



FINANCE DEPARTMENT

Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDED
JUNE 30, 2008

CITY OF WEST LINN, OREGON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2008

prepared by

Finance Department
City of West Linn, Oregon

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

COVER PHOTOGRAPHY

THE COVER OF THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT IS A PHOTOGRAPH OF THE CITY'S HISTORIC FALLS ON THE WILLAMETTE RIVER LOOKING ACROSS TOWARDS OREGON CITY WITH MT. HOOD IN THE BACKGROUND.

DEVELOPMENT OCCURRED AROUND THESE FALLS IN THE LATE 1800S, BUT WAS SUBSEQUENTLY DAMAGED IN FLOOD OF 1890. LATER, A POWER PLANT WAS BUILT ON THE WEST LINN SIDE OF THESE FALLS WHICH IS STILL TRANSMITTING AND DISTRIBUTING ELECTRICITY TO THIS DAY.



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CITY OF WEST LINN, OREGON
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2008

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

SECTION I

INTRODUCTORY SECTION

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CITY OF West Linn

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,



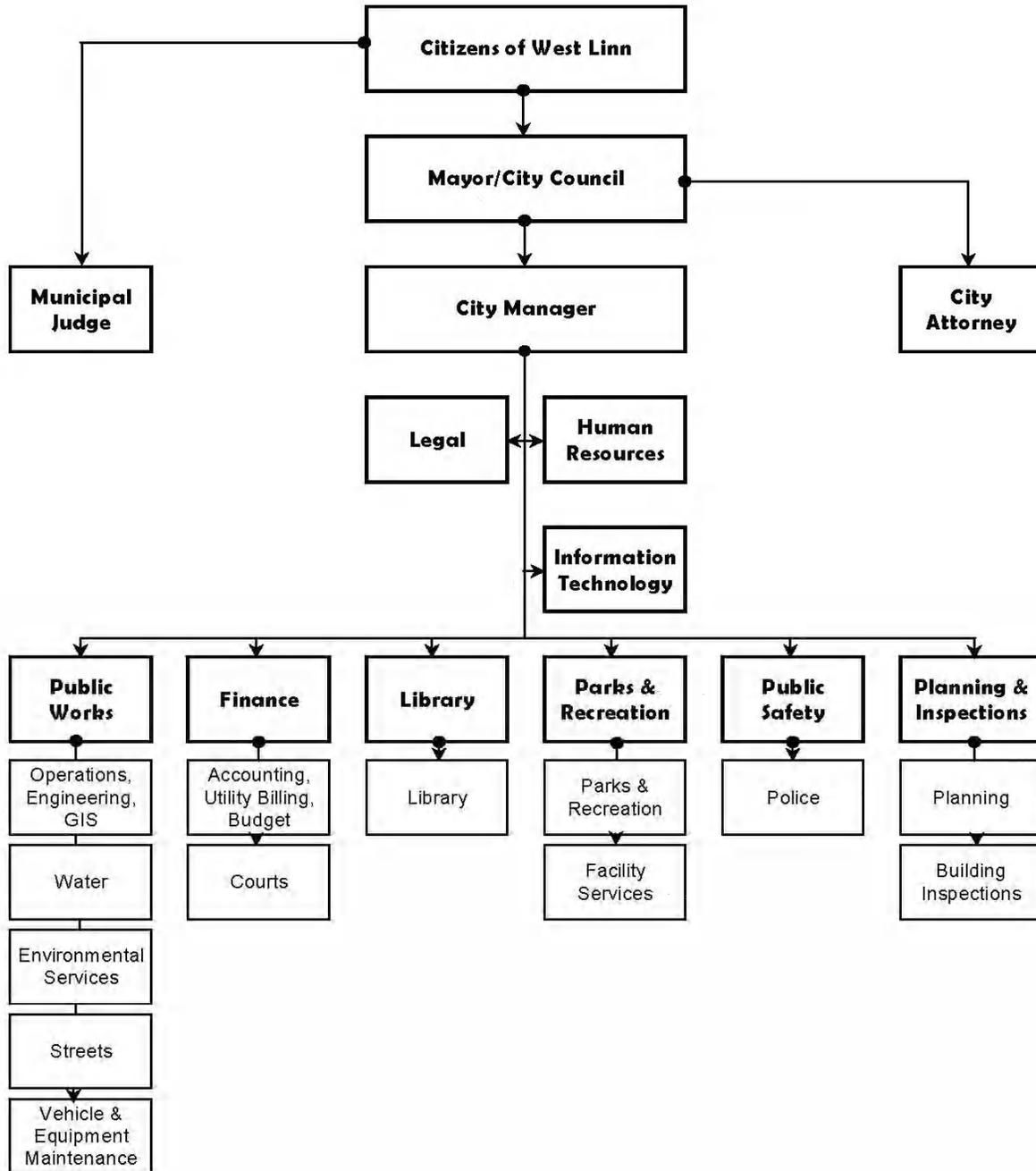
Christopher A. Jordan
City Manager



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

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

SECTION II

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

February 27, 2009

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Linn, Oregon, (the City) as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2009, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 11 through 19 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of

INDEPENDENT AUDITOR'S REPORT (Continued)

Honorable Mayor and City Councilors
City of West Linn
February 27, 2009
Page 2

measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The required supplementary information on pages 55-60 and the combining and individual nonmajor fund financial statements and other schedules, listed in the Table of Contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

TALBOT, KORVOLA & WARWICK, LLP
Certified Public Accountants

By _____

Robert G. Moody, Jr., Partner

CITY OF WEST LINN, OREGON

Management's Discussion and Analysis

For the fiscal year ended June 30, 2008

Management's Discussion and Analysis (MD&A) is presented to facilitate financial analysis and provide an overview of the financial activities of the City of West Linn (the City) for the fiscal year ended June 30, 2008. Information in the MD&A is based on currently known facts, decisions and conditions. Please read it in conjunction with the basic financial statements and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

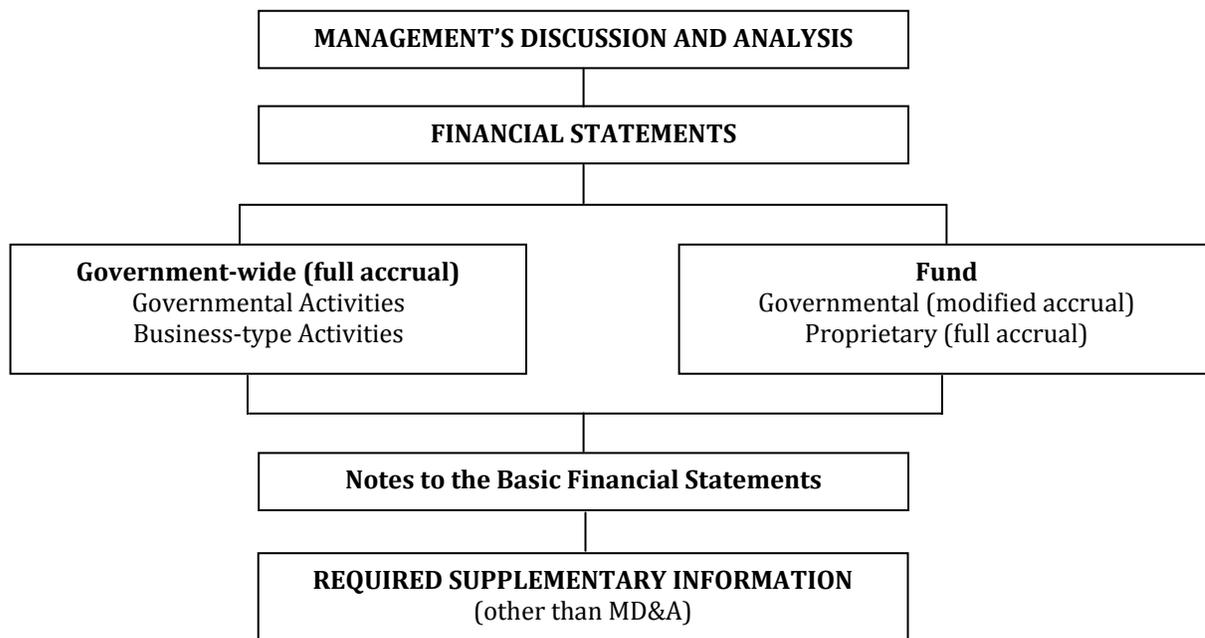
- The City's assets totaled \$279 million at June 30, 2008, consisting of \$258 million in capital assets, \$12 million in unrestricted cash and investments, and \$9 million in investment in joint venture and other assets. Total assets increased by \$1.3 million from the previous fiscal year.
- The City's liabilities totaled \$17 million at June 30, 2008 consisting of \$13 million in long-term liabilities and \$4 million in accounts payable and other liabilities.
- The assets of the City exceeded its liabilities by \$262 million at the close of fiscal year 2008. Unrestricted net assets totaled \$13 million with the remainder of the City's net assets invested in capital assets net of related debt (\$245 million) and restricted for endowment, capital projects, and debt service (\$4 million).
- For its governmental activities, the City generated \$9 million in charges for services and received \$4 million in grants and contributions. Direct expenses, including unallocated depreciation for governmental activities were \$20 million for the year, resulting in a net expense of \$7 million. \$8 million of general revenues were received resulting in a net change in net assets of \$1 million.
- Fund balance in the City's governmental funds was \$7 million at June 30, 2008, down by \$322,272 from June 30, 2007.
- For its business-type activities, the City generated \$5.5 million in charges for services and in grants and contributions to fund direct expenses of \$5.7 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Chart 1 - Required Elements of the Comprehensive Annual Financial Report



Government-wide Statements

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

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

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

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

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

Statement of Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$262.3 million at the close of the most recent fiscal year.

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

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

	Government activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 9.7	\$ 9.9	\$ 10.9	\$ 10.8	\$ 20.6	\$ 20.7
Capital assets	230.9	230.0	27.6	27.5	258.5	257.5
Total assets	240.6	239.9	38.5	38.3	279.1	278.2
Current liabilities	3.3	3.0	0.9	0.9	4.2	3.9
Long-term liabilities	11.3	11.9	1.3	1.4	12.6	13.3
Total liabilities	14.6	14.9	2.2	2.3	16.8	17.2
Net assets:						
Invested in capital assets, net of related debt	219.0	217.5	26.2	26.0	245.2	243.5
Restricted	4.5	3.5	-	-	4.5	3.5
Unrestricted	2.5	4.0	10.1	10.0	12.6	14.0
Total net assets	\$ 226.0	\$ 225.0	\$ 36.3	\$ 36.0	\$ 262.3	\$ 261.0

An additional portion of the City's net assets (\$4.5 million or less than 2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$12.6 million or about 5 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

As of June 30, 2008, the City had positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities. The same situation held true as of the end of the prior fiscal year.

Total net assets increased by \$1.3 million during the current fiscal year. This increase represents the degree to which increases in ongoing revenues have exceeded similar increases in ongoing expenses.

Statement of Activities

As with the statement of net assets, the City reports governmental activities on a consolidated basis. A summary of the statement of activities is in Table 2 below.

Table 2
Changes in Net Assets
(in millions)

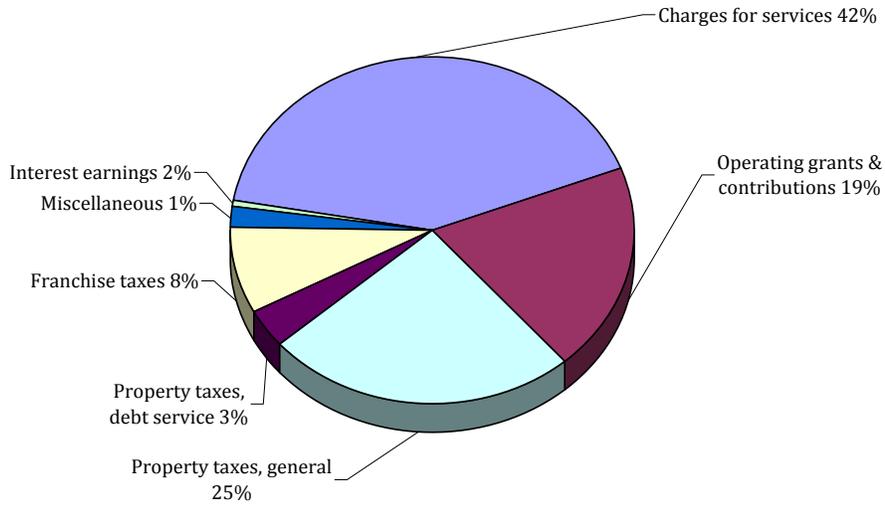
	Governmental Activities		Business-type Activities		Total	
	FY07-08	FY06-07	FY07-08	FY06-07	FY07-08	FY06-07
Revenues						
Program revenues						
Charges for services	\$ 8.8	\$ 3.4	\$ 4.6	\$ 5.2	\$ 13.4	\$ 8.6
Grants and contributions	4.1	2.4	0.9	-	5.0	2.4
General revenues						
Property taxes	6.0	7.6	-	-	6.0	7.6
Franchise taxes	1.7	2.1	-	-	1.7	2.1
Other	0.6	0.8	0.5	0.8	1.1	1.6
Transfers	-	1.1	-	-	-	1.1
Total revenues	<u>21.2</u>	<u>17.4</u>	<u>6.0</u>	<u>6.0</u>	<u>27.2</u>	<u>23.4</u>
Expenses						
Governmental activities						
General government	6.0	4.7	-	-	6.0	4.7
Culture and recreation	4.3	3.0	-	-	4.3	3.0
Public safety	5.7	4.5	-	-	5.7	4.5
Highways and streets	1.2	1.0	-	-	1.2	1.0
Interest on long-term debt	0.6	0.6	-	-	0.6	0.6
Depreciation	2.4	0.6	-	-	2.4	0.6
Business-type activities						
Water	-	-	2.9	2.3	2.9	2.3
Environmental Services	-	-	2.8	1.4	2.8	1.4
Transfers	-	-	-	1.1	-	1.1
Total expenses	<u>20.2</u>	<u>14.4</u>	<u>5.7</u>	<u>4.8</u>	<u>25.9</u>	<u>19.2</u>
Change in net assets	<u>\$ 1.0</u>	<u>\$ 3.0</u>	<u>\$ 0.3</u>	<u>\$ 1.2</u>	<u>\$ 1.3</u>	<u>\$ 4.2</u>

Governmental Activities

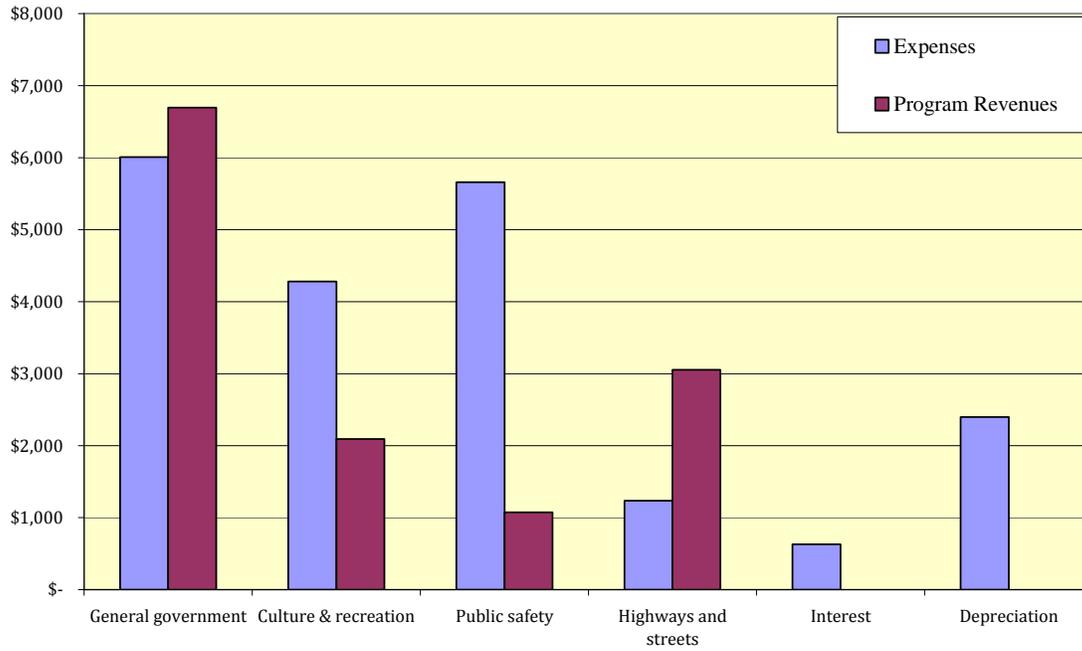
Governmental activities increased the City's net assets by \$1 million, amounting to 77 percent of the total growth in the net assets of the City. Key elements of this increase are illustrated in Table 2 above.

