



FINANCE DEPARTMENT

# Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2009

# CITY OF WEST LINN, OREGON

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2009

prepared by

Finance Department  
City of West Linn, Oregon

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

### COVER PHOTOGRAPHY

ONE OF SEVERAL CITY FACILITIES, THE WEST LINN LIBRARY WAS REMODELED IN 2002 AND INCLUDES 28,000 SQUARE FEET OF WELCOMING FACILITY SPACE. THE REMODEL WAS FUNDED BY A \$3.9 MILLION BOND MEASURE WHICH VOTERS APPROVED IN MAY 2000.

LIBRARY FINANCIAL OPERATIONS, WHICH ARE PRESENTED ON PAGE 66, HAVE STABILIZED WITH THE VOTER-APPROVED FORMATION OF THE CLACKAMAS COUNTY LIBRARY DISTRICT IN NOVEMBER 2008 WHICH PROVIDES DEDICATED FUNDING FOR LIBRARY SERVICES THROUGHOUT CLACKAMAS COUNTY.



*THIS REPORT WAS PRINTED  
ON RECYCLED PAPER*



*This report was printed on recycled paper*

**CITY OF WEST LINN, OREGON**  
 Comprehensive Annual Financial Report  
 For the fiscal year ended June 30, 2009

**TABLE OF CONTENTS**

	Page
<b>I. INTRODUCTORY SECTION</b>	
Letter of Transmittal	1
Certificate of Achievement for Excellence in Financial Reporting	5
Elected and Appointed Officials	6
Organizational Chart	7
Audit Committee	8
<b>II. FINANCIAL SECTION</b>	
Independent Auditor's Report	11
Management's Discussion and Analysis	13
<b>Basic Financial Statements</b>	
Government-wide Financial Statements	
Statement of Net Assets	24
Statement of Activities	25
Fund Financial Statements	
Balance Sheet – Governmental Funds	26
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	27
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	28
Statement of Net Assets – Proprietary Funds	29
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	30
Statement of Cash Flows – Proprietary Funds	31
Notes to Basic Financial Statements	32
<b>Required Supplementary Information</b>	
Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Major Governmental Funds	
General Fund	52
Public Safety Fund	53
Parks and Recreation Fund	54
Street Fund	55
Systems Development Charges Fund	56
Notes to Required Supplementary Information	58

**CITY OF WEST LINN, OREGON**

Comprehensive Annual Financial Report  
For the fiscal year ended June 30, 2009

**TABLE OF CONTENTS, CONTINUED**

	Page
<b>Supplementary Information</b>	
Combining and Individual Fund Statements and Schedules	
Combining Balance Sheet – Nonmajor Governmental Funds	62
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	63
Combining Balance Sheet – Nonmajor Special Revenue Funds	64
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit) – Nonmajor Special Revenue Funds	65
Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Nonmajor Governmental Funds	
Library Fund	66
Communications Fund	67
Building Inspection Fund	68
Planning Fund	69
Debt Service Fund	70
Parks Bond Construction Fund	71
Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Proprietary Funds	
Water Fund	73
Environmental Services Fund	74
Notes to Supplementary Information	75
<b>Other Financial Schedules</b>	
Schedule of Property Tax Transactions and Outstanding Balances	77
Schedule of Accountability of Independently Elected Officials	78

**CITY OF WEST LINN, OREGON**

Comprehensive Annual Financial Report  
For the fiscal year ended June 30, 2009

**TABLE OF CONTENTS, CONTINUED**

	Page
<b>III. STATISTICAL SECTION</b>	
Net Assets by Component	81
Changes in Net Assets	82
Governmental Activities Tax Revenues by Source	84
Fund Balances of Governmental Funds	85
Changes in Fund Balances of Governmental Funds	86
Assessed Value and Estimated Real Market Value of Taxable Property	87
Property Tax Rates – Direct and Overlapping Governments	88
Principal Property Taxpayers	89
Property Tax Levies and Collections	90
Ratios of Outstanding Debt by Type	91
Ratios of General Bonded Debt Outstanding	92
Direct and Overlapping Governmental Activities Debt	93
Legal Debt Margin Information	94
Pledged-Revenue Coverage	95
Demographic and Economic Statistics	96
Principal Employers	97
Full-time Equivalent City Government Employees by Function	98
Operating Indicators by Function	99
Capital Assets Statistics by Function	100
<b>IV. COMPLIANCE SECTION</b>	
Independent Auditor’s Comments and Disclosures Required by the Minimum Standards for Audits of Oregon Municipal Corporations	103
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 <i>Government Auditing Standards</i>	106

This page intentionally left blank

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

SECTION I

**INTRODUCTORY SECTION**



This page intentionally left blank



# CITY OF West Linn

December 16, 2009

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

The Comprehensive Annual Financial Report (CAFR) of the City of West Linn, Oregon (the City) for the fiscal year ended June 30, 2009 is hereby submitted.

This report presents the financial position of the City as of June 30, 2009 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 Audits Division. We believe the data, as presented, is accurate in all material respects and presented in a manner designed to fairly set forth the financial position and results of operations of the various funds of the City.

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

Talbot, Korvola & Warwick LLP, Certified Public Accountants, have issued an unqualified or "clean" opinion on the City's financial statements for the fiscal year ended June 30, 2009. The independent auditor's opinion is located at page 11 in the Financial Section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A is located on page 13 immediately following the independent auditor's opinion.

## **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 24,500. It is close to the region's business core and urban amenities, with Portland approximately twenty miles to the north. At the same time, the City provides a

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

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

Municipal services are provided by City employees and headed by the City Manager. The City operates its own police department, a municipal court, water, sewer and surface water utilities, street operations, planning, engineering, fleet management, library and extensive year-round 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 15 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, a five percent rate increase for water, sewer, and surface water management fees was approved and effective July 1, 2010, a five percent rate increase was approved for parks and street maintenance fees.

In regards to the City's long-term debt obligations, the City had \$8.1 million outstanding in two general obligation bond issues, \$7.1 million outstanding in two full faith and credit obligations, and \$1.3 million outstanding in a water revenue bond issue, for a total of \$16.5 million in long-term debt outstanding as of June 30, 2009.

## City's Credit Ratings

In 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 include the obligation to levy property taxes without limitation as to rate or amount. The property tax pledge of general obligation bonds is limited by constitutional restrictions on revenue growth.

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.

Going forward, two changes occurred in 2009 coming out of the City's two financial committees. The Citizens Budget Committee moved forward with converting over to a biennial budget. In June 2009, the Citizens Budget Committee adopted the City's first biennial budget for 2010-2011 better aligning with the State's biennial budget and increasing their focus on a longer term. And second, the Audit Committee consisting of Councilors Carson and Kovash, continued their focus on audit oversight by recruiting a citizen member to their committee who is a West Linn resident and a certified public accountant. Welcome Nikki Kobliha and thank you for your service.

## Awards

***Comprehensive Annual Financial Reporting Award.*** For the first time since the late nineties, the City received the *Certificate of Achievement for Excellence in Financial Reporting* award from the Government Finance Officer's Association (GFOA) for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2008. 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.** Also for the City's first time, the GFOA has given their *Award for Outstanding Achievement in Popular Annual Financial Reporting* for the City's Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2008. The *Award for Outstanding Achievement in Popular Annual Financial Reporting* is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government popular reports. In order to receive an *Award for Outstanding Achievement in Popular Annual Financial Reporting*, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

**Distinguished Budget Presentation Award.** The City also received the *Distinguished Budget Presentation Award* for its 2010-2011 biennial budget from the GFOA, making this the third budget document in a row receiving this award. 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.

### **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

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of West Linn,  
Oregon

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2008

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



*Nancy L. Zielle*

President

*Jeffrey R. Emer*

Executive Director

**CITY OF WEST LINN, OREGON**  
 Elected and Appointed Officials

---

<b>Elected Officials</b>	<b>Term Expires</b>
Patti Galle, Mayor	December 31, 2012
Jody Carson, Council President	December 31, 2010
Scott Burgess, Councilor	December 31, 2010
Teri Cummings, Councilor	December 31, 2012
John Kovash, Councilor	December 31, 2012
Heather Karabeika, Municipal Court Judge	December 31, 2011

<b>Appointed Officials</b>	<b>Position</b>
Christopher A. Jordan	City Manager
JORDAN SCHRADER RAMIS PC	Legal Counsel

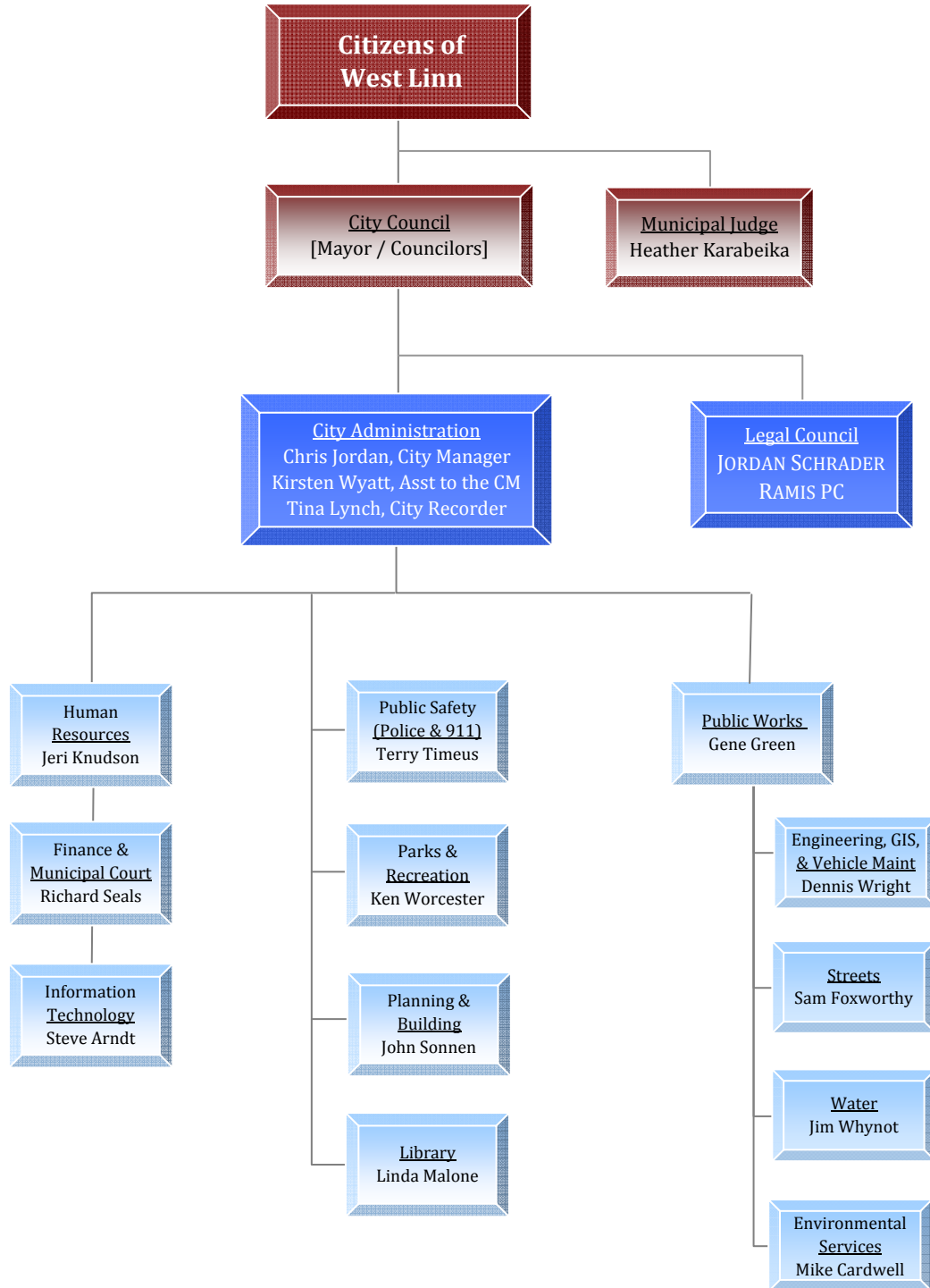
***Key Personnel:***

Steve Arndt	Chief Technology Officer
Casey Camors, CPA	Accounting Manager
Gene Green	Public Works Director
Jeri Knudson	Human Resources Director
Tina Lynch	City Recorder
Linda Malone (interim)	Library Director
Richard Seals, CPA CMA CFM	Finance Director
John Sonnen	Planning Director
Terry Timeus	Police Chief
Ken Worcester	Parks and Recreation Director
Kirsten Wyatt	Assistant to the City Manager

# CITY OF WEST LINN, OREGON

## Organizational Chart

---





**CITY OF WEST LINN, OREGON**  
Audit Committee

---

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

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

<b>Audit Committee Members</b>	<b>Term Expires</b>
Two Council Members:	
Jody Carson, Council President	December 31, 2010
John Kovash, Councilor	December 31, 2012
One Citizen Member:	
Nikki Kobliha, CPA	December 31, 2012

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

**SECTION II**

**FINANCIAL SECTION**

This page intentionally left blank



## INDEPENDENT AUDITOR'S REPORT

December 14, 2009

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

4800 SW Macadam Ave, Suite 400  
Portland, Oregon 97239-3973

P 503.274.2849  
F 503.274.2853

www.tkw.com

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, 2009, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. 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, 2009, and the respective changes in financial position and the cash flows where applicable thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the Schedules of Funding Progress as listed in the Table of Contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

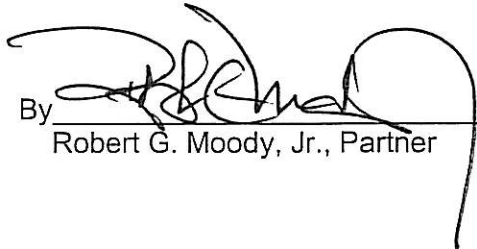
**INDEPENDENT AUDITOR'S REPORT (Continued)**

City Council  
City of West Linn, Oregon  
December 14, 2009  
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Required Supplementary Information, comprised of the Budgetary Comparisons for the General Fund and major special revenue funds as listed in the Table of Contents, as well as the Supplementary Information consisting of combining and individual nonmajor fund financial statements and other schedules, 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. 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, 2009

---

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, 2009. 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

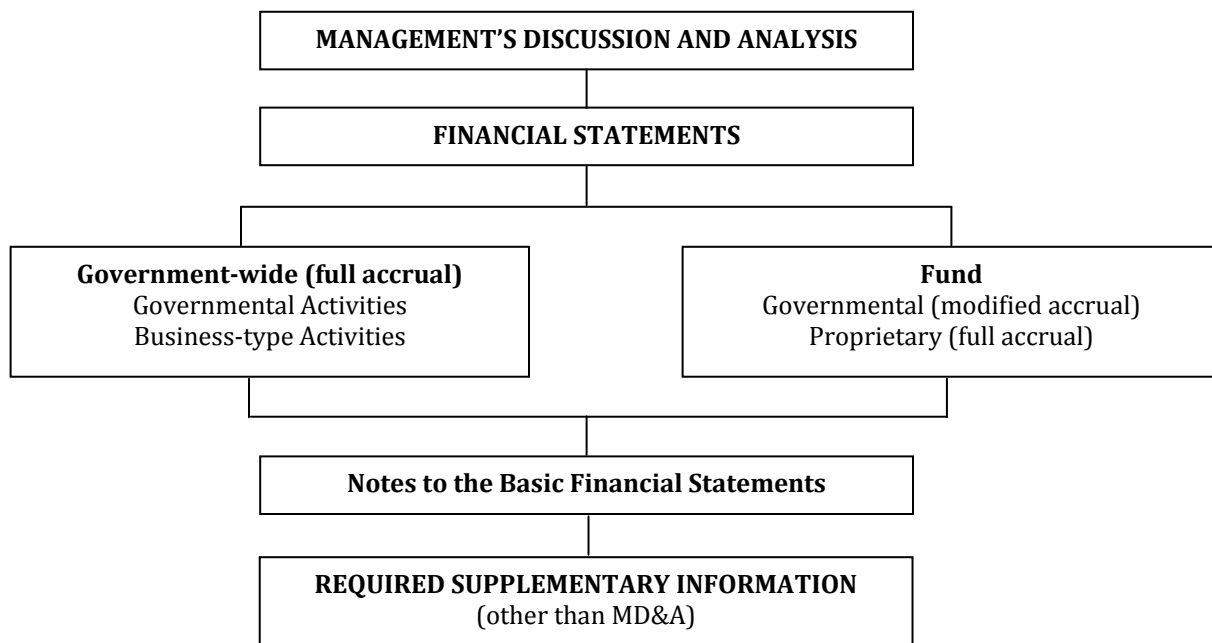
- The City's assets totaled \$285.6 million at June 30, 2009, consisting of \$260.4 million in capital assets, \$8.9 million in unrestricted cash and investments, \$6.7 million in restricted cash and investments, and \$9.6 million in investment in joint venture and other assets. Total assets increased by \$6.5 million from the previous fiscal year.
- The City's liabilities totaled \$22.3 million at June 30, 2009 consisting of \$17.0 million in long-term liabilities and \$5.3 million in accounts payable and other liabilities.
- The assets of the City exceeded its liabilities by \$263.3 million at the close of fiscal year 2009. Unrestricted net assets totaled \$9.8 million with the remainder of the City's net assets invested in capital assets net of related debt (\$246.7 million) and restricted for endowment, capital projects, and debt service (\$6.8 million).
- For its governmental activities, the City generated \$9.4 million in charges for services and received \$3.2 million in operating and capital grants and contributions. Direct expenses, including interest on long-term debt for governmental activities were \$21.8 million for the year, resulting in a net expense of \$9.2 million. \$8.8 million of general revenues were received resulting in a net change in net assets of \$0.4 million.
- For its business-type activities, the City generated \$7.2 million in charges for services and in operating and capital grants and contributions to fund direct expenses of \$6.0 million.
- Fund balance in the City's governmental funds was \$9.8 million at June 30, 2009, up by \$2.6 million from June 30, 2008.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

## Chart 1 - Required Elements of the Comprehensive Annual Financial Report



### Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The *Statement of Net 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 operating and capital grants and contributions 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 \$263.3 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 30<sup>th</sup>**  
*(in millions)*

	Government activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 13.9	\$ 9.7	\$ 11.3	\$ 10.9	\$ 25.2	\$ 20.6
Capital assets	231.7	230.9	28.7	27.6	260.4	258.5
Total assets	245.6	240.6	40.0	38.5	285.6	279.1
Long-term liabilities	15.7	11.3	1.3	1.3	17.0	12.6
Other liabilities	4.3	3.3	1.0	0.9	5.3	4.2
Total liabilities	20.0	14.6	2.3	2.2	22.3	16.8
Net assets:						
Invested in capital assets, net of related debt	219.3	219.0	27.4	26.2	246.7	245.2
Restricted	6.6	4.5	0.2	-	6.8	4.5
Unrestricted (deficit)	(0.3)	2.5	10.1	10.1	9.8	12.6
Total net assets	\$ 225.6	\$ 226.0	\$ 37.7	\$ 36.3	\$ 263.3	\$ 262.3

A portion of the City's net assets (\$6.8 million or about three percent) represents resources that are subject to external restrictions on how they may be used. The balance of *unrestricted net assets* (\$9.8 million or about four percent) may be used to meet the City's ongoing obligations to citizens and creditors.

