

CITY OF WEST LINN, OREGON
COMPREHENSIVE ANNUAL FINANCIAL REPORT

SECTION I

INTRODUCTORY SECTION

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CITY OF West Linn

February 27, 2009

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

The Comprehensive Annual Financial Report (CAFR) of the City of West Linn, Oregon (the City) for the fiscal year ended June 30, 2008 is hereby submitted.

This report presents the financial position of the City as of June 30, 2008 and the results of its operations for the fiscal year then ended. The financial statements and supporting schedules have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and meet the requirements of the standards as prescribed by the Secretary of State. We believe the data, as presented, is accurate in all material respects and presented in a manner designed to fairly set forth the financial position and results of operations of the various funds of the City.

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

Talbot, Korvola & Warwick LLP, Certified Public Accountants, have issued an unqualified or "clean" opinion on the City's financial statements for the fiscal year ended June 30, 2008. The independent auditor's opinion is located at page 9 in the Financial Section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment the MD&A and should be read in conjunction with it. The City's MD&A is located on page 11 immediately following the independent auditor's opinion.

And finally, State law in Oregon requires that local governments publish within six months of the close of each fiscal year a complete set of audited financial statements. This CAFR received an extension to file with the Secretary of State to March 31, 2009, and is now hereby submitted to fulfill this requirement for the fiscal year ended June 30, 2008.

Profile of the Government

West Linn is a community where citizens, civic organizations, businesses and city government work together to ensure that the community retains its hometown identity, high quality of life and its natural beauty. The City incorporated in 1913 and, today, serves a population of 24,405. It is close to the region's business core and urban amenities, with Portland approximately twenty miles to the north. At the same time, the City provides a small-town atmosphere and distinct neighborhoods that range from the historic Willamette district with its pioneer-era dwellings, to the contemporary architecture of newer homes. The City is approximately twenty miles from the Portland International Airport.

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

The City Council consists of the Mayor and four Councilors who act as the board of directors. The Council sets policies for the city government, enacts ordinances and hires, directs, and evaluates the City Manager. Municipal services are provided by City employees and headed by the City Manager. The City operates its own police department, a municipal court, water, sewer and surface water utilities, street operations, planning, engineering, fleet management, library and an extensive year-round parks and recreation programs.

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

Local Economy

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

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

Long-term Financial Planning

Long-term financial planning is performed on an ongoing basis. The controlling document is the City's 5-year strategic financial plan which includes reserves by fund that fall within the policy guidelines set by the Council and reviewed by the Citizens Budget Committee during the budget process. Reserve policy guidelines are measured as a percentage of annual operating expenses and generally range between 10 and 20 percent depending on the fund.

Along with the adoption of the fiscal year 2008-09 budget, certain utility rate fee increases were approved by City Council with the support of the Citizens Budget Committee and the Utility Advisory Board. Effective January 1, 2009 respectively, a five percent rate increase for

water, sewer, and surface water management fees were approved and a ten percent rate increase was approved for the street maintenance fees.

In regards to the City's debt obligations, the City had \$8.7 million outstanding in three general obligation bond issues, \$1.4 million outstanding in a water revenue bond issue, and \$3.2 million outstanding in one full faith and credit obligation, for a total of \$13.3 million in debt outstanding as of June 30, 2008.

City's Credit Ratings

In July 2008, Standard and Poor's Rating Services reinstated the City's 'AA-' rating on its outstanding general obligation debt. Previously, Standard and Poor's had suspended its ratings on the City's debt because of substantially delayed financial disclosures, a situation that created uncertainty regarding the City's financial position. The general obligation bonds are full faith and credit obligations of the City, including the obligation to levy property taxes without limitation as to rate or amount. The property tax pledge of the City's full faith and credit bonds is limited by constitutional restrictions on revenue growth.

This July 2008 report from Standard and Poor's cited that the West Linn service area shows very strong economic characteristics and is integrated with the large and diverse Portland regional economy; and that the City has implemented good financial policies and practices, including the use of long-term financial forecasting and capital planning models.

Major Initiatives

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

In preparing the budget for the 2008-09 fiscal year, the City Council adopted various goals that were then incorporated into the budgeted operations. The City Council updated their previous goal list and established guidelines for achievement, in the following major areas: locating a police station site, recreation and culture, urban and growth management, library services, utility infrastructure, finances, and partnerships with other agencies.

Awards

Distinguished Budget Presentation Award. The City received the *Distinguished Budget Presentation Award* for its 2007-08 and 2008-09 budget documents from the Government Finance Officer's Association (GFOA). This award is the highest form of recognition in governmental budgeting. Its attainment represents a significant accomplishment by a governmental entity, its financial staff, and its management. The award program is an international one established in 1984 to encourage exemplary budgetary practices and to provide peer recognition for government finance officers who prepare budget documents. They rate a budget's proficiency in four major categories: as a policy document, an operations guide, a financial plan, and a communications device.