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

Revenues by Source - Governmental Activities



Expenses and Program Revenues - Governmental Activities
(in thousands)

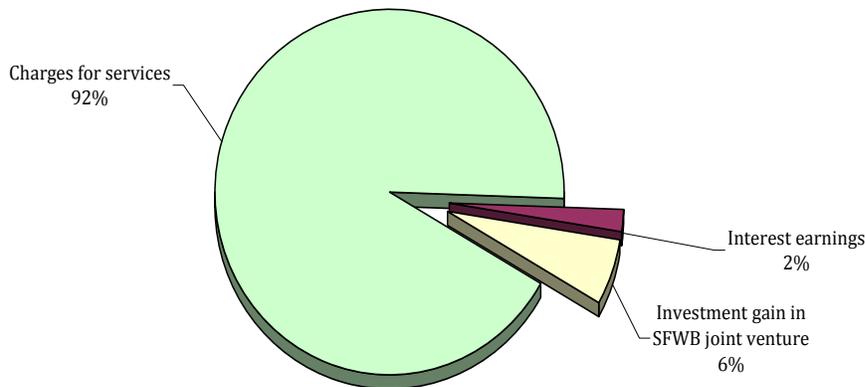


Business-type Activities

The Water Fund revenues represent approximately 57 percent of all utility revenues for the City. The City continued to realize improved operating results increasing funds available for planned significant capital investment. Additionally, the City's fifty percent equity investment in the South Fork Water Board provided a return of \$288,007 in fiscal year 2008.

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

Revenues by Source - Business-type Activities



General Fund Budgetary Highlights

The total appropriated budget of the General Fund for the fiscal year 2007-08 amounted to \$5.3 million to include \$638,000 for contingencies. Differences between the original budget and the final budget of the General Fund netted to an increase in expenditure appropriations of \$85,000 from contingency. Contingency decreased by \$85,000 to support additional municipal court and city council department expenditures, and additional audit and consulting costs in the finance department.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2008, the City had invested \$258.5 million in governmental capital assets, net of depreciation as reflected in the following table. This represents a net increase (additions, deductions and depreciation) of \$1 million in fiscal year 2008. Governmental capital assets totaled \$230.9 million while business-type capital assets totaled \$27.6 million. During the previous fiscal year 2007, the City implemented reporting of infrastructure capital assets, which includes the reporting of land, street and sidewalk and park improvements.

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

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 187.4	\$ 187.0	\$ 0.3	\$ 0.3	\$ 187.7	\$ 187.3
Buildings and improvements	17.1	17.3	0.8	0.9	17.9	18.2
Vehicles and equipment	1.6	1.3	0.6	0.6	2.2	1.9
Infrastructure	24.8	24.4	25.7	25.7	50.5	50.1
Construction in progress	-	-	0.2	-	0.2	-
Capital assets, net	<u>\$ 230.9</u>	<u>\$ 230.0</u>	<u>\$ 27.6</u>	<u>\$ 27.5</u>	<u>\$ 258.5</u>	<u>\$ 257.5</u>

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

Table 4
Change in Capital Assets
(in millions)

	Governmental Activities		Business-type Activities		Total	
	FY07-08	FY06-07	FY07-08	FY06-07	FY07-08	FY06-07
Beginning balance	\$ 230.0	\$ 31.1	\$ 27.5	\$ 22.6	\$ 257.5	\$ 53.7
Restatement	-	198.2	-	5.4	-	203.6
Additions	3.3	1.3	1.2	0.7	4.5	2.0
Reductions	-	-	-	(0.3)	-	(0.3)
Depreciation	(2.4)	(0.6)	(1.1)	(0.9)	(3.5)	(1.5)
Ending balance	<u>\$ 230.9</u>	<u>\$ 230.0</u>	<u>\$ 27.6</u>	<u>\$ 27.5</u>	<u>\$ 258.5</u>	<u>\$ 257.5</u>

Assets utilized in governmental activities increased a net \$0.9 million and include land, building, machinery and equipment, and sidewalk improvements. These additions include completion of various projects throughout the community. In the prior fiscal year 2006-07, additions included the infrastructure adjustment to street and sidewalk improvements, park improvements, and related land for parks and right-of-way. More detailed information about the City's capital assets is presented in the notes to the basic financial statements.

Debt Outstanding

As of the end of the fiscal year, the City had \$13.3 million in bonds outstanding – a decrease of five percent from last year – as shown in Table 5. More detailed information about the City’s long-term debt is presented in the notes to the basic financial statements.

Table 5
Outstanding Bonded Debt as of June 30th
(in millions)

	<u>2008</u>	<u>2007</u>
Governmental:		
General obligation bonds	\$ 8.7	\$ 9.1
Full faith and credit bonds	<u>3.2</u>	<u>3.4</u>
Subtotal	11.9	12.5
Business-type:		
Water revenue bonds	<u>1.4</u>	<u>1.5</u>
Total	<u><u>\$ 13.3</u></u>	<u><u>\$ 14.0</u></u>

During the fiscal year ended June 30, 2008, the City did not have any new bond financings and all scheduled debt payments were met. Bond ratings for general obligation debt by Standard & Poor’s Rating Agency was restored to AA- in July 2008 and again, reaffirmed in December 2008.

Under Oregon Revised Statutes, general obligation debt issues are limited to 3 percent of the real market value of all taxable property within the City’s boundaries. The \$11.8 million in general obligation debt applicable to this limit is well below the \$135 million maximum limitation.

Economic Factors

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

The State of Oregon does not have a sales tax, making property taxes a primary funding source for general government, public safety, and culture and recreation services provided by the City. The underlying taxable assessed value is significantly below real market values (currently about 55 percent), therefore, real market values would have to decrease by over 45 percent before the City’s property tax revenue stream would be negatively impacted.

Property tax revenue provided 28 percent of the resources used for governmental activities. A special tax levy of approximately \$1.8 million (24 percent of total levy) that provided public safety funding expired as of June 30, 2007. To maintain service levels and reduce the reliance on property taxes requiring a vote no less than each five years, the City implemented fees for parks and street maintenance to offset the foregone property tax revenue.

The next largest resource, at 20 percent, comes from fees and charges for services, and includes such items as permits, licenses, recreation charges and system development charges. Property

taxes for general operations increased slightly over the last year and investment earnings were up due to an increase in interest rates and account balances.

The business-type activities are funded with utility fees and charges. After several years in which the City decided to defer utility rate increases, effective July 1, 2006 and subsequent on January 1, 2007, 2008 and 2009, the City increased utility rates by 5 percent each. The rate increases are limited by a Charter provision limiting annual utility rate increases to 5 percent. The rate increases are consistent with financial proformas prepared with the issuance of revenue bonds in 1999. Similar rate increases are anticipated over the next several years to generate sufficient revenue to fund operations and provide adequate funds for anticipated capital replacement projects.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

Statement of Net Assets

Statement of Activities

Fund Financial Statements

Notes to Basic Financial Statements

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CITY OF WEST LINN, OREGON

STATEMENT OF NET ASSETS

JUNE 30, 2008

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
Current assets:			
Cash and investments	\$ 8,909,059	\$ 2,774,476	\$ 11,683,535
Property taxes receivable	376,763	-	376,763
Accounts receivable, net of allowance	259,306	840,867	1,100,173
Prepaid expenses	142,264	-	142,264
Total current assets	<u>9,687,392</u>	<u>3,615,343</u>	<u>13,302,735</u>
Capital assets not being depreciated	187,454,403	554,996	188,009,399
Capital assets, net of accumulated depreciation	43,413,506	27,025,674	70,439,180
Investment in joint venture	-	7,260,704	7,260,704
TOTAL ASSETS	<u>240,555,301</u>	<u>38,456,717</u>	<u>279,012,018</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	734,289	685,154	1,419,443
Accrued salaries and payroll taxes payable	358,539	19,079	377,618
Accrued vacation payable	407,585	42,317	449,902
Accrued interest payable	38,312	20,133	58,445
Deposits payable	813,023	5,000	818,023
Bank note payable	175,000	-	175,000
Current portion of long-term debt obligations	705,000	75,000	780,000
Total current liabilities	<u>3,231,748</u>	<u>846,683</u>	<u>4,078,431</u>
Long-term debt obligations	11,165,000	1,305,000	12,470,000
Accrued other postemployment benefit obligations	167,484	14,212	181,696
TOTAL LIABILITIES	<u>14,564,232</u>	<u>2,165,895</u>	<u>16,730,127</u>
NET ASSETS:			
Invested in capital assets, net of related debt	218,997,909	26,200,670	245,198,579
Restricted for:			
Library endowment	157,298	-	157,298
Capital projects	4,205,331	-	4,205,331
Debt service	116,773	-	116,773
Unrestricted	2,513,758	10,090,152	12,603,910
TOTAL NET ASSETS	<u>\$ 225,991,069</u>	<u>\$ 36,290,822</u>	<u>\$ 262,281,891</u>

See notes to basic financial statements

CITY OF WEST LINN, OREGON

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

FUNCTION / PROGRAM	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES:						
General government	\$ 6,007,231	\$ 6,472,984	\$ 222,899	\$ 688,652	\$ -	\$ 688,652
Culture and recreation	4,279,297	1,321,095	771,129	(2,187,073)	-	(2,187,073)
Public safety	5,657,223	753,305	319,857	(4,584,061)	-	(4,584,061)
Highways and streets	1,235,144	242,996	2,812,791	1,820,643	-	1,820,643
Interest on long-term debt	630,842	-	-	(630,842)	-	(630,842)
Unallocated depreciation	2,395,306	-	-	(2,395,306)	-	(2,395,306)
TOTAL GOVERNMENTAL ACTIVITIES	20,205,043	8,790,380	4,126,676	(7,287,987)	-	(7,287,987)
BUSINESS-TYPE ACTIVITIES:						
Water	2,913,892	2,615,138	243,718	-	(55,036)	(55,036)
Environmental services	2,813,584	2,019,491	621,135	-	(172,958)	(172,958)
TOTAL BUSINESS-TYPE ACTIVITIES	5,727,476	4,634,629	864,853	-	(227,994)	(227,994)
TOTAL ACTIVITIES	\$ 25,932,519	\$ 13,425,009	\$ 4,991,529	(7,287,987)	(227,994)	(7,515,981)
GENERAL REVENUES:						
Taxes:						
Property taxes, levied for general purposes				5,263,506	-	5,263,506
Property taxes, levied for debt service				769,572	-	769,572
Franchise taxes				1,685,632	-	1,685,632
Grants and contributions not restricted to specific programs				263,531	-	263,531
Unrestricted investment earnings				419,705	109,527	529,232
Net income on investment in joint venture				-	288,007	288,007
TRANSFERS				(131,574)	131,574	-
TOTAL GENERAL REVENUES AND TRANSFERS				8,270,372	529,108	8,799,480
NET CHANGE IN NET ASSETS				982,385	301,114	1,283,499
NET ASSETS - beginning						
Beginning balance before restatement				249,507,569	30,662,087	280,169,656
Restatement - see note explanation on page 48				(24,498,885)	5,327,621	(19,171,264)
NET ASSETS - beginning, as restated				225,008,684	35,989,708	260,998,392
NET ASSETS - ending				\$ 225,991,069	\$ 36,290,822	\$ 262,281,891

See notes to basic financial statements

CITY OF WEST LINN, OREGON

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2008

	General Fund	Parks and Recreation Fund	Library Fund	Systems Development Charges Fund	Public Safety Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:							
Cash and investments	\$ 1,866,134	\$ 217,205	\$ 349,787	\$ 3,180,948	\$ 1,009,404	\$ 2,285,581	\$ 8,909,059
Property taxes receivable	-	-	-	-	328,326	48,437	376,763
Accounts receivable	5,005	124,586	-	-	21,349	108,366	259,306
Prepaid expenses	142,264	-	-	-	-	-	142,264
TOTAL ASSETS	\$ 2,013,403	\$ 341,791	\$ 349,787	\$ 3,180,948	\$ 1,359,079	\$ 2,442,384	\$ 9,687,392
LIABILITIES:							
Accounts payable	\$ 409,468	\$ 82,804	\$ 11,289	\$ 24,236	\$ 40,581	\$ 165,911	\$ 734,289
Accrued salaries and payroll taxes	178,381	36,152	22,100	-	93,134	28,772	358,539
Accrued vacation payable	7,399	-	-	-	-	-	7,399
Deposits payable	580,592	-	-	-	-	232,431	813,023
Deferred revenue	-	-	-	-	270,159	88,147	358,306
Bank note payable	-	-	-	-	-	175,000	175,000
TOTAL LIABILITIES	1,175,840	118,956	33,389	24,236	403,874	690,261	2,446,556
FUND BALANCE:							
Reserved for:							
Library endowment	-	-	157,298	-	-	-	157,298
Prepaid expenses	142,264	-	-	-	-	-	142,264
Debt service	-	-	-	-	-	116,773	116,773
Capital projects	-	-	-	3,156,712	-	1,048,619	4,205,331
Unreserved, reported in:							
General fund	695,299	-	-	-	-	-	695,299
Special revenue funds	-	222,835	159,100	-	955,205	586,731	1,923,871
TOTAL FUND BALANCE	837,563	222,835	316,398	3,156,712	955,205	1,752,123	7,240,836
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,013,403	\$ 341,791	\$ 349,787	\$ 3,180,948	\$ 1,359,079	\$ 2,442,384	

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported in funds.	230,867,909
Long-term property taxes receivable are not available to pay for current period expenditures and therefore, are deferred in the funds.	358,306
Long-term liabilities, including bond principal and interest payable, accrued vacation, and accrued other postemployment pension benefit obligations are not due and payable in the current period and therefore are not reported in the funds.	(12,475,982)
Net assets of governmental activities	<u>\$ 225,991,069</u>