As of June 30, 2009, 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 \$1.0 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)*

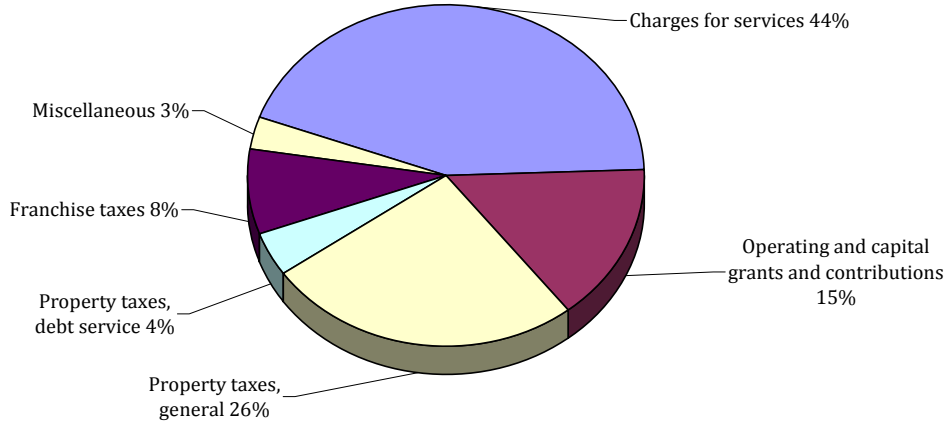
	Governmental Activities		Business-type Activities		Total	
	FY08-09	FY07-08	FY08-09	FY07-08	FY08-09	FY07-08
Revenues						
Program revenues						
Charges for services	\$ 9.4	\$ 8.8	\$ 5.5	\$ 4.9	\$ 14.9	\$ 13.7
Operating grants and contributions	2.5	2.3	-	-	2.5	2.3
Capital grants and contributions	0.7	1.8	1.7	0.9	2.4	2.7
General revenues						
Property taxes	6.4	6.0	-	-	6.4	6.0
Franchise taxes	1.7	1.7	-	-	1.7	1.7
Grants and contributions not restricted to specific programs	0.6	0.3	-	-	0.6	0.3
Miscellaneous	0.1	0.4	0.2	0.1	0.3	0.5
Total revenues	<u>21.4</u>	<u>21.3</u>	<u>7.4</u>	<u>5.9</u>	<u>28.8</u>	<u>27.2</u>
Expenses						
Governmental activities						
General government	6.0	6.0	-	-	6.0	6.0
Culture and recreation	5.4	4.3	-	-	5.4	4.3
Public safety	6.3	5.7	-	-	6.3	5.7
Highways and streets	3.5	1.2	-	-	3.5	1.2
Interest on long-term debt	0.6	0.6	-	-	0.6	0.6
Depreciation	-	2.4	-	-	-	2.4
Business-type activities						
Water	-	-	3.3	2.9	3.3	2.9
Environmental services	-	-	2.7	2.8	2.7	2.8
Total expenses	<u>21.8</u>	<u>20.2</u>	<u>6.0</u>	<u>5.7</u>	<u>27.8</u>	<u>25.9</u>
Change in net assets before transfers	(0.4)	1.1	1.4	0.2	1.0	1.3
Transfers	-	(0.1)	-	0.1	-	-
Change in net assets	(0.4)	1.0	1.4	0.3	1.0	1.3
Net assets - beginning	<u>226.0</u>	<u>225.0</u>	<u>36.3</u>	<u>36.0</u>	<u>262.3</u>	<u>261.0</u>
Net assets - ending	<u>\$ 225.6</u>	<u>\$ 226.0</u>	<u>\$ 37.7</u>	<u>\$ 36.3</u>	<u>\$ 263.3</u>	<u>\$ 262.3</u>

## Governmental Activities

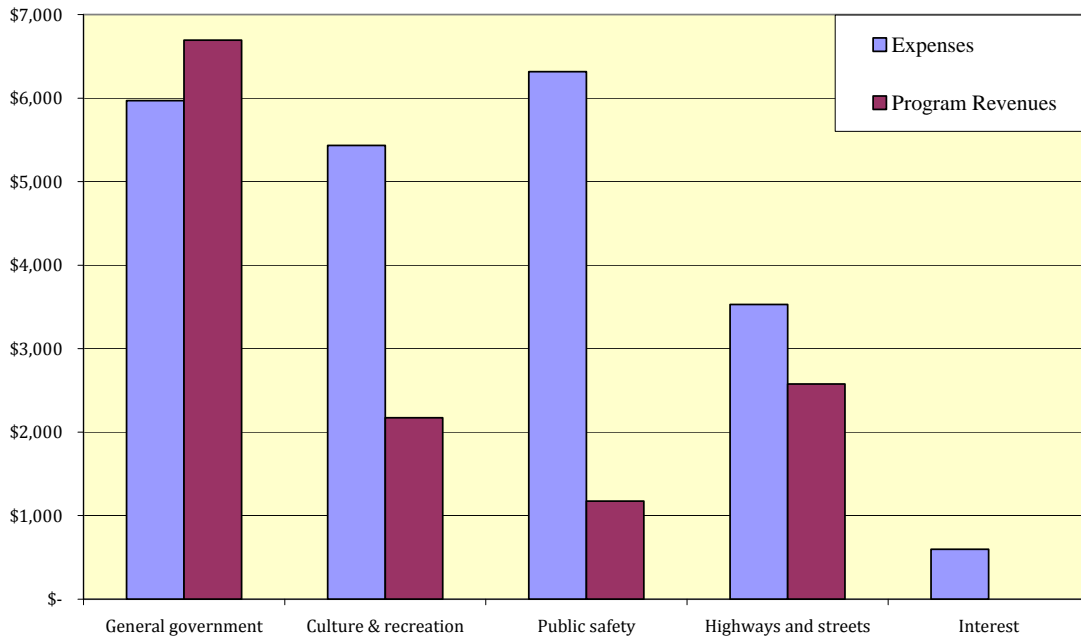
Governmental activities decreased the City's net assets by \$0.4 million in fiscal year 2008-09, as compared to a \$1.0 million increase in the prior fiscal year, 2007-08. Key elements of these changes are illustrated in Table 2 above.

The revenues charted in the following pie chart include all program and general revenues for governmental activities such as property taxes, franchise taxes, charges for services, operating and capital grants and contributions, and miscellaneous. 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)**

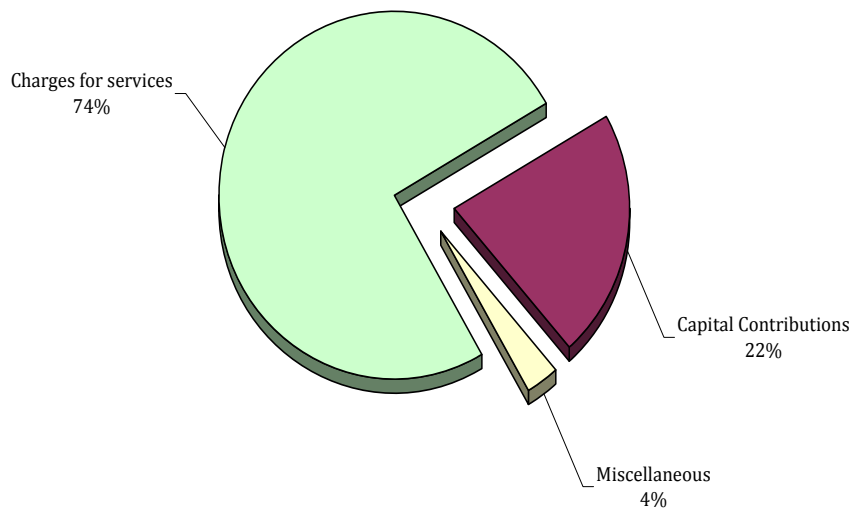


## Business-type Activities

The water fund revenues represent approximately 56 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 \$58,215 in fiscal year 2009.

The environmental services fund revenues represent approximately 44 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. Sewer operations realized a positive margin while surface water management operation had a negative margin.

**Revenues by Source - Business-type Activities**



## FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

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

As of June 30, 2009, the City's governmental funds reported a combined ending fund balance of \$9.8 million, an increase of \$2.6 million when compared to the prior year. Unreserved fund balance, as of June 30, 2009, was \$3.3 million and is available for spending at the City's discretion.

## **General Fund**

The general fund is the chief operating fund of the City. At June 30, 2009, total fund balance was \$1 million. The City's general fund increased by \$0.1 million during the fiscal year 2008-09. Key factors relative to this change are as follows:

- As of July 1, 2008, the general fund absorbed activities related to three previously existing funds, increasing total revenues by 75 percent and total expenditure by 41 percent over the 2007-08 fiscal year.
- Intergovernmental revenues increased by \$0.1 million during the fiscal year 2008-09.

## **Public Safety Fund**

This special revenue fund accounts for police, 911 dispatch, and overall safety activities within City limits. Revenues increased by \$0.2 million from \$4.8 million in the 2007-08 fiscal year to \$5.0 million in the 2008-09 fiscal year. Expenditures in the public safety fund increased by \$0.5 million from \$4.2 million in the 2007-08 fiscal year to \$5.6 million in the 2008-09 fiscal year. The increase in expenditures is due to the increase in personal services reflecting a now fully-staffed city police force. Bonds issued attributed to the public safety fund were \$1.5 million resulting in a \$1.2 million increase in fund balance over the 2007-08 fiscal year.

## **Parks and Recreation Fund**

This special revenue fund is used to account for funding parks and recreation programs throughout the City. Revenues increased by \$0.4 million from \$2.8 million in the 2007-08 fiscal year to \$3.2 million in the 2008-09 fiscal year. This increase was specifically due to an increased property tax revenue allocation and increased charges for service. Expenditures decreased nominally resulting in an increase in fund balance of \$0.3 million for the fiscal year ended June 30, 2009.

## **Street Fund**

This special revenue fund accounts for the operation and maintenance of the City's street and sidewalk systems including medians. Revenue increased by \$0.6 million from \$1.4 million in the 2007-08 fiscal year to \$2.0 million in the 2008-09 fiscal year. This increase is attributable to the completion of the phase-in period for the street maintenance fee. Expenditures in the street fund increased by \$1.6 million from \$1.0 million in the 2007-08 fiscal year to \$3.3 million in the 2008-09 fiscal year due to scheduled and budgeted capital improvements. During the 2008-09 fiscal year, bonds issued attributable to the street fund were \$2.0 million. The street fund had an overall increase in fund balance of \$0.7 million for the fiscal year ended June 30, 2009.

## **Systems Development Charges Fund**

This special revenue fund accounts for systems development charges and improvements including those for the street, water, surface water, sewer, and park systems. Revenues decreased by \$0.5 million from \$1.1 million in the 2007-08 fiscal year to \$0.6 million in the 2008-09 fiscal year. Expenditures in the systems development charges fund decreased by \$0.7 million from the 2007-08 fiscal year. The change in the systems development charges fund activities reflects the economic downturn, specifically, the reduction in local building activity.

## General Fund Budgetary Highlights

The original appropriated budget of the general fund for the fiscal year 2008-09 amounted to \$6.5 million including \$637,000 for contingencies. Differences between the original budget and the final budget of the general fund netted to an increase in expenditure appropriations of \$385,000 from contingency. Contingency decreased by \$385,000 to support carry forward of software expenditures, additional sustainability funding in the city administration department, and additional audit costs in the finance department.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

As of June 30, 2009, the City had invested \$260.4 million in capital assets, net of depreciation as reflected in the following table. This represents a net increase (additions, deductions and depreciation) of \$1.9 million in fiscal year 2009. Governmental capital assets totaled \$231.7 million while business-type capital assets totaled \$28.7 million.

**Table 3**  
**Capital Assets as of June 30<sup>th</sup>**  
*(net of depreciation, in millions)*

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land and easements	\$ 187.5	\$ 187.4	\$ 0.4	\$ 0.3	\$ 187.9	\$ 187.7
Buildings and improvements	17.1	17.1	0.8	0.8	17.9	17.9
Vehicles and equipment	1.4	1.6	0.5	0.6	1.9	2.2
Infrastructure	25.3	24.8	27.0	25.7	52.3	50.5
Construction in progress	0.4	-	-	0.2	0.4	0.2
Capital assets, net	<u>\$ 231.7</u>	<u>\$ 230.9</u>	<u>\$ 28.7</u>	<u>\$ 27.6</u>	<u>\$ 260.4</u>	<u>\$ 258.5</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	
	FY08-09	FY07-08	FY08-09	FY07-08	FY08-09	FY07-08
Beginning balance	\$ 230.9	\$ 230.0	\$ 27.6	\$ 27.5	\$ 258.5	\$ 257.5
Additions	3.8	3.3	2.5	1.2	6.3	4.5
Reductions	(0.2)	-	(0.2)	-	(0.4)	-
Depreciation	<u>(2.8)</u>	<u>(2.4)</u>	<u>(1.2)</u>	<u>(1.1)</u>	<u>(4.0)</u>	<u>(3.5)</u>
Ending balance	<u>\$ 231.7</u>	<u>\$ 230.9</u>	<u>\$ 28.7</u>	<u>\$ 27.6</u>	<u>\$ 260.4</u>	<u>\$ 258.5</u>

Assets utilized in governmental activities increased a net \$0.8 million and include land, building, machinery and equipment, and sidewalk improvements. These additions include completion of various projects throughout the community. More detailed information about the City's capital assets is presented on page 40 in the notes to the basic financial statements.

### Debt Outstanding

As of the end of the fiscal year, the City had \$16.5 million in long-term bonded debt obligations outstanding – an increase of twenty four percent from last year – as shown in Table 5. More detailed information about the City's long-term debt obligations is presented on pages 42 and 43 in the notes to the basic financial statements.

**Table 5**  
**Outstanding Long-term Debt Obligations as of June 30<sup>th</sup>**  
*(in millions)*

	2009	2008
Governmental:		
General obligation bonds	\$ 8.1	\$ 8.7
Full faith and credit obligations	7.1	3.2
Sub-total	15.2	11.9
Business-type:		
Water revenue bonds	1.3	1.4
Total	\$ 16.5	\$ 13.3

During the fiscal year ended June 30, 2009, the City refunded two bond issues and issued \$4 million in new debt for street improvements, acquiring land for a police station site, and certain park improvements. 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 three percent of the real market value of all taxable property within the City's boundaries. The \$8.1 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 30 percent of the resources used for governmental activities. A special tax levy of approximately \$1.8 million (24 percent of total levy) that provided public safety

funding expired as of June 30, 2007. To maintain service levels and reduce the reliance on a local option levy requiring a vote every five years, the City implemented fees for parks and street maintenance to offset the foregone property tax revenue. Property taxes for general operations increased slightly over the last year and investment earnings were down due to the decline in interest rates. The next largest resource, at 20 percent, comes from fees and charges for services, permits, licenses, recreation charges, and system development charges.

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 subsequently on January 1, 2007, 2008 and 2009, the City increased utility rates by five percent each. The rate increases are limited by a Charter provision limiting annual utility rate increases to no more than five 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](mailto:rseals@westlinnoregon.gov).

## **BASIC FINANCIAL STATEMENTS**

*Statement of Net Assets*

*Statement of Activities*

*Fund Financial Statements*

*Notes to Basic Financial Statements*



CITY OF WEST LINN, OREGON

STATEMENT OF NET ASSETS

JUNE 30, 2009

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
Cash and investments	\$ 5,990,785	\$ 2,905,464	\$ 8,896,249
Restricted cash and investments	6,556,305	154,500	6,710,805
Property taxes receivable	480,965	-	480,965
Accounts receivable, net of allowance	606,370	868,552	1,474,922
Bond issuance costs	275,558	78,261	353,819
Capital assets not being depreciated:			
Land and easements	187,514,464	394,097	187,908,561
Construction in progress	356,697	-	356,697
Capital assets net of accumulated depreciation:			
Buildings and improvements	17,068,574	733,337	17,801,911
Vehicles and equipment	1,407,298	526,896	1,934,194
Infrastructure	25,379,588	27,026,654	52,406,242
Investment in joint venture	-	7,318,919	7,318,919
<b>TOTAL ASSETS</b>	<b>245,636,604</b>	<b>40,006,680</b>	<b>285,643,284</b>
<b>LIABILITIES:</b>			
Accounts payable	2,032,083	848,252	2,880,335
Accrued salaries and payroll taxes payable	376,654	27,550	404,204
Accrued compensated absences payable	794,765	81,415	876,180
Accrued interest payable	165,361	19,314	184,675
Deposits payable	864,340	5,000	869,340
Demand bank note payable	119,552	-	119,552
Noncurrent liabilities:			
Long-term debt obligations, due within one year	825,000	80,000	905,000
Long-term debt obligations, due in more than one year	14,370,000	1,225,000	15,595,000
Bond premium	156,023	-	156,023
Accrued other postemployment benefit obligations	339,352	28,964	368,316
<b>TOTAL LIABILITIES</b>	<b>20,043,130</b>	<b>2,315,495</b>	<b>22,358,625</b>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	219,276,357	27,454,245	246,730,602
Restricted for:			
Library endowment	157,300	-	157,300
Debt service	214,386	154,500	368,886
Capital projects	6,193,703	-	6,193,703
Unrestricted (deficit)	(248,272)	10,082,440	9,834,168
<b>TOTAL NET ASSETS</b>	<b>\$ 225,593,474</b>	<b>\$ 37,691,185</b>	<b>\$ 263,284,659</b>

