,965,218	8,458,272	158,773
TOTAL NET ASSETS	\$ 16,892,400	\$ 10,576,969	\$ 27,469,369	\$ 183,315

See notes to basic financial statements.

CITY OF WEST LINN, OREGON

PROPRIETARY FUNDS

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

YEAR ENDED JUNE 30, 2004

	Business-Type Activities - Enterprise Funds			Governmental
	Water Fund	Environmental Service Fund	Total	Activity Internal Service Funds
OPERATING REVENUES:				
Charges for services	\$ 2,432,926	\$ 1,757,185	\$ 4,190,111	\$ 437,414
Connection fees	40,462	-	40,462	-
Other operating revenues	115,499	53,738	169,237	-
TOTAL OPERATING REVENUES	2,588,887	1,810,923	4,399,810	437,414
OPERATING EXPENSES:				
Salaries and wages	555,702	706,890	1,262,592	184,290
Repairs and maintenance	107,669	125,365	233,034	167,753
Training	-	-	-	9,375
Claims expense	-	-	-	1,290
Professional services	-	101,033	101,033	-
Utilities	106,081	17,952	124,033	-
Purchase of water	902,398	-	902,398	-
Insurance	32,960	38,612	71,572	-
Support services	302,684	601,681	904,365	50,271
Depreciation	330,739	288,432	619,171	35,921
TOTAL OPERATING EXPENSES	2,338,233	1,879,965	4,218,198	448,900
OPERATING INCOME (LOSS)	250,654	(69,042)	181,612	(11,486)
NONOPERATING INCOME (EXPENSE):				
Interest income	21,574	25,738	47,312	1,553
Net income from equity in joint venture	286,888	-	286,888	-
Interest expense	(23,606)	-	(23,606)	-
TOTAL NONOPERATING INCOME (EXPENSE)	284,856	25,738	310,594	1,553
NET INCOME (LOSS)	535,510	(43,304)	492,206	(9,933)
NET ASSETS, July 1, 2003, as previously reported	16,304,030	10,649,447	26,953,477	232,095
RESTATEMENT, Note 12	52,860	(29,174)	23,686	(38,847)
NET ASSETS, July 1, 2003, as restated	16,356,890	10,620,273	26,977,163	193,248
NET ASSETS, June 30, 2004	\$ 16,892,400	\$ 10,576,969	\$ 27,469,369	\$ 183,315

See notes to basic financial statements.

CITY OF WEST LINN, OREGON

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2004

	Business-Type Activities - Enterprise Funds			Governmental
	Water Fund	Environmental Service Fund	Total	Activity Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
ACTIVITIES:				
Cash received for services	\$ 2,579,611	\$ 1,848,472	\$ 4,428,083	\$ 438,083
Cash paid to suppliers for goods and services	(1,260,854)	(881,473)	(2,142,327)	(240,043)
Cash paid to employees for services	(531,782)	(668,559)	(1,200,341)	(175,856)
NET CASH FROM OPERATING ACTIVITIES	<u>786,975</u>	<u>298,440</u>	<u>1,085,415</u>	<u>22,184</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal paid on capital debt	(55,000)	-	(55,000)	-
Interest paid on capital debt	(95,811)	-	(95,811)	-
Acquisition of capital assets	(928,542)	(578,511)	(1,507,053)	(25,292)
Transfer to restricted cash	(16,248)	-	(16,248)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,095,601)</u>	<u>(578,511)</u>	<u>(1,674,112)</u>	<u>(25,292)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received on investments	21,574	25,738	47,312	1,553
NET CHANGE IN CASH AND INVESTMENTS	<u>(287,052)</u>	<u>(254,333)</u>	<u>(541,385)</u>	<u>(1,555)</u>
CASH AND INVESTMENTS, July 1, 2003	<u>1,080,160</u>	<u>2,217,161</u>	<u>3,297,321</u>	<u>183,087</u>
CASH AND INVESTMENTS, June 30, 2004	<u>\$ 793,108</u>	<u>\$ 1,962,828</u>	<u>\$ 2,755,936</u>	<u>\$ 181,532</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:				
Operating income (loss)	\$ 250,654	\$ (69,042)	\$ 181,612	\$ (11,486)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	330,739	288,432	619,171	35,921
Change in assets and liabilities:				
Accounts receivable	(9,279)	26,465	17,186	669
Inventory	92,970	16,303	109,273	-
Accounts payable	97,993	(15,153)	82,840	(11,354)
Accrued payroll payable	(20,257)	32,507	12,250	8,434
Accrued vacation payable	44,177	5,815	49,992	-
Deposits	-	11,093	11,093	-
Other liabilities	(22)	2,020	1,998	-
Total adjustments	<u>536,321</u>	<u>367,482</u>	<u>903,803</u>	<u>33,670</u>
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 786,975</u>	<u>\$ 298,440</u>	<u>\$ 1,085,415</u>	<u>\$ 22,184</u>
NON-CASH TRANSACTIONS:				
Net income in joint venture	\$ 286,888	\$ -	\$ 286,888	\$ -

See notes to basic financial statements.

CITY OF WEST LINN, OREGON

GENERAL FUND

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

YEAR ENDED JUNE 30, 2004

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES:				
Property taxes	\$ 4,181,810	\$ 4,181,800	\$ 4,308,348	\$ 126,548
Intergovernmental	206,904	206,904	277,967	71,063
Franchise fees	1,649,355	1,649,355	1,685,735	36,380
Licenses and permits	175,500	175,500	228,256	52,756
Fines and forfeitures	458,000	458,000	314,451	(143,549)
Charges for services	1,188,287	1,188,287	1,137,629	(50,658)
Interest earnings	42,500	42,500	17,572	(24,928)
Miscellaneous	86,000	91,000	125,730	34,730
TOTAL REVENUES	<u>7,988,356</u>	<u>7,993,346</u>	<u>8,095,688</u>	<u>102,342</u>
EXPENDITURES:				
City council	69,784	69,784	62,647	7,137
City manager's office	747,338	777,338	818,622	(41,284)
Finance	559,623	559,623	510,990	48,633
Information services	231,843	231,843	227,032	4,811
Library	1,107,779	1,112,779	1,150,750	(37,971)
Municipal court	236,916	236,916	212,752	24,164
Police	2,173,223	2,173,223	2,122,875	50,348
Fire	51,751	51,751	42,434	9,317
Planning and development	473,325	473,325	423,354	49,971
Parks	1,371,149	1,416,249	1,412,122	4,127
General facility services	252,244	252,244	225,459	26,785
General services	724,285	724,285	885,833	(161,548)
Contingency	273,274	203,174	-	203,174
TOTAL EXPENDITURES	<u>8,272,534</u>	<u>8,282,534</u>	<u>8,094,870</u>	<u>187,664</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(284,178)</u>	<u>(289,188)</u>	<u>818</u>	<u>290,006</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	775,445	775,445	775,445	-
Transfers out	(1,073,530)	(1,073,530)	(1,073,530)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(298,085)</u>	<u>(298,085)</u>	<u>(298,085)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(582,263)</u>	<u>(587,273)</u>	<u>(297,267)</u>	<u>290,006</u>
FUND BALANCE, July 1, 2003, as previously reported	582,263	587,273	620,683	33,410
RESTATEMENT, Note 12	-	-	321,091	321,091
FUND BALANCE, July 1, 2003, as restated	<u>582,263</u>	<u>587,273</u>	<u>941,774</u>	<u>354,501</u>
FUND BALANCE, June 30, 2004	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 644,507</u>	<u>\$ 644,507</u>

See notes to basic financial statements.

CITY OF WEST LINN, OREGON

STATE REVENUE SHARING FUND

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

YEAR ENDED JUNE 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:				
Intergovernmental	\$ 90,000	\$ 90,000	\$ 142,246	\$ 52,246
Interest	10,000	10,000	17,748	7,748
TOTAL REVENUES	<u>100,000</u>	<u>100,000</u>	<u>159,994</u>	<u>59,994</u>
EXPENDITURES:				
Capital outlay	-	400,000	154,156	245,844
Contingency	1,219,567	819,567	-	819,567
TOTAL EXPENDITURES	<u>1,219,567</u>	<u>1,219,567</u>	<u>154,156</u>	<u>1,065,411</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE	<u>(1,119,567)</u>	<u>(1,119,567)</u>	<u>5,838</u>	<u>1,125,405</u>
FUND BALANCE, July 1, 2003	<u>1,119,567</u>	<u>1,119,567</u>	<u>1,169,569</u>	<u>50,002</u>
FUND BALANCE, June 30, 2004	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,175,407</u>	<u>\$ 1,175,407</u>

See notes to basic financial statements.

CITY OF WEST LINN, OREGON

FIRE LOCAL OPTION LEVY FUND

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

YEAR ENDED JUNE 30, 2004

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Property taxes	\$ 1,853,289	\$ 1,956,022	\$ 102,733
Interest	12,000	9,814	(2,186)
Miscellaneous	200	498	298
TOTAL REVENUES	<u>1,865,489</u>	<u>1,966,334</u>	<u>100,845</u>
EXPENDITURES:			
Materials and services	2,502,216	2,448,570	53,646
Contingency	505,640	-	505,640
TOTAL EXPENDITURES	<u>3,007,856</u>	<u>2,448,570</u>	<u>559,286</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(1,142,367)</u>	<u>(482,236)</u>	<u>660,131</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	789,740	789,740	-
Transfers out	(30,473)	(30,473)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>759,267</u>	<u>759,267</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(383,100)	277,031	660,131
FUND BALANCE, July 1, 2003	<u>383,100</u>	<u>433,280</u>	<u>50,180</u>
FUND BALANCE, June 30, 2004	<u>\$ -</u>	<u>\$ 710,311</u>	<u>\$ 710,311</u>

See notes to basic financial statements.