See notes to basic financial statements

CITY OF WEST LINN, OREGON

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	General Fund	Parks and Recreation Fund	Library Fund	Systems Development Charges Fund	Public Safety Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:							
Property taxes	\$ -	\$ 1,307,014	\$ 922,017	\$ -	\$ 2,975,189	\$ 761,304	\$ 5,965,524
Intergovernmental	414	265,058	506,071	-	318,903	1,281,231	2,371,677
Franchise fees	-	-	-	-	1,409,003	276,629	1,685,632
Licenses and permits	53,901	15,059	-	-	34,915	1,004,619	1,108,494
Fines and forfeitures	450,670	-	66,992	-	-	-	517,662
Charges for services	3,392,751	1,239,044	-	-	84,168	1,054,651	5,770,614
Systems development charges	-	-	-	963,567	-	-	963,567
Investment earnings	67,400	17,102	26,218	150,671	59,604	98,710	419,705
Miscellaneous	194,433	2,706	8,728	-	19,420	38,244	263,531
TOTAL REVENUES	4,159,569	2,845,983	1,530,026	1,114,238	4,901,202	4,515,388	19,066,406
EXPENDITURES:							
Current:							
General government	3,476,705	-	-	-	-	1,858,059	5,334,764
Cultural and recreation	-	2,477,743	1,526,208	1,574	-	268,874	4,274,399
Public safety	-	-	-	-	5,087,258	555,081	5,642,339
Highways and streets	-	-	-	-	-	1,236,200	1,236,200
Capital outlay	176,217	441,345	-	704,887	103,097	186,432	1,611,978
Debt service:							
Principal	175,000	-	-	-	-	495,000	670,000
Interest	168,136	-	-	-	-	458,468	626,604
TOTAL EXPENDITURES	3,996,058	2,919,088	1,526,208	706,461	5,190,355	5,058,114	19,396,284
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	163,511	(73,105)	3,818	407,777	(289,153)	(542,726)	(329,878)
OTHER FINANCING SOURCES (USES):							
Transfers from other funds	241,411	-	-	-	200,000	513,200	954,611
Transfers to other funds	(414,700)	(12,100)	-	(20,000)	-	(500,205)	(947,005)
TOTAL OTHER FINANCING SOURCES (USES)	(173,289)	(12,100)	-	(20,000)	200,000	12,995	7,606
NET CHANGE IN FUND BALANCE	(9,778)	(85,205)	3,818	387,777	(89,153)	(529,731)	(322,272)
FUND BALANCE - beginning	847,341	308,040	312,580	2,768,935	1,044,358	2,281,854	7,563,108
FUND BALANCE - ending	\$ 837,563	\$ 222,835	\$ 316,398	\$ 3,156,712	\$ 955,205	\$ 1,752,123	\$ 7,240,836

See notes to basic financial statements

CITY OF WEST LINN, OREGON

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds (page 26)	\$ (322,272)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay was greater than depreciation.	840,723
Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	66,561
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 fund for the year.	(52,525)
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. There were not any debt proceeds issued during the current fiscal year so this amount reflects the scheduled principal payments on existing long-term debt only.	670,000
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Accrued vacation payable	(56,244)
Accrued interest payable	3,626
Accrued other postemployment benefit obligations	<u>(167,484)</u>
Change in net assets of governmental activities (page 24)	<u>\$ 982,385</u>

CITY OF WEST LINN, OREGON

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2008

	Business-Type Activities - Enterprise Funds			Governmental
	Water Fund	Environmental Services Fund	Total	Type Activity Internal Service Fund
ASSETS:				
Current assets:				
Cash and investments	\$ 681,142	\$ 2,093,334	\$ 2,774,476	\$ -
Accounts receivable, net of allowance for doubtful accounts	371,150	469,717	840,867	-
TOTAL CURRENT ASSETS	1,052,292	2,563,051	3,615,343	-
Capital assets not being depreciated	547,536	7,460	554,996	-
Capital assets, net of accumulated depreciation	9,118,800	17,906,874	27,025,674	-
Investment in joint venture	7,260,704	-	7,260,704	-
TOTAL ASSETS	17,979,332	20,477,385	38,456,717	-
LIABILITIES:				
Current liabilities:				
Accounts payable	170,257	514,897	685,154	-
Deposits	-	5,000	5,000	-
Accrued payroll payable	10,211	8,868	19,079	-
Accrued vacation payable	22,786	19,531	42,317	-
Accrued interest payable	20,133	-	20,133	-
Bonds payable - due within one year	75,000	-	75,000	-
TOTAL CURRENT LIABILITIES	298,387	548,296	846,683	-
Bonds payable	1,305,000	-	1,305,000	-
Accrued other postemployment benefit obligations	7,752	6,460	14,212	-
TOTAL LIABILITIES	1,611,139	554,756	2,165,895	-
NET ASSETS:				
Invested in capital assets, net of related debt	8,286,336	17,914,334	26,200,670	-
Unrestricted	8,081,857	2,008,295	10,090,152	-
TOTAL NET ASSETS	\$ 16,368,193	\$ 19,922,629	\$ 36,290,822	\$ -

See notes to basic financial statements

CITY OF WEST LINN, OREGON

PROPRIETARY FUNDS

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Business-Type Activities - Enterprise Funds			Governmental Type Activity
	Water Fund	Environmental Services Fund	Total	Internal Service Fund
OPERATING REVENUES:				
Charges for services	\$ 2,578,085	\$ 1,923,050	\$ 4,501,135	\$ 421,618
Connection fees	7,828	-	7,828	-
Licenses and permits	-	26,044	26,044	-
Other operating revenues	29,225	70,397	99,622	-
TOTAL OPERATING REVENUES	2,615,138	2,019,491	4,634,629	421,618
OPERATING EXPENSES:				
Salaries and wages	596,353	718,042	1,314,395	185,610
Materials and supplies	1,850,249	1,334,226	3,184,475	282,612
Depreciation	385,804	761,316	1,147,120	-
TOTAL OPERATING EXPENSES	2,832,406	2,813,584	5,645,990	468,222
OPERATING INCOME (LOSS)	(217,268)	(794,093)	(1,011,361)	(46,604)
NONOPERATING INCOME (EXPENSE):				
Investment earnings	25,275	84,252	109,527	1,685
Net income on investment in joint venture	288,007	-	288,007	-
Interest expense	(81,486)	-	(81,486)	-
TOTAL NONOPERATING INCOME (EXPENSE)	231,796	84,252	316,048	1,685
INCOME (LOSS) BEFORE TRANSFERS	14,528	(709,841)	(695,313)	(44,919)
CONTRIBUTED CAPITAL	243,718	621,135	864,853	-
TRANSFERS IN (OUT):				
Transfers of capital assets from governmental funds	85,900	45,674	131,574	-
Transfers to other funds	-	-	-	(7,606)
TOTAL TRANSFERS IN (OUT)	85,900	45,674	131,574	(7,606)
NET CHANGE IN NET ASSETS	344,146	(43,032)	301,114	(52,525)
NET ASSETS - beginning				
Beginning balance before restatement	19,378,904	11,283,183	30,662,087	52,525
Restatement - see note explanation on page 48	(3,354,857)	8,682,478	5,327,621	-
NET ASSETS - beginning, as restated	16,024,047	19,965,661	35,989,708	52,525
NET ASSETS - ending	\$ 16,368,193	\$ 19,922,629	\$ 36,290,822	\$ -

See notes to basic financial statements

CITY OF WEST LINN, OREGON

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Business-Type Activities - Enterprise Funds			Governmental Type Activity
	Water Fund	Environmental Services Fund	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users of services	\$ 2,936,172	\$ 2,357,672	\$ 5,293,844	\$ 421,618
Payments to suppliers for goods and services	(1,865,701)	(1,385,802)	(3,251,503)	(292,154)
Payments employees for services	(596,538)	(739,597)	(1,336,135)	(195,029)
NET CASH PROVIDED BY OPERATING ACTIVITIES	473,933	232,273	706,206	(65,565)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	-	-	-	(7,606)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	-	-	-	(7,606)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal paid on capital debt	(70,000)	-	(70,000)	-
Interest paid on capital debt	(82,440)	-	(82,440)	-
Acquisition and construction of capital assets	(126,437)	(103,885)	(230,322)	-
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(278,877)	(103,885)	(382,762)	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest earnings received on investments	25,275	84,252	109,527	1,685
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	220,331	212,640	432,971	(71,486)
CASH AND INVESTMENTS - beginning	460,811	1,880,694	2,341,505	71,486
CASH AND INVESTMENTS - ending	\$ 681,142	\$ 2,093,334	\$ 2,774,476	\$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (217,268)	\$ (794,093)	\$ (1,011,361)	\$ (46,604)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	385,804	761,316	1,147,120	-
(Increase) decrease in accounts receivable	321,034	338,182	659,216	-
Increase (decrease) in accounts payable	(15,452)	(56,576)	(72,028)	(9,542)
Increase (decrease) in accrued payroll payable	1,839	(4,356)	(2,517)	(2,645)
Increase (decrease) in accrued vacation payable	(9,776)	(23,660)	(33,436)	(6,774)
Increase (decrease) in deposits payable	-	5,000	5,000	-
Increase (decrease) in accrued postemployment benefit obligations	7,752	6,460	14,212	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 473,933	\$ 232,273	\$ 706,206	\$ (65,565)
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:				
Net income on investment in joint venture	\$ 288,007	\$ -	\$ 288,007	\$ -
Capital assets transferred from governmental funds	85,900	45,674	131,574	-
Capital assets contributed by developers	243,718	621,135	864,853	-

See notes to basic financial statements

CITY OF WEST LINN, OREGON

Notes to Basic Financial Statements

June 30, 2008

1. Summary of Significant Accounting Policies

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

Reporting Entity

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

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

Government-wide and Fund Financial Statements

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

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

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

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct Expenses are those that are clearly identifiable with a specific function or segment. Expenses reported for functional activities include allocated indirect expenses, such as administrative overhead. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to

meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. This interfund activity results from the City's allocation of charges as reimbursement for services provided by one fund, to another. These reimbursements are for the support of interfund activity and are based on levels of service provided. Not eliminating these charges would artificially inflate the direct costs and program revenues reported for the various functions concerned.

Measurement Focus and Basis of Accounting

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

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

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

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

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

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

The City reports the following major governmental funds:

- *General Fund*
The General Fund accounts for the City's legislative, administrative, finance, human resources, information technology, facilities and related debt service, and municipal court operations. The primary revenue sources are reimbursement charges for services to other funds, fines and forfeitures, charges for services, and miscellaneous income.
- *Parks and Recreation Fund*
Accounts for the operation and maintenance of the City's parks and recreation programs. The primary sources of revenue include an allocation of the City's property tax levy, intergovernmental grants, and program fees.
- *Library Fund*
Accounts for the operation of the City's library facility. The primary sources of revenue include an allocation of the City's property tax levy, intergovernmental funding, and fees.
- *Systems Development Charges Fund*
Accounts for the receipt and expenditures of systems development charges (SDCs) dedicated to streets, surface water, water, sewer, and parks.
- *Public Safety Fund*
Accounts for the activities of the City's police department. The primary revenues are an allocation of the City's property tax levy, intergovernmental revenue, franchise fees and other miscellaneous program revenues such as dog licensing fees.

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

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

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

- *Water Fund*
This fund accounts for the operation and maintenance of water service and distribution facilities.
- *Environmental Services Fund*
This fund accounts for the operation and maintenance of the sewer and surface water collection systems.
- *Internal Service Fund*
This fund accounts for fleet maintenance, motor vehicle use, and insurance activities.

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

Assets, Liabilities, and Equity

Cash and Investments

Cash 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). 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.

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

Receivables and Payables

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

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

recognized upon collection.

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

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

Inventories and Prepaids

In the government-wide financial statements, advance payments made to vendors for services that will benefit periods beyond June 30 are recorded as other assets. Inventories are not significant at the end of the fiscal year.

Capital Assets

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

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

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

Investment in Joint Venture

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

Accrued Compensated Absences

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

Other Postemployment Benefits Obligations

The City early implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for the Postemployment Benefits Other Than Pensions* (OPEB) for fiscal year ended June 30, 2008. The City's net OPEB obligation is recognized as a long-term liability in the government-wide financial statements and in the proprietary fund statements, the amount of which is actuarially determined.

Long-term Obligations

In the government-wide financial statements, and in the proprietary fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. When significant, bond premiums, discounts, amounts deferred on refundings, and issuance costs are deferred and amortized over the applicable bond term.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs, as period costs in the year of issue. The face amount of debt issued and any related premium is reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reserved fund balances for amounts that are not available for appropriation because they are legally segregated for a specific purpose. These legal segregations include bond covenants reserving debt service payments and use limitations, as well as building and systems development charges fund balances legally restricted by applicable state statutes.

In the government-wide statement of net assets, fund equity is referred to as net assets and is segregated into the following three components: 1) amount invested in capital assets, net of related debt, 2) legally restricted by outside parties for a specific purpose, and 3) unrestricted.

Restricted Assets

Assets whose use is restricted by legal requirements external to the City, are segregated on the government-wide statement of net assets and the proprietary fund statement of net assets. These legal restrictions include bond covenants reserving debt service payments and use limitations, as well as systems development charges legally restricted by applicable state statutes. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources, as they are needed.

Use of Estimates

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

2. Stewardship, Compliance, and Accountability

Budgetary Information

Municipal budgets are adopted on a basis consistent with Oregon Revised Statutes (ORS 294 – Local Budget Law). The process under which the budget is adopted is described in the following paragraphs.

The City Manager is responsible for submitting a proposed budget to the Citizens Budget Committee, which is comprised of the City Council and an equal number of citizens of the City. The City is required to prepare a balanced budget for all funds, subject to the budget requirements of state law, in accordance with Oregon Revised Statutes. Each fund is budgeted on the modified accrual basis of accounting.

The budget document is required to contain specific detailed information for various revenue and expenditure categories. Information on the past two years' actual receipts and expenditures as well as current-year estimates is also included in the budget document.

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

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

The City Council may change the budget throughout the fiscal year by transferring appropriations between levels of control and by adopting supplemental budgets. Unexpected additional resources may be added to the budget through the use of a supplemental budget. Some supplemental budgets require hearings before the public, publications in newspapers and approval by the City Council. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the City Council. During the fiscal year 2007-08 budget, the City Council approved three supplemental budget resolutions, recognizing additional resources carried over from the prior fiscal year and appropriating additional unanticipated monies received after the budget was adopted

Fund Balance Deficit

The Building Inspection Fund has a GAAP basis deficit fund balance of \$66,148. An interfund loan of \$250,000 payable with interest of five percent (5%) from the Systems Development Charges Fund was repaid in fiscal year 2007-08, replaced with a bank note for \$175,000 providing a positive budget basis fund balance of \$108,852.

3. Detailed Notes on All Funds

Deposits and Investments

The City maintains a common cash and investment pool for all city funds. The types of investments in which the City may invest are restricted by State of Oregon statutes and a Council adopted investment policy. Authorized investments 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.

As of June 30, 2008, the City's cash and investments were comprised of the following:

Cash on hand	\$ 2,875
Deposits with financial institutions	358,578
Investments:	
Oregon State Treasurer's Local Government Investment Pool	11,302,072
Certificate of deposit	<u>20,010</u>
Total pooled cash and investments	<u>\$ 11,683,535</u>

	<u>Government Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash and investments	<u>\$ 8,909,059</u>	<u>\$ 2,774,476</u>	<u>\$ 11,683,535</u>

Deposits. The total balance as shown on the bank statements at June 30, 2008, was \$438,234. Of these deposits, \$100,000 was covered by Federal depository insurance, \$338,234 was collateralized with securities held in the pledging bank's trust department in the City's name.

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

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

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

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

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. Oregon Revised Statutes require the depository institution to maintain on deposit with a collateral pool manager, securities having a value not less than 25 percent of the outstanding certificates of participation issued by the pool manager.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The City participates in the State of Oregon Local Government Investment Pool (LGIP), an open-ended, no-load diversified portfolio created under ORS 294.805 to 294.895 that is not registered with the U.S. Securities and Exchange Commission as an investment company. The State Treasurer administers the LGIP with the oversight of the Oregon Investment Council and with the advice of the Oregon Short Term Fund Board. These funds must be invested and managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the fund are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The Oregon Audits Division of the Secretary of State’s Office audits the LGIP annually.