See notes to basic financial statements

**CITY OF WEST LINN, OREGON**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

FUNCTION / PROGRAM	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>GOVERNMENTAL ACTIVITIES:</b>							
General government	\$ 5,969,895	\$ 6,364,223	\$ 331,115	\$ -	\$ 725,443	\$ -	\$ 725,443
Culture and recreation	5,433,099	1,543,171	628,198	-	(3,261,730)	-	(3,261,730)
Public safety	6,318,096	663,952	508,695	-	(5,145,449)	-	(5,145,449)
Highways and streets	3,527,808	832,568	1,018,039	726,425	(950,776)	-	(950,776)
Interest on long-term debt	599,096	-	-	-	(599,096)	-	(599,096)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>21,847,994</b>	<b>9,403,914</b>	<b>2,486,047</b>	<b>726,425</b>	<b>(9,231,608)</b>	<b>-</b>	<b>(9,231,608)</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>							
Water	3,269,250	3,069,457	-	597,238	-	397,445	397,445
Environmental services	2,704,217	2,452,312	-	1,037,975	-	786,070	786,070
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>5,973,467</b>	<b>5,521,769</b>	<b>-</b>	<b>1,635,213</b>	<b>-</b>	<b>1,183,515</b>	<b>1,183,515</b>
<b>TOTAL ACTIVITIES</b>	<b>\$ 27,821,461</b>	<b>\$ 14,925,683</b>	<b>\$ 2,486,047</b>	<b>\$ 2,361,638</b>	<b>(9,231,608)</b>	<b>1,183,515</b>	<b>(8,048,093)</b>
<b>GENERAL REVENUES:</b>							
Taxes:							
Property taxes, levied for general purposes					5,536,231	-	5,536,231
Property taxes, levied for debt service					942,300	-	942,300
Franchise taxes					1,727,918	-	1,727,918
Grants and contributions not restricted to specific programs					604,187	-	604,187
Unrestricted investment earnings					50,420	189,805	240,225
<b>TRANSFERS</b>					<b>(27,043)</b>	<b>27,043</b>	<b>-</b>
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>					<b>8,834,013</b>	<b>216,848</b>	<b>9,050,861</b>
<b>CHANGE IN NET ASSETS</b>					<b>(397,595)</b>	<b>1,400,363</b>	<b>1,002,768</b>
<b>NET ASSETS - beginning</b>					<b>225,991,069</b>	<b>36,290,822</b>	<b>262,281,891</b>
<b>NET ASSETS - ending</b>					<b>\$ 225,593,474</b>	<b>\$ 37,691,185</b>	<b>\$ 263,284,659</b>

See notes to basic financial statements

CITY OF WEST LINN, OREGON

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2009

	General Fund	Public Safety Fund	Parks and Recreation Fund	Street Fund	Systems Development Charges Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>							
Cash and investments	\$ 1,597,648	\$ 598,453	\$ 491,907	\$ 2,487,531	\$ -	\$ 815,246	\$ 5,990,785
Restricted cash and investments	-	1,500,000	-	-	3,727,651	1,328,654	6,556,305
Property taxes receivable	-	411,970	-	-	-	68,995	480,965
Accounts receivable	56,998	156,625	121,523	167,833	-	103,391	606,370
<b>TOTAL ASSETS</b>	<b>\$ 1,654,646</b>	<b>\$ 2,667,048</b>	<b>\$ 613,430</b>	<b>\$ 2,655,364</b>	<b>\$ 3,727,651</b>	<b>\$ 2,316,286</b>	<b>\$ 13,634,425</b>
<b>LIABILITIES:</b>							
Accounts payable	\$ 182,672	\$ 74,346	\$ 84,596	\$ 1,547,224	\$ 2,076	\$ 141,169	\$ 2,032,083
Accrued salaries and payroll taxes	184,854	94,100	35,000	10,700	-	52,000	376,654
Deposits payable	301,715	-	-	275,268	-	287,357	864,340
Deferred revenue	-	339,065	-	-	-	56,785	395,850
Demand bank note payable	-	-	-	-	-	119,552	119,552
<b>TOTAL LIABILITIES</b>	<b>669,241</b>	<b>507,511</b>	<b>119,596</b>	<b>1,833,192</b>	<b>2,076</b>	<b>656,863</b>	<b>3,788,479</b>
<b>FUND BALANCES:</b>							
Reserved for:							
Library endowment	-	-	-	-	-	157,300	157,300
Debt service	-	-	-	-	-	214,386	214,386
Capital projects	-	1,500,000	-	-	3,725,575	968,128	6,193,703
Unreserved, reported in:							
General fund	985,405	-	-	-	-	-	985,405
Special revenue funds	-	659,537	493,834	822,172	-	319,609	2,295,152
<b>TOTAL FUND BALANCES</b>	<b>985,405</b>	<b>2,159,537</b>	<b>493,834</b>	<b>822,172</b>	<b>3,725,575</b>	<b>1,659,423</b>	<b>9,845,946</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,654,646</b>	<b>\$ 2,667,048</b>	<b>\$ 613,430</b>	<b>\$ 2,655,364</b>	<b>\$ 3,727,651</b>	<b>\$ 2,316,286</b>	

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. 231,726,621

Other assets are not available to pay for current-period expenditures and therefore, are deferred in the funds:  
Bond issuance costs \$ 275,558 275,558

Liabilities, including accrued liabilities and bonds payable, that are not due and payable in the current period and therefore, are not reported in funds:  
Deferred property taxes 395,850  
Accrued compensated absences payable (794,765)  
Accrued interest payable (165,361)  
Long-term debt obligations (15,195,000)  
Bond premium (156,023)  
Accrued other postemployment benefit obligations (339,352) (16,254,651)

Net assets of governmental activities \$ 225,593,474

CITY OF WEST LINN, OREGON

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	General Fund	Public Safety Fund	Parks and Recreation Fund	Street Fund	Systems Development Charges Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>							
Property taxes	\$ -	\$ 2,923,718	\$ 1,580,449	\$ -	\$ -	\$ 1,888,521	\$ 6,392,688
Intergovernmental	114,960	508,695	110,723	1,018,039	-	733,630	2,486,047
Franchise taxes	20,000	1,412,410	-	78,940	-	216,568	1,727,918
Licenses and permits	427,045	28,245	-	-	-	551,500	1,006,790
Fines and forfeitures	410,519	108,047	-	-	-	67,579	586,145
Charges for services	4,670,000	-	1,475,592	832,568	-	214,000	7,192,160
Systems development charges	-	-	-	-	618,819	-	618,819
Investment earnings	7,552	8,340	1,118	4,310	17,945	11,155	50,420
Miscellaneous:							
Settlements	416,921	-	-	-	-	-	416,921
Other	71,143	43,507	28,959	28,273	-	15,384	187,266
<b>TOTAL REVENUES</b>	<b>6,138,140</b>	<b>5,032,962</b>	<b>3,196,841</b>	<b>1,962,130</b>	<b>636,764</b>	<b>3,698,337</b>	<b>20,665,174</b>
<b>EXPENDITURES:</b>							
Current:							
General government	5,175,550	-	-	-	-	768,639	5,944,189
Cultural and recreation	-	-	2,662,894	-	-	1,885,482	4,548,376
Public safety	-	5,419,939	-	-	-	520,490	5,940,429
Highways and streets	-	-	-	1,634,945	-	-	1,634,945
Debt service:							
Principal	180,000	-	-	-	-	525,000	705,000
Interest	159,838	-	-	-	-	312,210	472,048
Capital outlay	274,910	130,856	262,948	1,631,299	33,401	611,060	2,944,474
<b>TOTAL EXPENDITURES</b>	<b>5,790,298</b>	<b>5,550,795</b>	<b>2,925,842</b>	<b>3,266,244</b>	<b>33,401</b>	<b>4,622,881</b>	<b>22,189,461</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>347,842</b>	<b>(517,833)</b>	<b>270,999</b>	<b>(1,304,114)</b>	<b>603,363</b>	<b>(924,544)</b>	<b>(1,524,287)</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Transfers from other funds	-	200,000	-	-	-	122,500	322,500
Transfers to other funds	(200,000)	-	-	(28,000)	(34,500)	(60,000)	(322,500)
Full faith and credit obligation bonds issued	-	1,513,000	-	2,018,000	-	504,000	4,035,000
Refunding bonds issued	-	-	-	-	-	4,915,000	4,915,000
Bond premium on issuance of debt	-	9,165	-	12,385	-	150,366	171,916
Payment to refunded bond escrow agent	-	-	-	-	-	(4,992,519)	(4,992,519)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(200,000)</b>	<b>1,722,165</b>	<b>-</b>	<b>2,002,385</b>	<b>(34,500)</b>	<b>639,347</b>	<b>4,129,397</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>147,842</b>	<b>1,204,332</b>	<b>270,999</b>	<b>698,271</b>	<b>568,863</b>	<b>(285,197)</b>	<b>2,605,110</b>
<b>FUND BALANCES - beginning</b>	<b>837,563</b>	<b>955,205</b>	<b>222,835</b>	<b>123,901</b>	<b>3,156,712</b>	<b>1,944,620</b>	<b>7,240,836</b>
<b>FUND BALANCES - ending</b>	<b>\$ 985,405</b>	<b>\$ 2,159,537</b>	<b>\$ 493,834</b>	<b>\$ 822,172</b>	<b>\$ 3,725,575</b>	<b>\$ 1,659,423</b>	<b>\$ 9,845,946</b>

See notes to basic financial statements

CITY OF WEST LINN, OREGON

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Net change in fund balances - total governmental funds (page 27)		\$	2,605,110
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.			858,712
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.			218,457
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.			
Full faith and credit obligation bonds issued	\$	(4,035,000)	
Refunding bonds issued		(4,915,000)	
Long-term debt principal repayments		705,000	
Payment to refunded bond escrow agent		<u>4,920,000</u>	(3,325,000)
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 compensated absences payable		(387,180)	
Accrued interest payable		(127,049)	
Accrued other postemployment benefit obligations		(171,868)	
Demand note principal repayment		(55,448)	
Amortization of bond issuance costs		(29,223)	
Amortization of bond premium		<u>15,894</u>	<u>(754,874)</u>
Change in net assets of governmental activities (page 25)		\$	<u><u>(397,595)</u></u>

See notes to basic financial statements

**CITY OF WEST LINN, OREGON**

**PROPRIETARY FUNDS**

**STATEMENT OF NET ASSETS**

**JUNE 30, 2009**

	Business-type Activities - Enterprise Funds		
	Water Fund	Environmental Services Fund	Total
<b>ASSETS:</b>			
Current assets:			
Cash and investments	\$ 251,271	\$ 2,654,193	\$ 2,905,464
Restricted cash and investments	154,500	-	154,500
Accounts receivable, net of allowance for doubtful accounts	425,775	442,777	868,552
Bond issuance costs	6,522	-	6,522
<b>Total current assets</b>	<b>838,068</b>	<b>3,096,970</b>	<b>3,935,038</b>
Noncurrent assets:			
Capital assets not being depreciated	307,853	86,244	394,097
Capital assets, net of accumulated depreciation	9,924,182	18,362,705	28,286,887
Investment in joint venture	7,318,919	-	7,318,919
Bond issuance costs	71,739	-	71,739
<b>Total noncurrent assets</b>	<b>17,622,693</b>	<b>18,448,949</b>	<b>36,071,642</b>
<b>TOTAL ASSETS</b>	<b>18,460,761</b>	<b>21,545,919</b>	<b>40,006,680</b>
<b>LIABILITIES:</b>			
Current liabilities:			
Accounts payable	195,663	652,589	848,252
Deposits payable	-	5,000	5,000
Accrued salaries and payroll taxes payable	15,100	12,450	27,550
Accrued compensated absences payable	43,262	38,153	81,415
Accrued interest payable	19,314	-	19,314
Bonds payable - due within one year	80,000	-	80,000
<b>Total current liabilities</b>	<b>353,339</b>	<b>708,192</b>	<b>1,061,531</b>
Noncurrent liabilities:			
Bonds payable	1,225,000	-	1,225,000
Accrued other postemployment benefit obligations	15,799	13,165	28,964
<b>Total noncurrent liabilities</b>	<b>1,240,799</b>	<b>13,165</b>	<b>1,253,964</b>
<b>TOTAL LIABILITIES</b>	<b>1,594,138</b>	<b>721,357</b>	<b>2,315,495</b>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	9,005,296	18,448,949	27,454,245
Restricted for debt service	154,500	-	154,500
Unrestricted	7,706,827	2,375,613	10,082,440
<b>TOTAL NET ASSETS</b>	<b>\$ 16,866,623</b>	<b>\$ 20,824,562</b>	<b>\$ 37,691,185</b>

See notes to basic financial statements

CITY OF WEST LINN, OREGON

PROPRIETARY FUNDS

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Business-type Activities - Enterprise Funds		
	Water Fund	Environmental Services Fund	Total
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 2,954,547	\$ 2,337,194	\$ 5,291,741
Systems development charges	6,764	65,608	72,372
Licenses and permits	-	47,930	47,930
Other operating revenues	49,931	1,580	51,511
<b>TOTAL OPERATING REVENUES</b>	<b>3,011,242</b>	<b>2,452,312</b>	<b>5,463,554</b>
<b>OPERATING EXPENSES:</b>			
Salaries and wages	510,354	638,083	1,148,437
Materials and supplies	2,276,000	1,275,987	3,551,987
Depreciation	405,245	783,091	1,188,336
<b>TOTAL OPERATING EXPENSES</b>	<b>3,191,599</b>	<b>2,697,161</b>	<b>5,888,760</b>
<b>OPERATING LOSS</b>	<b>(180,357)</b>	<b>(244,849)</b>	<b>(425,206)</b>
<b>NONOPERATING INCOME (EXPENSE):</b>			
Investment earnings	85,228	104,577	189,805
Net income on investment in joint venture	58,215	-	58,215
Loss on disposal of capital assets	-	(7,056)	(7,056)
Interest expense	(77,651)	-	(77,651)
<b>TOTAL NONOPERATING INCOME (EXPENSE)</b>	<b>65,792</b>	<b>97,521</b>	<b>163,313</b>
<b>LOSS BEFORE CAPITAL CONTRIBUTIONS</b>	<b>(114,565)</b>	<b>(147,328)</b>	<b>(261,893)</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>612,995</b>	<b>1,049,261</b>	<b>1,662,256</b>
<b>CHANGE IN NET ASSETS</b>	<b>498,430</b>	<b>901,933</b>	<b>1,400,363</b>
<b>NET ASSETS - beginning</b>	<b>16,368,193</b>	<b>19,922,629</b>	<b>36,290,822</b>
<b>NET ASSETS - ending</b>	<b>\$ 16,866,623</b>	<b>\$ 20,824,562</b>	<b>\$ 37,691,185</b>

See notes to basic financial statements

CITY OF WEST LINN, OREGON

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Business-type Activities - Enterprise Funds		
	Water Fund	Environmental Services Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers and users of services	\$ 2,956,617	\$ 2,479,252	\$ 5,435,869
Payments to suppliers for goods and services	(2,328,854)	(1,138,295)	(3,467,149)
Payments to employees for services	(476,942)	(609,174)	(1,086,116)
NET CASH FROM OPERATING ACTIVITIES	<u>150,821</u>	<u>731,783</u>	<u>882,604</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Principal paid on capital debt	(75,000)	-	(75,000)
Interest paid on capital debt	(78,470)	-	(78,470)
Acquisition and construction of capital assets	(357,950)	(275,501)	(633,451)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(511,420)</u>	<u>(275,501)</u>	<u>(786,921)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest earnings received on investments	<u>85,228</u>	<u>104,577</u>	<u>189,805</u>
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	(275,371)	560,859	285,488
<b>CASH AND INVESTMENTS - beginning</b>	<u>681,142</u>	<u>2,093,334</u>	<u>2,774,476</u>
<b>CASH AND INVESTMENTS - ending</b>	<u><u>\$ 405,771</u></u>	<u><u>\$ 2,654,193</u></u>	<u><u>\$ 3,059,964</u></u>
Cash and investments are shown in the <i>Statement of Net Assets</i> as follows:			
Cash and investments	\$ 251,271	\$ 2,654,193	\$ 2,905,464
Restricted cash and investments	<u>154,500</u>	<u>-</u>	<u>154,500</u>
	<u><u>\$ 405,771</u></u>	<u><u>\$ 2,654,193</u></u>	<u><u>\$ 3,059,964</u></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES:</b>			
Operating loss	\$ (180,357)	\$ (244,849)	\$ (425,206)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation expense	405,245	783,091	1,188,336
(Increase) decrease in accounts receivable	(54,625)	26,940	(27,685)
Decrease in bond issuance costs	6,522	-	6,522
Increase (decrease) in accounts payable	(59,376)	137,692	78,316
Increase in accrued salaries and payroll taxes payable	4,889	3,582	8,471
Increase in accrued compensated absences payable	20,476	18,622	39,098
Increase in accrued postemployment benefit obligations	8,047	6,705	14,752
NET CASH FROM OPERATING ACTIVITIES	<u><u>\$ 150,821</u></u>	<u><u>\$ 731,783</u></u>	<u><u>\$ 882,604</u></u>
<b>NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>			
Net income on investment in joint venture	\$ 58,215	\$ -	\$ 58,215
Capital assets transferred from (to) business-type funds	(3,851)	3,851	-
Capital assets transferred from governmental funds	19,608	7,435	27,043
Capital assets contributed by developers	597,238	1,037,975	1,635,213

See notes to basic financial statements



# CITY OF WEST LINN, OREGON

## Notes to Basic Financial Statements

June 30, 2009

---

### 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 surface water management 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 City 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 attributable to a specific program are reported 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 individually in the fund financial statements and in separate columns in the financial section of the basic financial statements. Nonmajor funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the combining and individual fund statements and schedules.

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 taxes, intergovernmental revenues, 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 operations of the current period. In the government-wide statement of activities, with a full accrual basis of accounting, revenue must be recognized as soon as it is earned

regardless of its availability. Thus, the 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*  
Accounts for the City's legislative and administration, human resources, finance, information technology, municipal court, facilities, public works support, vehicle and equipment maintenance, and related debt service. The primary revenue sources are reimbursement charges for services to other funds, licenses and permits, fines and forfeitures, and miscellaneous income.
- *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 taxes and other miscellaneous program revenues such as dog licensing fees.
- *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 revenues, and charges for services.
- *Street Fund*  
Accounts for the operation and maintenance of the City's street and sidewalk systems including medians. The primary sources of revenue are intergovernmental revenues and charges for services.
- *Systems Development Charges Fund*  
Accounts for the receipt and expenditures of systems development charges (SDCs) dedicated to streets, surface water, water, sewer, and parks.

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 two proprietary funds as major funds:

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

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

**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 one year. 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 Benefit 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) in last fiscal year, 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. The annual required contribution is recognized on the accrual basis based upon actuarial accounting principles.

## **Long-term Debt Obligations**

In the government-wide financial statements, and in the proprietary fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, 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 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. 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, building and systems development charges fund balances legally restricted by applicable state statutes, and funds endowed to the City for restricted purposes. 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.

## **Library Endowment**

In 1981 the Wallace B. Caufield Trust endowed funds to the City where the principal is to be legally preserved and the interest can be used only to purchase books for the library. This Trust called for an initial distribution followed by the splitting of the proceeds from the sale of a building with the City of Oregon City. The final distribution of this Trust occurred in 1982 after the Trust completed the sale of the building. The City continues to properly account for the legally restricted principal in the net assets section of the *Statement of Net Assets* presented on page 24 and restricted cash and reserved fund balance on the library fund's *Balance Sheet* presented on page 64.