CITY OF WEST LINN, OREGON

SYSTEM DEVELOPMENT FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL**

YEAR ENDED JUNE 30, 2004

	Original Budget	Final Budget	Actual		
			Street	Storm Drain	Water
REVENUES:					
System development fees:					
Street	\$ 91,213	\$ 91,213	\$ 16,824	\$ -	\$ -
Storm drain	24,100	24,100	-	30,161	-
Water	63,000	63,000	-	-	204,920
Sewer	29,500	29,500	-	-	-
Parks	322,855	322,855	-	-	-
Interest	34,302	34,302	132	9,529	13,305
Miscellaneous	-	-	-	-	-
TOTAL REVENUES	<u>564,970</u>	<u>564,970</u>	<u>16,956</u>	<u>39,690</u>	<u>218,225</u>
EXPENDITURES:					
Materials and services	21,000	21,000	-	-	-
Capital outlay	669,362	1,231,755	-	11,011	13,761
Contingency	2,435,691	2,404,491	-	-	-
TOTAL EXPENDITURES	<u>3,126,053</u>	<u>3,657,246</u>	<u>-</u>	<u>11,011</u>	<u>13,761</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,561,083)	(3,092,276)	16,956	28,679	204,464
OTHER FINANCING USES:					
Transfers to other funds	(25,000)	(25,000)	-	-	-
NET CHANGE IN FUND BALANCE (DEFICIT)	<u>(2,586,083)</u>	<u>(3,117,276)</u>	<u>16,956</u>	<u>28,679</u>	<u>204,464</u>
FUND BALANCE (DEFICIT), July 1, 2003, as previously reported	2,586,083	3,117,276	(87,098)	679,850	806,067
RESTATEMENT, Note 12	-	-	72,811	-	-
FUND BALANCE, July 1, 2003, as restated	<u>2,586,083</u>	<u>3,117,276</u>	<u>(14,287)</u>	<u>679,850</u>	<u>806,067</u>
FUND BALANCE, June 30, 2004	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,669</u>	<u>\$ 708,529</u>	<u>\$ 1,010,531</u>

Actual			Variance Positive (Negative)
Sewer	Parks	Total	
\$ -	\$ -	\$ 16,824	\$ (74,389)
-	-	30,161	6,061
-	-	204,920	141,920
35,668	-	35,668	6,168
-	486,444	486,444	163,589
13,613	13,585	50,164	15,862
-	2,412	2,412	2,412
<u>49,281</u>	<u>502,441</u>	<u>826,593</u>	<u>261,623</u>
132	8,308	8,440	12,560
-	584,487	609,259	622,496
-	-	-	2,404,491
<u>132</u>	<u>592,795</u>	<u>617,699</u>	<u>3,039,547</u>
49,149	(90,354)	208,894	3,301,170
-	(25,000)	(25,000)	-
<u>49,149</u>	<u>(115,354)</u>	<u>183,894</u>	<u>3,301,170</u>
959,323	1,254,053	3,612,195	494,919
-	(1,970)	70,841	70,841
<u>959,323</u>	<u>1,252,083</u>	<u>3,683,036</u>	<u>565,760</u>
<u>\$ 1,008,472</u>	<u>\$ 1,136,729</u>	<u>\$ 3,866,930</u>	<u>\$ 3,866,930</u>

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF WEST LINN, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of West Linn, Oregon (the City) operates under its own charter with a manager – council form of government. The Board of Councilors, composed of the Mayor and four council members, comprises the legislative branch of the government. Individual departments are under the direction of the City Manager who is appointed by the Councilors.

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

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

Basis of Presentation

Government-wide Financial Statements

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

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

CITY OF WEST LINN, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements

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

The City reports the following major funds:

Governmental

General Fund - This is the City's primary operating fund. It accounts for all revenues and expenditures, except those required to be accounted for in another fund.

State Revenue Sharing Fund – Accounts for receipt and expenditure of state revenue sharing funds.

Fire Local Option Levy Fund – Accounts for the receipt of taxes and expenditures for fire personnel and services.

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

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

Proprietary (Enterprise)

Water Fund – This fund accounts for the operation and maintenance of water service and distribution facilities.

Environmental Services Fund – This fund accounts for the operation and maintenance of the sewer service and collection system.

Nonmajor

The City also reports the following nonmajor fund types:

Special Revenue Funds – These funds account for the receipt and expenditures of dedicated revenue source.

Debt Service Fund – This fund accounts for the accumulation of resources for the payment of general obligation bond principal and interest.

CITY OF WEST LINN, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements (Continued)

Nonmajor (Continued)

Capital Projects Funds – These funds account for the acquisition and construction of capital facilities other than those financed by Proprietary Funds.

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

Measurement Focus and Basis of Accounting

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

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

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

CITY OF WEST LINN, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

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

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

Use of Estimates

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

Cash and Investments

Cash and investments are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments consist of investments in the Oregon State Treasurer's Local Government Investment Pool (LGIP) and U.S. Government obligations. Investments in the LGIP are stated at cost, which approximates fair value and its share value. All other investments are stated at fair value. The individual funds' portion of the pool's fair value is presented as "Cash and Investments" in the basic financial statements.

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

CITY OF WEST LINN, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables

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

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

Investment in Joint Ventures

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

Capital Assets

Purchased or constructed capital assets are recorded at estimated historical cost with subsequent additions at cost. Donated capital assets are recorded at their estimated fair value at the time of donation. Infrastructure (bridges, roads, and drainage systems) acquired during the year have been recorded at cost or fair value if donated by developers. The City defines capital assets as assets with an initial cost of more than \$5,000 and an estimated life of more than five years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives is not capitalized.

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

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

CITY OF WEST LINN, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

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

Long-term Debt

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

Pension Plan

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

Fund Equity

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

Budget

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

CITY OF WEST LINN, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budget (Continued)

All annual appropriations lapse at fiscal year end. The City over expended its appropriations for the following funds:

General Fund:		
City manager's office	\$	41,284
Library		37,971
General services		161,548
Street - Transfers to other funds		178,250
Cable TV/Public Access - Materials and services		7,892
Solid Waste Recycling - Transfer to other funds		890
Community Center Operating:		
Personal services		6,782
Materials and services		3,784
Police Local Option Levy:		
Material and services		4,258
Transfers to other funds		6,300
Water:		
Transfers to other funds		10,000
Environmental Services - Personal services		12,463
Vehicle/Equipment Maintenance - Personal Services		707

The following Funds had a deficit fund balance:

Street Fund	\$	14,249
911 Emergency Communications		252,094
Community Center Operating		34,441
Public Works Support		155,572
Integrated M.I.S.		85

The detail budget document is required to contain more specific, detailed information for the aforementioned expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriations ordinance. Supplemental budgets less than 10% of the fund's original budget may be adopted by the Board of Councilors at a regular meeting. A supplemental budget greater than 10% of the fund's original budget requires hearings before the public, publication in newspapers and approval by the Board of Councilors. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the Board of Councilors for the City. The City adopted one supplemental budget and made several appropriation transfers during the year ended June 30, 2004.

CITY OF WEST LINN, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2004

2. CASH AND INVESTMENTS

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

At June 30, 2004, the City's cash and investments was comprised of the following:

Cash on hand	\$ 1,825
Deposits with financial institutions	731,543
Investments:	
Oregon State Treasurer's Local Government Investment Pool	5,157,556
U.S. and U.S. Agency obligations	4,250,917
Corporate bonds	2,805,430
Other	<u>270,720</u>
Total pooled cash and investments	<u>\$ 13,217,991</u>

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Cash and investments	<u>\$ 10,462,055</u>	<u>\$ 2,755,936</u>	<u>\$ 13,217,991</u>

Deposits

The total balance as shown on the bank statements at June 30, 2004, was \$1,215,078. Of these deposits, \$200,000 was covered by Federal depository insurance, \$1,015,078 was collateralized with securities held in the pledging bank's trust department in the City's name.

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

CITY OF WEST LINN, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2004

2. CASH AND INVESTMENTS (Continued)

Investments

As of June 30, 2004, the City's investments were categorized for Governmental Accounting Standards Board Statement No. 3 purposes as Category 1. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. The investment in the State Treasurer's Local Government Investment Pool is not required to be categorized.

3. ACCOUNTS RECEIVABLE

As of June 30, 2004, accounts receivable consisted of the following:

Accounts, contracts and grants	\$ 943,311
Interest	112,037
Allowance for uncollectible accounts	<u>(9,900)</u>
Total	<u>\$ 1,045,448</u>

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

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

Accounts receivable - governmental activities	\$ 116,737
Accounts receivable - business-type activities	<u>928,711</u>
Total	<u>\$ 1,045,448</u>

4. JOINT VENTURE

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

CITY OF WEST LINN, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2004

5. CAPITAL ASSETS

Capital asset activity for year ended June 30, 2004, was as follows:

	Balance July 1, 2003	Increases	Balance June 30, 2004
Governmental activities:			
Capital assets not being depreciated:			
Land and easements	\$ 18,526,002	\$ 819,268	\$ 19,345,270
Capital assets being depreciated:			
Buildings and improvements	10,859,990	14,134	10,874,124
Vehicles and equipment	3,178,726	139,830	3,318,556
Infrastructure	98,800	24,639	123,439
Total capital assets being depreciated	14,137,516	178,603	14,316,119
Less accumulated depreciation	(3,917,358)	(586,055)	(4,503,413)
Total capital assets being depreciated, net	10,220,158	(407,452)	9,812,706
Total capital assets, net	\$ 28,746,160	\$ 411,816	\$ 29,157,976
	Balance July 1, 2003	Increases/ (Decreases)	Balance June 30, 2004
Business-type activities:			
Capital assets not being depreciated:			
Land	\$ 502,086	\$ (186,773)	\$ 315,313
Construction in progress	68,117	495,187	563,304
Total capital assets not being depreciated	570,203	308,414	878,617
Capital assets being depreciated:			
Buildings and improvements	1,979,382	291,126	2,270,508
Vehicles and equipment	1,737,136	8,336	1,745,472
Utility system	24,753,469	886,902	25,640,371
Total capital assets being depreciated	28,469,987	1,186,364	29,656,351
Less accumulated depreciation for:			
Buildings and improvements	(878,212)	(48,628)	(926,840)
Vehicles and equipment	(1,226,437)	(128,131)	(1,354,568)
Utility system	(7,184,306)	(418,157)	(7,602,463)
Total accumulated depreciation	(9,288,955)	(594,916)	(9,883,871)
Total capital assets being depreciated, net	19,181,032	591,448	19,772,480
Total capital assets, net	\$ 19,751,235	\$ 899,862	\$ 20,651,097

Depreciation expense of \$330,739 and \$288,432 was charged to the Water and Environmental Services Funds, respectively.

CITY OF WEST LINN, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2004

6. LONG-TERM DEBT

Bonds Payable

Bonds payable transactions for the year are as follows:

	<u>Original Amount</u>	<u>Outstanding July 1, 2003</u>	<u>Redeemed</u>	<u>Outstanding June 30, 2004</u>
Governmental activities:				
General obligation				
interest 2.6%-5.4%	\$ 13,315,000	\$ 10,805,000	\$ 380,000	\$ 10,425,000
Full Faith and credit bonds, interest 4.3% - 5.25%	4,300,000	4,030,000	145,000	3,885,000
	<u>\$ 17,615,000</u>	<u>\$ 14,835,000</u>	<u>\$ 525,000</u>	14,310,000
Current portion				(405,000)
Long-term portion				<u>\$ 13,905,000</u>
Business-type activities:				
2000 Water System Revenue and refunding				
bonds interest 4.7% - 6%	\$ 1,800,000	\$ 1,695,000	\$ 55,000	\$ 1,640,000
Current portion				(60,000)
Long-term portion				<u>\$ 1,580,000</u>

Future maturities of bond principal and interest at June 30, 2004, are as follows:

<u>Governmental activities:</u>			<u>Business-type activities:</u>		
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 405,000	\$ 700,388	2005	\$ 60,000	\$ 92,862
2006	590,000	675,953	2006	65,000	89,580
2007	625,000	649,918	2007	65,000	86,102
2008	670,000	621,705	2008	70,000	82,440
2009	705,000	591,285	2009	75,000	78,470
2010-2014	4,250,000	2,418,975	2010-2014	430,000	323,665
2015-2019	5,445,000	1,251,583	2015-2019	585,000	178,106
2020-2024	1,620,000	93,258	2020-2024	290,000	13,200
	<u>\$ 14,310,000</u>	<u>\$ 7,003,065</u>		<u>\$ 1,640,000</u>	<u>\$ 944,425</u>

CITY OF WEST LINN, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2004

7. CAPITAL LEASE

The City entered into a capital lease for a City-wide management information system. Terms require quarterly payments of \$24,972. Future lease payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2005	\$ 99,887
2006	49,944
	<u>149,831</u>
Less amount representing interest	(5,313)
	<u>\$ 144,518</u>

8. TRANSFERS TO/FROM OTHER FUNDS

Transfers to/from other funds consisted of the following:

<u>Amount</u>	<u>Description</u>
\$ 775,445	Library Levy Fund to General Fund for library operations.
789,740	General Fund to Fire Operation Levy Fund for fire operations.
237,473	General Fund to Street Fund for street operations.
2,000	General Fund to Arts Commission Fund for subsidy.
44,317	General Fund to Community Center Operating Fund for subsidy.
30,473	Fire Local Option Fund to non-major funds for 911 service
30,473	Between non-major funds for 911 service.
<u>\$ 1,909,921</u>	

9. PENSION PLAN

Pension Plan Description

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

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

CITY OF WEST LINN, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2004

9. PENSION PLAN (Continued)

Pension Plan Description (Continued)

The 2003 Oregon Legislature established OPSRP. Public employees hired on or after August 29, 2003, become part of OPSRP, unless membership was previously established in PERS.