Receivables

As of June 30, 2008, accounts receivable consisted of the following:

Accounts, contracts and grants	\$ 1,110,073
Allowance for uncollectible accounts	<u>(9,900)</u>
Total	<u>\$ 1,100,173</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	\$ 259,306
Accounts receivable - business-type activities	<u>840,867</u>
Total	<u>\$ 1,100,173</u>

Investment in Joint Venture

The South Fork Water Board (SFWB) operates a water distribution system jointly with the City and the City of Oregon City, each party owning 50%. Revenues earned by SFWB are expended for the continued operation and maintenance of facilities within the municipal boundaries of these cities. Upon dissolution of the SFWB, the net assets will be shared 50 percent to each city. The SFWB is governed by a five-member board composed of three appointees from Oregon City and two from West Linn. The City’s net investment and its share of the operating results of the SFWB are reported in the City’s Water Fund. Net Assets of the City’s Water Fund were increased \$288,007 from net income of the joint venture in fiscal year 2007-08. 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.

Capital Assets

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Beginning balance as of June 30, 2007	Restatement	Additions	Ending balance as of June 30, 2008
Governmental activities:				
Capital assets not being depreciated:				
Land and easements	\$ 207,548,612	\$ (20,570,150)	\$ 475,941	\$ 187,454,403
Capital assets being depreciated:				
Buildings and improvements	29,300,482	(4,826,205)	518,199	24,992,476
Vehicles and equipment	4,522,330	(2,074,449)	388,335	2,836,216
Infrastructure	53,329,248	(1,100,785)	1,852,928	54,081,391
Total capital assets being depreciated	87,152,060	(8,001,439)	2,759,462	73,908,644
Less accumulated depreciation for:				
Buildings and improvements	(8,266,716)	1,050,989	(716,986)	(7,932,713)
Vehicles and equipment	(3,874,550)	2,792,013	(188,067)	(1,270,604)
Infrastructure	(28,032,709)	229,702	(1,490,253)	(29,293,260)
Total accumulated depreciation	(40,173,975)	4,072,704	(2,395,306)	(38,496,577)
Total capital assets being depreciated, net	46,978,085	(3,928,735)	364,156	43,413,506
Total capital assets, net	\$ 254,526,697	\$ (24,498,885)	\$ 840,097	\$ 230,867,909

	Beginning balance as of June 30, 2007	Restatement	Additions	Ending balance as of June 30, 2008
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 315,313	\$ -	\$ -	\$ 315,313
Construction in progress	62,427	(15,248)	192,504	239,683
Total capital assets not being depreciated	377,740	(15,248)	192,504	554,996
Capital assets being depreciated:				
Buildings and improvements	2,338,509	(759,005)	-	1,579,504
Vehicles and equipment	2,199,976	(1,178,383)	55,937	1,077,530
Infrastructure	29,289,467	22,185,619	978,308	52,453,394
Total capital assets being depreciated	33,827,952	20,248,231	1,034,245	55,110,428
Less accumulated depreciation for:				
Buildings and improvements	(987,568)	204,581	(31,590)	(814,577)
Vehicles and equipment	(1,698,507)	1,273,780	(76,398)	(501,125)
Infrastructure	(9,346,197)	(16,383,723)	(1,039,132)	(26,769,052)
Total accumulated depreciation	(12,032,272)	(14,905,362)	(1,147,120)	(28,084,754)
Total capital assets being depreciated, net	21,795,680	5,342,869	(112,875)	27,138,549
Total capital assets, net	\$ 22,173,420	\$ 5,327,621	\$ 79,629	\$ 27,580,670

Depreciation expense in the amount of \$2,395,306 was charged as unallocated depreciation for governmental activities and for business-type activities the amount of \$1,147,120 was charged to functions/programs as follows:

Water	\$ 385,804
Environmental services	<u>761,316</u>
Depreciation expense	<u><u>\$1,147,120</u></u>

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.

Interfund Transfers

Transfers between funds provide support for various City programs in accordance with budgetary authorizations. For fiscal year ended June 30, 2008, all of the itemized transfers below represent transfers to and from various funds for general government purposes.

Interfund transfers for the fiscal year ended June 30, 2008 are as follows:

	<u>Transfers from other funds</u>	<u>Transfers to other funds</u>	<u>Net</u>
Governmental funds:			
General fund	\$ -	\$ (414,700)	\$ (414,700)
Parks and recreation fund	-	(12,100)	(12,100)
Systems development fund	-	(20,000)	(20,000)
Public safety fund	200,000	-	200,000
Nonmajor governmental	<u>513,200</u>	<u>(266,400)</u>	<u>246,800</u>
Total interfund transfers	<u><u>\$ 713,200</u></u>	<u><u>\$ (713,200)</u></u>	<u><u>\$ -</u></u>

Leases

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

The City leases various equipment for use in its operations under cancelable and noncancelable operating leases. Total costs for such leases were approximately \$95,218 for the year ended June 30, 2008.

The future minimum lease payments for noncancelable operating leases are as follows:

Fiscal year ending June 30,	
2009	\$ 85,020
2010	89,941
2011	89,941
2012	89,941
2013	89,941
	<u>\$ 444,784</u>

Long-term Obligations

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

	Original debt amount	Interest rates	Beginning balance as of June 30, 2007	Additions	Reductions	Ending balance as of June 30, 2008
Governmental activities:						
General Obligation bonds						
Series 1998 Parks & Recreation	\$ 4,400,000	4.0-4.7%	\$ 3,005,000	\$ -	\$ (220,000)	\$ 2,785,000
Series 1999 Parks & Recreation	3,600,000	4.2-5.3%	2,700,000	-	(165,000)	2,535,000
Series 2000 Library Expansion	3,900,000	4.7-5.4%	3,425,000	-	(110,000)	3,315,000
Full Faith and Credit obligations						
Series 2000 City Hall	4,300,000	4.3-5.2%	3,410,000	-	(175,000)	3,235,000
Total debt obligations	<u>\$ 16,200,000</u>		<u>\$ 12,540,000</u>	<u>\$ -</u>	<u>\$ (670,000)</u>	<u>11,870,000</u>
						(705,000)
						<u>\$ 11,165,000</u>
Compensated absences for governmental activities			<u>\$ 351,341</u>	<u>\$ 458,633</u>	<u>\$ (402,389)</u>	<u>\$ 407,585</u>

	Original debt amount	Interest rates	Beginning balance as of June 30, 2007	Additions	Reductions	Ending balance as of June 30, 2008
Business-type activities:						
Revenue bonds						
Series 2000 Water Rev and Refunding	\$ 1,800,000	4.7-5.6%	\$ 1,450,000	\$ -	\$ (70,000)	\$ 1,380,000
					Less current amounts due within one year	(75,000)
					Long-term portion of debt obligations	<u>\$ 1,305,000</u>
Compensated absences for business-type activities			\$ 75,753	\$ 21,666	\$ (55,102)	<u>\$ 42,317</u>

Future maturities of bond principal and interest at June 30, 2008, are as follows:

Year	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 705,000	\$ 587,325	\$ 75,000	\$ 78,470	\$ 780,000	\$ 665,795
2010	750,000	554,428	80,000	74,188	830,000	628,616
2011	795,000	519,454	80,000	69,728	875,000	589,182
2012	850,000	468,165	85,000	65,044	935,000	533,209
2013	900,000	435,789	90,000	60,012	990,000	495,801
2014-2018	5,445,000	1,444,259	550,000	182,550	5,995,000	1,626,809
2019-2021	2,425,000	206,698	420,000	63,450	2,845,000	270,148
	<u>\$ 11,870,000</u>	<u>\$ 4,216,118</u>	<u>\$ 1,380,000</u>	<u>\$ 593,442</u>	<u>\$ 13,250,000</u>	<u>\$ 4,809,560</u>

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

Short-term Bank Note

A short term bank note in the amount of \$175,000 was received into the Building Inspection Fund providing a positive fund balance on the budget basis of \$108,852. This bank note was received in June 2008, requires twelve monthly principal and interest payments, contains an initial interest rate of five percent, and matures with a final payment due in July 2009.

Employee Retirement Pension Plan

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.

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 statute.

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

Funding Policy

Members of PERS and OPSRP 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 City's rate is 14.05% for PERS, 14.30% for OPSRP – general employees, and 17.57% for OPSRP – police employees of salary covered under the plan. The contribution requirements for plan members and the City are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

Annual Pension Cost

For the years ended June 30, 2008, 2007, and 2006 the City's annual pension costs were approximately \$973,000, \$1,108,000, and \$1,116,000 respectively, and were equal to the City's required and actual contributions. Approximately \$403,000 of the annual pension costs incurred in 2008 was funding of the Unfunded Actuarial Accrued Liability (UAL).

Annual Required Contribution/Contractually Required Contribution

The Annual Required Contribution (ARC) and the contractually required contribution are expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. The ARC is shown in the following table.

	OPSRP		
	Tier1/2	Gen	Police
July 1, 2007 to June 30, 2009			
- Tier 1/Tier 2 Annual Required Contribution	13.68%	8.22%	8.22%
- OPSRP Contractually Required Contribution	0.00%	5.82%	9.09%

Schedule of Funding Progress

The Schedule of Funding Progress is required for the Tier 1/Tier 2 pension liabilities. The following table shows the schedule for the last several valuations.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (Asset)	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability (Asset) as a Percent of Covered Payroll
12/31/2005	\$ 35,196,000	\$ 36,127,000	\$ (931,000)	97 %	\$ 6,342,000	15 %
12/31/2003	26,970,000	32,807,000	(5,837,000)	82	5,626,000	104
12/31/2001	26,727,000	25,058,000	(1,669,000)	107	5,367,000	21

Postemployment Healthcare Plan (implicit subsidy)

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

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

For fiscal year ended June 30, 2008, the City retirees paid 100 percent of their insurance premium costs. The City has elected to not prefund the actuarially determined future cost amount of \$194,148.

The required monthly contributions of the plan members were as follows for the fiscal year ended June 30, 2008.

	Medical		Dental ODS
	HealthNet	Kaiser	
Employee	\$ 426	\$ 404	\$ 45
Emp + child(s)	\$ 767	\$ 728	\$ n/a
Employee + 1	\$ 842	\$ 809	\$ 79
Full Family	\$1,180	\$1,213	\$147

Annual OPEB Cost and Net OPEB Obligation. The City's annual other post employment benefit cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's OPEB obligation to the plan.

Employer's normal cost at year end	\$ 117,118
Amortization of UAAL with interest	<u>110,553</u>
Annual Required Contribution (ARC)	227,671
Less contribution (amounts paid during year for OPEB)	-
Implicit benefit payments	<u>45,975</u>
OPEB obligation at beginning of year of implementation	-
OPEB obligation at end of year (June 30, 2008)	<u>\$ 181,696</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2008 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percent of Annual OPEB Cost Contribution</u>	<u>Net OPEB Obligation</u>
06/30/2008	\$ 227,671	20.19%	\$ 181,696

Funded Status and Funding Progress. The funded status of the plan as of August 1, 2006 (the date of the most recent actuarial valuation), was as follows:

Actuarial accrued liability (AAL)	\$ 1,449,903
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,449,903</u>

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

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

In the August 1, 2006 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 10 percent initially, reduced by decrements to an ultimate rate of 5 percent after ten years. The UAAL is being amortized over an initial period of 30 years.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
08/01/2006	-	\$1,449,903	\$1,449,903	0%	\$6,646,000	21.82%

Retirement Health Insurance Account (RHIA)

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

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

Participating cities are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.37% of annual covered payroll. The OPERS Board of Trustees sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The City's contributions to RHIA for the year ended June 30, 2008 were \$25,849 which equaled the required contributions for that year.

Deferred Compensation Plan

The City has a deferred compensation plan created in accordance with the Internal Revenue Code Section 457(g). The Plan is 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.

4. Other Information

Restatement

Effective with the City's reporting for fiscal year ended June 30, 2008, all capital asset balances were reviewed, inventoried, and audited. For governmental activities, the effect was a decrease in total assets of approximately \$24.5 million to the June 30, 2007 balance. For business type activities, the effect was an increase in total assets of \$20.2 million, offset by an increase in related accumulated depreciation of \$14.9 million, resulting in an overall net increase of approximately \$5.3 million.

Risk Management

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

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

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

Property tax limitation

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

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

Subsequent Events

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

In fiscal year 2008, the City received \$100,692 from the proceeds from the sale of the personal residence related to the embezzlement. In fiscal year 2009, the mediation with the City's former auditors and insurance carrier was settled and the City recovered another portion amounting to \$385,000. Still outstanding, is the PERS account balance mentioned previously which is expected to be resolved later in fiscal year 2009 or 2010.

Bond Sale and Refunding. On November 24, 2008, the City Council authorized the issuance of \$4 million in Full Faith and Credit Obligations representing funding for street improvements, land acquisition site for a police station, and certain park improvements. This bond sale was a competitive sale and closed January 21, 2009.

On February 11, 2008, the City Council authorized the refunding of the \$5 million of outstanding Series 1998 and Series 1999 general obligation bonds. This refunding closed on January 21, 2009 as well and resulted in an overall true interest cost rate of 3.58 percent, an economic gain of \$436,632 and a reduction of \$469,791 in future debt service payments.

On December 23, 2008, relating to the above mentioned bond sale and refunding, Standard and Poor's Rating Services reaffirmed the City's AA- long-term credit rating on its general obligation bonds and full faith and credit obligations. They cited a service area that shows strong economic characteristics and the implementation of strengthened financial policies and procedures.