## **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. 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, 2009, the City's cash and investments were comprised of the following:

Cash on hand	\$ 2,575
Deposits with financial institutions	7,384,590
Oregon State Treasurer's Local Government Investment Pool	<u>8,219,889</u>
Total cash and investments	<u><u>\$ 15,607,054</u></u>

	<u>Government Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and investments	\$ 5,990,785	\$ 2,905,464	\$ 8,896,249
Restricted cash and investments	<u>6,556,305</u>	<u>154,500</u>	<u>6,710,805</u>
Total cash and investments	<u><u>\$ 12,547,090</u></u>	<u><u>\$ 3,059,964</u></u>	<u><u>\$ 15,607,054</u></u>

**Deposits.** Deposits with financial institutions are comprised of bank demand deposits. The combined total bank balance is \$7,661,325. Of these deposits, \$500,000, was covered by federal depository insurance. As required by Oregon Revised Statutes, deposits in excess of federal depository insurance were held at qualified depositories for public funds. All qualified depositories for public funds are included in the multiple financial institution collateral pool that is maintained by and in the name of the Office of the State Treasurer. As a result the City has no exposure to custodial credit risk for deposits with financial institutions.

**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 ratings issued by NRSROs where applicable. 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.* Custodial risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. As of June 30, 2009, all the City deposits are insured or collateralized and therefore, are not subject to custodial credit risk.

The City participates in an external investment pool, the State of Oregon Treasury Local Government Investment Pool (LGIP). The LGIP is not registered with the U.S. Securities and Exchange Commission as an investment company. The State's investment policies are governed by the ORS and the Oregon Investment Council (Council). The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. These funds are invested exercising reasonable care, skill and caution. Investments in the LGIP are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which establishes diversification percentages and specifies the types and maturities of investments. That portion of the external investment pool which belongs to local government participants is reported in an Investment Trust Fund in the State's Comprehensive Annual Financial Report. A copy of the State's Comprehensive Annual Financial Report may be obtained at the Oregon State Treasury, 350 Winter St. NE, Salem, Oregon 97310-0840.

The City's position in the LGIP at June 30, 2009 is stated at cost which approximates fair value.

### Receivables

As of June 30, 2009, accounts receivable are reflected in the basic financial statements net of an allowance for uncollectible accounts pertaining to utility billing collections which impacts only the business-type activities.

Accounts, contracts and grants	\$ 1,492,722
Allowance for uncollectible accounts	<u>(17,800)</u>
Total accounts receivable	<u><u>\$ 1,474,922</u></u>

Accounts receivable - governmental activities	\$ 606,370
Accounts receivable - business-type activities	<u>868,552</u>
Total accounts receivable	<u><u>\$ 1,474,922</u></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 percent. 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 \$58,215 from net income of the joint venture in fiscal year 2008-09. Complete financial statements for the SFWB can be obtained from the City of Oregon City Finance Department, 625 Center Street, Oregon City, Oregon 97045. The 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, 2009, was as follows:

	Beginning balance as of June 30, 2008	Additions	Reductions and adjustments	Ending balance as of June 30, 2009
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land and easements	\$ 187,454,403	\$ 60,061	\$ -	\$ 187,514,464
Construction in progress	-	266,947	89,750	356,697
Total capital assets not being depreciated	<u>187,454,403</u>	<u>327,008</u>	<u>89,750</u>	<u>187,871,161</u>
Capital assets being depreciated:				
Buildings and improvements	24,992,476	746,877	-	25,739,353
Vehicles and equipment	2,836,216	212,247	(389,082)	2,659,381
Infrastructure	54,081,391	2,461,793	(27,043)	56,516,141
Total capital assets being depreciated	<u>81,910,083</u>	<u>3,420,917</u>	<u>(416,125)</u>	<u>84,914,875</u>
Less accumulated depreciation for:				
Buildings and improvements	(7,932,713)	(738,066)	-	(8,670,779)
Vehicles and equipment	(1,270,604)	(203,916)	222,438	(1,252,082)
Infrastructure	(29,293,260)	(1,843,294)	-	(31,136,554)
Total accumulated depreciation	<u>(38,496,577)</u>	<u>(2,785,276)</u>	<u>222,438</u>	<u>(41,059,415)</u>
Total capital assets being depreciated, net	<u>43,413,506</u>	<u>635,641</u>	<u>(193,687)</u>	<u>43,855,460</u>
Total capital assets, net	<u>\$ 230,867,909</u>	<u>\$ 962,649</u>	<u>\$ (103,937)</u>	<u>\$ 231,726,621</u>

	Beginning balance as of June 30, 2008	Additions	Reductions	Ending balance as of June 30, 2009
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 315,313	\$ 78,784	\$ -	\$ 394,097
Construction in progress	239,683	-	(239,683)	-
Total capital assets not being depreciated	<u>554,996</u>	<u>78,784</u>	<u>(239,683)</u>	<u>394,097</u>
Capital assets being depreciated:				
Buildings and improvements	1,579,504	-	-	1,579,504
Vehicles and equipment	1,077,530	38,676	(41,120)	1,075,086
Infrastructure	52,453,394	2,417,929	-	54,871,323
Total capital assets being depreciated	<u>55,110,428</u>	<u>2,456,605</u>	<u>(41,120)</u>	<u>57,525,913</u>
Less accumulated depreciation for:				
Buildings and improvements	(814,577)	(31,590)	-	(846,167)
Vehicles and equipment	(501,125)	(81,129)	34,064	(548,190)
Infrastructure	(26,769,052)	(1,075,617)	-	(27,844,669)
Total accumulated depreciation	<u>(28,084,754)</u>	<u>(1,188,336)</u>	<u>34,064</u>	<u>(29,239,026)</u>
Total capital assets being depreciated, net	<u>27,025,674</u>	<u>1,268,269</u>	<u>(7,056)</u>	<u>28,286,887</u>
Total capital assets, net	<u>\$ 27,580,670</u>	<u>\$ 1,347,053</u>	<u>\$ (246,739)</u>	<u>\$ 28,680,984</u>

Depreciation expense for governmental activities in the amount of \$2,785,276 and for business-type activities the amount of \$1,188,336 was charged to functions/programs as follows:

	Governmental activities	Business-type activities	Total
General government	\$ 39,739	\$ -	\$ 39,739
Culture and recreation	777,446	-	777,446
Public safety	103,520	-	103,520
Highways and streets	1,864,571	-	1,864,571
Water	-	405,245	405,245
Environmental services	-	783,091	783,091
Depreciation expense	<u>\$ 2,785,276</u>	<u>\$ 1,188,336</u>	<u>\$ 3,973,612</u>

### Interfund Transfers

Transfers between funds provide support for various City programs in accordance with budgetary authorizations and are utilized to cover administrative services, provide for additional funding for reserve purposes, contribute towards the cost of capital projects, and to provide for other operational resources. For fiscal year ended June 30, 2009, 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, 2009 are as follows:

	Transfers from other funds	Transfers to other funds	Net
Governmental funds:			
General fund	\$ -	\$ (200,000)	\$ (200,000)
Street fund	-	(28,000)	(28,000)
Systems development charges fund	-	(34,500)	(34,500)
Public safety fund	200,000	-	200,000
Nonmajor governmental funds	122,500	(60,000)	62,500
Total interfund transfers	<u>\$ 322,500</u>	<u>\$ (322,500)</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 \$85,000 for the year ended June 30, 2009. The future minimum lease payments for noncancelable operating leases are as follows:

Fiscal year ending June 30,	Amount
2010	\$ 89,941
2011	89,941
2012	89,941
2013	89,941
2014	89,941
	<u>\$ 449,705</u>

## Long-term Debt 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. Compensated absences are all considered due within one year.

	Beginning balance as of June 30, 2008	Additions	Reductions	Ending balance as of June 30, 2009	Due within one year
<b>Governmental activities:</b>					
General Obligation bonds					
Series 1998 Parks & Recreation, interest at 4.0-4.7%, original issue of \$4,400,000, due 2018	\$ 2,785,000	\$ -	\$ (2,785,000)	\$ -	\$ -
Series 1999 Parks & Recreation, interest at 4.25-5.3%, original issue of \$3,600,000, due 2021	2,535,000	-	(2,535,000)	-	-
Series 2000 Library Expansion, interest at 4.7-5.4%, original issue of \$3,900,000, due 2021	3,315,000	-	(125,000)	3,190,000	140,000
Series 2009-A Park Refundings, interest at 3.0-4.0%, original issue of \$4,915,000, due 2019	-	4,915,000	-	4,915,000	405,000
Full Faith and Credit obligations					
Series 2000 City Hall, interest at 4.3-5.2%, original issue of \$4,300,000, due 2021	3,235,000	-	(180,000)	3,055,000	190,000
Series 2009-B St/Police/Parks, interest at 3.0-4.35%, original issue of \$4,035,000, due 2029	-	4,035,000	-	4,035,000	90,000
Long-term bonded debt obligations	11,870,000	8,950,000	(5,625,000)	15,195,000	825,000
Compensated absences for governmental activities	407,585	908,305	(521,125)	794,765	794,765
Total governmental activities	<u>12,277,585</u>	<u>9,858,305</u>	<u>(6,146,125)</u>	<u>15,989,765</u>	<u>1,619,765</u>
<b>Business-type activities:</b>					
Revenue bonds					
Series 2000 Water Revenue and Refunding, interest at 4.7-5.6%, original issue of	1,380,000	-	(75,000)	1,305,000	80,000
Compensated absences for business-type activities	42,317	99,410	(60,312)	81,415	81,415
Total business-type activities	<u>1,422,317</u>	<u>99,410</u>	<u>(135,312)</u>	<u>1,386,415</u>	<u>161,415</u>
<b>Total long-term debt obligations</b>					
General Obligation bonds	8,635,000	4,915,000	(5,445,000)	8,105,000	545,000
Full Faith and Credit obligations	3,235,000	4,035,000	(180,000)	7,090,000	280,000
Revenue bonds	1,380,000	-	(75,000)	1,305,000	80,000
Long-term bonded debt obligations	13,250,000	8,950,000	(5,700,000)	16,500,000	905,000
Compensated absences	449,902	1,007,715	(581,437)	876,180	876,180
Total long-term debt obligations	<u>\$ 13,699,902</u>	<u>\$ 9,957,715</u>	<u>\$ (6,281,437)</u>	<u>\$ 17,376,180</u>	<u>\$ 1,781,180</u>

Future maturities of bond principal and interest at June 30, 2009, are as follows:

Year	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 825,000	\$ 741,054	\$ 80,000	\$ 74,188	\$ 905,000	\$ 815,242
2011	975,000	597,695	80,000	69,728	1,055,000	667,423
2012	1,030,000	561,762	85,000	65,044	1,115,000	626,806
2013	1,080,000	523,399	90,000	60,012	1,170,000	583,411
2014	1,130,000	482,559	95,000	54,694	1,225,000	537,253
2015-2019	6,270,000	1,678,608	585,000	178,106	6,855,000	1,856,714
2020-2024	2,555,000	522,215	290,000	17,700	2,845,000	539,915
2025-2029	1,330,000	177,218	-	-	1,330,000	177,218
	<u>\$ 15,195,000</u>	<u>\$ 5,284,510</u>	<u>\$ 1,305,000</u>	<u>\$ 519,472</u>	<u>\$ 16,500,000</u>	<u>\$ 5,803,982</u>

**Advance and Current Refunding.** On January 21, 2009, the City issued \$2,575,000 of general obligation refunding bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of advance refunding all future debt service payments of \$2,555,000 of the Series 1998 general obligation bonds. As a result, these refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the *Statement of Net Assets*. The reacquisition price exceeded the net carrying amount of the old debt by \$37,709. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 10 years by \$178,521 and resulted in an economic gain of \$165,447.

In addition, the City issued \$2,340,000 of general obligation bonds for a current refunding of \$2,365,000 of the Series 1999 general obligation bonds. The refunding was undertaken to reduce total future debt service payments. The reacquisition price exceeded the net carrying amount of the old debt by \$34,809. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. The transaction also resulted in an economic gain of \$271,185 and a reduction of \$291,270 in future debt service payments.

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 on December 23, 2008. They cited a service area that shows strong economic characteristics and the implementation of strengthened financial policies and procedures.

**Demand Bank Note.** A short term bank note in the amount of \$175,000 was received in June 2008 and reported as a fund liability in the building inspection fund. This bank note 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. The outstanding principal balance as of June 30, 2009 and the amount scheduled for the final payment in July 2009 amounts to \$119,552.

## Employee Retirement Pension Plan

### Plan Description

The City contributes to the Oregon Public Employees Retirement System (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. The 1995 Oregon Legislature established a different level of benefits for employees who began their six-month waiting period on or after January 1, 1996 called Tier Two.

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**

The rate of employer contributions to PERS is determined periodically by PERS based on actuarial valuations performed at least every two years. Members of PERS and OPSRP are required to contribute 6 percent 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 percent for PERS, 14.30 percent for OPSRP – general employees, and 17.57 percent 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, 2009, 2008, and 2007 the City's annual pension costs were approximately \$1,113,000, \$973,000, and \$1,108,000 respectively, and were equal to the City's required and actual contributions. The required contribution was determined as part of the actuarial valuation at December 31, 2005, using the projected unit credit actuarial cost method. The fair market value method is used to determine the actuarial value of the plan's assets. Significant actuarial assumptions used in the valuation include: (i) consumer price inflation of 2.75 percent per year, (ii) healthcare cost inflation assumed at 8 percent in 2008, then declining by 0.5 percent per year until the rate of 5 percent is reached in 2013; (iii) a rate of return on the future investment earnings of the assets of the members' regular accounts are assumed to accrue at an annual rate of 8 percent compounded annually; (iv) a rate of return on the future investment earnings of the members' variable accounts are assumed to accrue at an annual rate of 8.5 percent, compounded annually; (v) projected annual rate of wage inflation of 3.75 percent, compounded annually, excluding merit or longevity increases; (vi) unfunded actuarial liability is amortized on a level percentage of combined annual payroll on a closed group fixed term basis over twenty years.

## 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.

July 1, 2007 to June 30, 2009	Tier 1/2	OPSRP	
		General	Police
Tier 1/Tier 2 Annual Required Contribution	13.68 %	8.22 %	8.22 %
OPSRP Contractually Required Contribution	n/a	5.82	9.09

## 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, 2009, the City retirees paid 100 percent of their insurance premium costs.

The required monthly contributions of the plan members were as follows for the fiscal year ended June 30, 2009.

	Medical		Dental
	HealthNet	Kaiser	ODS
Employee	\$ 474	\$ 428	\$ 51
Employee + child(ren)	853	771	n/a
Employee + spouse	937	857	89
Employee + family	1,314	1,285	165

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

City's normal cost at year end	\$ 122,974
Amortization of UAAL with interest	<u>120,793</u>
Annual Required Contribution (ARC)	243,767
Interest on prior year net OPEB obligation	8,176
Adjustment to ARC	<u>(12,825)</u>
Annual OBEB cost	239,118
Less contribution (amounts paid during year for OPEB)	-
Less implicit benefit payments	<u>(52,498)</u>
Increase in net OPEB obligation	186,620
OPEB obligation at beginning of fiscal year	<u>181,696</u>
OPEB obligation at end of fiscal year	<u><u>\$ 368,316</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last two fiscal years ended were 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>
6/30/2009	\$ 239,118	22%	\$ 368,316
6/30/2008	227,671	20	181,696

**Funded Status and Funding Progress.** The funded status of the plan as of August 1, 2008, representing the date of the most recent actuarial valuation, was as follows:

Actuarial accrued liability (AAL)	\$ 1,422,086
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 1,422,086</u></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, 2008 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 8 percent initially, and then declining over

the next twenty-nine years until 5 percent is reached. The projected annual rate of wage inflation is 3.75 percent compounded annually and the UAAL is being amortized over an initial period of thirty years.

### **Retirement Health Insurance Account (RHIA)**

**Plan Description.** As a member of Oregon Public Employees Retirement System (OPERS) the City contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, 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 percent of annual covered payroll. The OPERS Board of Trustees sets the employer contribution rate based on the annual required contribution (ARC) of the employers, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The City's contributions to RHIA for the year ended June 30, 2009, were approximately \$28,200 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.



### 3. Other Information

#### 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 the agreement, the City can terminate the agreement upon thirty-day written notice.