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

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

Funding Policy

Members of PERS are required to contribute 6% of their salary covered under the plan. The City is required by ORS 238.225 to contribute at an actuarially determined rate. The current rate is 13.07% of salary covered under the plan. The contribution requirements for plan members and the City are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

Annual Pension Cost

For the years ended June 30, 2004, 2003, and 2002, the City's annual pension costs were approximately \$741,400, \$629,300 and \$515,900 respectively, and were equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2003, actuarial valuation, using the entry age actuarial cost method, performed as of that date. This method does not amortize unfunded actuarial accrued liabilities. The actuarial assumptions included (a) 8.0% investment rate of return (net of administrative expenses), (b) projected salary increases of 5.0% per year, and (c) 2.0% per year post-retirement cost-of-living increases. The underlying long-term assumed rate of inflation was 4.25% per year. The actuarial value of PERS assets is valued on the Expected Value Method. The City's unfunded actuarial liability is being amortized as a level percentage of payrolls over 30 years on an open basis.

CITY OF WEST LINN, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2004

9. PENSION PLAN (Continued)

Annual Pension Cost (Continued)

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability (Asset)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Actuarial Accrued Liability as a Percent of Covered Payroll</u>
12/31/2003	\$ 26,970,000	\$ 32,807,000	\$ 5,837,000	82 %	\$ 5,626,000	17 %
12/31/2001	26,727,000	25,058,000	(1,669,000)	107	5,367,000	21
12/31/1999	25,829,000	24,877,000	(952,000)	104	4,367,000	18

10. OTHER INFORMATION

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. Except for unemployment compensation, the City purchases commercial insurance to minimize its exposure to these risks. There has been no reduction in commercial insurance coverage from fiscal year 2003 to 2004. Workers compensation claims are insured through incurred loss retrospective policies. Settled claims have not exceeded this commercial coverage for any of the past three years. This City is self-insured for unemployment compensation claims.

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

The Insurance Fund (Internal Service) has recorded the following changes in the balance of claims liabilities for the years ended June 30, 2004 and 2003 as follows:

	<u>2004</u>	<u>2003</u>
Unpaid claims, beginning of year	\$ -	\$ -
Incurred claims	1,290	14,161
Claims payments	(1,290)	(14,161)
Unpaid claims, end of year	<u>\$ -</u>	<u>\$ -</u>

CITY OF WEST LINN, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2004

10. OTHER INFORMATION (Continued)

Deferred Compensation Plan

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

11. COMMITMENTS AND CONTINGENCIES

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

- The City will process and review all permit applications for hookup and inspection thereof; operate and maintain local collections facilities; bill and collect user charges, and bill and collect connection charges.
- Should the District fail to perform services outlined in this agreement, the City can terminate the agreement upon 30 days written notice.

12. RESTATEMENTS

The City restated its beginning net assets/fund balances to correct errors, in the classification of funds types and in the proper recognition of accounts payable, accrued interest payable, accrued vacation payable and deposits payable in the June 30, 2003, financial statements. The Internal Service Fund information below is included in total Governmental Activities as presented in the government-wide statements.

CITY OF WEST LINN, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2004

12. RESTATEMENTS (Continued)

The separate presentation here details the restatement as indicated in the Proprietary Fund Statements.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Governmental Activity Internal Service Fund</u>
Net assets, July 1, 2003, as previously reported	\$ 22,646,800	\$ 26,999,896	\$ 232,095
Reclassify Caufield Trust Fund	212,761	-	-
Reclassify allocation of Internal Service Fund	46,419	(46,419)	-
Overaccrual of account, vacation and deposits payable and other errors	261,343	23,686	(38,847)
Overaccrual of interest payable	676,904	-	-
Capital lease not recorded	(235,610)	-	-
Net assets, July 1, 2003, as restated	<u>\$ 23,608,617</u>	<u>\$ 26,977,163</u>	<u>\$ 193,248</u>

13. SUBSEQUENT EVENTS

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

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

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

SUPPLEMENTARY INFORMATION

GOVERNMENTAL FUNDS

CITY OF WEST LINN, OREGON

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2004

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total
ASSETS:				
Cash and investments	\$ 1,660,316	\$ 343,800	\$ 474,742	\$ 2,478,858
Cash held by County Treasurer	10,074	4,450	-	14,524
Cash held by fiscal agent	-	4,637	-	4,637
Property taxes receivable	61,256	76,666	-	137,922
Accounts receivable	8,047	1,646	2,171	11,864
TOTAL ASSETS	\$ 1,739,693	\$ 431,199	\$ 476,913	\$ 2,647,805
LIABILITIES AND FUND BALANCE:				
Book overdraft	\$ 230,021	\$ -	\$ 85	\$ 230,106
Accounts payable	241,484	-	2,092	243,576
Accrued salaries and payroll taxes	111,733	-	-	111,733
Accrued vacation payable	31,375	-	-	31,375
Matured interest payable	-	3,320	-	3,320
Deferred revenue	44,894	63,053	-	107,947
TOTAL LIABILITIES	659,507	66,373	2,177	728,057
FUND BALANCE:				
Unreserved:				
Designated for debt service	-	364,826	-	364,826
Undesignated	1,080,186	-	474,736	1,554,922
TOTAL FUND BALANCE	1,080,186	364,826	474,736	1,919,748
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,739,693	\$ 431,199	\$ 476,913	\$ 2,647,805

CITY OF WEST LINN, OREGON

NONMAJOR GOVERNMENTAL FUNDS

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

YEAR ENDED JUNE 30, 2004

	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES:				
Property taxes	\$ 1,531,887	\$ 916,074	\$ -	\$ 2,447,961
Licenses, permits and fees	319,959	-	-	319,959
Franchise fees	142,968	-	-	142,968
Charges for services	666,328	-	-	666,328
Intergovernmental	1,681,924	-	-	1,681,924
Interest	21,424	6,030	7,289	34,743
Miscellaneous	21,380	228	-	21,608
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	4,385,870	922,332	7,289	5,315,491
	<hr/>	<hr/>	<hr/>	<hr/>
EXPENDITURES:				
Program:				
General government	1,415,661	-	36,288	1,451,949
Cultural and recreation	214,291	-	-	214,291
Public safety	1,400,290	-	-	1,400,290
Highways and streets	1,199,738	-	-	1,199,738
Debt service:				
Bond principal	-	380,000	-	380,000
Bond interest	-	523,308	-	523,308
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	4,229,980	903,308	36,288	5,169,576
	<hr/>	<hr/>	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	155,890	19,024	(28,999)	145,915
	<hr/>	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES):				
Transfers in	344,736	-	-	344,736
Transfers out	(805,918)	-	-	(805,918)
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	(461,182)	-	-	(461,182)
	<hr/>	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCE	(305,292)	19,024	(28,999)	(315,267)
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCE, July 1, 2003 as previously reported	1,262,461	345,802	503,735	2,111,998
	<hr/>	<hr/>	<hr/>	<hr/>
RESTATEMENT	123,017	-	-	123,017
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCE, July 1, 2003 as restated	1,385,478	345,802	503,735	2,235,015
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCE, June 30, 2004	<u>\$ 1,080,186</u>	<u>\$ 364,826</u>	<u>\$ 474,736</u>	<u>\$ 1,919,748</u>

Nonmajor Special Revenue Funds

Street Fund – accounts for the receipt and expenditure of state gasoline taxes apportioned to cities under Article IX, Section 3 of the Constitution of the State of Oregon.

Library Levy Fund – accounts for the receipt and expenditure of funds received from county-wide library serial levy, apportioned to city libraries by Clackamas County, Oregon.

911 Emergency Communication Fund – accounts for the receipt and expenditure of funds received from a telephone tax for emergency communications systems.

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

Solid Waste Recycling Program Fund – accounts for the receipt and expenditure of recycling program revenue.

Arts Commission Fund – accounts for the receipt and expenditure of funds received for arts commission activities.

Community Center Operating Fund – accounts for the receipt and expenditure of fund received for community center activities.

Public Education Government Fund - accounts for receipt and expenditure of franchise fee revenues to operate, supervise and promote public education and a governmental access cable channel.

Storm Drain Fund – accounts for the planning, design, construction, regulation maintenance and administration of the City's storm drainage system.

Building inspection Fund – accounts for the receipt and expenditure of building permit revenues to enforce the city building code, inspect construction in the City and promote public safety.

Public Works Support Services Fund – accounts for the receipt and expenditure of license and permit revenues from public works construction projects.

2000 Federal Grant Fund – accounts for the receipt and expenditure of the public safety grant.

Public Safety Grant Fund – accounts for the receipt of property taxes and expenditures for police operations.

Police Local Option Levy Fund – accounts for the receipts from a property tax levy to fund police operations.

Caufield Trust Fund – accounts for an endowment held by the City under terms of the bequest. Expenditures are made for cultural and recreation purposes.