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REQUIRED SUPPLEMENTARY INFORMATION

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

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

General Fund

Special Revenue Funds

Parks and Recreation Fund

Library Fund

Systems Development Charges Fund

Public Safety Fund

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CITY OF WEST LINN, OREGON

GENERAL FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 414	\$ 414
Licenses and permits	40,000	40,000	53,901	13,901
Fines and forfeitures	450,000	450,000	450,670	670
Charges for services	92,100	92,100	73,854	(18,246)
Investment earnings	40,000	40,000	67,400	27,400
Miscellaneous	487,400	487,400	194,433	(292,967)
TOTAL REVENUES	1,109,500	1,109,500	840,672	(268,828)
EXPENDITURES:				
City Council	50,800	65,800	64,176	1,624
City Manager	863,429	863,429	816,235	47,194
Human Resources	281,755	281,755	248,267	33,488
Finance	875,806	925,806	907,778	18,028
Information Technology	985,842	985,842	828,590	157,252
Municipal Court	233,879	253,879	253,323	556
Facility Services	546,989	546,989	461,312	85,677
Nondepartmental:				
General services	71,800	71,800	71,265	535
Debt service	343,200	343,200	343,136	64
Contingency	638,273	553,273	-	553,273
TOTAL EXPENDITURES	4,891,773	4,891,773	3,994,082	897,691
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(3,782,273)	(3,782,273)	(3,153,410)	628,863
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	3,473,070	3,473,070	3,560,308	87,238
Transfers to other funds	(400,000)	(400,000)	(416,676)	(16,676)
TOTAL OTHER FINANCING SOURCES (USES)	3,073,070	3,073,070	3,143,632	70,562
NET CHANGE IN FUND BALANCE	(709,203)	(709,203)	(9,778)	699,425
FUND BALANCE - beginning	709,203	709,203	847,341	138,138
FUND BALANCE - ending	\$ -	\$ -	\$ 837,563	\$ 837,563

CITY OF WEST LINN, OREGON

PARKS AND RECREATION FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Property taxes	\$ 1,272,000	\$ 1,272,000	\$ 1,307,014	\$ 35,014
Intergovernmental	1,044,000	1,044,000	265,058	(778,942)
Licenses and permits	55,000	55,000	15,059	(39,941)
Charges for services	1,275,000	1,275,000	1,239,044	(35,956)
Investment earnings	10,000	10,000	17,102	7,102
Miscellaneous	-	-	2,706	2,706
TOTAL REVENUES	3,656,000	3,656,000	2,845,983	(810,017)
EXPENDITURES:				
Personal services	1,310,859	1,310,859	1,250,441	60,418
Materials and services	649,500	649,500	649,426	74
Capital outlay	1,122,000	1,122,000	441,345	680,655
Contingency	220,696	220,696	-	220,696
TOTAL EXPENDITURES	3,303,055	3,303,055	2,341,212	961,843
EXCESS OF REVENUES OVER EXPENDITURES	352,945	352,945	504,771	151,826
OTHER FINANCING USES:				
Transfers to other funds	(592,600)	(592,600)	(589,976)	2,624
NET CHANGE IN FUND BALANCE	(239,655)	(239,655)	(85,205)	154,450
FUND BALANCE - beginning	239,655	239,655	308,040	68,385
FUND BALANCE - ending	\$ -	\$ -	\$ 222,835	\$ 222,835

CITY OF WEST LINN, OREGON

LIBRARY FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Property taxes	\$ 905,000	\$ 905,000	\$ 922,017	\$ 17,017
Intergovernmental	510,000	510,000	506,071	(3,929)
Fines and forfeitures	70,000	70,000	66,992	(3,008)
Investment earnings	15,500	15,500	26,218	10,718
Miscellaneous	10,000	10,000	8,728	(1,272)
TOTAL REVENUES	<u>1,510,500</u>	<u>1,510,500</u>	<u>1,530,026</u>	<u>19,526</u>
EXPENDITURES:				
Personal services	971,951	1,023,951	1,004,725	19,226
Materials and services	174,800	174,800	158,183	16,617
Contingency	152,656	100,656	-	100,656
Other requirements	157,298	157,298	-	157,298
TOTAL EXPENDITURES	<u>1,456,705</u>	<u>1,456,705</u>	<u>1,162,908</u>	<u>293,797</u>
EXCESS OF REVENUES OVER EXPENDITURES	53,795	53,795	367,118	313,323
OTHER FINANCING USES:				
Transfers to other funds	<u>(363,300)</u>	<u>(363,300)</u>	<u>(363,300)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(309,505)	(309,505)	3,818	313,323
FUND BALANCE - beginning	<u>309,505</u>	<u>309,505</u>	<u>312,580</u>	<u>3,075</u>
FUND BALANCE - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 316,398</u></u>	<u><u>\$ 316,398</u></u>

CITY OF WEST LINN, OREGON

SYSTEMS DEVELOPMENT CHARGES FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual		
			Street	Surface Water	Water
REVENUES:					
Systems development charges:					
Street - systems development charges	\$ -	\$ -	\$ 113,384	\$ -	\$ -
Surface water - systems development charges	50,300	50,300	-	17,362	-
Water - systems development charges	200,000	200,000	-	-	313,509
Sewer - systems development charges	238,000	238,000	-	-	-
Parks - systems development charges	525,000	525,000	-	-	-
Investment earnings	82,000	82,000	-	41,145	42,126
TOTAL REVENUES	1,095,300	1,095,300	113,384	58,507	355,635
EXPENDITURES:					
Materials and services	25,000	25,000	-	-	-
Capital outlay	942,559	1,027,559	-	8,601	85,900
Contingency	1,974,537	1,889,537	-	-	-
TOTAL EXPENDITURES	2,942,096	2,942,096	-	8,601	85,900
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,846,796)	(1,846,796)	113,384	49,906	269,735
OTHER FINANCING SOURCES (USES):					
Proceeds from repayment of interfund loan	-	-	-	250,000	-
Transfers to other funds	(20,000)	(20,000)	-	(5,000)	(10,000)
TOTAL OTHER FINANCING SOURCES (USES):	(20,000)	(20,000)	-	245,000	(10,000)
NET CHANGE IN FUND BALANCE	(1,866,796)	(1,866,796)	113,384	294,906	259,735
FUND BALANCE - beginning	1,866,796	1,866,796	274,500	359,423	789,582
FUND BALANCE - ending	\$ -	\$ -	\$ 387,884	\$ 654,329	\$ 1,049,317

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Actual			Variance with Final Budget
Sewer	Parks	Total	
\$ -	\$ -	\$ 113,384	\$ 113,384
-	-	17,362	(32,938)
-	-	313,509	113,509
125,399	-	125,399	(112,601)
-	393,913	393,913	(131,087)
67,400	-	150,671	68,671
192,799	393,913	1,114,238	18,938
-	1,574	1,574	23,426
37,073	573,313	704,887	322,672
-	-	-	1,889,537
37,073	574,887	706,461	2,235,635
155,726	(180,974)	407,777	2,254,573
-	-	250,000	250,000
(5,000)	-	(20,000)	-
(5,000)	-	230,000	250,000
150,726	(180,974)	637,777	2,504,573
875,688	219,742	2,518,935	652,139
\$ 1,026,414	\$ 38,768	\$ 3,156,712	\$ 3,156,712

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CITY OF WEST LINN, OREGON

PUBLIC SAFETY FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Property taxes	\$ 2,892,000	\$ 2,892,000	\$ 2,975,189	\$ 83,189
Intergovernmental	442,000	442,000	318,903	(123,097)
Franchise fees	1,714,000	1,714,000	1,409,003	(304,997)
Licenses and permits	67,600	67,600	34,915	(32,685)
Charges for services	227,000	227,000	34,168	(192,832)
Investment earnings	35,000	35,000	59,604	24,604
Miscellaneous	14,500	14,500	19,420	4,920
TOTAL REVENUES	5,392,100	5,392,100	4,851,202	(540,898)
EXPENDITURES:				
Personal services	3,641,608	3,641,608	3,455,486	186,122
Materials and services	917,300	917,300	681,055	236,245
Capital outlay	205,400	205,400	103,097	102,303
Contingency	844,044	844,044	-	844,044
TOTAL EXPENDITURES	5,608,352	5,608,352	4,239,638	1,368,714
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(216,252)	(216,252)	611,564	827,816
OTHER FINANCING USES:				
Transfers from other funds	250,000	250,000	250,000	-
Transfers to other funds	(968,310)	(968,310)	(950,717)	17,593
TOTAL OTHER FINANCING SOURCES (USES)	(718,310)	(718,310)	(700,717)	17,593
NET CHANGE IN FUND BALANCE	(934,562)	(934,562)	(89,153)	845,409
FUND BALANCE - beginning	934,562	934,562	1,044,358	109,796
FUND BALANCE - ending	\$ -	\$ -	\$ 955,205	\$ 955,205

SUPPLEMENTARY INFORMATION

Combining and Individual Fund Financial Statements and Schedules

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

Special Revenue Funds

These nonmajor funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Street Fund – the fund accounts for the operation and maintenance of the City’s street and sidewalk systems including medians. The primary revenue sources are state gas tax and franchise fees.

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

Public Works Support Services Fund – accounts for the professional and administrative support services provided by public works administrative and engineering staff. These operations were moved to the General Fund, thus closing this fund with the remaining balance transferred to the General Fund as of June 30, 2008.

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

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

Debt Service Fund

This nonmajor fund is used to account for payment of general obligation bonded debt.

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

Capital Projects Funds

This fund accounts for the construction of specific capital projects.

Parks Bond Construction Fund - this fund is used to account for the voter approved general obligation bond funds for the acquisition of the land and construction of park facilities.

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CITY OF WEST LINN, OREGON
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2008

	Special Revenue Funds	Debt Service Fund	Park Bond Construction Fund	Total
ASSETS:				
Cash and investments	\$ 1,128,770	\$ 108,192	\$ 1,048,619	\$ 2,285,581
Property taxes receivable	-	48,437	-	48,437
Accounts receivable	108,366	-	-	108,366
TOTAL ASSETS	<u>\$ 1,237,136</u>	<u>\$ 156,629</u>	<u>\$ 1,048,619</u>	<u>\$ 2,442,384</u>
LIABILITIES AND FUND BALANCE:				
Accounts payable	\$ 165,911	\$ -	\$ -	\$ 165,911
Accrued salaries and payroll taxes	28,772	-	-	28,772
Deposits payable	232,431	-	-	232,431
Deferred revenue	48,291	39,856	-	88,147
Bank note payable	175,000	-	-	175,000
TOTAL LIABILITIES	<u>650,405</u>	<u>39,856</u>	<u>-</u>	<u>690,261</u>
FUND BALANCE:				
Designated for debt service	-	116,773	-	116,773
Designated for capital projects	-	-	1,048,619	1,048,619
Undesignated	586,731	-	-	586,731
TOTAL FUND BALANCE	<u>586,731</u>	<u>116,773</u>	<u>1,048,619</u>	<u>1,752,123</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,237,136</u>	<u>\$ 156,629</u>	<u>\$ 1,048,619</u>	<u>\$ 2,442,384</u>

CITY OF WEST LINN, OREGON

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Special Revenue Funds	Debt Service Fund	Park Bond Construction Fund	Total
REVENUES:				
Property taxes	\$ -	\$ 761,304	\$ -	\$ 761,304
Licenses and permits	1,004,619	-	-	1,004,619
Franchise fees	276,629	-	-	276,629
Charges for services	1,054,651	-	-	1,054,651
Intergovernmental	1,281,231	-	-	1,281,231
Investment earnings	32,858	23,727	42,125	98,710
Miscellaneous	38,244	-	-	38,244
TOTAL REVENUES	3,688,232	785,031	42,125	4,515,388
EXPENDITURES:				
Current:				
General government	1,858,059	-	-	1,858,059
Cultural and recreation	268,874	-	-	268,874
Public safety	555,081	-	-	555,081
Highways and streets	1,236,200	-	-	1,236,200
Capital outlay	186,432	-	-	186,432
Debt service:				
Principal	-	495,000	-	495,000
Interest	12,500	445,968	-	458,468
TOTAL EXPENDITURES	4,117,146	940,968	-	5,058,114
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(428,914)	(155,937)	42,125	(542,726)
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	513,200	-	-	513,200
Transfers to other funds	(500,205)	-	-	(500,205)
TOTAL OTHER FINANCING SOURCES (USES)	12,995	-	-	12,995
NET CHANGE IN FUND BALANCE	(415,919)	(155,937)	42,125	(529,731)
FUND BALANCE - beginning	1,002,650	272,710	1,006,494	2,281,854
FUND BALANCE - ending	\$ 586,731	\$ 116,773	\$ 1,048,619	\$ 1,752,123

CITY OF WEST LINN, OREGON
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2008

	Street Fund	Cable TV/ Public Access Fund	Building Inspection Fund	Planning Fund	Total
ASSETS:					
Cash and investments	\$ 286,823	\$ 300,851	\$ 142,082	\$ 399,014	\$ 1,128,770
Accounts receivable	61,737	-	-	46,629	108,366
TOTAL ASSETS	\$ 348,560	\$ 300,851	\$ 142,082	\$ 445,643	\$ 1,237,136
LIABILITIES AND FUND BALANCE (DEFICIT):					
Liabilities:					
Accounts payable	\$ 48,505	\$ 60,231	\$ 21,985	\$ 35,190	\$ 165,911
Accrued salaries and payroll taxes	8,572	-	8,604	11,596	28,772
Deposits payable	119,291	-	2,641	110,499	232,431
Deferred revenue	48,291	-	-	-	48,291
Bank note payable	-	-	175,000	-	175,000
TOTAL LIABILITIES	224,659	60,231	208,230	157,285	650,405
FUND BALANCE (DEFICIT):					
Undesignated	123,901	240,620	(66,148)	288,358	586,731
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	\$ 348,560	\$ 300,851	\$ 142,082	\$ 445,643	\$ 1,237,136

CITY OF WEST LINN, OREGON

NONMAJOR SPECIAL REVENUE FUNDS

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Street Fund	Cable TV/ Public Access Fund	Public Works Support Services Fund	Building Inspection Fund	Planning Fund	Total
REVENUES:						
Licenses and permits	\$ -	\$ -	\$ 166,184	\$ 634,222	\$ 204,213	\$ 1,004,619
Franchise fees	64,592	97,992	-	-	114,045	276,629
Charges for services	234,571	-	730,080	-	90,000	1,054,651
Intergovernmental	1,057,792	-	-	954	222,485	1,281,231
Investment earnings	8,425	16,850	5,053	2,530	-	32,858
Miscellaneous	26,142	-	4,309	2,027	5,766	38,244
TOTAL REVENUES	1,391,522	114,842	905,626	639,733	636,509	3,688,232
EXPENDITURES:						
Current:						
General government	-	-	1,058,219	-	799,840	1,858,059
Cultural and recreation	-	268,874	-	-	-	268,874
Public safety	-	-	-	555,081	-	555,081
Highway and streets	1,236,200	-	-	-	-	1,236,200
Capital outlay	104,784	30,934	25,357	25,357	-	186,432
Debt service - interest	-	-	-	12,500	-	12,500
TOTAL EXPENDITURES	1,340,984	299,808	1,083,576	592,938	799,840	4,117,146
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	50,538	(184,966)	(177,950)	46,795	(163,331)	(428,914)
OTHER FINANCING SOURCES (USES):						
Transfers from other funds	-	-	253,200	-	260,000	513,200
Transfers to other funds	(197,100)	-	(233,805)	(54,500)	(14,800)	(500,205)
TOTAL OTHER FINANCING SOURCES (USES)	(197,100)	-	19,395	(54,500)	245,200	12,995
NET CHANGE IN FUND BALANCE	(146,562)	(184,966)	(158,555)	(7,705)	81,869	(415,919)
FUND BALANCE (DEFICIT) - beginning	270,463	425,586	158,555	(58,443)	206,489	1,002,650
FUND BALANCE (DEFICIT) - ending	\$ 123,901	\$ 240,620	\$ -	\$ (66,148)	\$ 288,358	\$ 586,731

CITY OF WEST LINN, OREGON

STREET FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental	\$ 1,115,000	\$ 1,115,000	\$ 1,057,792	\$ (57,208)
Franchise fees	65,000	65,000	64,592	(408)
Charges for services	500,000	500,000	242,996	(257,004)
Investment earnings	5,000	5,000	8,425	3,425
Miscellaneous	24,800	24,800	17,717	(7,083)
TOTAL REVENUES	1,709,800	1,709,800	1,391,522	(318,278)
EXPENDITURES:				
Personal services	492,787	492,787	471,619	21,168
Materials and services	488,700	488,700	447,575	41,125
Capital outlay	285,000	285,000	104,784	180,216
Contingency	98,848	98,848	-	98,848
TOTAL EXPENDITURES	1,365,335	1,365,335	1,023,978	341,357
EXCESS OF REVENUES OVER EXPENDITURES	344,465	344,465	367,544	23,079
OTHER FINANCING USES:				
Transfers to other funds	(514,430)	(514,430)	(514,106)	324
NET CHANGE IN FUND BALANCE	(169,965)	(169,965)	(146,562)	23,403
FUND BALANCE - beginning	169,965	169,965	270,463	100,498
FUND BALANCE - ending	\$ -	\$ -	\$ 123,901	\$ 123,901