#### Risk Management

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

Settled claims have not exceeded coverage for any of the past three years. 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 percent per annum. The former Finance Director agreed to transfer to the City, 75 percent 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 2010.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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

*Notes to Required Supplementary Information*

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

**General Fund**

**Special Revenue Funds**

Public Safety Fund  
Parks and Recreation Fund  
Street Fund  
Systems Development Charges Fund

CITY OF WEST LINN, OREGON

GENERAL FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Intergovernmental	\$ -	\$ -	\$ 114,960	\$ 114,960
Licenses and permits	132,000	132,000	427,045	295,045
Fines and forfeitures	479,000	479,000	410,519	(68,481)
Franchise taxes	-	20,000	20,000	-
Investment earnings	44,000	44,000	7,552	(36,448)
Miscellaneous:				
Settlements	450,000	450,000	416,921	(33,079)
Other	50,000	50,000	71,143	21,143
<b>TOTAL REVENUES</b>	<b>1,155,000</b>	<b>1,175,000</b>	<b>1,468,140</b>	<b>293,140</b>
<b>EXPENDITURES:</b>				
City Council	50,000	50,000	39,985	10,015
City Administration	770,300	790,300	761,952	28,348
Human Resources	281,100	281,100	280,612	488
Finance	801,900	861,900	847,320	14,580
Information Technology	854,500	1,179,500	973,819	205,681
Municipal Court	207,200	207,200	206,041	1,159
Facility Services	580,300	580,300	530,988	49,312
Public Works Support Services	1,261,500	1,261,500	1,261,253	247
Vehicle and Equipment Maintenance	361,800	361,800	359,343	2,457
Nondepartmental:				
General services	51,500	51,500	39,147	12,353
Debt service	339,838	339,838	339,838	-
Contingency	636,935	251,935	-	251,935
<b>TOTAL EXPENDITURES</b>	<b>6,196,873</b>	<b>6,216,873</b>	<b>5,640,298</b>	<b>576,575</b>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<b>(5,041,873)</b>	<b>(5,041,873)</b>	<b>(4,172,158)</b>	<b>869,715</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers from other funds	4,670,000	4,670,000	4,670,000	-
Transfers to other funds	(350,000)	(350,000)	(350,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>4,320,000</b>	<b>4,320,000</b>	<b>4,320,000</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(721,873)</b>	<b>(721,873)</b>	<b>147,842</b>	<b>869,715</b>
<b>FUND BALANCES - beginning</b>	<b>721,873</b>	<b>721,873</b>	<b>837,563</b>	<b>115,690</b>
<b>FUND BALANCES - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 985,405</b>	<b>\$ 985,405</b>

CITY OF WEST LINN, OREGON

PUBLIC SAFETY FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Property taxes	\$ 2,989,000	\$ 2,989,000	\$ 2,923,718	\$ (65,282)
Intergovernmental	630,800	630,800	508,695	(122,105)
Franchise taxes	1,459,000	1,459,000	1,412,410	(46,590)
Licenses and permits	59,000	59,000	28,245	(30,755)
Fines and forfeitures	250,000	250,000	108,047	(141,953)
Investment earnings	37,000	37,000	8,340	(28,660)
Miscellaneous	52,000	52,000	43,507	(8,493)
<b>TOTAL REVENUES</b>	<b>5,476,800</b>	<b>5,476,800</b>	<b>5,032,962</b>	<b>(443,838)</b>
<b>EXPENDITURES:</b>				
Personal services	3,645,600	3,645,600	3,998,502	(352,902)
Materials and services	809,000	809,000	592,437	216,563
Capital outlay	1,700,000	1,700,000	130,856	1,569,144
Contingency	978,542	978,542	-	978,542
<b>TOTAL EXPENDITURES</b>	<b>7,133,142</b>	<b>7,133,142</b>	<b>4,721,795</b>	<b>2,411,347</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,656,342)</b>	<b>(1,656,342)</b>	<b>311,167</b>	<b>1,967,509</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers from other funds	200,000	200,000	200,000	-
Transfers to other funds	(829,000)	(829,000)	(829,000)	-
Full faith and credit obligation bonds issued	1,500,000	1,500,000	1,513,000	13,000
Bond premium on issuance of debt	-	-	9,165	9,165
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>871,000</b>	<b>871,000</b>	<b>893,165</b>	<b>22,165</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(785,342)</b>	<b>(785,342)</b>	<b>1,204,332</b>	<b>1,989,674</b>
<b>FUND BALANCES - beginning</b>	<b>785,342</b>	<b>785,342</b>	<b>955,205</b>	<b>169,863</b>
<b>FUND BALANCES - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,159,537</b>	<b>\$ 2,159,537</b>

**CITY OF WEST LINN, OREGON**

**PARKS AND RECREATION FUND**

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES:</b>				
Property taxes	\$ 1,325,000	\$ 1,525,000	\$ 1,580,449	\$ 55,449
Intergovernmental	897,000	897,000	110,723	(786,277)
Charges for services	1,427,000	1,427,000	1,475,592	48,592
Investment earnings	10,000	10,000	1,118	(8,882)
Miscellaneous	25,000	25,000	28,959	3,959
<b>TOTAL REVENUES</b>	<u>3,684,000</u>	<u>3,884,000</u>	<u>3,196,841</u>	<u>(687,159)</u>
<b>EXPENDITURES:</b>				
Personal services	1,320,900	1,320,900	1,319,028	1,872
Materials and services	722,000	734,000	726,866	7,134
Capital outlay	1,397,000	1,597,000	262,948	1,334,052
Contingency	231,823	219,823	-	219,823
<b>TOTAL EXPENDITURES</b>	<u>3,671,723</u>	<u>3,871,723</u>	<u>2,308,842</u>	<u>1,562,881</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>12,277</u>	<u>12,277</u>	<u>887,999</u>	<u>875,722</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers to other funds	(617,000)	(617,000)	(617,000)	-
Full faith and credit obligation bonds issued	500,000	500,000	-	(500,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(117,000)</u>	<u>(117,000)</u>	<u>(617,000)</u>	<u>(500,000)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(104,723)	(104,723)	270,999	375,722
<b>FUND BALANCES - beginning</b>	104,723	104,723	222,835	118,112
<b>FUND BALANCES - ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 493,834</u>	<u>\$ 493,834</u>

CITY OF WEST LINN, OREGON

STREET FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Intergovernmental	\$ 1,075,000	\$ 1,368,525	\$ 1,018,039	\$ (350,486)
Franchise taxes	68,000	68,000	78,940	10,940
Charges for services	714,000	714,000	832,568	118,568
Investment earnings	6,000	6,000	4,310	(1,690)
Miscellaneous	9,000	9,000	28,273	19,273
<b>TOTAL REVENUES</b>	<b>1,872,000</b>	<b>2,165,525</b>	<b>1,962,130</b>	<b>(203,395)</b>
<b>EXPENDITURES:</b>				
Personal services	434,100	434,100	432,937	1,163
Materials and services	516,000	516,000	511,008	4,992
Capital outlay	2,000,000	2,293,525	1,631,299	662,226
Contingency	274,636	274,636	-	274,636
<b>TOTAL EXPENDITURES</b>	<b>3,224,736</b>	<b>3,518,261</b>	<b>2,575,244</b>	<b>943,017</b>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<b>(1,352,736)</b>	<b>(1,352,736)</b>	<b>(613,114)</b>	<b>739,622</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers to other funds	(719,000)	(719,000)	(719,000)	-
Full faith and credit obligation bonds issued	2,000,000	2,000,000	2,018,000	18,000
Bond premium on issuance of debt	-	-	12,385	12,385
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,281,000</b>	<b>1,281,000</b>	<b>1,311,385</b>	<b>30,385</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(71,736)</b>	<b>(71,736)</b>	<b>698,271</b>	<b>770,007</b>
<b>FUND BALANCES - beginning</b>	<b>71,736</b>	<b>71,736</b>	<b>123,901</b>	<b>52,165</b>
<b>FUND BALANCES - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 822,172</b>	<b>\$ 822,172</b>



CITY OF WEST LINN, OREGON

SYSTEMS DEVELOPMENT CHARGES FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual	
			Street	Surface Water
<b>REVENUES:</b>				
Systems development charges:				
Street - systems development charges	\$ -	\$ -	\$ 44,631	\$ -
Surface water - systems development charges	9,000	9,000	-	11,478
Water - systems development charges	206,000	206,000	-	-
Sewer - systems development charges	95,000	95,000	-	-
Parks - systems development charges	144,000	144,000	-	-
Investment earnings	88,000	88,000	2,063	3,440
<b>TOTAL REVENUES</b>	<b>542,000</b>	<b>542,000</b>	<b>46,694</b>	<b>14,918</b>
<b>EXPENDITURES:</b>				
Capital outlay	1,420,000	1,420,000	-	-
Contingency	2,020,269	2,020,269	-	-
<b>TOTAL EXPENDITURES</b>	<b>3,440,269</b>	<b>3,440,269</b>	<b>-</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(2,898,269)</b>	<b>(2,898,269)</b>	<b>46,694</b>	<b>14,918</b>
<b>OTHER FINANCING USES:</b>				
Transfers to other funds	(34,500)	(34,500)	(19,500)	-
<b>NET CHANGE IN FUND BALANCES</b>	<b>(2,932,769)</b>	<b>(2,932,769)</b>	<b>27,194</b>	<b>14,918</b>
<b>FUND BALANCES - beginning</b>	<b>2,932,769</b>	<b>2,932,769</b>	<b>387,884</b>	<b>654,329</b>
<b>FUND BALANCES - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 415,078</b>	<b>\$ 669,247</b>

Continued on next page

Actual				Variance with Final Budget
Water	Sewer	Parks	Total	
\$ -	\$ -	\$ -	\$ 44,631	\$ 44,631
-	-	-	11,478	2,478
219,450	-	-	219,450	13,450
-	101,000	-	101,000	6,000
-	-	242,260	242,260	98,260
5,873	5,654	915	17,945	(70,055)
<u>225,323</u>	<u>106,654</u>	<u>243,175</u>	<u>636,764</u>	<u>94,764</u>
19,607	7,436	6,358	33,401	1,386,599
-	-	-	-	2,020,269
<u>19,607</u>	<u>7,436</u>	<u>6,358</u>	<u>33,401</u>	<u>3,406,868</u>
205,716	99,218	236,817	603,363	3,501,632
(15,000)	-	-	(34,500)	-
190,716	99,218	236,817	568,863	3,501,632
<u>1,049,317</u>	<u>1,026,414</u>	<u>38,768</u>	<u>3,156,712</u>	<u>223,943</u>
<u>\$ 1,240,033</u>	<u>\$ 1,125,632</u>	<u>\$ 275,585</u>	<u>\$ 3,725,575</u>	<u>\$ 3,725,575</u>

Continued from previous page

## CITY OF WEST LINN, OREGON

### Notes to Required Supplementary Information

June 30, 2009

---

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

#### **1. Budgetary Information**

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

The Citizens Budget Committee conducts public hearings for the purpose of obtaining citizens' comments, and then approves a budget and submits it to the City Council for final adoption. The approved expenditures for each fund may not be increased by more than 10 percent by Council without returning to the Citizens Budget Committee for a second approval. After the Council adopts the budget and certifies the total 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 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 modify the budget by transferring appropriations between levels of control and by adopting supplemental budgets. Unexpected additional resources may be added to the budget through the use of a supplemental budget. Some supplemental budgets require hearings before the public, publications in newspapers and approval by the City Council. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the City Council. For the fiscal year 2008-09 budget, the City Council approved one supplemental budget resolution, recognizing additional resources carried over from the prior fiscal year and appropriating additional unanticipated monies received after the budget was adopted.

#### **2. Expenditures over Appropriations**

In the public safety fund presented on page 53, the appropriation for personal services (\$3,645,600) was overspent by \$352,902 relating to the now fully-staffed city police force.

### 3. Oregon Public Employees Retirement System – Schedule of Funding Progress

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
12/31/2007	\$ 41,594,000	\$ 38,664,625	\$ (2,929,375)	108 %	\$ 6,684,358	(44) %
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

### 4. Other Postemployment Benefits Plan – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percent of Covered Payroll
8/1/2008	\$ -	\$ 1,422,086	\$ 1,422,086	0 %	\$ 6,986,000	20 %
8/1/2006	-	1,449,903	1,449,903	0	6,646,000	22

## **SUPPLEMENTARY INFORMATION**

*Combining and Individual Fund Financial  
Statements and Schedules*

*Notes to Supplementary Information*

**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 for expenditures of a particular purpose.

Library Fund – accounts for the operation of the City’s library facility. Primary revenue sources include an allocation of the City’s property tax levy, intergovernmental revenues, and fines and forfeitures.

Communications Fund – accounts for the expenditure of funds for public access television and other communication functions. The primary revenue source is a partial allocation of cable TV franchise taxes.

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

Planning Fund – accounts for the City’s planning activities. Primary revenue sources are licenses and permit fees, intergovernmental revenues, franchise taxes, and transfers from the general fund.

**Debt Service Fund**

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

**Capital Projects Fund**

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

**CITY OF WEST LINN, OREGON**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2009**

	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total
<b>ASSETS:</b>				
Cash and investments	\$ 815,246	\$ -	\$ -	\$ 815,246
Restricted cash and investments	157,300	202,176	969,178	1,328,654
Property taxes receivable	-	68,995	-	68,995
Accounts receivable	103,391	-	-	103,391
	<u>1,075,937</u>	<u>271,171</u>	<u>969,178</u>	<u>2,316,286</u>
<b>TOTAL ASSETS</b>	<b>\$ 1,075,937</b>	<b>\$ 271,171</b>	<b>\$ 969,178</b>	<b>\$ 2,316,286</b>
<b>LIABILITIES:</b>				
Accounts payable	\$ 140,119	\$ -	\$ 1,050	\$ 141,169
Accrued salaries and payroll taxes	52,000	-	-	52,000
Deposits payable	287,357	-	-	287,357
Deferred revenue	-	56,785	-	56,785
Demand bank note payable	119,552	-	-	119,552
	<u>599,028</u>	<u>56,785</u>	<u>1,050</u>	<u>656,863</u>
<b>TOTAL LIABILITIES</b>	<b>599,028</b>	<b>56,785</b>	<b>1,050</b>	<b>656,863</b>
<b>FUND BALANCES:</b>				
Reserved for:				
Library endowment	157,300	-	-	157,300
Debt service	-	214,386	-	214,386
Capital projects	-	-	968,128	968,128
Unreserved	319,609	-	-	319,609
	<u>476,909</u>	<u>214,386</u>	<u>968,128</u>	<u>1,659,423</u>
<b>TOTAL FUND BALANCES</b>	<b>476,909</b>	<b>214,386</b>	<b>968,128</b>	<b>1,659,423</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,075,937</b>	<b>\$ 271,171</b>	<b>\$ 969,178</b>	<b>\$ 2,316,286</b>

CITY OF WEST LINN, OREGON

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total
<b>REVENUES:</b>				
Property taxes	\$ 963,150	\$ 925,371	\$ -	\$ 1,888,521
Licenses and permits	551,500	-	-	551,500
Franchise taxes	216,568	-	-	216,568
Charges for services	214,000	-	-	214,000
Fines and forfeitures	67,579	-	-	67,579
Intergovernmental	733,630	-	-	733,630
Investment earnings	3,530	1,682	5,943	11,155
Miscellaneous	15,384	-	-	15,384
<b>TOTAL REVENUES</b>	<b>2,765,341</b>	<b>927,053</b>	<b>5,943</b>	<b>3,698,337</b>
<b>EXPENDITURES:</b>				
Current:				
General government	768,639	-	-	768,639
Cultural and recreation	1,812,144	-	73,338	1,885,482
Public safety	520,490	-	-	520,490
Debt service:				
Principal	-	525,000	-	525,000
Interest	7,770	304,440	-	312,210
Capital outlay	21,117	-	589,943	611,060
<b>TOTAL EXPENDITURES</b>	<b>3,130,160</b>	<b>829,440</b>	<b>663,281</b>	<b>4,622,881</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(364,819)</b>	<b>97,613</b>	<b>(657,338)</b>	<b>(924,544)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers from other funds	122,500	-	-	122,500
Transfers to other funds	(60,000)	-	-	(60,000)
Full faith and credit obligation bonds issued	-	-	504,000	504,000
Refunding bonds issued	-	-	4,915,000	4,915,000
Bond premium from issuance of debt	-	-	150,366	150,366
Payment to refunded bond escrow agent	-	-	(4,992,519)	(4,992,519)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>62,500</b>	<b>-</b>	<b>576,847</b>	<b>639,347</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(302,319)</b>	<b>97,613</b>	<b>(80,491)</b>	<b>(285,197)</b>
<b>FUND BALANCES - beginning</b>	<b>779,228</b>	<b>116,773</b>	<b>1,048,619</b>	<b>1,944,620</b>
<b>FUND BALANCES - ending</b>	<b>\$ 476,909</b>	<b>\$ 214,386</b>	<b>\$ 968,128</b>	<b>\$ 1,659,423</b>



**CITY OF WEST LINN, OREGON**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2009**

	Library Fund	Communications Fund	Building Inspection Fund	Planning Fund	Total
<b>ASSETS:</b>					
Cash and investments	\$ 115,605	\$ 203,826	\$ 86,681	\$ 409,134	\$ 815,246
Restricted cash and investments	157,300	-	-	-	157,300
Accounts receivable	-	-	-	103,391	103,391
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<u>\$ 272,905</u>	<u>\$ 203,826</u>	<u>\$ 86,681</u>	<u>\$ 512,525</u>	<u>\$ 1,075,937</u>
<b>LIABILITIES:</b>					
Accounts payable	\$ 11,300	\$ 47,304	\$ 79,099	\$ 2,416	\$ 140,119
Accrued salaries and payroll taxes	30,400	-	7,000	14,600	52,000
Deposits payable	-	-	2,641	284,716	287,357
Demand bank note payable	-	-	119,552	-	119,552
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES</b>	<u>41,700</u>	<u>47,304</u>	<u>208,292</u>	<u>301,732</u>	<u>599,028</u>
<b>FUND BALANCES (DEFICIT):</b>					
Reserved for library endowment	157,300	-	-	-	157,300
Unreserved	73,905	156,522	(121,611)	210,793	319,609
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<u>231,205</u>	<u>156,522</u>	<u>(121,611)</u>	<u>210,793</u>	<u>476,909</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)</b>	<u>\$ 272,905</u>	<u>\$ 203,826</u>	<u>\$ 86,681</u>	<u>\$ 512,525</u>	<u>\$ 1,075,937</u>

CITY OF WEST LINN, OREGON

NONMAJOR SPECIAL REVENUE FUNDS

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Library Fund	Communications Fund	Building Inspection Fund	Planning Fund	Total
<b>REVENUES:</b>					
Property taxes	\$ 963,150	\$ -	\$ -	\$ -	\$ 963,150
Licenses and permits	-	-	527,660	23,840	551,500
Franchise taxes	-	106,478	-	110,090	216,568
Charges for services	-	-	-	214,000	214,000
Fines and forfeitures	67,579	-	-	-	67,579
Intergovernmental	517,475	-	-	216,155	733,630
Investment earnings	1,494	1,039	-	997	3,530
Miscellaneous	6,755	-	5,137	3,492	15,384
<b>TOTAL REVENUES</b>	<b>1,556,453</b>	<b>107,517</b>	<b>532,797</b>	<b>568,574</b>	<b>2,765,341</b>
<b>EXPENDITURES:</b>					
Current:					
General government	-	-	-	768,639	768,639
Cultural and recreation	1,631,927	180,217	-	-	1,812,144
Public safety	-	-	520,490	-	520,490
Debt service:					
Interest	-	-	7,770	-	7,770
Capital outlay	9,719	11,398	-	-	21,117
<b>TOTAL EXPENDITURES</b>	<b>1,641,646</b>	<b>191,615</b>	<b>528,260</b>	<b>768,639</b>	<b>3,130,160</b>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<b>(85,193)</b>	<b>(84,098)</b>	<b>4,537</b>	<b>(200,065)</b>	<b>(364,819)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers from other funds	-	-	-	122,500	122,500
Transfers to other funds	-	-	(60,000)	-	(60,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>(60,000)</b>	<b>122,500</b>	<b>62,500</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(85,193)</b>	<b>(84,098)</b>	<b>(55,463)</b>	<b>(77,565)</b>	<b>(302,319)</b>
<b>FUND BALANCES (DEFICIT) - beginning</b>	<b>316,398</b>	<b>240,620</b>	<b>(66,148)</b>	<b>288,358</b>	<b>779,228</b>
<b>FUND BALANCES (DEFICIT) - ending</b>	<b>\$ 231,205</b>	<b>\$ 156,522</b>	<b>\$ (121,611)</b>	<b>\$ 210,793</b>	<b>\$ 476,909</b>