CITY OF WEST LINN, OREGON

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2004

	Street Fund	Library Levy Fund	911 Emergency Communication Fund	Cable TV/ Public Access Fund	Solid Waste Recycling Program Fund	Arts Commission Fund	Community Center Operating Fund
ASSETS:							
Cash and investments	\$ 40,247	\$ 64,083	\$ -	\$ 26,839	\$ 184,122	\$ 3,539	\$ -
Cash held with County Treasurer	-	-	-	-	-	-	-
Accounts receivable	253	164	-	208	1,013	17	-
Taxes receivable	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 40,500	\$ 64,247	\$ -	\$ 27,047	\$ 185,135	\$ 3,556	\$ -
LIABILITIES AND FUND BALANCE (DEFICIT):							
Liabilities:							
Book overdraft	\$ -	\$ -	\$ 87,439	\$ -	\$ -	\$ -	\$ 24,591
Accounts payable	32,146	-	164,655	18,533	283	411	7,022
Accrued salaries and payroll taxes	15,418	-	-	-	227	-	2,682
Accrued vacation payable	7,185	-	-	-	-	-	146
Deferred revenue	-	-	-	-	-	-	-
TOTAL LIABILITIES	54,749	-	252,094	18,533	510	411	34,441
FUND BALANCE (DEFICIT):							
Undesignated	(14,249)	64,247	(252,094)	8,514	184,625	3,145	(34,441)
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	\$ 40,500	\$ 64,247	\$ -	\$ 27,047	\$ 185,135	\$ 3,556	\$ -

Public Education Government Fund	Building Inspection Fund	Public Works Support Services Fund	2000 Federal Grant Fund	Public Safety Grant Fund	Police Local Option Levy Fund	Caufield Trust Fund	Totals
\$ 389,962	\$ 84,816	\$ -	\$ 341	\$ 11,703	\$ 650,207	\$ 204,457	\$ 1,660,316
-	-	-	-	-	10,074	-	10,074
1,790	407	-	-	57	3,158	980	8,047
-	-	-	-	-	61,256	-	61,256
<u>\$ 391,752</u>	<u>\$ 85,223</u>	<u>\$ -</u>	<u>\$ 341</u>	<u>\$ 11,760</u>	<u>\$ 724,695</u>	<u>\$ 205,437</u>	<u>\$ 1,739,693</u>
\$ -	\$ -	\$ 117,991	\$ -	\$ -	\$ -	\$ -	\$ 230,021
-	6,161	4,307	-	-	7,966	-	241,484
-	16,572	28,995	-	-	47,839	-	111,733
-	3,778	4,279	-	-	15,987	-	31,375
-	-	-	-	-	44,894	-	44,894
-	26,511	155,572	-	-	116,686	-	659,507
391,752	58,712	(155,572)	341	11,760	608,009	205,437	1,080,186
<u>\$ 391,752</u>	<u>\$ 85,223</u>	<u>\$ -</u>	<u>\$ 341</u>	<u>\$ 11,760</u>	<u>\$ 724,695</u>	<u>\$ 205,437</u>	<u>\$ 1,739,693</u>

CITY OF WEST LINN, OREGON

NONMAJOR SPECIAL REVENUE FUNDS

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

YEAR ENDED JUNE 30, 2004

	Street Fund	Library Levy Fund	911 Emergency Communication Fund	Cable TV/ Public Access Fund	Solid Waste Recycling Program Fund	Arts Commission Fund	Community Center Operating Fund
REVENUES:							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits and fees	-	-	-	-	-	-	-
Franchise fees	-	-	-	83,081	59,887	-	-
Charges for services	-	-	-	-	-	-	28,669
Intergovernmental	967,752	592,259	111,321	-	-	-	-
Interest	-	145	-	556	2,465	53	-
Miscellaneous	1,767	-	-	-	3,000	498	5,467
TOTAL REVENUES	969,519	592,404	111,321	83,637	65,352	551	34,136
EXPENDITURES:							
General government	-	-	-	-	15,309	-	-
Cultural and recreation	-	1,529	-	82,902	-	7,332	112,528
Public safety	-	-	181,971	-	-	-	-
Highways and streets	1,199,738	-	-	-	-	-	-
TOTAL EXPENDITURES	1,199,738	1,529	181,971	82,902	15,309	7,332	112,528
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(230,219)	590,875	(70,650)	735	50,043	(6,781)	(78,392)
OTHER FINANCING SOURCES (USES):							
Transfers in	237,473	-	60,946	-	-	2,000	44,317
Transfers out	-	(775,445)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	237,473	(775,445)	60,946	-	-	2,000	44,317
NET CHANGE IN FUND BALANCE	7,254	(184,570)	(9,704)	735	50,043	(4,781)	(34,075)
FUND BALANCE (DEFICIT), July 1, 2003, as previously reported	(43,747)	248,817	(78,164)	7,779	134,582	7,212	(1,652)
RESTATEMENT	22,244	-	(164,226)	-	-	714	1,286
FUND BALANCE (DEFICIT) July 1, 2003 as restated	(21,503)	248,817	(242,390)	7,779	134,582	7,926	(366)
FUND BALANCE (DEFICIT), June 30, 2004	\$ (14,249)	\$ 64,247	\$ (252,094)	\$ 8,514	\$ 184,625	\$ 3,145	\$ (34,441)

Public Education Government Fund	Storm Drain Fund	Building Inspection Fund	Public Works Support Services Fund	2000 Federal Grant Fund	Public Safety Grant Fund	Police Local Option Levy Fund	Caufield Trust Fund	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,531,887	\$ -	\$ 1,531,887
-	-	319,959	-	-	-	-	-	319,959
-	-	-	-	-	-	-	-	142,968
-	-	-	637,659	-	-	-	-	666,328
-	-	-	-	-	10,592	-	-	1,681,924
5,338	-	1,136	-	-	142	8,873	2,716	21,424
-	-	290	4,805	-	-	5,553	-	21,380
<u>5,338</u>	<u>-</u>	<u>321,385</u>	<u>642,464</u>	<u>-</u>	<u>10,734</u>	<u>1,546,313</u>	<u>2,716</u>	<u>4,385,870</u>
3,435	-	442,712	954,205	-	-	-	-	1,415,661
-	-	-	-	-	-	-	10,000	214,291
-	-	-	-	-	-	1,218,319	-	1,400,290
-	-	-	-	-	-	-	-	1,199,738
<u>3,435</u>	<u>-</u>	<u>442,712</u>	<u>954,205</u>	<u>-</u>	<u>-</u>	<u>1,218,319</u>	<u>10,000</u>	<u>4,229,980</u>
1,903	-	(121,327)	(311,741)	-	10,734	327,994	(7,284)	155,890
-	-	-	-	-	-	-	-	344,736
-	-	-	-	-	-	(30,473)	-	(805,918)
-	-	-	-	-	-	(30,473)	-	(461,182)
<u>1,903</u>	<u>-</u>	<u>(121,327)</u>	<u>(311,741)</u>	<u>-</u>	<u>10,734</u>	<u>297,521</u>	<u>(7,284)</u>	<u>(305,292)</u>
389,849	5,803	160,373	156,568	341	1,026	273,674	-	1,262,461
-	(5,803)	19,666	(399)	-	-	36,814	212,721	123,017
<u>389,849</u>	<u>-</u>	<u>180,039</u>	<u>156,169</u>	<u>341</u>	<u>1,026</u>	<u>310,488</u>	<u>212,721</u>	<u>1,385,478</u>
<u>\$ 391,752</u>	<u>\$ -</u>	<u>\$ 58,712</u>	<u>\$ (155,572)</u>	<u>\$ 341</u>	<u>\$ 11,760</u>	<u>\$ 608,009</u>	<u>\$ 205,437</u>	<u>\$ 1,080,186</u>

CITY OF WEST LINN, OREGON

STREET FUND

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

YEAR ENDED JUNE 30, 2004

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Intergovernmental	\$ 989,738	\$ 967,752	\$ (21,986)
Interest	6,000	-	(6,000)
Miscellaneous	5,000	1,767	(3,233)
TOTAL REVENUES	<u>1,000,738</u>	<u>969,519</u>	<u>(31,219)</u>
EXPENDITURES:			
Personal services	377,780	322,909	54,871
Materials and services	552,989	388,342	164,647
TOTAL EXPENDITURES	<u>930,769</u>	<u>711,251</u>	<u>219,518</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>69,969</u>	<u>258,268</u>	<u>188,299</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	237,473	237,473	-
Transfers out	(310,237)	(488,487)	(178,250)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(72,764)</u>	<u>(251,014)</u>	<u>(178,250)</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	<u>(2,795)</u>	<u>7,254</u>	<u>10,049</u>
FUND BALANCE, July 1, 2003, as previously reported	2,795	(43,747)	(46,542)
RESTATEMENT	-	22,244	22,244
FUND BALANCE, July 1, 2003, as restated	<u>2,795</u>	<u>(21,503)</u>	<u>(24,298)</u>
FUND BALANCE (DEFICIT), June 30, 2004	<u>\$ -</u>	<u>\$ (14,249)</u>	<u>\$ (14,249)</u>

CITY OF WEST LINN, OREGON

LIBRARY LEVY FUND

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

YEAR ENDED JUNE 30, 2004

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Intergovernmental	\$ 608,774	\$ 592,259	\$ (16,515)
Interest	9,500	145	(9,355)
TOTAL REVENUES	<u>618,274</u>	<u>592,404</u>	<u>(25,870)</u>
EXPENDITURES:			
Materials and services	1,700	1,529	171
Contingency	101,226	-	101,226
TOTAL EXPENDITURES	<u>102,926</u>	<u>1,529</u>	<u>101,397</u>
EXCESS OF REVENUES OVER EXPENDITURES	515,348	590,875	75,527
OTHER FINANCING USES:			
Transfers to other funds	<u>(775,445)</u>	<u>(775,445)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(260,097)	(184,570)	75,527
FUND BALANCE, July 1, 2003	<u>260,097</u>	<u>248,817</u>	<u>(11,280)</u>
FUND BALANCE, June 30, 2004	<u>\$ -</u>	<u>\$ 64,247</u>	<u>\$ 64,247</u>

CITY OF WEST LINN, OREGON

911 EMERGENCY COMMUNICATIONS FUND

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

YEAR ENDED JUNE 30, 2004

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Intergovernmental	\$ 102,157	\$ 111,321	\$ 9,164
Interest	1,500	-	(1,500)
TOTAL REVENUES	103,657	111,321	7,664
EXPENDITURES:			
Materials and services	203,443	181,971	21,472
DEFICIENCY OF REVENUES OVER EXPENDITURES	(99,786)	(70,650)	29,136
OTHER FINANCING SOURCES:			
Transfers from other funds	60,946	60,946	-
NET CHANGE IN FUND BALANCE (DEFICIT)	<u>(38,840)</u>	<u>(9,704)</u>	<u>29,136</u>
FUND BALANCE, July 1, 2003, as previously reported	38,840	(78,164)	(117,004)
RESTATEMENT	-	(164,226)	(164,226)
FUND BALANCE, July 1, 2003, as restated	<u>38,840</u>	<u>(242,390)</u>	<u>(281,230)</u>
FUND BALANCE (DEFICIT), June 30, 2004	<u>\$ -</u>	<u>\$ (252,094)</u>	<u>\$ (252,094)</u>

CITY OF WEST LINN, OREGON

CABLE TV/PUBLIC ACCESS FUND

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

YEAR ENDED JUNE 30, 2004

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
Franchise fees	\$ 78,878	\$ 83,081	\$ 4,203
Interest	-	556	556
TOTAL REVENUES	<u>78,878</u>	<u>83,637</u>	<u>4,759</u>
EXPENDITURES:			
Materials and services	75,010	82,902	(7,892)
Contingency	6,260	-	6,260
TOTAL EXPENDITURES	<u>81,270</u>	<u>82,902</u>	<u>(1,632)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,392)	735	3,127
OTHER FINANCING USES:			
Transfers to other funds	(2,731)	-	2,731
NET CHANGE IN FUND BALANCE	(5,123)	735	5,858
FUND BALANCE, July 1, 2003	<u>5,123</u>	<u>7,779</u>	<u>2,656</u>
FUND BALANCE, June 30, 2004	<u>\$ -</u>	<u>\$ 8,514</u>	<u>\$ 8,514</u>

CITY OF WEST LINN, OREGON

SOLID WASTE RECYCLING PROGRAM FUND

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

YEAR ENDED JUNE 30, 2004

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
Franchise fees	\$ 50,000	\$ 59,887	\$ 9,887
Interest	-	2,465	2,465
Miscellaneous	2,400	3,000	600
TOTAL REVENUES	<u>52,400</u>	<u>65,352</u>	<u>12,952</u>
EXPENDITURES:			
Materials and services	4,900	2,632	2,268
Contingency	157,962	-	157,962
TOTAL EXPENDITURES	<u>162,862</u>	<u>2,632</u>	<u>160,230</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(110,462)	62,720	173,182
OTHER FINANCING USES:			
Transfers to other funds	<u>(11,787)</u>	<u>(12,677)</u>	<u>(890)</u>
NET CHANGE IN FUND BALANCE	(122,249)	50,043	172,292
FUND BALANCE, July 1, 2003	<u>122,249</u>	<u>134,582</u>	<u>12,333</u>
FUND BALANCE, June 30, 2004	<u>\$ -</u>	<u>\$ 184,625</u>	<u>\$ 184,625</u>