Comprehensive Annual Financial Reporting Award. For the first time since the late nineties, the City plans to submit this 2007-08 audit document for the *Certificate of*

Achievement for Excellence in Financial Reporting award from the GFOA. The *Certificate of Achievement for Excellence in Finance Reporting* is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. In order to receive this award, a government unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards and satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

Popular Annual Financial Reporting Award. The City has also prepared a Popular Annual Financial Report for fiscal year 2007-08 and plans to submit it for the *Award for Outstanding Achievement in Popular Annual Financial Reporting* from the GFOA. The *Award for Outstanding Achievement in Popular Annual Financial Reporting* is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government popular reports. In order to receive this award, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

Acknowledgements

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

Respectfully submitted,



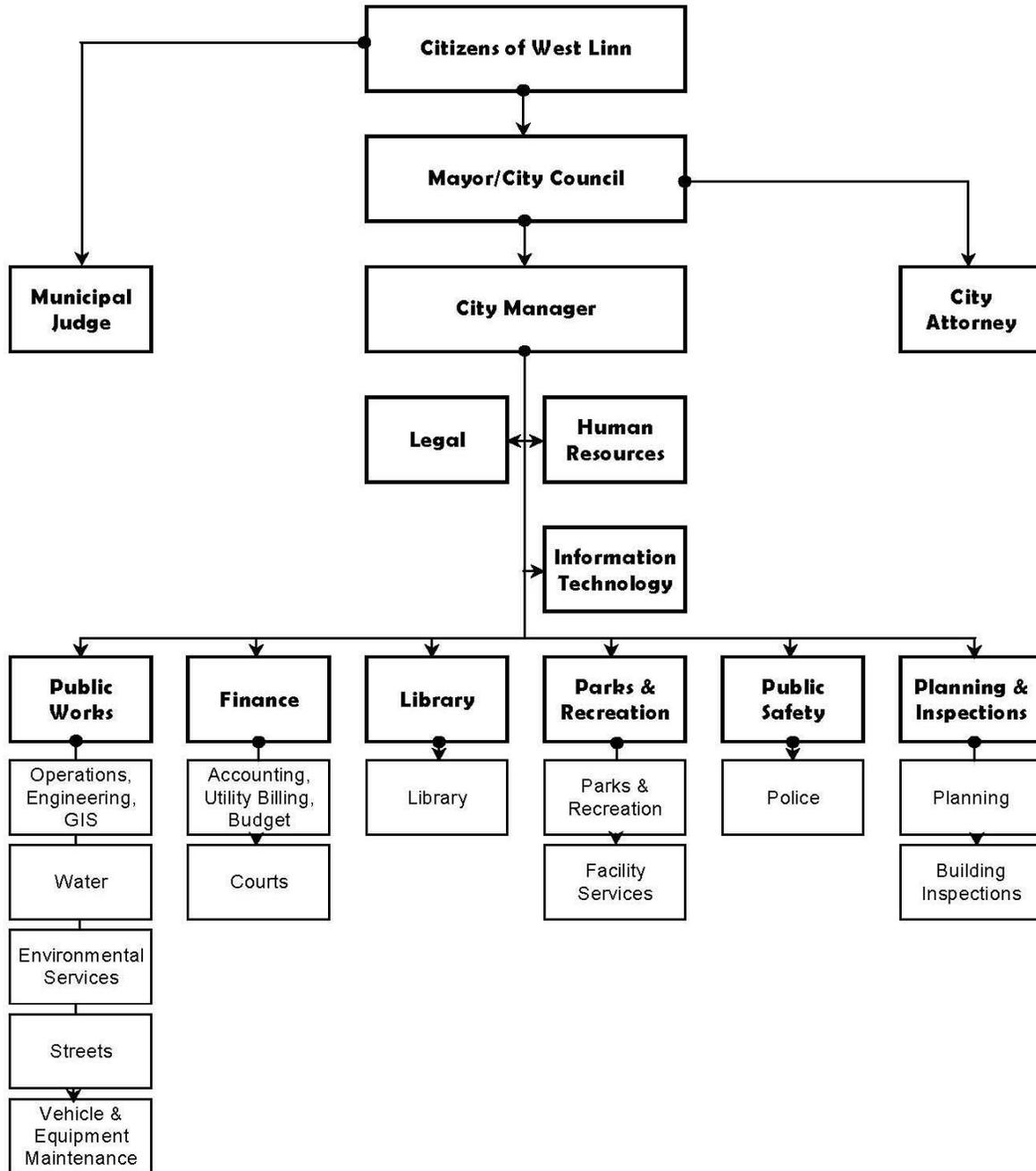
Christopher A. Jordan
City Manager



Richard W. Seals, CPA CMA CFM
Finance Director

CITY OF WEST LINN, OREGON

Organizational Chart



CITY OF WEST LINN, OREGON
List of Elected and Appointed Officials

Elected Officials	Term Expires
Norm King, Mayor	December 31, 2008
Michele Eberle, Council President	December 31, 2008
Scott Burgess, Councilor	December 31, 2010
Mike Jones, Councilor	December 31, 2008
Jody Carson, Councilor	December 31, 2010
Heather Karabeika, Municipal Court Judge	December 31, 2011
 Newly Elected Officials:	
Patti Galle, Mayor	December 31, 2012
Teri Cummings, Councilor	December 31, 2012
John Kovash, Councilor	December 31, 2012

Appointed Officials	Position
Christopher Jordan	City Manager
Jordan, Schrader, and Ramis, LLP	Legal Counsel

Key Personnel:

Steve Arndt	Chief Technology Officer
David Davies	Building Official
Gene Green	Public Works Director
Jeri Knudson	Human Resources Director
Tina Lynch	City Recorder
Richard Seals	Finance Director
Christine Siegel	Library Director
Terry Timeus	Police Chief
Ken Worcester	Parks and Recreation Director
Dennis Wright	Acting City Engineer
Kirsten Wyatt	Assistant to the City Manager