**CITY OF WEST LINN, OREGON**

**LIBRARY FUND**

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES:</b>				
Property taxes	\$ 968,000	\$ 968,000	\$ 963,150	\$ (4,850)
Intergovernmental	501,000	501,000	517,475	16,475
Fines and forfeitures	80,000	80,000	67,579	(12,421)
Investment earnings	8,000	8,000	1,494	(6,506)
Miscellaneous	<u>12,400</u>	<u>12,400</u>	<u>6,755</u>	<u>(5,645)</u>
<b>TOTAL REVENUES</b>	<u>1,569,400</u>	<u>1,569,400</u>	<u>1,556,453</u>	<u>(12,947)</u>
<b>EXPENDITURES:</b>				
Personal services	1,091,900	1,091,900	1,091,163	737
Materials and services	188,000	198,000	181,764	16,236
Capital outlay	10,000	10,000	9,719	281
Other requirements	157,300	157,300	-	157,300
Contingency	<u>31,895</u>	<u>21,895</u>	<u>-</u>	<u>21,895</u>
<b>TOTAL EXPENDITURES</b>	<u>1,479,095</u>	<u>1,479,095</u>	<u>1,282,646</u>	<u>196,449</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	90,305	90,305	273,807	183,502
<b>OTHER FINANCING USES:</b>				
Transfers to other funds	<u>(359,000)</u>	<u>(359,000)</u>	<u>(359,000)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	(268,695)	(268,695)	(85,193)	183,502
<b>FUND BALANCES - beginning</b>	<u>268,695</u>	<u>268,695</u>	<u>316,398</u>	<u>47,703</u>
<b>FUND BALANCES - ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 231,205</u>	<u>\$ 231,205</u>

CITY OF WEST LINN, OREGON

COMMUNICATIONS FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Franchise taxes	\$ 101,000	\$ 101,000	\$ 106,478	\$ 5,478
Investment earnings	13,500	13,500	1,039	(12,461)
<b>TOTAL REVENUES</b>	<u>114,500</u>	<u>114,500</u>	<u>107,517</u>	<u>(6,983)</u>
<b>EXPENDITURES:</b>				
Materials and services	216,000	216,000	180,217	35,783
Capital outlay	45,000	45,000	11,398	33,602
Contingency	145,500	145,500	-	145,500
<b>TOTAL EXPENDITURES</b>	<u>406,500</u>	<u>406,500</u>	<u>191,615</u>	<u>214,885</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES AND NET CHANGE IN FUND BALANCES</b>	(292,000)	(292,000)	(84,098)	207,902
<b>FUND BALANCES - beginning</b>	<u>292,000</u>	<u>292,000</u>	<u>240,620</u>	<u>(51,380)</u>
<b>FUND BALANCES - ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 156,522</u>	<u>\$ 156,522</u>

CITY OF WEST LINN, OREGON

BUILDING INSPECTION FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Licenses and permits	\$ 678,000	\$ 678,000	\$ 527,660	\$ (150,340)
Investment earnings	2,000	2,000	-	(2,000)
Miscellaneous	30,000	30,000	5,137	(24,863)
<b>TOTAL REVENUES</b>	<u>710,000</u>	<u>710,000</u>	<u>532,797</u>	<u>(177,203)</u>
<b>EXPENDITURES:</b>				
Personal services	428,400	428,400	418,016	10,384
Materials and services	36,000	36,000	20,474	15,526
Debt service:				
Principal	67,000	67,000	55,448	11,552
Interest	10,000	10,000	7,770	2,230
Capital outlay	25,500	25,500	-	25,500
Contingency	71,424	71,424	-	71,424
<b>TOTAL EXPENDITURES</b>	<u>638,324</u>	<u>638,324</u>	<u>501,708</u>	<u>136,616</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	71,676	71,676	31,089	(40,587)
<b>OTHER FINANCING USES:</b>				
Transfers to other funds	(142,000)	(142,000)	(142,000)	-
<b>NET CHANGE IN FUND BALANCES</b>	(70,324)	(70,324)	(110,911)	(40,587)
<b>FUND BALANCES - beginning</b>	<u>70,324</u>	<u>70,324</u>	<u>108,852</u>	<u>38,528</u>
<b>FUND BALANCES (DEFICIT) - ending</b>	<u>\$ -</u>	<u>\$ -</u>	(2,059)	<u>\$ (2,059)</u>
<b>RECONCILIATION TO GAAP BASIS:</b>				
Adjustment for demand bank note payable			<u>(119,552)</u>	
<b>FUND BALANCES (DEFICIT) GAAP BASIS, ending</b>			<u>\$ (121,611)</u>	

CITY OF WEST LINN, OREGON

PLANNING FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Franchise taxes	\$ 119,000	\$ 119,000	\$ 110,090	\$ (8,910)
Intergovernmental	216,000	216,000	216,155	155
Licenses and permits	244,000	244,000	23,840	(220,160)
Investment earnings	3,000	3,000	997	(2,003)
Miscellaneous	15,000	15,000	3,492	(11,508)
<b>TOTAL REVENUES</b>	<b>597,000</b>	<b>597,000</b>	<b>354,574</b>	<b>(242,426)</b>
<b>EXPENDITURES:</b>				
Personal services	527,600	527,600	526,557	1,043
Material and services	167,000	167,000	45,082	121,918
Contingency	98,578	98,578	-	98,578
<b>TOTAL EXPENDITURES</b>	<b>793,178</b>	<b>793,178</b>	<b>571,639</b>	<b>221,539</b>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<b>(196,178)</b>	<b>(196,178)</b>	<b>(217,065)</b>	<b>(20,887)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers from other funds	336,500	336,500	336,500	-
Transfers to other funds	(197,000)	(197,000)	(197,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>139,500</b>	<b>139,500</b>	<b>139,500</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(56,678)</b>	<b>(56,678)</b>	<b>(77,565)</b>	<b>(20,887)</b>
<b>FUND BALANCES - beginning</b>	<b>56,678</b>	<b>56,678</b>	<b>288,358</b>	<b>231,680</b>
<b>FUND BALANCES - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 210,793</b>	<b>\$ 210,793</b>

CITY OF WEST LINN, OREGON

DEBT SERVICE FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Property taxes	\$ 928,079	\$ 928,079	\$ 925,371	\$ (2,708)
Investment earnings	1,000	1,000	1,682	682
<b>TOTAL REVENUES</b>	<u>929,079</u>	<u>929,079</u>	<u>927,053</u>	<u>(2,026)</u>
<b>EXPENDITURES:</b>				
Debt service:				
Principal	525,000	525,000	525,000	-
Interest	423,366	423,366	304,440	118,926
<b>TOTAL EXPENDITURES</b>	<u>948,366</u>	<u>948,366</u>	<u>829,440</u>	<u>118,926</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND NET CHANGE IN FUND BALANCES</b>	(19,287)	(19,287)	97,613	116,900
<b>FUND BALANCES - beginning</b>	<u>19,287</u>	<u>19,287</u>	<u>116,773</u>	<u>97,486</u>
<b>FUND BALANCES - ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 214,386</u>	<u>\$ 214,386</u>

CITY OF WEST LINN, OREGON

PARK BOND CONSTRUCTION FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Investment earnings	\$ 40,000	\$ 40,000	\$ 5,943	\$ (34,057)
<b>EXPENDITURES:</b>				
Materials and services	-	-	73,338	(73,338)
Capital outlay	1,011,797	1,011,797	589,943	421,854
<b>TOTAL EXPENDITURES</b>	1,011,797	1,011,797	663,281	348,516
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	(971,797)	(971,797)	(657,338)	314,459
<b>OTHER FINANCING SOURCES (USES):</b>				
Full faith and credit obligation bonds issued	-	-	504,000	504,000
Refunding bonds issued	-	-	4,915,000	4,915,000
Bond premium on issuance of debt	-	-	150,366	150,366
Payment to refunded bond escrow agent	-	-	(4,992,519)	(4,992,519)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	-	-	576,847	576,847
<b>NET CHANGE IN FUND BALANCES</b>	(971,797)	(971,797)	(80,491)	891,306
<b>FUND BALANCES - beginning</b>	971,797	971,797	1,048,619	76,822
<b>FUND BALANCES - ending</b>	\$ -	\$ -	\$ 968,128	\$ 968,128



**COMBINING AND INDIVIDUAL FUND FINANCIAL  
STATEMENTS AND SCHEDULES**

Proprietary Funds

**Proprietary Funds**

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

Water Fund – accounts for the City's water utility operations including maintenance and operations. All water related 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.

CITY OF WEST LINN, OREGON

WATER FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Water charges	\$ 3,113,000	\$ 3,113,000	\$ 2,954,547	\$ (158,453)
Investment earnings	40,000	40,000	85,228	45,228
Miscellaneous	70,000	70,000	49,931	(20,069)
Systems development charges	4,000	4,000	6,764	2,764
<b>TOTAL REVENUES</b>	<b>3,227,000</b>	<b>3,227,000</b>	<b>3,096,470</b>	<b>(130,530)</b>
<b>EXPENDITURES:</b>				
Personal services	511,400	511,400	510,354	1,046
Materials and services	1,408,200	1,428,200	1,249,000	179,200
Debt service	153,470	153,470	152,651	819
Capital outlay	500,000	540,000	357,950	182,050
Other requirements	151,100	151,100	-	151,100
Contingency	622,552	562,552	-	562,552
<b>TOTAL EXPENDITURES</b>	<b>3,346,722</b>	<b>3,346,722</b>	<b>2,269,955</b>	<b>1,076,767</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(119,722)</b>	<b>(119,722)</b>	<b>826,515</b>	<b>946,237</b>
<b>OTHER FINANCING USES:</b>				
Transfers to other funds	(1,027,000)	(1,027,000)	(1,027,000)	-
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,146,722)</b>	<b>(1,146,722)</b>	<b>(200,485)</b>	<b>946,237</b>
<b>FUND BALANCES - beginning</b>				
As originally stated	1,146,722	1,146,722	1,122,837	(23,885)
Prior period adjustment, budgetary basis	-	-	(301,683)	(301,683)
<b>FUND BALANCES - restated beginning</b>	<b>1,146,722</b>	<b>1,146,722</b>	<b>821,154</b>	<b>(325,568)</b>
<b>FUND BALANCES - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>620,669</b>	<b>\$ 620,669</b>
<b>RECONCILIATION TO GAAP BASIS:</b>				
Adjustment for capital assets not being depreciated			307,853	
Adjustment for capital assets, net of accumulated depreciation			9,924,182	
Adjustment for investment in joint venture			7,318,919	
Adjustment for bonds payable - due within one year			(80,000)	
Adjustment for bonds payable			(1,225,000)	
<b>FUND BALANCES - GAAP BASIS, ending</b>			<b>\$ 16,866,623</b>	

CITY OF WEST LINN, OREGON

ENVIRONMENTAL SERVICES FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Licenses and permits	\$ 30,000	\$ 30,000	\$ 47,930	\$ 17,930
Sewer charges	1,703,000	1,703,000	1,775,296	72,296
Surface water charges	608,000	608,000	561,898	(46,102)
Investment earnings	60,000	60,000	104,577	44,577
Miscellaneous	-	-	1,580	1,580
Systems development charges	56,000	56,000	65,608	9,608
<b>TOTAL REVENUES</b>	<b>2,457,000</b>	<b>2,457,000</b>	<b>2,556,889</b>	<b>99,889</b>
<b>EXPENDITURES:</b>				
Personal services	538,800	538,800	638,083	(99,283)
Materials and services	393,900	393,900	343,987	49,913
Capital outlay	980,000	980,000	275,501	704,499
Contingency	1,539,269	1,539,269	-	1,539,269
<b>TOTAL EXPENDITURES</b>	<b>3,451,969</b>	<b>3,451,969</b>	<b>1,257,571</b>	<b>2,194,398</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(994,969)</b>	<b>(994,969)</b>	<b>1,299,318</b>	<b>2,294,287</b>
<b>OTHER FINANCING USES:</b>				
Transfers to other funds	(932,000)	(932,000)	(932,000)	-
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,926,969)</b>	<b>(1,926,969)</b>	<b>367,318</b>	<b>2,294,287</b>
<b>FUND BALANCES - beginning</b>				
As originally stated	1,926,969	1,926,969	1,991,640	64,671
Prior period adjustment, budgetary basis	-	-	16,655	16,655
<b>FUND BALANCES - restated beginning</b>	<b>1,926,969</b>	<b>1,926,969</b>	<b>2,008,295</b>	<b>81,326</b>
<b>FUND BALANCES - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>2,375,613</b>	<b>\$ 2,375,613</b>
<b>RECONCILIATION TO GAAP BASIS:</b>				
Adjustment for capital assets not being depreciated			86,244	
Adjustment for capital assets, net of accumulated depreciation			18,362,705	
<b>FUND BALANCES - GAAP BASIS, ending</b>			<b>\$ 20,824,562</b>	

**CITY OF WEST LINN, OREGON**

**Notes to Supplementary Information**

**June 30, 2009**

---

Supplementary Information includes budgetary comparisons for funds other than the general fund, parks and recreation fund, street fund, systems development charges fund, and the public safety fund which are presented in Required Supplementary Information.

**1. Fund Balance Deficit**

The building inspection fund presented on page 68 as a GAAP basis deficit fund balance of \$121,611 and a budget basis deficit fund balance of \$2,059. An interfund loan of \$250,000 payable with interest of five percent from the systems development charges fund was repaid in fiscal year 2007-08, replaced with a demand bank note for \$175,000 paid off in July 2009.

**2. Expenditures over Appropriations**

In the environmental services fund presented on page 74, the appropriation for personal services (\$538,800) was overspent by \$99,283 relating to labor costs incurred during the 2008-2009 winter storm events.

**3. Prior Period Adjustments – Budget Basis**

For the water fund presented on page 73, the beginning fund balance presented on a budget basis was in error due to a miscalculation of the amounts to be included in such balance. A decrease of \$301,683 to this fund's beginning fund balance brings this balance back in line to be reconciled to the fund balance presented on a GAAP basis.

For the environmental services fund presented on page 74, the beginning fund balance presented on a budget basis was in error due to a miscalculation of the amounts to be included in such balance. An increase of \$16,655 to this fund's beginning fund balance brings this balance back in line to be reconciled to the fund balance presented on a GAAP basis. Both of these errors occurred several years prior to June 30, 2008, and the corrections have no effect on the reported results of these funds for the fiscal year ended June 30, 2009.

## **OTHER FINANCIAL SCHEDULES**

Schedule of Property Tax Transactions and Outstanding Balance

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, 2009

<u>Tax Year</u>	<u>Uncollected Property Taxes as of June 30, 2008</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, 2009</u>
Current fiscal year 2008-09	\$ -	\$ 6,639,388	\$ (173,171)	\$ (6,163,584)	\$ 322,393
Prior fiscal years					
2007-08	243,074	-	(4,662)	(152,979)	85,433
2006-07	76,804	-	(1,109)	(34,831)	40,865
2005-06	28,264	-	(879)	(12,132)	15,253
2004-05	12,775	-	(299)	(8,850)	3,626
2003-04 & prior	15,846	-	(506)	(1,945)	13,395
Sub-total prior	<u>376,763</u>	<u>-</u>	<u>(7,454)</u>	<u>(210,737)</u>	<u>158,572</u>
Total	<u>\$ 376,763</u>	<u>\$ 6,639,388</u>	<u>\$ (180,626)</u>	<u>\$ (6,374,321)</u>	<u>\$ 480,965</u>

Public Safety Fund	\$ 411,970
Debt Service Fund	<u>68,995</u>
	<u>\$ 480,965</u>

**CITY OF WEST LINN, OREGON**  
**SCHEDULE OF ACCOUNTABILITY OF INDEPENDENTLY ELECTED OFFICIALS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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

SECTION III

**STATISTICAL SECTION**



# STATISTICAL SECTION

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

<b>Contents</b>	<b>Page</b>
Financial Trends These schedules contain trend information to help the reader understand how financial performance has changed over time.	81
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.	87
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.	91
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.	96
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.	98

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

**CITY OF WEST LINN, OREGON**

**Net Assets by Component**  
*for the last seven fiscal years <sup>1</sup>*  
**(accrual basis of accounting)**  
*(in thousands)*

	<b>Fiscal Year Ended</b>						
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Governmental activities							
Invested in capital assets, net of related debt	\$ 24,716	\$ 14,704	\$ 17,453	\$ 17,951	\$ 241,987	\$ 218,998	\$ 219,277
Restricted	-	3,867	4,080	2,854	3,526	4,479	6,565
Unrestricted (deficit)	(2,069)	5,893	3,921	2,996	3,995	2,514	(248)
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>	<u>225,594</u>
Business-type activities							
Invested in capital assets, net of related debt	18,056	19,011	20,447	21,059	20,723	26,201	27,454
Restricted	-	-	-	-	-	-	155
Unrestricted	8,944	8,458	7,085	8,442	9,939	10,090	10,082
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>	<u>37,691</u>
Primary government							
Invested in capital assets, net of related debt	42,772	33,715	37,900	39,010	262,710	245,199	246,731
Restricted	-	3,867	4,080	2,854	3,526	4,479	6,720
Unrestricted	6,875	14,351	11,006	11,438	13,934	12,604	9,834
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>	<u>\$ 263,285</u>

<sup>1</sup> 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 seven fiscal years <sup>1</sup>  
(accrual basis of accounting)  
(in thousands)**

	Fiscal Year Ended						
	2003	2004	2005	2006	2007	2008	2009
<b>Expenses</b>							
Governmental activities:							
General government	\$ 6,520	\$ 3,637	\$ 3,838	\$ 4,040	\$ 4,695	\$ 6,007	\$ 5,970
Culture and recreation	2,849	2,725	2,776	2,846	2,973	4,279	5,433
Public safety	6,088	5,767	4,315	4,414	4,490	5,658	6,318
Highways and streets	1,235	1,200	609	1,442	994	1,235	3,528
Interest on long-term debt	513	724	773	591	640	631	599
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>	<u>21,848</u>
Business-type activities:							
Water	2,474	2,362	2,450	2,732	2,270	2,914	3,269
Environmental services	1,851	1,880	1,950	2,094	1,409	2,814	2,704
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>	<u>5,973</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>	<u>\$ 27,821</u>
<b>Program Revenues</b>							
Governmental activities:							
Charges for services:							
General government	\$ 3,336	\$ 2,564	\$ 3,134	\$ 3,955	\$ 3,527	\$ 6,473	\$ 6,364
Culture and recreation	1,201	-	-	-	-	1,321	1,543
Public safety	334	-	-	-	-	753	664
Highways and streets	24	-	-	-	-	243	833
Operating grants and contributions	5,550	2,102	2,716	2,411	2,374	2,372	2,486
Capital grants and contributions	-	-	-	-	-	1,755	727
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>	<u>12,617</u>
Business-type activities:							
Charges for services:							
Water	3,098	2,876	2,573	2,986	3,579	2,903	3,069
Environmental services	1,812	1,811	1,870	1,899	2,244	2,020	2,452
Capital grants and contributions	-	-	-	-	-	865	1,635
Total business-type activities program revenues	<u>4,910</u>	<u>4,687</u>	<u>4,443</u>	<u>4,885</u>	<u>5,823</u>	<u>5,788</u>	<u>7,156</u>
Total primary government program revenues	<u>\$ 15,355</u>	<u>\$ 9,353</u>	<u>\$ 10,293</u>	<u>\$ 11,251</u>	<u>\$ 11,724</u>	<u>\$ 18,705</u>	<u>\$ 19,773</u>