CITY OF WEST LINN, OREGON

ARTS COMMISSION FUND

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

YEAR ENDED JUNE 30, 2004

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Interest	\$ -	\$ 53	\$ 53
Miscellaneous	4,000	498	(3,502)
TOTAL REVENUES	<u>4,000</u>	<u>551</u>	<u>(3,449)</u>
EXPENDITURES:			
Materials and services	11,650	7,332	4,318
Contingency	2,659	-	2,659
TOTAL EXPENDITURES	<u>14,309</u>	<u>7,332</u>	<u>6,977</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(10,309)	(6,781)	3,528
OTHER FINANCING SOURCES:			
Transfers from other funds	2,000	2,000	-
NET CHANGE IN FUND BALANCE	<u>(8,309)</u>	<u>(4,781)</u>	<u>3,528</u>
FUND BALANCE, July 1, 2003, as previously reported	8,309	7,212	(1,097)
RESTATEMENT	-	714	714
FUND BALANCE, July 1, 2003, as restated	<u>8,309</u>	<u>7,926</u>	<u>(383)</u>
FUND BALANCE, June 30, 2004	<u>\$ -</u>	<u>\$ 3,145</u>	<u>\$ 3,145</u>

CITY OF WEST LINN, OREGON

COMMUNITY CENTER OPERATING FUND

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

YEAR ENDED JUNE 30, 2004

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Charges for services	\$ 30,000	\$ 28,669	\$ (1,331)
Donations	15,000	-	(15,000)
Miscellaneous	-	5,467	5,467
TOTAL REVENUES	<u>45,000</u>	<u>34,136</u>	<u>(10,864)</u>
EXPENDITURES:			
Personal services	56,312	63,094	(6,782)
Materials and services	45,650	49,434	(3,784)
TOTAL EXPENDITURES	<u>101,962</u>	<u>112,528</u>	<u>(10,566)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(56,962)	(78,392)	(21,430)
OTHER FINANCING SOURCES:			
Transfers from other funds	56,252	44,317	(11,935)
NET CHANGE IN FUND BALANCE (DEFICIT)	<u>(710)</u>	<u>(34,075)</u>	<u>(33,365)</u>
FUND BALANCE, July 1, 2003, as previously reported	710	(1,652)	(2,362)
RESTATEMENT	-	1,286	1,286
FUND BALANCE, July 1, 2003, as restated	<u>710</u>	<u>(366)</u>	<u>(1,076)</u>
FUND BALANCE (DEFICIT), June 30, 2004	<u>\$ -</u>	<u>\$ (34,441)</u>	<u>\$ (34,441)</u>

CITY OF WEST LINN, OREGON

PUBLIC EDUCATION GOVERNMENT FUND

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

YEAR ENDED JUNE 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:				
Interest	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ 5,338</u>	<u>\$ 2,338</u>
EXPENDITURES:				
Capital outlay	<u>-</u>	<u>5,350</u>	<u>3,435</u>	<u>1,915</u>
Contingency	<u>109,398</u>	<u>104,048</u>	<u>-</u>	<u>104,048</u>
Reserve for equipment replacement	<u>142,702</u>	<u>142,702</u>	<u>-</u>	<u>142,702</u>
TOTAL EXPENDITURES	<u>252,100</u>	<u>252,100</u>	<u>3,435</u>	<u>248,665</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE	<u>(249,100)</u>	<u>(249,100)</u>	<u>1,903</u>	<u>251,003</u>
FUND BALANCE, July 1, 2003	<u>249,100</u>	<u>249,100</u>	<u>389,849</u>	<u>140,749</u>
FUND BALANCE, June 30, 2004	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 391,752</u>	<u>\$ 391,752</u>

CITY OF WEST LINN, OREGON

BUILDING INSPECTION FUND

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

YEAR ENDED JUNE 30, 2004

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Licenses and fees	\$ 341,735	\$ 319,959	\$ (21,776)
Interest	2,000	1,136	(864)
Miscellaneous	200	290	90
TOTAL REVENUES	<u>343,935</u>	<u>321,385</u>	<u>(22,550)</u>
EXPENDITURES:			
Personal services	343,509	341,280	2,229
Materials and services	24,228	13,164	11,064
Contingency	13,881	-	13,881
TOTAL EXPENDITURES	<u>381,618</u>	<u>354,444</u>	<u>27,174</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(37,683)	(33,059)	4,624
OTHER FINANCING USES:			
Transfers to other funds	(90,246)	(88,268)	1,978
NET CHANGE IN FUND BALANCE	<u>(127,929)</u>	<u>(121,327)</u>	<u>6,602</u>
FUND BALANCE, July 1, 2003, as previously reported	127,929	160,373	32,444
RESTATEMENT	-	19,666	19,666
FUND BALANCE, July 1, 2003, as restated	<u>127,929</u>	<u>180,039</u>	<u>52,110</u>
FUND BALANCE, June 30, 2004	<u>\$ -</u>	<u>\$ 58,712</u>	<u>\$ 58,712</u>

CITY OF WEST LINN, OREGON

PUBLIC WORKS SUPPORT SERVICES FUND

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

YEAR ENDED JUNE 30, 2004

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Charges for services	\$ 743,023	\$ 637,659	\$ (105,364)
Fees and permits	3,000	-	(3,000)
Interest	200	-	(200)
Miscellaneous	500	4,805	4,305
TOTAL REVENUES	746,723	642,464	(104,259)
EXPENDITURES:			
Personal services	686,846	630,024	56,822
Materials and services	103,371	90,036	13,335
Capital outlay	2,452	-	2,452
Contingency	32,213	-	32,213
TOTAL EXPENDITURES	824,882	720,060	104,822
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(78,159)	(77,596)	563
OTHER FINANCING USES:			
Transfers to other funds	(236,377)	(234,145)	2,232
NET CHANGE IN FUND BALANCE (DEFICIT)	(314,536)	(311,741)	2,795
FUND BALANCE, July 1, 2003, as previously reported	314,536	156,568	(157,968)
RESTATEMENT	-	(399)	(399)
FUND BALANCE, July 1, 2003, as restated	314,536	156,169	(158,367)
FUND BALANCE (DEFICIT), June 30, 2004	\$ -	\$ (155,572)	\$ (155,572)

CITY OF WEST LINN, OREGON

PUBLIC SAFETY GRANT FUND

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

YEAR ENDED JUNE 30, 2004

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
Federal grants	\$ -	\$ 10,592	\$ 10,592
Interest	-	142	142
TOTAL REVENUES AND NET CHANGE IN FUND BALANCE	-	10,734	10,734
FUND BALANCE, July 1, 2003	-	1,026	1,026
FUND BALANCE, June 30, 2004	<u>\$ -</u>	<u>\$ 11,760</u>	<u>\$ 11,760</u>

CITY OF WEST LINN, OREGON

POLICE LOCAL OPTION LEVY FUND

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

YEAR ENDED JUNE 30, 2004

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES:				
Property taxes	\$ 1,458,557	\$ 1,458,557	\$ 1,531,887	\$ 73,330
Interest	8,000	8,000	8,873	873
Miscellaneous	100	100	5,553	5,453
TOTAL REVENUES	<u>1,466,657</u>	<u>1,466,657</u>	<u>1,546,313</u>	<u>79,656</u>
EXPENDITURES:				
Personal services	1,118,473	1,118,473	1,002,291	116,182
Materials and services	172,339	177,339	181,597	(4,258)
Capital outlay	20,100	25,100	8,666	16,434
Contingency	253,461	243,461	-	243,461
TOTAL EXPENDITURES	<u>1,564,373</u>	<u>1,564,373</u>	<u>1,192,554</u>	<u>371,819</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(97,716)	(97,716)	353,759	451,475
OTHER FINANCING USES:				
Transfers to other funds	(49,938)	(49,938)	(56,238)	(6,300)
NET CHANGE IN FUND BALANCE	<u>(147,654)</u>	<u>(147,654)</u>	<u>297,521</u>	<u>445,175</u>
FUND BALANCE, July 1, 2003, as previously reported	147,654	147,654	273,674	126,020
RESTATEMENT	-	-	36,814	36,814
FUND BALANCE, July 1, 2003, as restated	<u>147,654</u>	<u>147,654</u>	<u>310,488</u>	<u>162,834</u>
FUND BALANCE, June 30, 2004	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 608,009</u>	<u>\$ 608,009</u>

CITY OF WEST LINN, OREGON

CAUFIELD TRUST FUND

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

YEAR ENDED JUNE 30, 2004

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Interest	\$ 2,200	\$ 2,716	\$ 516
EXPENDITURES:			
Materials and services	10,000	10,000	-
Contingency	11,960	-	11,960
Endowment reserve	157,298	-	157,298
TOTAL EXPENDITURES	<u>179,258</u>	<u>10,000</u>	<u>169,258</u>
EXCESS (DEFICIENCY) OF EXPENDITURES OVER REVENUES AND NET CHANGE IN FUND BALANCE	(177,058)	(7,284)	169,774
FUND BALANCE, July 1, 2003	<u>177,058</u>	<u>212,721</u>	<u>35,663</u>
FUND BALANCE, June 30, 2004	<u>\$ -</u>	<u>\$ 205,437</u>	<u>\$ 205,437</u>

Debt Service Fund

Debt Service Fund – accounts for payment of general obligation bond principal and interest. The principal source of revenue is from property taxes.

CITY OF WEST LINN, OREGON

DEBT SERVICE FUND

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

YEAR ENDED JUNE 30, 2004

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Property taxes	\$ 881,981	\$ 916,074	\$ 34,093
Interest	5,000	6,030	1,030
Miscellaneous	100	228	128
TOTAL REVENUES	<u>887,081</u>	<u>922,332</u>	<u>35,251</u>
EXPENDITURES:			
Debt service:			
Principal	380,000	380,000	-
Interest	523,309	523,308	1
Reserve for future debt service	323,942	-	323,942
TOTAL EXPENDITURES	<u>1,227,251</u>	<u>903,308</u>	<u>323,943</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE	(340,170)	19,024	359,194
FUND BALANCE, July 1, 2003	<u>340,170</u>	<u>345,802</u>	<u>5,632</u>
FUND BALANCE, June 30, 2004	<u>\$ -</u>	<u>\$ 364,826</u>	<u>\$ 364,826</u>

Nonmajor Capital Projects Funds

Capital Development Fund – accounts for the resources set aside for future City capital developments.

Integrated M.I.S. Fund – accounts for the resources used for improvements to the City's network of computers.

Senior Center Construction Fund – accounts for resources related to the construction of the Senior Center.

Library Construction Fund – accounts for the resources used for the construction of the Library.

City Hall Building Fund – accounts for the resources used for the purchase of the City Hall.