CITY OF WEST LINN, OREGON

CABLE TV/PUBLIC ACCESS FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Franchise fees	\$ 95,000	\$ 95,000	\$ 97,992	\$ 2,992
Investment earnings	10,000	10,000	16,850	6,850
TOTAL REVENUES	<u>105,000</u>	<u>105,000</u>	<u>114,842</u>	<u>9,842</u>
EXPENDITURES:				
Materials and services	201,400	207,400	207,374	26
Capital outlay	23,000	31,000	30,934	66
Contingency	254,840	240,840	-	240,840
TOTAL EXPENDITURES	<u>479,240</u>	<u>479,240</u>	<u>238,308</u>	<u>240,932</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(374,240)	(374,240)	(123,466)	250,774
OTHER FINANCING USES:				
Transfers to other funds	(61,500)	(61,500)	(61,500)	-
NET CHANGE IN FUND BALANCE	(435,740)	(435,740)	(184,966)	250,774
FUND BALANCE - beginning	<u>435,740</u>	<u>435,740</u>	<u>425,586</u>	<u>(10,154)</u>
FUND BALANCE - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 240,620</u>	<u>\$ 240,620</u>

CITY OF WEST LINN, OREGON

PUBLIC WORKS SUPPORT SERVICES FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Licenses and permits	\$ 94,200	\$ 94,200	\$ 166,184	\$ 71,984
Charges for services	47,100	47,100	-	(47,100)
Investment earnings	3,000	3,000	5,053	2,053
Miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>4,309</u>	<u>3,309</u>
TOTAL REVENUES	<u>145,300</u>	<u>145,300</u>	<u>175,546</u>	<u>30,246</u>
EXPENDITURES:				
Personal services	688,393	688,393	688,392	1
Materials and services	79,285	79,285	76,666	2,619
Capital outlay	25,000	26,000	25,357	643
Contingency	<u>95,810</u>	<u>94,810</u>	<u>-</u>	<u>94,810</u>
TOTAL EXPENDITURES	<u>888,488</u>	<u>888,488</u>	<u>790,415</u>	<u>98,073</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(743,188)</u>	<u>(743,188)</u>	<u>(614,869)</u>	<u>128,319</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	962,600	962,600	983,280	20,680
Transfers to other funds	<u>(298,301)</u>	<u>(298,301)</u>	<u>(526,966)</u>	<u>(228,665)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>664,299</u>	<u>664,299</u>	<u>456,314</u>	<u>(207,985)</u>
NET CHANGE IN FUND BALANCE	(78,889)	(78,889)	(158,555)	(79,666)
FUND BALANCE - beginning	<u>78,889</u>	<u>78,889</u>	<u>158,555</u>	<u>79,666</u>
FUND BALANCE - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF WEST LINN, OREGON

BUILDING INSPECTION FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Licenses and permits	\$ 631,800	\$ 631,800	\$ 634,222	\$ 2,422
Intergovernmental	-	-	954	954
Investment earnings	1,500	1,500	2,530	1,030
Miscellaneous	500	500	2,027	1,527
TOTAL REVENUES	633,800	633,800	639,733	5,933
EXPENDITURES:				
Personal services	392,312	395,312	392,584	2,728
Materials and services	28,300	33,300	33,225	75
Capital outlay	25,000	26,000	25,357	643
Debt service	12,500	262,500	262,500	-
Contingency	52,306	43,306	-	43,306
TOTAL EXPENDITURES	510,418	760,418	713,666	46,752
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	123,382	(126,618)	(73,933)	52,685
OTHER FINANCING SOURCES (USES):				
Proceeds from bank note	-	250,000	175,000	(75,000)
Transfers to other funds	(209,440)	(209,440)	(183,772)	25,668
TOTAL OTHER FINANCING SOURCES (USES)	(209,440)	40,560	(8,772)	(49,332)
NET CHANGE IN FUND BALANCE	(86,058)	(86,058)	(82,705)	3,353
FUND BALANCE - beginning	86,058	86,058	191,557	105,499
FUND BALANCE - ending	\$ -	\$ -	108,852	\$ 108,852
RECONCILIATION TO GAAP BASIS:				
Adjustment for bank note payable			(175,000)	
FUND BALANCE (DEFICIT) GAAP BASIS, ending			\$ (66,148)	

CITY OF WEST LINN, OREGON

PLANNING FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Franchise fees	\$ 130,000	\$ 130,000	\$ 114,045	\$ (15,955)
Intergovernmental	170,300	170,300	222,485	52,185
Licenses and permits	225,000	225,000	204,213	(20,787)
Charges for services	23,400	23,400	-	(23,400)
Miscellaneous	34,600	34,600	5,766	(28,834)
TOTAL REVENUES	583,300	583,300	546,509	(36,791)
EXPENDITURES:				
Personal services	539,077	539,077	509,727	29,350
Material and services	172,700	172,700	117,713	54,987
Contingency	105,073	105,073	-	105,073
TOTAL EXPENDITURES	816,850	816,850	627,440	189,410
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(233,550)	(233,550)	(80,931)	152,619
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	350,000	350,000	350,000	-
Transfers to other funds	(187,200)	(187,200)	(187,200)	-
TOTAL OTHER FINANCING SOURCES (USES)	162,800	162,800	162,800	-
NET CHANGE IN FUND BALANCE	(70,750)	(70,750)	81,869	152,619
FUND BALANCE - beginning	70,750	70,750	206,489	135,739
FUND BALANCE - ending	\$ -	\$ -	\$ 288,358	\$ 288,358

CITY OF WEST LINN, OREGON

DEBT SERVICE FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Property taxes	\$ 746,928	\$ 746,928	\$ 761,304	\$ 14,376
Investment earnings	15,500	15,500	23,727	8,227
TOTAL REVENUES	<u>762,428</u>	<u>762,428</u>	<u>785,031</u>	<u>22,603</u>
EXPENDITURES:				
Debt service:				
Principal	495,000	495,000	495,000	-
Interest	445,968	445,968	445,968	-
Reserve for future debt service	110,000	110,000	-	110,000
TOTAL EXPENDITURES	<u>1,050,968</u>	<u>1,050,968</u>	<u>940,968</u>	<u>110,000</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES AND NET CHANGE IN FUND BALANCE	(288,540)	(288,540)	(155,937)	132,603
FUND BALANCE - beginning	<u>288,540</u>	<u>288,540</u>	<u>272,710</u>	<u>(15,830)</u>
FUND BALANCE - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 116,773</u></u>	<u><u>\$ 116,773</u></u>

CITY OF WEST LINN, OREGON

PARK BOND CONSTRUCTION FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Investment earnings	\$ 25,000	\$ 25,000	\$ 42,125	\$ 17,125
EXPENDITURES:				
Capital outlay	<u>1,043,708</u>	<u>1,043,708</u>	<u>-</u>	<u>1,043,708</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND NET CHANGE IN FUND BALANCE	(1,018,708)	(1,018,708)	42,125	1,060,833
FUND BALANCE - beginning	<u>1,018,708</u>	<u>1,018,708</u>	<u>1,006,494</u>	<u>(12,214)</u>
FUND BALANCE - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,048,619</u></u>	<u><u>\$ 1,048,619</u></u>

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

Proprietary Funds

These funds account for operations of the City's enterprise activities.

Major enterprise funds:

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

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

Internal Service Fund

This fund accounts for the internal operations servicing other funds of the City.

Vehicle/Equipment Maintenance Fund – accounts for the maintenance of the City's vehicles and equipment. Charges are made to the various City operations to recover the costs of providing services. These operations were moved to the General Fund, thus closing this fund with the remaining balance transferred to the General Fund as of June 30, 2008.

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CITY OF WEST LINN, OREGON

WATER FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Water sales	\$ 2,889,500	\$ 2,889,500	\$ 2,578,085	\$ (311,415)
Investment earnings	15,000	15,000	25,275	10,275
Miscellaneous	60,800	60,800	29,225	(31,575)
Systems development charges	11,640	11,640	7,828	(3,812)
TOTAL REVENUES	2,976,940	2,976,940	2,640,413	(336,527)
EXPENDITURES:				
Personal services	679,836	679,836	596,353	83,483
Materials and services	1,434,900	1,434,900	1,233,462	201,438
Capital outlay	51,500	126,500	126,437	63
Debt service	152,440	152,440	151,486	954
Contingency	310,750	235,750	-	235,750
Reserve for debt service	151,100	151,100	-	151,100
TOTAL EXPENDITURES	2,780,526	2,780,526	2,107,738	672,788
EXCESS OF REVENUES OVER EXPENDITURES	196,414	196,414	532,675	336,261
OTHER FINANCING USES:				
Transfers to other funds	(617,510)	(617,510)	(616,787)	723
NET CHANGE IN FUND BALANCE	(421,096)	(421,096)	(84,112)	336,984
FUND BALANCE - beginning	421,096	421,096	1,206,949	785,853
FUND BALANCE - ending	\$ -	\$ -	\$ 1,122,837	\$ 1,122,837

CITY OF WEST LINN, OREGON

ENVIRONMENTAL SERVICES FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 6,316	\$ 6,316
Licenses and permits	42,000	42,000	26,044	(15,956)
Sewer charges	1,543,300	1,543,300	1,412,131	(131,169)
Surface water charges	546,200	546,200	510,919	(35,281)
Investment earnings	62,500	62,500	84,252	21,752
Miscellaneous	67,200	67,200	21,735	(45,465)
Systems development charges	66,500	66,500	42,345	(24,155)
TOTAL REVENUES	<u>2,327,700</u>	<u>2,327,700</u>	<u>2,103,742</u>	<u>(223,958)</u>
EXPENDITURES:				
Personal services	844,124	844,124	718,042	126,082
Materials and services	317,450	317,450	314,754	2,696
Capital outlay	877,500	877,500	103,885	773,615
Contingency	958,711	958,711	-	958,711
TOTAL EXPENDITURES	<u>2,997,785</u>	<u>2,997,785</u>	<u>1,136,681</u>	<u>1,861,104</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(670,085)	(670,085)	967,061	1,637,146
OTHER FINANCING USES:				
Transfers to other funds	<u>(1,035,800)</u>	<u>(1,035,800)</u>	<u>(1,019,472)</u>	<u>16,328</u>
NET CHANGE IN FUND BALANCE	(1,705,885)	(1,705,885)	(52,411)	1,653,474
FUND BALANCE - beginning	<u>1,705,885</u>	<u>1,705,885</u>	<u>2,044,051</u>	<u>338,166</u>
FUND BALANCE - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,991,640</u>	<u>\$ 1,991,640</u>

CITY OF WEST LINN, OREGON

VEHICLE/EQUIPMENT MAINTENANCE FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Investment earnings	\$ 1,000	\$ 1,000	\$ 1,685	\$ 685
Miscellaneous	-	-	452	452
TOTAL REVENUES	<u>1,000</u>	<u>1,000</u>	<u>2,137</u>	<u>1,137</u>
EXPENDITURES:				
Personal services	188,390	188,390	185,610	2,780
Materials and services	161,350	176,350	175,912	438
Contingency	41,559	26,559	-	26,559
TOTAL EXPENDITURES	<u>391,299</u>	<u>391,299</u>	<u>361,522</u>	<u>29,777</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(390,299)</u>	<u>(390,299)</u>	<u>(359,385)</u>	<u>30,914</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	458,100	458,100	421,166	(36,934)
Transfers to other funds	(106,700)	(106,700)	(114,306)	(7,606)
TOTAL OTHER FINANCING SOURCES (USES)	<u>351,400</u>	<u>351,400</u>	<u>306,860</u>	<u>(44,540)</u>
NET CHANGE IN FUND BALANCE	(38,899)	(38,899)	(52,525)	(13,626)
FUND BALANCE - beginning	<u>38,899</u>	<u>38,899</u>	<u>52,525</u>	<u>13,626</u>
FUND BALANCE - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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OTHER FINANCIAL SCHEDULES

Schedule of Property Tax Transactions and Outstanding Balances

Schedule of Accountability of Independently Elected Officials

CITY OF WEST LINN, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

<u>Tax Year</u>	<u>Uncollected Property Taxes as of June 30, 2007</u>	<u>Add Tax Levy Extended by Assessor</u>	<u>Add (deduct) adjustments and discounts</u>	<u>Deduct Cash Collections</u>	<u>Uncollected Property Taxes as of June 30, 2008</u>
Current fiscal year 2007-08	\$ -	\$ 6,123,920	\$ (155,191)	\$ (5,725,655)	\$ 243,074
Prior fiscal years					
2006-07	250,415	-	3,671	(177,282)	76,804
2005-06	57,586	-	(750)	(28,572)	28,264
2004-05	26,116	-	1,999	(15,340)	12,775
2003-04	18,496	-	1,675	(15,222)	4,949
2002-03	6,299	-	137	(1,811)	4,625
2001-02 & prior	7,731	-	364	(1,823)	6,272
Sub-total prior	<u>366,643</u>	<u>-</u>	<u>7,096</u>	<u>(240,050)</u>	<u>133,689</u>
Total	<u>\$ 366,643</u>	<u>\$ 6,123,920</u>	<u>\$ (148,095)</u>	<u>\$ (5,965,705)</u>	<u>\$ 376,763</u>

Public Safety Fund	\$ 328,326
Debt Service Fund	<u>48,437</u>
	<u>\$ 376,763</u>

CITY OF WEST LINN, OREGON

SCHEDULE OF ACCOUNTABILITY OF INDEPENDENTLY ELECTED OFFICIALS

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

SECTION III

STATISTICAL SECTION

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STATISTICAL SECTION

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

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how financial performance has changed over time.	91
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.	97
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	101
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	106
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	108

Sources: The information in these schedules is derived from the comprehensive annual financial reports for the relevant year, unless otherwise noted. The City fully implemented GASB Statement 34, 44, and 45 in fiscal year 2008.