Continued on next page

<sup>1</sup> 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	2009
<b>Net (Expense) Revenue</b>							
Governmental activities	\$ (8,002)	\$ (9,937)	\$ (7,087)	\$ (8,453)	\$ (8,535)	\$ (7,288)	\$ (9,231)
Business-type activities	585	445	43	59	2,144	60	1,183
Total primary government expenses	<u>\$ (7,417)</u>	<u>\$ (9,492)</u>	<u>\$ (7,044)</u>	<u>\$ (8,394)</u>	<u>\$ (6,391)</u>	<u>\$ (7,228)</u>	<u>\$ (8,048)</u>
<b>General Revenues and Other Changes in Net Assets</b>							
Governmental activities:							
Taxes							
Property taxes, levied for general purposes	\$ 4,123	\$ 7,728	\$ 5,520	\$ 5,760	\$ 6,675	\$ 5,264	\$ 5,536
Property taxes, levied for debt service	1,132	911	811	854	931	769	942
Franchise taxes	1,706	1,829	1,711	1,460	2,098	1,686	1,728
Unrestricted grants and contributions	253	-	-	382	279	263	604
Investment earnings	254	144	171	210	468	420	51
Transfers	112	180	165	(1,866)	1,092	(132)	(27)
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>	<u>8,834</u>
Business-type activities:							
Investment earnings	81	47	20	44	110	109	190
Transfers	-	-	-	1,866	(1,092)	132	27
Total business-type activities	<u>81</u>	<u>47</u>	<u>20</u>	<u>1,910</u>	<u>(982)</u>	<u>241</u>	<u>217</u>
Total primary government	<u>\$ 7,661</u>	<u>\$ 10,839</u>	<u>\$ 8,398</u>	<u>\$ 8,710</u>	<u>\$ 10,561</u>	<u>\$ 8,511</u>	<u>\$ 9,051</u>
<b>Change in Net Assets</b>							
Governmental activities	\$ (422)	\$ 855	\$ 1,291	\$ (1,653)	\$ 3,008	\$ 982	\$ (397)
Business-type activities	666	492	63	1,969	1,162	301	1,400
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>	<u>\$ 1,003</u>

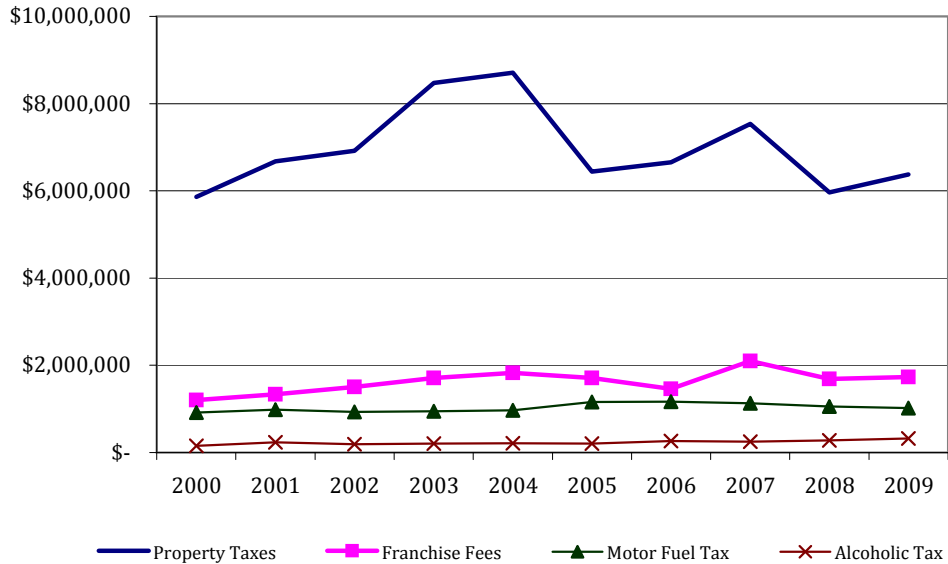
Continued from previous page

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

<b>Fiscal year</b>	<b>Property tax</b>	<b>Franchise tax</b>	<b>Motor fuel tax<sup>1</sup></b>	<b>Alcoholic beverage tax<sup>1</sup></b>	<b>Total</b>
2000	\$ 5,858,652	\$ 1,203,596	\$ 918,181	\$ 155,168	\$ 8,135,597
2001	6,677,888	1,336,078	979,859	235,641	9,229,466
2002	6,916,387	1,503,792	934,479	192,801	9,547,459
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
2009	6,374,321	1,727,918	1,018,039	319,257	9,439,535

<sup>1</sup> 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.

Trend Lines of Tax Revenues by Source



**CITY OF WEST LINN, OREGON**  
**Fund Balances of Governmental Funds**  
*for the last seven fiscal years <sup>1</sup>*  
**(modified accrual basis of accounting)**

	<b>Fiscal Year Ended</b>						
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
General fund							
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 104,342	\$ 142,264	\$ -
Unreserved	620,683	644,507	439,342	1,232,657	742,999	695,299	985,405
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>	<u>\$ 985,405</u>
All other governmental funds							
Reserved	\$ 3,612,195	\$ 3,866,930	\$ 4,079,592	\$ 501,455	\$ 522,710	\$ 4,479,402	\$ 6,565,389
Unreserved, reported in:							
Special revenue funds	2,865,310	2,965,904	1,973,454	1,071,400	2,667,628	1,923,871	2,295,152
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>	<u>\$ 8,860,541</u>

<sup>1</sup> 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 seven fiscal years <sup>1</sup>*  
**(modified accrual basis of accounting)**

	Fiscal Year Ended						
	2003	2004	2005	2006	2007	2008	2009
<b>Revenues:</b>							
Property taxes	\$ 8,471,069	\$ 8,712,331	\$ 6,440,143	\$ 6,650,854	\$ 7,531,540	\$ 5,965,524	\$ 6,392,688
Intergovernmental	2,353,038	2,102,137	2,716,878	2,410,889	2,374,184	2,371,677	2,486,047
Franchise taxes	1,706,007	1,828,703	1,711,039	1,459,842	2,098,041	1,685,632	1,727,918
Licenses and fees	628,525	548,215	703,169	672,024	1,155,020	1,108,494	1,006,790
Fines and forfeitures	378,226	314,451	463,254	513,503	567,159	517,662	586,145
Charges for services	1,216,947	1,803,957	2,160,498	2,373,428	452,744	5,770,614	7,192,160
Systems development charges	1,165,220	774,017	622,099	1,155,017	1,209,582	963,567	618,819
Investment earnings	256,499	142,692	173,518	202,996	467,203	419,705	50,420
Miscellaneous	1,000,893	150,248	164,664	382,899	279,634	263,531	604,187
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>	<u>20,665,174</u>
<b>Expenditures:</b>							
Current:							
General government	5,597,314	4,419,135	4,615,175	4,810,789	4,464,283	5,334,764	5,944,189
Culture and recreation	2,787,800	2,810,471	3,591,126	2,908,948	2,973,587	4,274,399	4,548,376
Public safety	6,141,779	5,971,735	4,323,057	4,578,620	4,545,133	5,642,339	5,940,429
Highways and streets	1,315,363	1,199,738	1,614,965	1,534,138	1,043,943	1,236,200	1,634,945
Debt service:							
Principal	425,000	616,092	654,887	590,000	625,000	670,000	705,000
Interest	536,800	729,153	694,268	669,356	639,505	626,604	472,048
Capital outlay	1,242,161	764,912	756,008	2,188,791	1,363,980	1,611,978	2,944,474
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>	<u>22,189,461</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>	<u>(1,524,287)</u>
<b>Other financing sources (uses):</b>							
Transfers from other funds	2,279,927	1,909,921	1,655,936	3,731,852	3,908,392	713,200	322,500
Transfers to other funds	(2,279,927)	(1,909,921)	(1,655,936)	(4,345,554)	(2,937,904)	(705,594)	(322,500)
Full faith and credit obligation bonds issued	-	-	-	-	-	-	4,035,000
Refunding bonds issued	-	-	-	-	-	-	4,915,000
Bond premium on issuance of debt	-	-	-	-	-	-	171,916
Payment to refunded bond escrow agent	-	-	-	-	-	-	(4,992,519)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(613,702)</u>	<u>970,488</u>	<u>7,606</u>	<u>4,129,397</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>	<u>\$ 2,605,110</u>
Debt service as a percentage of noncapital expenditures	5.7%	8.5%	8.7%	8.3%	8.8%	7.3%	6.1%

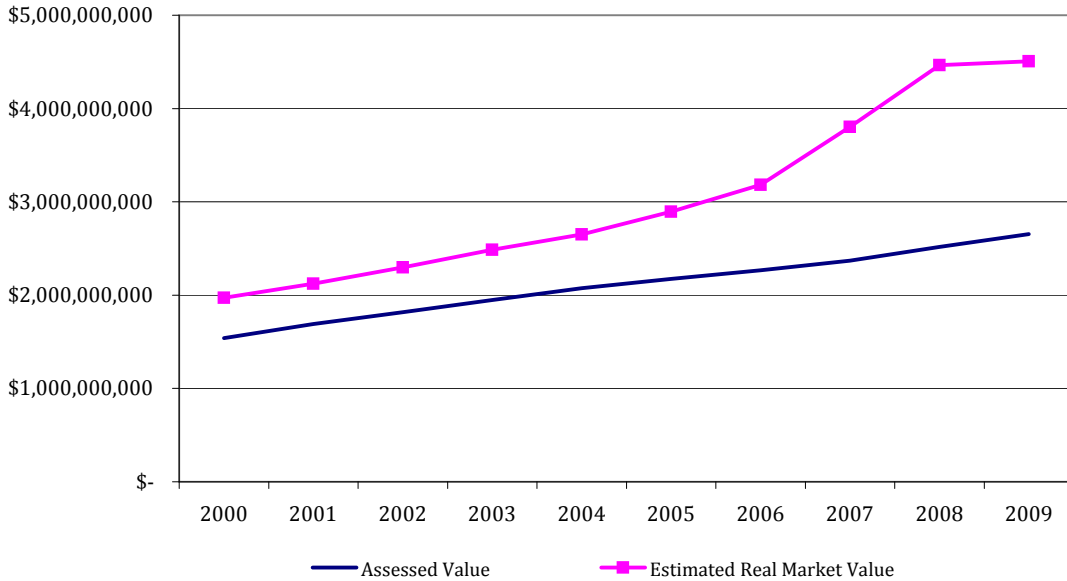
<sup>1</sup> Fiscal year 2002-03 was the first year that the new reporting requirements of GASB 34 were implemented, except for the infrastructure provisions which were implemented in fiscal year 2007-08.

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

Fiscal year	Assessed Value					Total direct tax rate	RMV	Assessed value as a percentage of RMV
	Real property	Personal property	Manuf'd structure	Public utility	Total assessed value		Estimated real market value (RMV)	
2000	\$ 1,488,744,410	\$ 16,019,200	\$ 3,783,530	\$ 30,676,240	\$ 1,539,223,380	\$ 3.9191	\$ 1,972,934,840	78%
2001	1,636,195,534	16,992,692	3,911,352	34,405,739	1,691,505,317	4.0667	2,123,112,668	80
2002	1,756,061,644	19,608,575	3,889,686	39,342,078	1,818,901,983	3.9159	2,298,004,436	79
2003	1,883,294,435	19,826,228	2,979,343	40,872,922	1,946,972,928	4.4625	2,485,047,559	78
2004	2,008,413,161	20,002,100	2,720,712	43,154,797	2,074,290,770	4.2794	2,649,685,014	78
2005	2,101,719,925	19,893,788	2,842,100	49,379,559	2,173,835,372	3.0127	2,893,044,240	75
2006	2,195,743,606	19,493,768	2,639,830	49,034,500	2,266,911,704	3.0265	3,184,053,186	71
2007	2,297,035,876	19,771,894	1,529,407	51,125,300	2,369,462,477	3.2626	3,804,091,192	62
2008	2,429,084,775	23,088,571	97,310	64,467,300	2,516,737,956	2.4317	4,464,348,037	56
2009	2,551,018,947	24,133,819	13,260	80,383,350	2,655,549,376	2.4984	4,507,161,484	59

Source: Clackamas County Assessor's Office

The gap between Assessed Value and Estimated Real Market Value

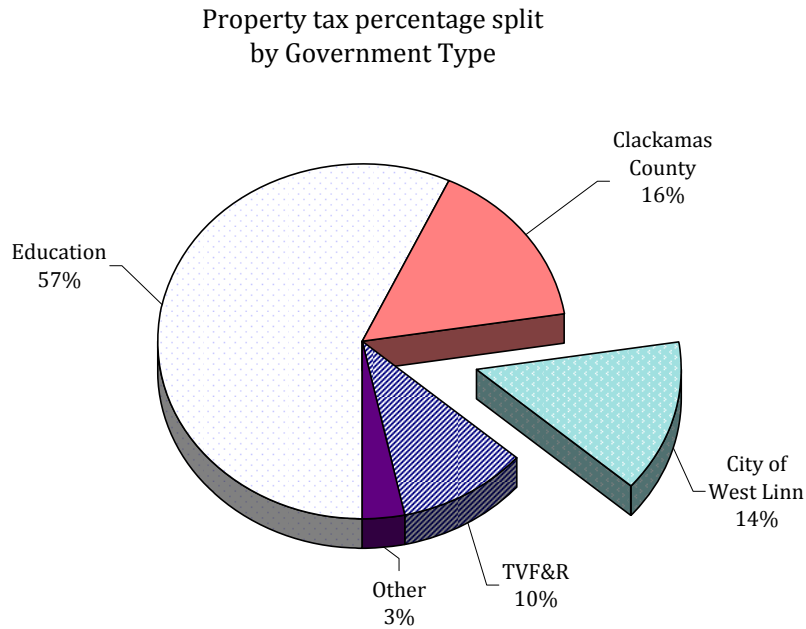




**CITY OF WEST LINN, OREGON**  
**Property Tax Rates - Direct and Overlapping Governments**  
*for the last ten fiscal years*  
*(rate per \$1,000 of assessed value)*

Fiscal year	City direct rates				Overlapping rates						Total direct and overlapping
	Permanent tax rate	Local option levy rate	Bonded debt tax rate	Total direct	West Linn Wilsonville School District	Clackamas County	Clackamas Community College	Education Service District	Tualain Valley Fire and Rescue	Other	
2000	\$ 2.1200	\$ 1.3786	\$ 0.4205	\$ 3.9191	\$ 6.81	\$ 2.54	\$ 0.62	\$ 0.37	-	\$ 1.45	\$ 15.71
2001	2.1200	1.2545	0.6922	4.0667	9.02	2.57	0.62	0.37	-	1.35	17.99
2002	2.1200	1.1666	0.6293	3.9159	8.97	2.57	0.86	0.37	-	0.93	17.62
2003	2.1200	1.7200	0.6225	4.4625	9.15	2.59	0.74	0.36	-	0.47	17.77
2004	2.1200	1.7200	0.4394	4.2794	9.28	2.58	0.74	0.36	-	0.46	17.69
2005	2.1200	0.5050	0.3877	3.0127	9.18	2.58	0.78	0.36	1.83	0.46	18.19
2006	2.1200	0.4844	0.4221	3.0265	9.23	2.59	0.77	0.36	1.82	0.49	18.28
2007	2.1200	0.7550	0.3876	3.2626	9.31	2.53	0.73	0.36	1.82	0.47	18.48
2008	2.1200	-	0.3117	2.4317	9.24	2.80	0.74	0.36	1.87	0.61	18.05
2009	2.1200	-	0.3784	2.4984	9.05	2.81	0.74	0.36	1.84	0.57	17.88

Source: Clackamas County Assessor's Office



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

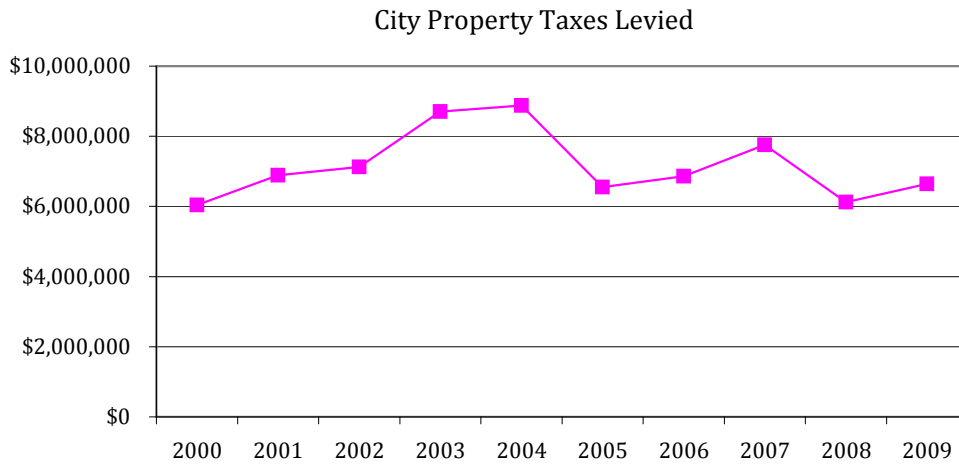
Name	2009			2000		
	Assessed value	Rank	% of total value	Assessed value	Rank	% of total value
Portland General Electric	\$ 59,828,000	1	2.3%	\$ 14,387,600	1	1.0%
West Linn Paper Prop. Co.	28,967,604	2	1.1%	10,915,020	2	0.8%
Blackhawk Nevada LLC	22,874,274	3	0.9%	-		
Simpson Realty Group	22,869,388	4	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%
West 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	<u>\$ 2,655,549,376</u>		<u>100.0%</u>	<u>\$ 1,403,783,260</u>		<u>100.0%</u>

Source: Clackamas County Assessor's Office

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

Fiscal year	Taxes levied for the fiscal year	Collected within the fiscal year of the levy		Collections in subsequent years	Total collections to date	
		Amount	Percentage of levy		Amount	Percentage of levy
2000	\$ 6,039,847	\$ 5,653,008	94%	\$ 232,493	\$ 5,885,501	97%
2001	6,884,421	6,422,057	93	195,677	6,617,734	96
2002	7,130,296	6,661,853	93	270,393	6,932,246	97
2003	8,704,528	8,169,273	94	289,309	8,458,582	97
2004	8,879,234	8,368,846	94	258,565	8,627,411	97
2005	6,553,401	6,197,891	95	173,213	6,371,104	97
2006	6,864,067	6,523,682	95	152,992	6,676,674	97
2007	7,759,907	7,310,877	94	212,113	7,522,990	97
2008	6,123,920	5,725,655	93	152,979	5,878,634	96
2009	6,639,388	6,163,584	93	-	6,163,584	93