CITY OF WEST LINN, OREGON

NONMAJOR CAPITAL PROJECTS FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2004

	<u>Capital Development Fund</u>	<u>Integrated M.I.S. Fund</u>	<u>Senior Center Construction Fund</u>	<u>Library Construction Fund</u>	<u>City Hall Building Fund</u>	<u>Total</u>
ASSETS:						
Pooled cash and investments	\$ 415,965	\$ -	\$ 42,981	\$ 3,475	\$ 12,321	\$ 474,742
Accounts receivable	1,994	-	177	-	-	2,171
TOTAL ASSETS	<u>\$ 417,959</u>	<u>\$ -</u>	<u>\$ 43,158</u>	<u>\$ 3,475</u>	<u>\$ 12,321</u>	<u>\$ 476,913</u>
LIABILITIES AND FUND BALANCE (DEFICIT):						
Book overdraft	\$ -	\$ 85	\$ -	\$ -	\$ -	\$ 85
Accounts payable	-	-	2,092	-	-	2,092
TOTAL LIABILITIES	<u>-</u>	<u>85</u>	<u>2,092</u>	<u>-</u>	<u>-</u>	<u>2,177</u>
FUND BALANCE (DEFICIT):						
Undesignated	<u>417,959</u>	<u>(85)</u>	<u>41,066</u>	<u>3,475</u>	<u>12,321</u>	<u>474,736</u>
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	<u>\$ 417,959</u>	<u>\$ -</u>	<u>\$ 43,158</u>	<u>\$ 3,475</u>	<u>\$ 12,321</u>	<u>\$ 476,913</u>

CITY OF WEST LINN, OREGON

NONMAJOR CAPITAL PROJECTS FUNDS

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

YEAR ENDED JUNE 30, 2004

	<u>Capital Development Fund</u>	<u>Integrated M.I.S. Fund</u>	<u>Senior Center Construction Fund</u>	<u>Library Construction Fund</u>	<u>City Hall Building Fund</u>	<u>Total</u>
REVENUES:						
Interest	\$ 5,487	\$ 20	\$ 1,782	\$ -	\$ -	\$ 7,289
EXPENDITURES:						
General government	<u>-</u>	<u>17,504</u>	<u>18,784</u>	<u>-</u>	<u>-</u>	<u>36,288</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE (DEFICIT)	5,487	(17,484)	(17,002)	-	-	(28,999)
FUND BALANCE, July 1, 2003	<u>412,472</u>	<u>17,399</u>	<u>58,068</u>	<u>3,475</u>	<u>12,321</u>	<u>503,735</u>
FUND BALANCE (DEFICIT), June 30, 2004	<u>\$ 417,959</u>	<u>\$ (85)</u>	<u>\$ 41,066</u>	<u>\$ 3,475</u>	<u>\$ 12,321</u>	<u>\$ 474,736</u>

CITY OF WEST LINN, OREGON

CAPITAL DEVELOPMENT FUND

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

YEAR ENDED JUNE 30, 2004

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
Interest	\$ 6,000	\$ 5,487	\$ (513)
EXPENDITURES:			
Contingency	<u>411,823</u>	<u>-</u>	<u>411,823</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE	(405,823)	5,487	411,310
FUND BALANCE, July 1, 2003	<u>405,823</u>	<u>412,472</u>	<u>6,649</u>
FUND BALANCE, June 30, 2004	<u>\$ -</u>	<u>\$ 417,959</u>	<u>\$ 417,959</u>

CITY OF WEST LINN, OREGON

INTEGRATED M.I.S. FUND

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

YEAR ENDED JUNE 30, 2004

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
Interest	\$ -	\$ 20	\$ 20
EXPENDITURES:			
Capital outlay	<u>17,504</u>	<u>17,504</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE (DEFICIT)	<u>(17,504)</u>	<u>(17,484)</u>	<u>20</u>
FUND BALANCE, July 1, 2003	<u>17,504</u>	<u>17,399</u>	<u>(105)</u>
FUND BALANCE (DEFICIT), June 30, 2004	<u>\$ -</u>	<u>\$ (85)</u>	<u>\$ (85)</u>

CITY OF WEST LINN, OREGON

SENIOR CENTER CONSTRUCTION FUND

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

YEAR ENDED JUNE 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:				
Interest	\$ -	\$ -	\$ 1,782	\$ 1,782
EXPENDITURES:				
Capital outlay	-	52,600	18,784	33,816
DEFICIENCY OF REVENUES OVER EXPENDITURES	-	(52,600)	(17,002)	35,598
OTHER FINANCING USES:				
Transfers to other funds	(11,935)	(11,935)	-	11,935
NET CHANGE IN FUND BALANCE	(11,935)	(64,535)	(17,002)	47,533
FUND BALANCE, July 1, 2003	11,935	64,535	58,068	(6,467)
FUND BALANCE, June 30, 2004	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,066</u>	<u>\$ 41,066</u>

CITY OF WEST LINN, OREGON

PARK BOND CONSTRUCTION FUND

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

YEAR ENDED JUNE 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:				
Interest	\$ 15,000	\$ 15,000	\$ 12,651	\$ (2,349)
EXPENDITURES:				
Capital outlay	<u>922,632</u>	<u>1,135,514</u>	<u>1,365</u>	<u>1,134,149</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE	(907,632)	(1,120,514)	11,286	1,131,800
FUND BALANCE, July 1, 2003	<u>907,632</u>	<u>1,120,514</u>	<u>951,870</u>	<u>(168,644)</u>
FUND BALANCE, June 30, 2004	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 963,156</u>	<u>\$ 963,156</u>

Enterprise Funds

Water Fund – accounts for the City's water utility operations.

Water Fund

Water Bond Construction Fund

Environmental Services Fund – accounts for the City's sewer utility operations.

Environmental Service Fund

Sewer Fund

CITY OF WEST LINN, OREGON

WATER FUND

COMBINING STATEMENT OF NET ASSETS

JUNE 30, 2004

	<u>Water Fund</u>	<u>Water Bond Construction Fund</u>	<u>Total</u>
ASSETS:			
Current assets:			
Cash and investments	\$ 742,650	\$ 50,458	\$ 793,108
Restricted cash	170,102	-	170,102
Accounts receivable, net of allowance for doubtful accounts	453,632	243	453,875
TOTAL CURRENT ASSETS	<u>1,366,384</u>	<u>50,701</u>	<u>1,417,085</u>
Noncurrent assets:			
Capital assets not being depreciated	629,599	-	629,599
Other capital assets, net	11,409,747	-	11,409,747
Investment in joint venture	5,586,087	-	5,586,087
TOTAL NONCURRENT ASSETS	<u>17,625,433</u>	<u>-</u>	<u>17,625,433</u>
TOTAL ASSETS	<u>18,991,817</u>	<u>50,701</u>	<u>19,042,518</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	334,508	-	334,508
Accrued payroll payable	23,920	-	23,920
Accrued vacation payable	49,776	-	49,776
Other liabilities	78,308	-	78,308
Accrued interest payable	23,606	-	23,606
Current portion of bonds payable	60,000	-	60,000
TOTAL CURRENT LIABILITIES	<u>570,118</u>	<u>-</u>	<u>570,118</u>
Long-term liabilities:			
Bonds payable	1,580,000	-	1,580,000
TOTAL LIABILITIES	<u>2,150,118</u>	<u>-</u>	<u>2,150,118</u>
NET ASSETS:			
Invested in capital assets, net of related debt	10,399,346	-	10,399,346
Unrestricted	6,442,353	50,701	6,493,054
TOTAL NET ASSETS	<u>\$ 16,841,699</u>	<u>\$ 50,701</u>	<u>\$ 16,892,400</u>

CITY OF WEST LINN, OREGON

WATER FUND

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

YEAR ENDED JUNE 30, 2004

	Water Fund	Water Bond Construction Fund	Total
	<u> </u>	<u> </u>	<u> </u>
OPERATING REVENUES:			
Charges for services, net of remittances to Tri-City Service District	\$ 2,432,926	\$ -	\$ 2,432,926
Installation and connection fees	40,462	-	40,462
Other	115,499	-	115,499
	<u>2,588,887</u>	<u>-</u>	<u>2,588,887</u>
TOTAL OPERATING REVENUES	<u>2,588,887</u>	<u>-</u>	<u>2,588,887</u>
OPERATING EXPENSES:			
Salaries and fringe benefits	555,702	-	555,702
Repairs and maintenance	107,669	-	107,669
Insurance	32,960	-	32,960
Utilities	106,081	-	106,081
Purchase of water	902,398	-	902,398
Depreciation	330,739	-	330,739
Support services	302,684	-	302,684
	<u>2,338,233</u>	<u>-</u>	<u>2,338,233</u>
TOTAL OPERATING EXPENSES	<u>2,338,233</u>	<u>-</u>	<u>2,338,233</u>
OPERATING INCOME	<u>250,654</u>	<u>-</u>	<u>250,654</u>
NONOPERATING INCOME (EXPENSE):			
Interest income	21,000	574	21,574
Interest expense	(23,606)	-	(23,606)
Net income in joint venture	286,888	-	286,888
	<u>284,282</u>	<u>574</u>	<u>284,856</u>
TOTAL NONOPERATING INCOME (EXPENSE)	<u>284,282</u>	<u>574</u>	<u>284,856</u>
CHANGE IN NET ASSETS	<u>534,936</u>	<u>574</u>	<u>535,510</u>
NET ASSETS, July 1, 2003, as previously reported	16,253,903	50,127	16,304,030
RESTATEMENT	<u>52,860</u>	<u>-</u>	<u>52,860</u>
NET ASSETS, July 1, 2003 as restated	<u>16,306,763</u>	<u>50,127</u>	<u>16,356,890</u>
NET ASSETS, June 30, 2004	<u>\$ 16,841,699</u>	<u>\$ 50,701</u>	<u>\$ 16,892,400</u>

CITY OF WEST LINN, OREGON

WATER FUND

COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2004

	Water Fund	Water Bond Construction Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
ACTIVITIES:			
Cash received for services	\$ 2,579,403	\$ 208	\$ 2,579,611
Cash paid to suppliers for goods and services	(1,260,510)	(344)	(1,260,854)
Cash paid to employees for services	(531,782)	-	(531,782)
NET CASH FROM OPERATING ACTIVITIES	787,111	(136)	786,975
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	(928,542)	-	(928,542)
Principal paid on capital debt	(55,000)	-	(55,000)
Interest paid on capital debt	(95,811)	-	(95,811)
Transfer to restricted cash	(16,248)	-	(16,248)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(1,095,601)	-	(1,095,601)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments	21,000	574	21,574
NET CHANGE IN CASH AND INVESTMENTS	(287,490)	438	(287,052)
CASH AND INVESTMENTS, July 1, 2003	1,030,140	50,020	1,080,160
CASH AND INVESTMENTS, July 1, 2004	\$ 742,650	\$ 50,458	\$ 793,108
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:			
Operating income	\$ 250,654	\$ -	\$ 250,654
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation	330,739	-	330,739
Changes in assets and liabilities:			
Accounts receivable	(9,487)	208	(9,279)
Accounts payable	98,337	(344)	97,993
Accrued payroll	(20,257)	-	(20,257)
Accrued vacation	44,177	-	44,177
Other liabilities	(22)	-	(22)
Inventory	92,970	-	92,970
Total adjustments	536,457	(136)	536,321
NET CASH FROM OPERATING ACTIVITIES	\$ 787,111	\$ (136)	\$ 786,975
NON-CASH TRANSACTIONS:			
Net income in joint venture	\$ 286,888	\$ -	\$ 286,888