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CITY OF WEST LINN, OREGON

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

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

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

CITY OF WEST LINN, OREGON

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

	Fiscal Year Ended					
	2003	2004	2005	2006	2007	2008
Expenses						
Governmental activities:						
General government	\$ 6,520	\$ 3,637	\$ 3,838	\$ 4,040	\$ 4,695	\$ 6,007
Culture and recreation	2,849	2,725	2,776	2,846	2,973	4,279
Public safety	6,088	5,767	4,315	4,414	4,490	5,658
Highways and streets	1,235	1,200	609	1,442	994	1,235
Interest on long-term debt	513	724	773	591	640	631
Unallocated depreciation	1,242	550	626	1,486	644	2,395
Total governmental activities expenses	<u>18,447</u>	<u>14,603</u>	<u>12,937</u>	<u>14,819</u>	<u>14,436</u>	<u>20,205</u>
Business-type activities:						
Water	2,474	2,362	2,450	2,732	2,270	2,914
Environmental services	1,851	1,880	1,950	2,094	1,409	2,814
Total business-type activities expenses	<u>4,325</u>	<u>4,242</u>	<u>4,400</u>	<u>4,826</u>	<u>3,679</u>	<u>5,728</u>
Total primary government expenses	<u>\$ 22,772</u>	<u>\$ 18,845</u>	<u>\$ 17,337</u>	<u>\$ 19,645</u>	<u>\$ 18,115</u>	<u>\$ 25,933</u>
Program Revenues						
Governmental activities:						
Charges for services:						
General government	\$ 3,336	\$ 2,564	\$ 3,134	\$ 3,955	\$ 3,527	\$ 6,473
Culture and recreation	1,201	-	-	-	-	1,321
Public safety	334	-	-	-	-	753
Highways and streets	24	-	-	-	-	243
Operating grants and contributions	5,550	2,102	2,716	2,411	2,374	4,127
Total governmental activities program revenues	<u>10,445</u>	<u>4,666</u>	<u>5,850</u>	<u>6,366</u>	<u>5,901</u>	<u>12,917</u>
Business-type activities:						
Charges for services:						
Water	2,747	2,589	2,295	2,498	2,958	2,615
Environmental services	1,812	1,811	1,870	1,899	2,244	2,020
Operating grants and contributions	-	-	-	-	-	865
Total business-type activities program revenues	<u>4,559</u>	<u>4,400</u>	<u>4,165</u>	<u>4,397</u>	<u>5,202</u>	<u>5,500</u>
Total primary government program revenues	<u>\$ 15,004</u>	<u>\$ 9,066</u>	<u>\$ 10,015</u>	<u>\$ 10,763</u>	<u>\$ 11,103</u>	<u>\$ 18,417</u>

Continued on next page

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

	Fiscal Year Ended					
	2003	2004	2005	2006	2007	2008
Net (Expense) Revenue						
Governmental activities	\$ (8,002)	\$ (9,937)	\$ (7,087)	\$ (8,453)	\$ (8,535)	\$ (7,288)
Business-type activities	234	158	(235)	(429)	1,523	(228)
Total primary government expenses	<u>\$ (7,768)</u>	<u>\$ (9,779)</u>	<u>\$ (7,322)</u>	<u>\$ (8,882)</u>	<u>\$ (7,012)</u>	<u>\$ (7,516)</u>
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Taxes						
Property taxes, levied for general purposes	\$ 4,123	\$ 7,728	\$ 5,520	\$ 5,760	\$ 6,675	\$ 5,264
Property taxes, levied for debt service	1,132	911	811	854	931	769
Franchise taxes	1,706	1,829	1,711	1,460	2,098	1,686
Grants and contributions not restricted	253	-	-	382	279	263
Unrestricted investment earnings	254	144	171	210	468	420
Transfers	112	180	165	(1,866)	1,092	(132)
Total governmental activities	<u>7,580</u>	<u>10,792</u>	<u>8,378</u>	<u>6,800</u>	<u>11,543</u>	<u>8,270</u>
Business-type activities:						
Unrestricted investment earnings	81	47	20	44	110	109
Net income on investment in joint venture	351	287	278	488	621	288
Transfers	-	-	-	1,866	(1,092)	132
Total business-type activities	<u>432</u>	<u>334</u>	<u>298</u>	<u>2,398</u>	<u>(361)</u>	<u>529</u>
Total primary government	<u>\$ 8,012</u>	<u>\$ 11,126</u>	<u>\$ 8,676</u>	<u>\$ 9,198</u>	<u>\$ 11,182</u>	<u>\$ 8,799</u>
Change in Net Assets						
Governmental activities	\$ (422)	\$ 855	\$ 1,291	\$ (1,653)	\$ 3,008	\$ 982
Business-type activities	666	492	63	1,969	1,162	301
Total primary government	<u>\$ 244</u>	<u>\$ 1,347</u>	<u>\$ 1,354</u>	<u>\$ 316</u>	<u>\$ 4,170</u>	<u>\$ 1,283</u>

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CITY OF WEST LINN, OREGON
Governmental Activities Tax Revenues by Source
for the last six fiscal years ¹
(modified accrual basis of accounting)

Fiscal year	Property tax	Franchise tax	Motor fuel tax²	Alcoholic beverage tax²	Total
2003	\$ 8,471,069	\$ 1,706,007	\$ 943,841	\$ 202,288	\$ 11,323,205
2004	8,712,331	1,828,703	967,752	214,322	11,723,108
2005	6,440,143	1,711,039	1,156,516	203,690	9,511,388
2006	6,650,854	1,459,842	1,166,254	266,193	9,543,143
2007	7,531,540	2,098,041	1,129,618	252,951	11,012,150
2008	5,965,524	1,685,632	1,057,792	275,206	8,984,154

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

² Motor fuel and alcoholic beverage taxes are not directly assessed by the City of West Linn, but rather by the State of Oregon, and then a portion is allocated to the City based upon population.

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

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

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

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

	Fiscal Year Ended					
	2003	2004	2005	2006	2007	2008
Revenues:						
Property taxes	\$ 8,471,069	\$ 8,712,331	\$ 6,440,143	\$ 6,650,854	\$ 7,531,540	\$ 5,965,524
Intergovernmental	2,353,038	2,102,137	2,716,878	2,410,889	2,374,184	2,371,677
Franchise fees	1,706,007	1,828,703	1,711,039	1,459,842	2,098,041	1,685,632
Licenses and fees	628,525	548,215	703,169	672,024	1,155,020	1,108,494
Fines and forfeitures	378,226	314,451	463,254	513,503	567,159	517,662
Charges for services	1,216,947	1,803,957	2,160,498	2,373,428	452,744	5,770,614
Systems development charges	1,165,220	774,017	622,099	1,155,017	1,209,582	963,567
Investment earnings	256,499	142,692	173,518	202,996	467,203	419,705
Miscellaneous	1,000,893	150,248	164,664	382,899	279,634	263,531
Total revenues	<u>17,176,424</u>	<u>16,376,751</u>	<u>15,155,262</u>	<u>15,821,452</u>	<u>16,135,107</u>	<u>19,066,406</u>
Expenditures:						
Current:						
General government	5,597,314	4,419,135	4,615,175	4,810,789	4,464,283	5,334,764
Culture and recreation	2,787,800	2,810,471	3,591,126	2,908,948	2,973,587	4,274,399
Public safety	6,141,779	5,971,735	4,323,057	4,578,620	4,545,133	5,642,339
Highways and streets	1,315,363	1,199,738	1,614,965	1,534,138	1,043,943	1,236,200
Capital outlay	1,242,161	764,912	756,008	2,188,791	1,363,980	1,611,978
Debt service:						
Principal	425,000	616,092	654,887	590,000	625,000	670,000
Interest	536,800	729,153	694,268	669,356	639,505	626,604
Total expenditures	<u>18,046,217</u>	<u>16,511,236</u>	<u>16,249,486</u>	<u>17,280,642</u>	<u>15,655,431</u>	<u>19,396,284</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(869,793)</u>	<u>(134,485)</u>	<u>(1,094,224)</u>	<u>(1,459,190)</u>	<u>479,676</u>	<u>(329,878)</u>
Other financing sources (uses):						
Transfers from other funds	2,279,927	1,909,921	1,655,936	3,731,852	3,908,392	713,200
Transfers to other funds	(2,279,927)	(1,909,921)	(1,655,936)	(4,345,554)	(2,937,904)	(713,200)
Residual equity transfers	-	-	-	-	-	7,606
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(613,702)</u>	<u>970,488</u>	<u>7,606</u>
Net change in fund balances	<u>\$ (869,793)</u>	<u>\$ (134,485)</u>	<u>\$ (1,094,224)</u>	<u>\$ (2,072,892)</u>	<u>\$ 1,450,164</u>	<u>\$ (322,272)</u>
Debt service as a percentage of noncapital expenditures	5.7%	8.5%	8.7%	8.3%	8.8%	7.3%

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

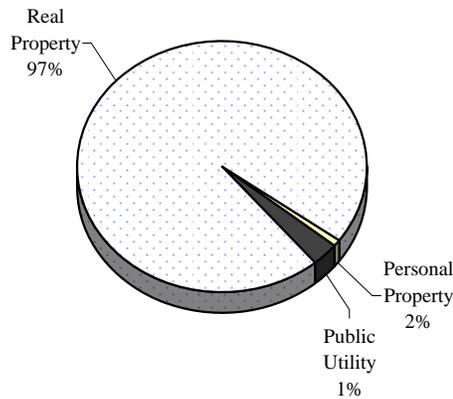
CITY OF WEST LINN, OREGON
Assessed Value and Estimated Real Market Value of Taxable Property
for the last five fiscal years
(in thousands of dollars)

<u>Assessed value</u>						<u>Total direct tax rate</u>	<u>Estimated real market value (RMV)</u>	<u>Assessed value as a percentage of RMV</u>
<u>Fiscal year</u>	<u>Real property</u>	<u>Personal property</u>	<u>Manuf'd structure</u>	<u>Public utility</u>	<u>Total</u>			
2004	\$ *	\$ *	\$ *	\$ *	\$2,173,835,372	\$17.9708	\$ 2,895,041,280	75%
2005	*	*	*	*	2,266,911,704	18.1834	3,186,256,026	71%
2006	2,297,035,876	19,771,894	1,529,407	51,125,300	2,369,462,477	18.2784	3,807,332,655	62%
2007	2,429,084,775	23,088,571	97,310	64,467,300	2,516,737,956	18.4823	4,464,348,037	56%
2008	2,551,018,947	24,133,819	13,260	80,383,350	2,655,549,376	18.0459	4,507,161,484	59%

Sources: Clackamas County Assessor's Office

* Total assessed value is available for this fiscal year; however, the underlying allocation is unavailable.

**Real Market Value by Type
for the fiscal year ended 2008**

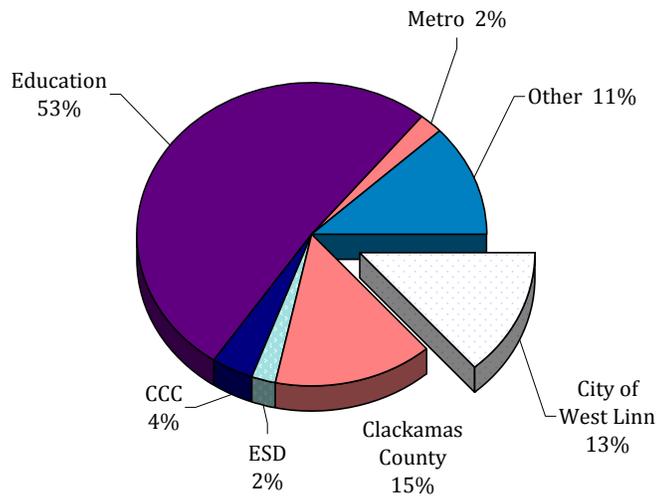


CITY OF WEST LINN, OREGON
Property Tax Rates - Direct and Overlapping Governments
for the last five fiscal years
(rate per \$1,000 of assessed value)

Fiscal year	City direct rates				Overlapping rates						Total direct and overlapping
	Permanent tax rate	Local option levy rate	Bonded debt tax rate	Total direct	Clackamas county	Education service district	Clackamas community college	West Linn Wilsonville school district	Metro	Other	
2004	2.1200	0.5050	0.3820	3.0070	2.53	0.36	0.72	9.30	0.26	1.79	17.97
2005	2.1200	0.5050	0.3877	3.0127	2.53	0.36	0.73	9.31	0.27	1.97	18.18
2006	2.1200	0.4844	0.4221	3.0265	2.59	0.36	0.77	9.23	0.28	2.04	18.28
2007	2.1200	-	0.3117	2.4317	2.80	0.36	0.74	9.24	0.42	2.49	18.48
2008	2.1200	-	0.3117	2.4317	2.70	0.36	0.74	9.24	0.42	2.15	18.05

Source: Clackamas County Assessor's Office

Property Tax Rates
 Direct and Overlapping Governments
 for the fiscal year ended 2008



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

Name	2008			1999		
	Assessed value	Rank	% of total value	Assessed value	Rank	% of total value
Portland General Electric	\$ 59,828,000	1	2.3%	\$ 14,387,600	1	1.0%
West Linn Paper Prop. Co.	28,967,604	2	1.1%	10,915,020	2	0.8%
Blackhawk Nevada LLC	22,874,274	3	0.9%	-		
Simpson Realty Group	22,869,388	4	0.9%	4,916,410	3	0.4%
West Linn Shopping Center	17,278,887	5	0.7%	-		
Cascade Summit Retail, LLC	15,332,521	6	0.6%	-		
NW Natural Gas	12,363,700	7	0.5%	6,443,000	4	0.5%
Summerlinn Apartments LLC	11,878,586	8	0.4%	-		
VPC-OR West Linn Limited	8,193,130	9	0.3%	-		
Renaissance Custom Homes LLC	7,909,209	10	0.3%	-		
Deerpoint/Linnwood Partners	-			7,801,530	5	0.6%
Bean Terrence	-			4,207,180	6	0.3%
Wesrt EA Family LLC	-			4,072,500	7	0.3%
West Linn Paper Co.	-			4,032,610	8	0.3%
Dejardin Family LTD Partnership	-			3,782,910	9	0.3%
Hidden Springs LTD Partnership	-			3,277,550	10	0.2%
Sub-total, top ten	207,495,299		7.8%	63,836,310		4.5%
All other City taxpayers	2,448,054,077		92.2%	1,339,946,950		95.5%
Total City Taxpayers	\$ 2,655,549,376		100.0%	\$ 1,403,783,260		100.0%

Source: Clackamas County Assessor's Office.

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

Fiscal year	Taxes levied for the fiscal year	Collected within the fiscal year of the levy		Collections in subsequent years	Total collections to date	
		Amount	Percentage of levy		Amount	Percentage of levy
2003	\$ 8,704,534	\$ 8,165,313	94	305,756	\$ 8,471,069	97
2004	8,879,234	8,411,997	95	300,334	8,712,331	98
2005	6,553,401	6,189,539	94	250,604	6,440,143	98
2006	6,864,067	6,466,573	94	184,281	6,650,854	97
2007	7,759,907	7,361,694	95	169,846	7,531,540	97
2008	6,123,920	5,725,473	93	240,051	5,965,524	97

Sources: Annual financial statements of the City of West Linn



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

Fiscal year	Governmental Activities		Business-type Activities		Total primary government	Percentage of personal income	Per capita
	General obligation bonds	Full Faith and Credit Obligations	Water Limited Revenue bonds				
2002	\$ 11,230,000	\$ 4,170,000	\$ 1,750,000		\$ 17,150,000	26.48	732
2003	10,805,000	4,030,000	1,695,000		16,530,000	25.06	694
2004	10,425,000	3,885,000	1,640,000		15,950,000	22.74	665
2005	10,020,000	3,735,000	1,580,000		15,335,000	20.98	637
2006	9,590,000	3,575,000	1,515,000		14,680,000	18.67	607
2007	9,130,000	3,410,000	1,450,000		13,990,000	16.70	579
2008	8,635,000	3,235,000	1,380,000		13,250,000	*	543

Source: Annual financial statements of the City of West Linn

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

Fiscal year	General obligation bonds	Less: amounts available in debt service fund	Net	Percentage of estimated actual assessed value of property¹	Per capita²
2002	\$ 11,230,000	\$ (119,711)	\$ 11,110,289	*	474
2003	10,805,000	(345,802)	10,459,198	*	439
2004	10,425,000	(364,826)	10,060,174	0.46%	420
2005	10,020,000	(285,478)	9,734,522	0.43%	404
2006	9,590,000	(251,455)	9,338,545	0.39%	386
2007	9,130,000	(272,710)	8,857,290	0.35%	366
2008	8,635,000	(116,773)	8,518,227	0.32%	349

Note: Details regarding the City's outstanding debt can be found in the notes to basic financial statements.

¹ Property value data can be found on the assessed value and estimated real market value of taxable property on page 97.

² Population data can be found in the demographic statistic on page 106.