Source: Annual financial statements of the City of West Linn

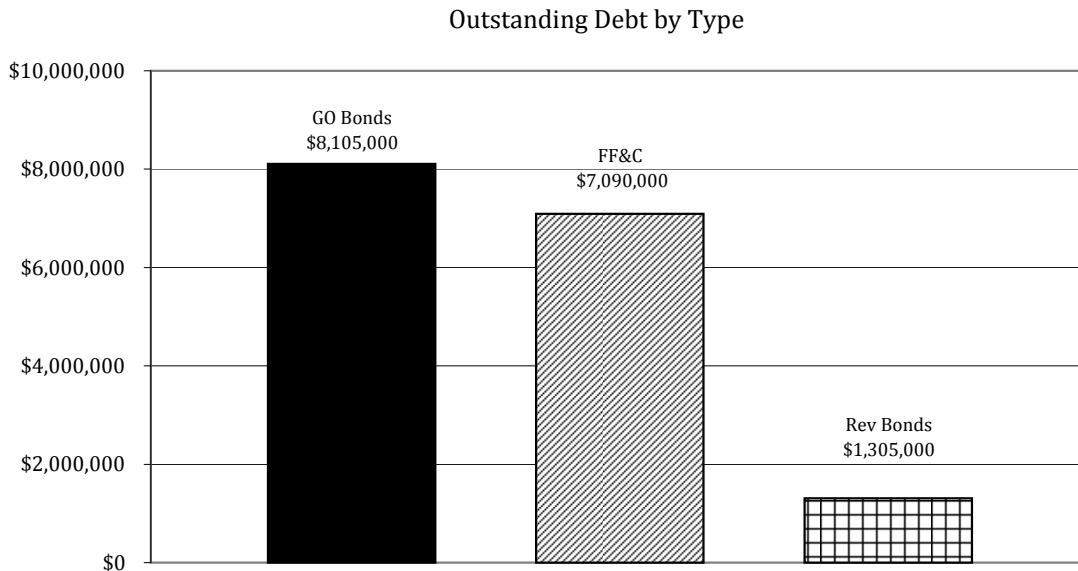


**CITY OF WEST LINN, OREGON**  
**Ratios of Outstanding Debt by Type**  
*for the last ten fiscal years*

Fiscal year	Governmental Activities		Business-type Activities	Total primary government	Percentage of personal income	Per capita
	General Obligation bonds	Full Faith and Credit obligations	Water Revenue bonds			
2000	\$ 8,405,000	\$ -	\$ -	\$ 8,405,000	13.52%	\$375
2001	11,745,000	4,300,000	1,800,000	17,845,000	27.93	773
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
2009	8,105,000	7,090,000	1,305,000	16,500,000	*	673

\* Information unavailable at this time.

Source: Annual financial statements of the City of West Linn



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

<b>Fiscal year</b>	<b>General Obligation bonds</b>	<b>Less: amounts available in debt service fund</b>	<b>Net</b>	<b>Percentage of net over assessed value of property<sup>1</sup></b>	<b>Per capita<sup>2</sup></b>
2000	\$ 8,405,000	\$ (165,127)	\$ 8,239,873	0.54%	\$367
2001	11,745,000	(104,497)	11,640,503	0.69	504
2002	11,230,000	(119,711)	11,110,289	0.61	474
2003	10,805,000	(345,802)	10,459,198	0.54	439
2004	10,425,000	(364,826)	10,060,174	0.48	420
2005	10,020,000	(285,478)	9,734,522	0.45	404
2006	9,590,000	(251,455)	9,338,545	0.41	386
2007	9,130,000	(272,710)	8,857,290	0.37	366
2008	8,635,000	(116,773)	8,518,227	0.34	349
2009	8,105,000	(214,386)	7,890,614	0.30	322

<sup>1</sup> Assessed value data of property can be found on page 87.

<sup>2</sup> Population data can be found on page 96.

**CITY OF WEST LINN, OREGON**  
**Direct and Overlapping Governmental Activities Debt**  
*as of June 30, 2009*

<u>Governmental unit</u>	<u>Real Market Values of Overlapping Districts</u>	<u>Tax-Supported Debt Outstanding</u>	<u>Percentage Overlapping<sup>1</sup></u>	<u>Overlapping Debt Applicable to the City of West Linn</u>
Debt repaid with property taxes:				
West Linn Wilsonville School District	\$ 9,339,657,071	\$ 243,297,238	47.78%	\$ 116,246,447
Clackamas Community College	43,249,681,807	89,400,000	10.32%	9,224,203
Clackamas County	59,993,039,013	74,840,000	7.51%	5,622,580
Metro	218,139,953,651	258,671,896	2.07%	5,344,679
Tualatin Valley Fire and Rescue	65,854,329,079	47,000,000	6.84%	3,216,727
Tri-Met	216,705,775,181	36,380,000	2.08%	756,668
Lake Oswego School District No. 7J	11,082,176,130	117,610,654	0.40%	474,441
Portland Community College	<u>171,761,783,250</u>	<u>425,430,000</u>	0.03%	<u>110,612</u>
Subtotal, overlapping debt	796,126,395,182	1,292,629,788		140,996,357
Direct debt outstanding:				
City of West Linn	<u>4,507,161,484</u>	<u>15,195,000</u>	100.00%	<u>15,195,000</u>
Total direct and overlapping debt outstanding	<u>\$ 800,633,556,666</u>	<u>\$ 1,307,824,788</u>		<u>\$ 156,191,357</u>

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

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

Source: Oregon State Treasury Department, Debt Management Division

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

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Debt maximum limitation	\$ 59,188,045	\$ 63,693,380	\$ 68,940,133	\$ 74,551,427	\$ 79,490,550
Debt applicable to maximum limit	8,239,873	11,640,503	11,110,289	10,459,198	10,060,174
Legal debt margin available	<u>\$ 50,948,172</u>	<u>\$ 52,052,877</u>	<u>\$ 57,829,844</u>	<u>\$ 64,092,229</u>	<u>\$ 69,430,376</u>
Debt applicable to the maximum limit as a percentage of debt limitation	13.92%	18.28%	16.12%	14.03%	12.66%

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

**Legal debt margin calculation for fiscal year ended June 30, 2009**

Total property real market value	\$ 4,507,161,484
	3%
Debt maximum limitation (3% of total property real market value) <sup>1</sup>	<u>135,214,845</u>
Amount of debt applicable to debt limit:	
Total bonded debt	16,500,000
Less debt excluded from debt limit:	
Full Faith and Credit obligations	(7,090,000)
Revenue bonds, Series 2000 Water	(1,305,000)
Less funds applicable to the payment of principal in the debt service fund per ORS 287.004	<u>(214,386)</u>
Net amount of debt applicable to limit	<u>7,890,614</u>
Legal debt margin - amount available for future indebtedness	<u>\$ 127,324,231</u>
Percentage of City's indebtedness to total allowed	5.8%

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

Source: Clackamas County Department of Assessment and Taxation

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

Fiscal year	Water Revenue Bonds					
	Utility service charges <sup>1</sup>	Less: operating expenses <sup>2</sup>	Net available revenue	Debt service requirements		Coverage <sup>3</sup>
				Principal	Interest	
2000	\$ 2,095,710	\$ 1,729,507	\$ 366,203	\$ -	\$ -	n/a
2001	2,331,212	1,966,750	364,462	-	51,123	n/a
2002	2,288,510	1,921,713	366,797	50,000	101,070	2.43
2003	2,766,922	1,984,630	782,292	55,000	98,548	5.09
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
2009	3,096,470	2,786,354	310,116	75,000	78,470	2.02

<sup>1</sup> Charges include operating revenue plus interest income on operating earnings.

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

<sup>3</sup> Coverage ratio does not apply until fiscal year 2002 with the first principal due on the bond sale in fiscal year 2001.

Source: Annual financial statements of the City of West Linn



## CITY OF WEST LINN, OREGON

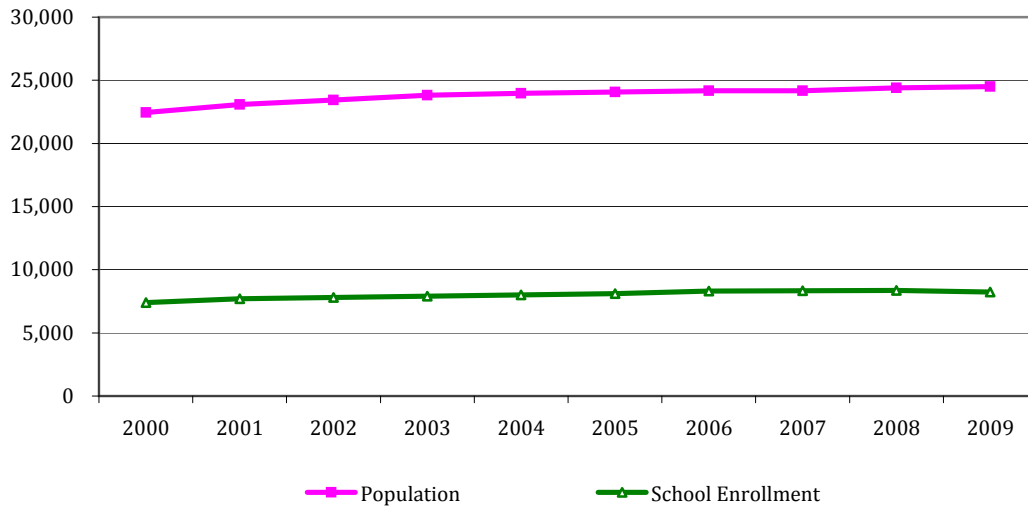
### Demographic and Economic Statistics for the last ten fiscal years

<u>Fiscal year</u>	<u>Population</u>	<u>Personal income (in millions)</u>	<u>Per capita personal income</u>	<u>School enrollment</u>	<u>Unemployment rate</u>
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	24,400	*	*	8,350	5.3
2009	24,500	*	*	8,237	11.0

\* Information unavailable at this time.

Sources: Center for Population Research and Census, Portland State University  
 Bureau of Economic Analysis  
 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>2009</u>			<u>2000</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	*		
Bales Market	70	11	0.54	*		
Laidlaw Transit Inc	70	12	0.54	*		
Elton Enterprises IV Inc	70	13	0.54	*		
Total	<u>2,235</u>		<u>8.94%</u>			

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

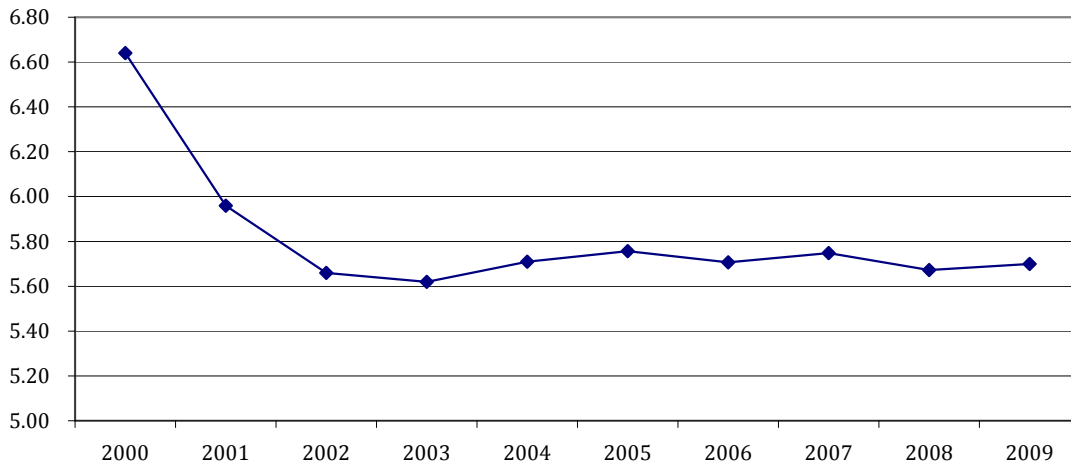
Sources: Chamber of Commerce and Clackamas County

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

Function/Program	Fiscal Year Ended									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government	18.90	16.50	15.50	15.75	16.75	17.50	18.00	19.00	17.00	16.60
Public safety	42.50	39.50	37.50	37.50	39.00	40.00	44.60	44.60	44.60	45.50
Culture and recreation	32.80	32.80	33.80	34.80	34.80	34.80	38.80	38.80	39.20	40.43
Community development	14.00	12.00	11.00	11.00	11.50	11.50	5.00	5.00	5.50	5.50
Highways and streets	6.25	5.25	5.25	5.25	4.95	5.30	7.00	7.00	7.00	7.00
Water	8.81	7.81	7.81	7.81	7.91	7.56	7.00	7.00	6.00	6.00
Sewer and surface water	9.44	9.44	9.44	10.04	10.24	10.24	7.00	7.00	7.00	6.00
Public works	16.30	14.30	12.30	11.70	11.70	11.70	10.60	10.60	12.10	12.60
<b>Total FTEs</b>	<b>149.00</b>	<b>137.60</b>	<b>132.60</b>	<b>133.85</b>	<b>136.85</b>	<b>138.60</b>	<b>138.00</b>	<b>139.00</b>	<b>138.40</b>	<b>139.63</b>
City Population	22,440	23,090	23,430	23,820	23,970	24,075	24,180	24,180	24,400	24,500
FTEs per 1,000 of population	6.64	5.96	5.66	5.62	5.71	5.76	5.71	5.75	5.67	5.70

Source: City of West Linn's Finance department

10-Year Trend of FTEs per 1,000 of City Population



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

<b>Function/Program</b>	<b>Fiscal Year Ended</b>					
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Governmental activities:						
Public safety						
Citations:						
Traffic	2,274	2,141	2,435	2,109	2,153	2,556
Criminal	87	98	90	103	74	157
Parking	801	1,068	845	1,029	922	1,094
City Ordinance	57	68	48	59	69	23
Non-Traffic Violation	49	54	71	86	120	77
Impound Hearing	-	-	-	-	1	1
Culture and recreation						
Library volunteer hours	4231	4409	4454	4634	5803	5896
Library - average items circulated per capita	21.96	23.87	24.43	25.01	25.75	28.65
Community development						
Residential building permits issued	47	67	58	81	67	54
Land use applications processed	36	48	-	-	-	-
Business-type activities: <sup>1</sup>						
Water						
Service connections	7,308	7,613	7,848	8,175	8,322	8,428
Average daily consumption (in thousands of gallons)	5,087	5,299	5,463	5,691	5,733	5,867
Sanitary sewer						
Service connections	7,234	7,457	7,768	8,008	8,198	8,342
Average daily sewage treatment (in thousands of gallons)	4,608	4,750	4,948	5,101	5,200	5,314

<sup>1</sup>These are estimated statistics 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>2009</u>	<u>2000</u>
Governmental activities:		
General government		
City-owned building facilities	5	4
Public safety		
Police stations	1	1
Patrol units	12	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)	40,925	22,125 *
Highways and streets		
Miles of streets	107	97
Miles of bikeways	68	40
Surface water catch basins	2,300	2,000 *
Miles of Sidewalk	117	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 statistics based upon best historic information available.

Source: City of West Linn's Finance department

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

**SECTION IV**

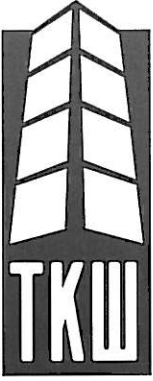
**COMPLIANCE SECTION**

## COMPLIANCE SECTION

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

The following 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*



4800 SW Macadam Ave, Suite 400  
Portland, Oregon 97239-3973

P 503.274.2849  
F 503.274.2853  
www.tkw.com

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

December 14, 2009

Honorable Mayor and City Councilors  
City of West Linn, Oregon  
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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 14, 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 compliance and internal control over financial reporting is contained on pages 106 and 107 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.

### **COLLATERAL**

The City has complied with Oregon Revised Statutes (ORS) 295 in relation to deposit accounts.

### **INVESTMENTS**

Our review of deposit and investment balances indicated that, during the year ended June 30, 2009, the City was in compliance with ORS 294 as it pertains to investment of public funds.



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

Page 2

**INDEBTEDNESS**

We noted the indebtedness of the City was in compliance with ORS 287.004 during the year ended June 30, 2009. We noted no defaults in principal, interest, sinking fund or redemption provisions with respect to any of the City's bonded debt, and no breach of the bond agreements at June 30, 2009.

**BUDGET**

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, 2009 and adoption of its budget for the two-year period ending June 30, 2011, with the following exceptions:

- In the Public Safety Fund, expenditures for personal services exceeded appropriations by \$352,902.
- In the Environmental Services Fund, expenditures for personal services exceeded appropriations by \$99,283.

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

**INSURANCE AND FIDELITY BONDS**

We have reviewed the City's legally required insurance and fidelity bond coverage at June 30, 2009. 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, 2009.

**PUBLIC CONTRACTS AND PURCHASING**

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

**HIGHWAY FUNDS**

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

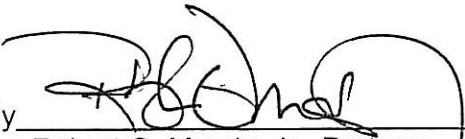
\* \* \* \* \*

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

Page 3

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

**TALBOT, KORVOLA & WARWICK, LLP**  
Certified Public Accountants

By   
Robert G. Moody, Jr., Partner



4800 SW Macadam Ave, Suite 400  
Portland, Oregon 97239-3973

P 503.274.2849  
F 503.274.2853

[www.tkw.com](http://www.tkw.com)

**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**

December 14, 2009

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

We have audited the basic 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, 2009, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 14, 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 below to be significant deficiencies in internal control over financial reporting.

- We noted multiple areas within the City where the segregation of duties, related internal control procedures and evidence of supervisory review over the detailed accounting records was inadequate during the period of July 2008 through October 2008.

**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)**

Individuals within the City should not have responsibility for more than one of the following functions with regards to financial information: authorization, custody, record keeping and reconciliation. These functions should also be the subject of evidenced supervisory review.

We noted that many of these items were remediated by March of 2009 as a response to our previous findings which were dated February 27, 2009.

- We noted that there were instances in which adequate supporting documentation for financial transactions was not retained during the period of July 2008 through October 2008. It is important to maintain records to support all transactions in all accounting cycles. We noted no issues with obtaining adequate documentation for transactions subsequent to October 2008.

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 believe that none of the significant deficiencies described above are material weaknesses.

**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 December 14, 2009.

\* \* \* \* \*

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



Certified Public Accountants



<http://westlinnoregon.gov>

22500 Salamo Road

West Linn, Oregon 97068

503-657-0331