CITY OF WEST LINN, OREGON
ENVIRONMENTAL SERVICE FUND
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2004

	Environmental Services Fund	Sewer Fund	Total
ASSETS:			
Current assets:			
Cash and investments	\$ 1,566,116	\$ 396,712	\$ 1,962,828
Accounts receivable, net of allowance for doubtful accounts	472,704	2,132	474,836
TOTAL CURRENT ASSETS	2,038,820	398,844	2,437,664
NONCURRENT ASSETS:			
Capital assets not being depreciated	-	258,181	258,181
Other capital assets, net	8,353,570	-	8,353,570
TOTAL NONCURRENT ASSETS	8,353,570	258,181	8,611,751
TOTAL ASSETS	10,392,390	657,025	11,049,415
LIABILITIES:			
Current liabilities:			
Accounts payable	359,658	15,269	374,927
Accrued payroll payable	32,507	-	32,507
Accrued vacation payable	40,815	-	40,815
Deposits	11,093	11,084	22,177
Other liabilities	-	2,020	2,020
TOTAL CURRENT LIABILITIES	444,073	28,373	472,446
NET ASSETS:			
Invested in capital assets, net of related debt	8,353,570	258,181	8,611,751
Unrestricted	1,594,747	370,471	1,965,218
TOTAL NET ASSETS	\$ 9,948,317	\$ 628,652	\$ 10,576,969

CITY OF WEST LINN, OREGON

ENVIRONMENTAL SERVICE FUND

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

YEAR ENDED JUNE 30, 2004

	<u>Environmental Services Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
OPERATING REVENUES:			
Charges for services	\$ 1,757,185	\$ -	\$ 1,757,185
Other	53,738	-	53,738
TOTAL OPERATING REVENUES	<u>1,810,923</u>	<u>-</u>	<u>1,810,923</u>
OPERATING EXPENSES:			
Salaries and fringe benefits	706,890	-	706,890
Repairs and maintenance	125,365	-	125,365
Utilities	17,952	-	17,952
Insurance	38,612	-	38,612
Professional services	21,705	-	21,705
Street cleaning	79,328	-	79,328
Depreciation	288,432	-	288,432
Support services	601,681	-	601,681
TOTAL OPERATING EXPENSES	<u>1,879,965</u>	<u>-</u>	<u>1,879,965</u>
OPERATING INCOME (LOSS)	(69,042)	-	(69,042)
NONOPERATING INCOME:			
Interest income	20,028	5,710	25,738
CHANGE IN NET ASSETS	<u>(49,014)</u>	<u>5,710</u>	<u>(43,304)</u>
NET ASSETS, July 1, 2003, as previously reported	10,037,659	611,788	10,649,447
RESTATEMENT	<u>(40,328)</u>	<u>11,154</u>	<u>(29,174)</u>
NET ASSETS, July 1, 2003 as restated	<u>9,997,331</u>	<u>622,942</u>	<u>10,620,273</u>
NET ASSETS, June 30, 2004	<u>\$ 9,948,317</u>	<u>\$ 628,652</u>	<u>\$ 10,576,969</u>

CITY OF WEST LINN, OREGON

ENVIRONMENTAL SERVICE FUND

COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2004

	Environmental Services Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES: ACTIVITIES:			
Cash received for services	\$ 1,846,703	\$ 1,769	\$ 1,848,472
Cash paid to suppliers for goods and services	(883,493)	2,020	(881,473)
Cash paid to employees for services	(668,559)	-	(668,559)
NET CASH FROM OPERATING ACTIVITIES	294,651	3,789	298,440
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	(401,633)	(176,878)	(578,511)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments	20,028	5,710	25,738
NET CHANGE IN CASH AND INVESTMENTS	(86,954)	(167,379)	(254,333)
CASH AND INVESTMENTS, July 1, 2003	1,653,070	564,091	2,217,161
CASH AND INVESTMENTS, July 1, 2004	\$ 1,566,116	\$ 396,712	\$ 1,962,828
RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES:			
Operating loss	\$ (69,042)	\$ -	\$ (69,042)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation	288,432	-	288,432
Changes in assets and liabilities:			
Accounts receivable	24,696	1,769	26,465
Inventory	16,303	-	16,303
Accounts payable	(15,153)	-	(15,153)
Accrued payroll payable	32,507	-	32,507
Accrued vacation	5,815	-	5,815
Deposits	11,093	-	11,093
Other liabilities	-	2,020	2,020
Total adjustments	363,693	3,789	367,482
NET CASH FROM OPERATING ACTIVITIES	\$ 294,651	\$ 3,789	\$ 298,440

CITY OF WEST LINN, OREGON

WATER FUND

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

YEAR ENDED JUNE 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:				
Water sales	\$ 2,403,454	\$ 2,403,454	\$ 2,432,926	\$ 29,472
Water connection fees	52,000	52,000	40,462	(11,538)
Interest	12,000	12,000	21,000	9,000
Miscellaneous	24,035	24,035	115,499	91,464
TOTAL REVENUES	<u>2,491,489</u>	<u>2,491,489</u>	<u>2,609,887</u>	<u>118,398</u>
EXPENDITURES:				
Personal services	556,323	556,323	555,702	621
Materials and services	1,400,641	1,400,641	1,148,640	252,001
Capital outlay	347,800	865,100	798,094	67,006
Debt service	150,812	150,812	150,811	1
Contingency	642,807	272,700	-	272,700
TOTAL EXPENDITURES	<u>3,098,383</u>	<u>3,245,576</u>	<u>2,653,247</u>	<u>592,329</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(606,894)</u>	<u>(754,087)</u>	<u>(43,360)</u>	<u>710,727</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	5,252	5,252	-	(5,252)
Transfers to other funds	(292,524)	(292,864)	(302,864)	(10,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(287,272)</u>	<u>(287,612)</u>	<u>(302,864)</u>	<u>(15,252)</u>
NET CHANGE IN FUND BALANCE	<u>(894,166)</u>	<u>(1,041,699)</u>	<u>(346,224)</u>	<u>695,475</u>
FUND BALANCE, July 1, 2003, as previously reported	894,166	1,041,699	1,173,238	131,539
RESTATEMENT	-	-	52,860	52,860
FUND BALANCE, July 1, 2003, as restated	<u>894,166</u>	<u>1,041,699</u>	<u>1,226,098</u>	<u>184,399</u>
FUND BALANCE, June 30, 2004	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 879,874</u>	<u>\$ 879,874</u>

CITY OF WEST LINN, OREGON

WATER BOND CONSTRUCTION FUND

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

YEAR ENDED JUNE 30, 2004

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
Interest	\$ -	\$ 574	\$ 574
OTHER FINANCING USE:			
Transfers to other funds	<u>5,252</u>	<u>-</u>	<u>5,252</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE	(5,252)	574	5,826
FUND BALANCE, July 1, 2003	<u>5,252</u>	<u>50,127</u>	<u>44,875</u>
FUND BALANCE, June 30, 2004	<u>\$ -</u>	<u>\$ 50,701</u>	<u>\$ 50,701</u>

CITY OF WEST LINN, OREGON

ENVIRONMENTAL SERVICE FUND

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

YEAR ENDED JUNE 30, 2004

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES:				
Sewer charges	\$ 1,324,320	\$ 1,324,320	\$ 1,288,373	\$ (35,947)
Storm drain charges	475,938	475,938	468,812	(7,126)
Interest	25,000	25,000	20,028	(4,972)
Miscellaneous	10,000	11,300	53,738	42,438
TOTAL REVENUES	<u>1,835,258</u>	<u>1,836,558</u>	<u>1,830,951</u>	<u>(5,607)</u>
EXPENDITURES:				
Personal services	694,427	694,427	706,890	(12,463)
Materials and services	365,371	366,671	260,067	106,604
Capital Outlay	788,709	1,223,442	373,843	849,599
Contingency	739,203	582,470	-	582,470
TOTAL EXPENDITURES	<u>2,587,710</u>	<u>2,867,010</u>	<u>1,340,800</u>	<u>1,526,210</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(752,452)</u>	<u>(1,030,452)</u>	<u>490,151</u>	<u>1,520,603</u>
OTHER FINANCING USES:				
Transfers to other funds	<u>(605,347)</u>	<u>(605,347)</u>	<u>(601,681)</u>	<u>3,666</u>
NET CHANGE IN FUND BALANCE	<u>(1,357,799)</u>	<u>(1,635,799)</u>	<u>(111,530)</u>	<u>1,524,269</u>
FUND BALANCE, July 1, 2003, as previously reported	1,357,799	1,635,799	1,729,954	94,155
RESTATEMENT	<u>-</u>	<u>-</u>	<u>(40,328)</u>	<u>(40,328)</u>
FUND BALANCE, July 1, 2003, as restated	<u>1,357,799</u>	<u>1,635,799</u>	<u>1,689,626</u>	<u>53,827</u>
FUND BALANCE, June 30, 2004	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,578,096</u>	<u>\$ 1,578,096</u>

CITY OF WEST LINN, OREGON

SEWER FUND

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

YEAR ENDED JUNE 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:				
Interest	<u>\$ 8,000</u>	<u>\$ 8,000</u>	<u>\$ 5,710</u>	<u>\$ (2,290)</u>
EXPENDITURES:				
Capital outlay	<u>281,907</u>	<u>420,907</u>	<u>258,181</u>	<u>162,726</u>
Contingency	<u>183,837</u>	<u>44,837</u>	<u>-</u>	<u>44,837</u>
TOTAL EXPENDITURES	<u>465,744</u>	<u>465,744</u>	<u>258,181</u>	<u>207,563</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE	<u>(457,744)</u>	<u>(457,744)</u>	<u>(252,471)</u>	<u>205,273</u>
FUND BALANCE , July 1, 2003, as previously reported	<u>457,744</u>	<u>457,744</u>	<u>611,788</u>	<u>154,044</u>
RESTATEMENT	<u>-</u>	<u>-</u>	<u>11,154</u>	<u>11,154</u>
FUND BALANCE , July 1, 2003, as restated	<u>457,744</u>	<u>457,744</u>	<u>622,942</u>	<u>165,198</u>
FUND BALANCE , June 30, 2004	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 370,471</u>	<u>\$ 370,471</u>

Internal Service Funds

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

Insurance Fund – accounts for some costs incurred by the City under its insurance programs, primarily unemployment insurance claims up to policy deductible limits. Funding sources are revenues from investment income, proceeds from insurance claims and charges to other funds.