CITY OF WEST LINN, OREGON
Direct and Overlapping Governmental Activities Debt
as of June 30, 2008

<u>Governmental unit</u>	<u>Real Market Values of Overlapping Districts</u>	<u>Tax-Supported Debt Outstanding</u>	<u>Percentage Overlapping</u>	<u>Overlapping Debt Applicable to the City of West Linn</u>
Debt repaid with property taxes:				
West Linn Wilsonville School District	\$ 8,988,924,034	\$ 114,852,238	49.19%	\$ 56,501,099
Clackamas Community College	41,295,048,861	40,204,996	10.71%	4,305,352
Clackamas County	57,192,695,090	48,775,001	7.81%	3,807,279
Metro	207,515,773,322	205,626,691	2.15%	4,423,647
Tualatin Valley Fire and Rescue	63,977,940,375	1,475,000	6.98%	102,924
Tri-Met	206,303,713,216	44,395,009	2.16%	960,708
Lake Oswego School District No. 7J	10,406,873,745	77,079,006	0.41%	313,172
Portland Community College	<u>163,395,899,788</u>	<u>444,054</u>	2.59%	<u>11,501</u>
Subtotal, overlapping debt	759,076,868,431	532,851,995		70,425,682
Direct debt outstanding:				
City of West Linn	<u>4,507,161,484</u>	<u>11,870,000</u>	100.00%	<u>11,870,000</u>
Total direct and overlapping debt outstanding	<u>\$ 763,584,029,915</u>	<u>\$ 544,721,995</u>		<u>\$ 82,295,682</u>

Source: Oregon State Treasury Department, Debt Management Division

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

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Debt maximum limitation	\$ 78,166,115	\$ 86,851,238	\$ 114,219,980	\$ 133,930,441	\$ 135,214,845
Debt applicable to maximum limit	<u>10,060,174</u>	<u>9,734,522</u>	<u>9,338,545</u>	<u>8,857,290</u>	<u>11,753,227</u>
Legal debt margin available	<u>\$ 68,105,941</u>	<u>\$ 77,116,716</u>	<u>\$ 104,881,435</u>	<u>\$ 125,073,151</u>	<u>\$ 123,461,618</u>
Debt applicable to the maximum limit as a percentage of debt limitation	12.87%	11.21%	8.18%	6.61%	8.69%

Legal debt margin calculation for fiscal year ended 2007-08

Total property real market value	\$ 4,507,161,484
	<u>3%</u>
Debt maximum limitation (3% of total property real market value)	<u>135,214,845</u>
Amount of debt applicable to debt limit:	
Total bonded debt	13,250,000
Less debt excluded from debt limit:	
Revenue bonds, Series 2000 Water	(1,380,000)
Less funds applicable to the payment of principal in the Debt Service Fund per ORS 287.004	<u>(116,773)</u>
Net amount of debt applicable to limit	<u>11,753,227</u>
Legal debt margin - amount available for future indebtedness	<u>\$ 123,461,618</u>
Percentage of City's indebtedness to total allowed	8.7%

Note: Pursuant to Oregon Revised Statutes 287-004, outstanding general obligation debt is limited to 3 percent of real market value

Source: Clackamas County Department of Assessment and Taxation

CITY OF WEST LINN, OREGON

Pledged-Revenue Coverage
for the last five fiscal years

Fiscal year	Water Revenue Bonds						Coverage
	Utility service charges¹	Less: operating expenses²	Net available revenue	Debt service requirements			
				Principal	Interest		
2004	\$ 2,610,461	\$ 2,007,494	\$ 602,967	\$ 55,000	\$ 95,811	4.00	
2005	2,301,095	2,003,300	297,795	60,000	92,863	1.95	
2006	2,512,238	2,266,952	245,286	65,000	89,580	1.59	
2007	2,977,884	2,347,364	630,520	65,000	86,103	4.17	
2008	2,640,413	2,396,602	243,811	70,000	82,440	1.60	

¹ Includes operating revenue plus interest income on operating earnings

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

Source: Annual financial statements of the City of West Linn

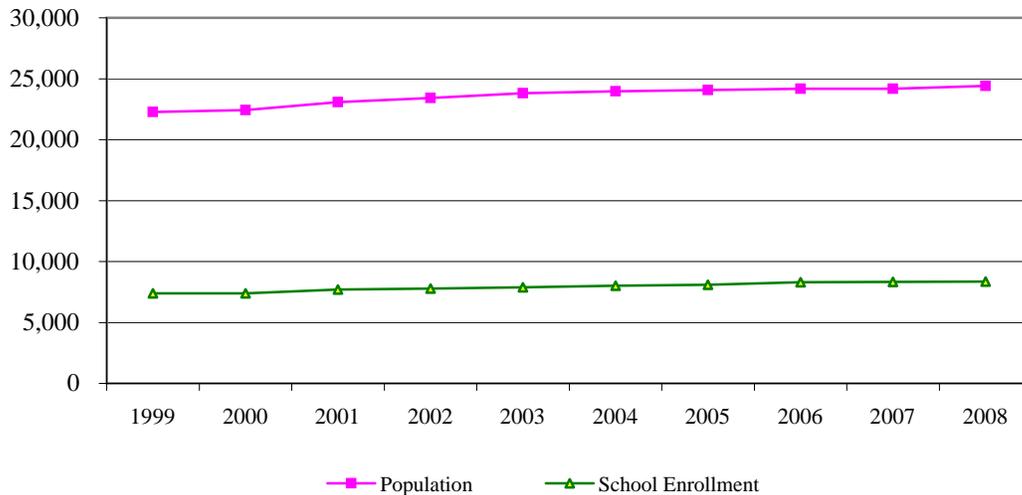
CITY OF WEST LINN, OREGON
Demographic and Economic Statistics
for the last ten fiscal years

Fiscal year	Population	Personal income (in millions)	Per capita personal income	School enrollment	Unemployment rate
1999	22,261	\$ 56,918	\$ 33,669	7,377	4.5%
2000	22,440	62,190	36,568	7,386	4.6
2001	23,090	63,892	35,658	7,700	4.8
2002	23,430	64,755	35,316	7,793	5.5
2003	23,820	65,959	35,973	7,895	6.7
2004	23,970	70,144	37,631	8,016	7.5
2005	24,075	73,087	39,116	8,104	6.9
2006	24,180	78,618	41,378	8,315	5.3
2007	24,180	83,765	38,511	8,340	4.1
2008	24,405	*	*	8,350	3.9

* Information unavailable at this time

Sources: Center for Population Research and Census, Portland State University
State of Oregon Employment Division (Portland PMSA)
West Linn-Wilsonville School District

Population and School Enrollment Trends



CITY OF WEST LINN, OREGON

Principal Employers *current year and nine years ago*

<u>Employer</u>	<u>2008</u>			<u>1999</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of total City employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of total City employment</u>
West Linn - Wilsonville SD	750	1	5.77%	630	1	4.23%
Tanner Spring Assisted Living	250	2	1.92	*		
West Linn Paper Sales Co	250	3	1.92	*		
Safeway	170	4	1.31	*		
Technocom Inc (ESP Tech)	140	5	1.08	*		
City of West Linn	130	6	1.00	149		1.00
Albertsons	100	7	0.77	*		
Rose Linn Vintage Place	80	8	0.62	*		
Oregon Golf Club	80	9	0.62	*		
Pond Maintenance Services	75	10	0.58	*		
Zupan's Market	70	11	0.54	*		
Laidlaw Transit Inc	70	12	0.54	*		
Elton Enterprises IV Inc	70	13	0.54	*		
Total	2,235		8.94%			

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

Source: Chamber of Commerce and Clackamas County

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

Function/Program	Fiscal Year Ended							
	2001	2002	2003	2004	2005	2006	2007	2008
General government	15.50	15.50	15.75	16.75	17.50	18.00	19.00	17.00
Public safety	37.50	37.50	37.50	39.00	40.00	44.60	44.60	44.60
Culture and recreation	30.80	33.80	34.80	34.80	34.80	38.80	38.80	39.20
Community development	12.00	11.00	11.00	11.50	11.50	5.00	5.00	5.50
Highways and streets	5.25	5.25	5.25	4.95	5.30	7.00	7.00	7.00
Water	7.81	7.81	7.81	7.91	7.56	7.00	7.00	6.00
Sewer and surface water	9.44	9.44	10.04	10.24	10.24	7.00	7.00	7.00
Public works	14.30	12.30	11.70	11.70	11.70	10.60	10.60	12.10
Total	132.60	132.60	133.85	136.85	138.60	138.00	139.00	138.40

Source: City of West Linn's Finance department

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

Function/Program	Fiscal Year Ended				
	2004	2005	2006	2007	2008
Governmental activities:					
Public safety					
Police Contacts	18,904	18,521	18,559	16,933	16,655
Citations:					
Traffic	2,274	2,141	2,435	2,109	2,153
Criminal	87	98	90	103	74
Parking	801	1,068	845	1,029	922
City Ordinance	57	68	48	59	69
Non-Traffic Violation	49	54	71	86	120
Impound Hearing	-	-	-	-	1
Culture and recreation					
Library volunteer hours	4231	4409	4454	4634	5803
Library - average items circulated per capita	21.96	23.87	24.43	25.01	25.75
Community development					
Residential building permits issued	47	67	58	81	67
Land use applications processed	36	48	-	-	-
Business-type activities:					
Water	*	*	*	*	*
Service connections	7,216	7,517	7,749	8,072	8,322
Average daily consumption (in thousands of gallons)	4,971	5,178	5,339	5,561	5,733
Sanitary sewer					
Service connections	7,216	7,439	7,749	7,989	8,322
Average daily sewage treatment (in thousands of gallons)	4,509	4,649	4,842	4,992	5,200

* These are estimated amounts based upon best historic information available

Source: City of West Linn's Finance department

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

<u>Function/Program</u>	<u>2008</u>	<u>1999</u>
Governmental activities:		
General government		
City-owned building facilities	5	4
Public safety		
Police stations	1	1
Patrol units	10	8
Culture and recreation		
Park and open space acreage	620	550
Baseball/softball fields	2	1
Community development		
Value of new building construction (in thousands)	50,772	22,125 *
Highways and streets		
Miles of streets	102	97
Miles of bikeways	70	40
Surface water catch basins	2,300	2,000 *
Miles of Side walk	90	65 *
Business-type activities:		
Water		
Water mains (miles)	214	202 *
Maximum daily capacity (in thousands of gallons)	16,000	12,500 *
Sanitary sewer		
Sanitary sewer (miles)	186	172 *
Maximum daily treatment capacity (in thousands of gallons)	8,500	6,000 *

* These are estimated amounts based upon best historic information available

Source: City of West Linn's Finance department

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

SECTION IV

COMPLIANCE SECTION

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COMPLIANCE SECTION

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

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

- Independent Auditor's Comments and Disclosures Required by the Minimum Standards for Audits of Oregon Municipal Corporations
- Independent Auditor's Report on Internal Controls over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

February 27, 2009

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Linn, Oregon (the City), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 27, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and *Minimum Standards for Audits of Oregon Municipal Corporations*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Our report relating to internal control over financial reporting is contained on pages 119 through 121 of this report.

ADEQUACY OF ACCOUNTING RECORDS

The City's accounting records were reasonably maintained and adequate to support our audit of the basic financial statements.

ADEQUACY OF COLLATERAL SECURING DEPOSITORY BALANCES

Oregon Revised Statutes Chapter 295 requires that each depository throughout the period of its possession of public fund deposits shall maintain on deposit with its custodians, at its own expense, securities having a value 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 that collateral was sufficient during the year ended June 30, 2008.

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

Page 2

INVESTMENTS

Our review of deposit and investment balances indicated that, during the year ended June 30, 2008, the City was in compliance with ORS 294 as it pertains to investment of public funds.

LEGAL REQUIREMENTS RELATING TO DEBT

The general obligation bonded debt of the City is in compliance with the limitation imposed by ORS 287.004. We noted no defaults in principal, interest, sinking fund, or redemption provisions with respect to any of the City's bonded debt. We noted the following breach of the bond agreements, at June 30, 2008; (1) the June 30, 2007, audit report was not filed on a timely basis, and (2) the City did not establish a separate bond reserve account in its accounting system.

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, 2008, and the preparation and adoption of its budget for the year ending June 30, 2009, except the City over expended its appropriations for Interfund Transfers as follows:

- General Fund \$16,676
- Public Works Support Services Fund \$228,665*
- Vehicle/Equipment Maintenance Fund \$7,606*

*These over expenditures were the result of closing these funds and transferring their residual equity to the General Fund.

The Building Inspection Fund had a GAAP basis deficit fund balance of \$66,148 at June 30, 2008.

A description of the budgeting process is included in the Notes to Basic Financial Statements.

INSURANCE POLICIES AND FIDELITY BONDS

We have reviewed the City's insurance and fidelity bond coverage at June 30, 2008. We ascertained that such policies appeared to be in force and in compliance with legal requirements relating to insurance and fidelity bond coverage. We are not competent by training to comment on the adequacy of the insurance policies covering City property at June 30, 2008.

PUBLIC CONTRACTS

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

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

Page 3

PROGRAMS FUNDED FROM OUTSIDE SOURCES

We have reviewed the City's compliance with appropriate laws, rules and regulations that could have a material impact on the basic financial statements for programs funded wholly or partially by other governmental agencies. The City appears to have complied with all appropriate rules and regulations that could have a material effect on the financial statements.

HIGHWAY FUNDS

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

OTHER

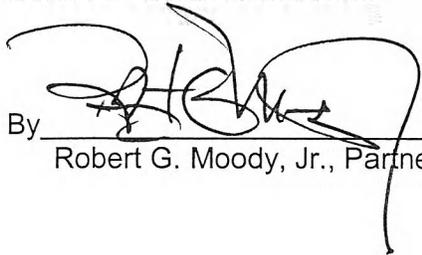
The following comments required by Oregon Minimum Standards are not applicable to the City:

- Financial Reporting Requirements
- Average daily membership

* * * * *

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

TALBOT, KORVOLA & WARWICK, LLP
Certified Public Accountants

By  _____
Robert G. Moody, Jr., Partner

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

February 27, 2009

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information for the City of West Linn, Oregon, (the City) as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 27, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity'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 entity's financial statements that is more than inconsequential, will not be prevented or detected by the entity's internal control. We consider the deficiencies discussed below to be significant deficiencies in internal control over financial reporting.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (Continued)

Page 2

INTERNAL CONTROL OVER FINANCIAL REPORTING (Continued)

2008-1 Segregation of Duties and Supervisory Review

We noted multiple areas within the City where the segregation of duties and evidence of supervisory review was inadequate, contributing to a lack of effective internal control. Individuals within the City should not have responsibility for more than one of the following functions with regard to financial information: authorization, custody, record keeping and reconciliation. These functions should also be the subject of evidenced supervisory review.

2008-2 Review of Journal Entries

With respect to journal entries posted to the general ledger, we noted a lack of supervisory review which creates the potential for the preparation of inaccurate financial statements.

2008-3 Reconcile Utility Billings

We noted that the City does not reconcile its detailed utility billing records with the amount recorded in the general ledger. In addition, detailed utility billing records by customer are not reconciled to the total billed in each utility billing cycle. We also noted that the City employed a third party – Meter Readers to obtain consumption by individual households for purposes of utility billing. Upon transfer of this information, the Utility Billing Clerk had the ability to adjust this information without review and approval by appropriate supervisory personnel. This raises the possibility of customers' usage being improperly or inaccurately adjusted, resulting in the potential for lost revenue to the City.

2008-4 Bank Reconciliation

We noted that the City did not fully complete its bank reconciliations for the period September 2007 through December 2008 prior to the audit. Performing bank reconciliations is necessary to ensure the accuracy of the accounting records and the financial statements.

2008-5 Controls over ACH Transfers

We noted that there is a lack of control regarding ACH transfers. Multiple individuals can initiate the transfers without review or approval, and the ACH file can be manually altered prior to being sent to the bank.

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 by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider items 2008-1 through 2008-5 to be material weaknesses.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (Continued)**

Page 3

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated February 27, 2009.

* * * * *

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



Certified Public Accountants



<http://westlinnoregon.gov>

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West Linn, Oregon 97068

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