CITY OF WEST LINN, OREGON

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF NET ASSETS

JUNE 30, 2004

	Vehicle/ Equipment Maintenance Fund	Insurance Fund	Total
ASSETS:			
Current assets:			
Cash and investments	\$ 60,178	\$ 121,354	\$ 181,532
Accounts receivable	-	1,652	1,652
TOTAL CURRENT ASSETS	60,178	123,006	183,184
NONCURRENT ASSETS:			
Other capital assets, net	24,542	-	24,542
TOTAL ASSETS	84,720	123,006	207,726
LIABILITIES:			
Current liabilities:			
Accounts payable	10,828	106	10,934
Accrued vacation payable	5,044	-	5,044
Accrued payroll payable	8,433	-	8,433
TOTAL CURRENT LIABILITIES	24,305	106	24,411
NET ASSETS:			
Invested in capital assets, net of related debt	24,542	-	24,542
Unrestricted	35,873	122,900	158,773
TOTAL NET ASSETS	\$ 60,415	\$ 122,900	\$ 183,315

CITY OF WEST LINN, OREGON

INTERNAL SERVICE FUNDS

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

YEAR ENDED JUNE 30, 2004

	Vehicle/ Equipment Maintenance Fund	Insurance Fund	Total
OPERATING REVENUES:			
Charges for services	\$ 437,414	\$ -	\$ 437,414
OPERATING EXPENSES:			
Salaries and fringe benefits	184,290	-	184,290
Repairs and maintenance	167,753	-	167,753
Claims expense	-	1,290	1,290
Training	-	9,375	9,375
Depreciation	35,921	-	35,921
Support services	47,921	2,350	50,271
TOTAL OPERATING EXPENSES	<u>435,885</u>	<u>13,015</u>	<u>448,900</u>
OPERATING INCOME (LOSS)	1,529	(13,015)	(11,486)
NONOPERATING INCOME			
Interest income	-	1,553	1,553
CHANGE IN NET ASSETS	<u>1,529</u>	<u>(11,462)</u>	<u>(9,933)</u>
NET ASSETS, July 1, 2003	97,733	134,362	232,095
RESTATEMENT	<u>(38,847)</u>	<u>-</u>	<u>(38,847)</u>
NET ASSETS, July 1, 2003, as restated	<u>58,886</u>	<u>134,362</u>	<u>193,248</u>
NET ASSETS, June 30, 2004	<u>\$ 60,415</u>	<u>\$ 122,900</u>	<u>\$ 183,315</u>

CITY OF WEST LINN, OREGON

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2004

	Vehicle/ Equipment Maintenance Fund	Insurance Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES: ACTIVITIES:			
Cash received for services	\$ 437,624	\$ 459	\$ 438,083
Cash paid to suppliers for goods and services	(222,830)	(17,213)	(240,043)
Cash paid to employees for services	(175,856)	-	(175,856)
NET CASH FROM OPERATING ACTIVITIES	<u>38,938</u>	<u>(16,754)</u>	<u>22,184</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	(25,292)	-	(25,292)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments	-	1,553	1,553
NET CHANGE IN CASH AND INVESTMENTS	13,646	(15,201)	(1,555)
CASH AND INVESTMENTS, July 1, 2003	46,532	136,555	183,087
CASH AND INVESTMENTS, July 1, 2004	<u>\$ 60,178</u>	<u>\$ 121,354</u>	<u>\$ 181,532</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:			
Operating income (loss)	\$ 1,529	\$ (13,015)	\$ (11,486)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation	35,921	-	35,921
Changes in assets and liabilities:			
Accounts receivable	210	459	669
Accounts payable	(7,156)	(4,198)	(11,354)
Accrued payroll payable	8,434	-	8,434
Total adjustments	<u>37,409</u>	<u>(3,739)</u>	<u>33,670</u>
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 38,938</u>	<u>\$ (16,754)</u>	<u>\$ 22,184</u>

CITY OF WEST LINN, OREGON

VEHICLE/EQUIPMENT MAINTENANCE FUND

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

YEAR ENDED JUNE 30, 2004

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Charges for services	\$ 438,796	\$ 437,414	\$ (1,382)
EXPENDITURES:			
Personal services	183,583	184,290	(707)
Materials and services	212,509	193,045	19,464
Contingency	4,098	-	4,098
TOTAL EXPENDITURES	400,190	377,335	22,855
EXCESS OF REVENUES OVER EXPENDITURES	38,606	60,079	21,473
OTHER FINANCING USES:			
Transfers to other funds	(47,921)	(47,921)	-
NET CHANGE IN FUND BALANCE	(9,315)	12,158	21,473
FUND BALANCE, July 1, 2003, as previously reported	9,315	39,734	30,419
RESTATEMENT	-	(16,019)	(16,019)
FUND BALANCE, July 1, 2003, as restated	9,315	23,715	14,400
FUND BALANCE, June 30, 2004	\$ -	\$ 35,873	\$ 35,873

CITY OF WEST LINN, OREGON

INSURANCE FUND

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

YEAR ENDED JUNE 30, 2004

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Interest income	\$ 1,000	\$ 1,553	\$ 553
EXPENDITURES:			
Materials and services	87,000	10,665	76,335
Contingency	27,882	-	27,882
TOTAL EXPENDITURES	<u>114,882</u>	<u>10,665</u>	<u>104,217</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(113,882)	(9,112)	104,770
OTHER FINANCING USES:			
Transfers to other funds	<u>(2,350)</u>	<u>(2,350)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(116,232)	(11,462)	104,770
FUND BALANCE, July 1, 2003	<u>116,232</u>	<u>134,362</u>	<u>18,130</u>
FUND BALANCE, June 30, 2004	<u>\$ -</u>	<u>\$ 122,900</u>	<u>\$ 122,900</u>

OTHER FINANCIAL SCHEDULE

CITY OF WEST LINN, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS

FOR THE YEAR ENDED JUNE 30, 2004

<u>Tax Year</u>	<u>Taxes Uncollected June 30, 2003</u>	<u>Add Levy Extended by Assessor</u>	<u>Discounts Allowed</u>	<u>Cancellation Adjustments</u>	<u>Interest</u>	<u>Collections</u>	<u>Property Taxes Uncollected June 30, 2004</u>
2003-04		\$ 8,879,234	\$ (211,482)	\$ (29,653)	\$ 4,426	\$ (8,368,846)	\$ 273,679
2002-03	\$ 307,338	-	-	(10,979)	10,300	(202,373)	104,286
2001-02	98,889	-	-	(7,248)	6,111	(53,388)	44,364
2000-01	49,170	-	-	(4,068)	5,646	(34,115)	16,633
1999-00	15,377	-	-	(557)	2,014	(11,108)	5,726
1998-99 & prior	8,071	-	-	(1,243)	(3,846)	650	3,632
Total prior	478,845	-	-	(24,095)	20,225	(300,334)	174,641
Grand total	<u>\$ 478,845</u>	<u>\$ 8,879,234</u>	<u>\$ (211,482)</u>	<u>\$ (53,748)</u>	<u>\$ 24,651</u>	<u>\$ (8,669,180)</u>	<u>\$ 448,320</u>
General Fund							\$ 233,471
Fire Option Levy Fund							76,927
Police Option Levy Fund							61,256
Debt Service Fund							76,666
							<u>\$ 448,320</u>

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

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



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

AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

August 20, 2007

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

We were engaged to audit the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of West Linn, Oregon (the City), as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements and have issued our report dated August 20, 2007.

Substantially all of the City's books of original entry; general and subsidiary ledgers; records such as worksheets and spreadsheets supporting allocations, computations, and reconciliations; as well as corroborating evidence in support of the financial statements have been the subject of misappropriation of cash and therefore cannot be relied upon. The City's internal control was apparently not adequate to safeguard City assets and to assure the proper recording of transactions. Other records were not sufficient to permit the application of auditing procedures that would be adequate for us to express opinions on the City's basic financial statements or supplementary data.

Since the City was not able to provide certain evidence or corroborating evidence in support of the basic financial statements or supplementary data and did not have adequate internal control and we were not able to apply other auditing procedures to satisfy ourselves as to whether the financial statements and supplementary data are presented in accordance with accounting principles generally accepted in the United States of America, the scope of our work was not sufficient to enable us to express an opinion on the basic financial statements and supplementary data.

ACCOUNTING AND INTERNAL CONTROL STRUCTURE

In an effort to plan and perform our audit of the basic financial statements of the City as of and for the year ended June 30, 2004, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis to attempt to design our auditing procedures for the purpose of expressing our opinions on the basic 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.

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

Page 2

ACCOUNTING AND INTERNAL CONTROL STRUCTURE (Continued)

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective is not always met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America, such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. We consider the following significant deficiency to be a material weakness:

The City's former Finance Director reconciled the bank accounts, prepared journal entries and entered them into the general and subsidiary ledgers without adequate supervisory review. As a result, cash was able to be misappropriated without detection for some time period and the general and subsidiary ledgers cannot be relied upon

ADEQUACY OF ACCOUNTING RECORDS

As described previously, the accounting records were not adequately maintained.

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

Page 3

ADEQUACY OF COLLATERAL SECURING DEPOSITORY BALANCES

Oregon Revised Statutes (ORS) Chapter 295 requires that each depository throughout the period of its possession of public funds deposits shall maintain on deposit with its custodians, at its own expense, securities having a value of not less than 25% of the certificates of participation issued by the pool manager for funds in excess of those insured by the Federal Deposit Insurance Corporation. Our review of adequacy of collateral securing depository balances indicated the collateral was insufficient at times, during the year ended June 30, 2004.

INVESTMENTS

Our review of deposit and investment balances indicated that, during the year ended June 30, 2004, the City was in compliance with ORS 294 as it pertains to investment of public funds.

LEGAL REQUIREMENTS RELATING TO DEBT

We noted the indebtedness of the City was in compliance with ORS 287.004 during the year ended June 30, 2004. We noted no defaults in principal, interest, sinking fund or redemption provisions with respect to any of the City's bonded debt, and no breach of the bond agreements, at June 30, 2004.

BUDGET COMPLIANCE

The City appears to have complied with Local Budget Law (ORS 294.305 to 294.520) in the preparation, adoption and execution of its budget and tax levy for the year ended June 30, 2004, and the preparation and adoption of its budget for the year ending June 30, 2005, except as noted below:

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

Page 4

BUDGET COMPLIANCE (Continued)

The City overexpended its appropriations for the following funds:

Fund	Amount
General:	
City manager	\$ 41,284
Library department	37,971
General service	161,548
Street - Transfers to other funds	178,250
Cable TV/Public Access - Materials and services	7,892
Solid Waste Recycling - Transfer to other funds	890
Community Center Operations:	
Personnel services	6,782
Materials and services	3,784
Police Local Option Levy:	
Material and services	4,258
Transfers to other funds	6,300
Water:	
Transfers to other funds	10,000
Environmental Services - Personal services	12,463

The following Funds had a deficit fund balance:

Street	\$ 14,249
911 Emergency Communications	252,094
Community Center Operating	34,441
Public Works Support	155,572
Integrated M.I.S.	85

Because the financial statements could not be audited, there could be other over-expenditures and other deficit fund balances.

INSURANCE POLICIES AND FIDELITY BONDS

We have reviewed the City's insurance and fidelity bond coverage at June 30, 2004. We ascertained that such policies appeared to be in force and in compliance with legal requirements relating to insurance and fidelity bond coverage. The City's fidelity bond may be inadequate to cover the misappropriation of cash. We are not competent by training to comment on the adequacy of the insurance policies covering City-owned property at June 30, 2004.

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

Page 5

PUBLIC CONTRACTS

Due to the state of the accounting records we were unable to review the City's procedures for awarding public contracts to determine compliance with ORS Chapter 279.

HIGHWAY FUNDS

Due to the state of the accounting records we were unable to review the City's procedures for the expenditure of gas tax funds to determine compliance with ORS Chapter 294.

OTHER

The following audit comments and disclosures do not apply to the City for the year ended June 30, 2004:

- Programs funded from outside sources
- Financial reporting requirements

* * * * *

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

TALBOT, KORVOLA & WARWICK, LLP
Certified Public Accountants

By 
Timothy R. Gillette, Partner