

Popular Annual Financial Report

For the fiscal year ended June 30, 2012



CITY OF
**West
Linn**
OREGON



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Award for Outstanding Achievement in Popular Annual Financial Reporting

PRESENTED TO

**City of West Linn
Oregon**

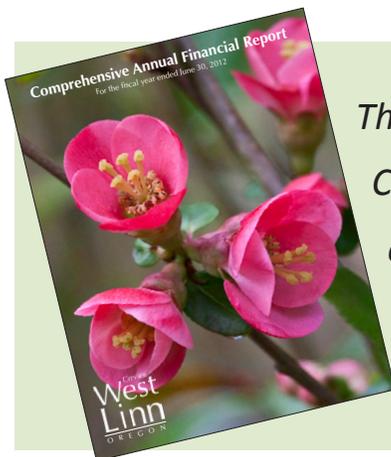
for the Fiscal Year Ended

June 30, 2011



Christopher P. Morill
President

Jeffrey L. Esser
Executive Director



The information in this report is drawn from the City of West Linn Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. Please review the CAFR online, or email Chief Financial Officer Richard Seals at rseals@westlinnoregon.gov to request a copy or with any questions about this report.

Overview of Audited Results

The following summary highlights are taken directly from the Management Discussion and Analysis section of the fiscal year 2012 Comprehensive Annual Financial Report (CAFR):

- The City's assets totaled \$294.8 million at June 30, 2012, consisting of \$260.6 million in capital assets, \$9.9 million in unrestricted cash and investments, \$13.4 million in restricted cash and investments, and \$10.9 million in investment in joint venture and other assets. Total assets increased by \$11.7 million from the previous fiscal year.
- The City's liabilities totaled \$25.9 million at June 30, 2012 consisting of \$22.9 million in long-term liabilities and \$3.0 million in accounts payable and other liabilities.
- The assets of the City exceeded its liabilities by \$268.9 million at the close of fiscal year 2012. Unrestricted net assets totaled \$17.2 million with the remainder of the City's net assets invested in capital assets net of related debt (\$245.4 million) and restricted for endowment, capital projects, building operations, and debt service (\$6.3 million).
- For its governmental activities, the City generated \$11.7 million in charges for services and received \$5.4 million in operating and capital grants and contributions. Direct expenses, including interest on long-term debt for governmental activities were \$23.9 million for the year, resulting in a net expense of \$6.8 million. \$9.1 million of general revenues received and \$0.1 million of transfers out resulted in a change in net assets of \$2.2 million.



Marylhurst Park

- For its business-type activities, the City generated \$7.3 million in charges for services and capital grants and contributions to fund direct expenses of \$5.7 million.
- Fund balance in the City's governmental funds was \$19.1 million at June 30, 2012, increased by \$9.9 million from June 30, 2011.



West Linn Leadership

West Linn operates under a Council-Manager form of government. The Mayor and City Councilors are responsible for establishing policy and providing direction to the City Manager. The Mayor and City Councilors are elected at-large and serve staggered four-year terms. The Mayor presides at official meetings and work sessions.

The City's administration is committed to professionalism and efficiency. The City operates its own police department, municipal court, water, sewer, and surface water utilities; and provides street operations, planning, inspections, engineering, general government, library, and parks and recreation services. The Tualatin Valley Fire and Rescue District provides fire and emergency services to the community. West Linn lies within Clackamas County, which is headed by five commissioners and based in Oregon City. West Linn is also part of Metro, the tri-county urban services district based in Portland.



Left to right: Jones, Cummings, Carson, Kovash, Tan

Elected Officials

- John Kovash, Mayor - term expires December 31, 2012
- Jody Carson, Council President - term expires December 31, 2014
- Teri Cummings, Councilor - term expires December 31, 2012
- Mike Jones, Councilor - term expires December 31, 2014
- Jenni Tan, Councilor - term expires December 31, 2012
- Heather Karabeika, Municipal Court Judge - term expires December 31, 2014

Appointed Officials

- Chris Jordan, City Manager
- Jordan Ramis PC, City Attorney (Contracted Law Firm)

Letter from the City Manager

Dear Citizens of West Linn,

I am pleased to present the Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2012. This report is designed to provide transparency and accountability of City financial information, which is a key organizational goal.

The City of West Linn is proud to receive all three of the Government Finance Officer's Association (GFOA) awards for local government finance:

- *Distinguished Budget Presentation Award*
- *Certificate of Achievement for Excellence in Financial Reporting*
- *Award for Outstanding Achievement in Popular Annual Financial Reporting*

It is our belief that participation in GFOA award programs enhance our citizens' understanding of West Linn finances. When we attain these GFOA awards, it shows that we have shared information about how public funds are managed in a format that is consistent with the highest standards in governmental financial reporting.

The PAFR is designed to provide a summary view of the financial activities of the City. It is a high-level report for citizens who wish to learn more about West Linn finances. All information in this report can be found in greater detail in the Comprehensive Annual Financial Report (CAFR) for the City.

Throughout the year, the Finance Department works on budgets, audits, financial policies, financial forecasts, and financial management. The City of West Linn invites citizens to share their thoughts and opinions with us. Citizen involvement and transparency are cornerstones of the Finance Department's mission:

"Being good stewards of the taxpayers' monies is the Finance Department's main focus, but that alone is not enough. We strive to develop healthy partnerships with the community; we strive to be transparent with the City finances; and we always look for cost efficiencies in all City operations."

If you have any questions about this document, please email Chief Financial Officer Richard Seals at rseals@westlinnoregon.gov.

Chris Jordan
City Manager



About West Linn

The City of 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 estimated population for 2012 is 25,250.

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 the 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. The largest manufacturing employer is West Linn Paper Company.

The City received the *Distinguished Budget Presentation Award* for its biennial 2012-2013 budget document from the Government Finance Officer's Association (GFOA). This award is the highest form of recognition in governmental budgeting. Its attainment represents a significant accomplishment by a city, financial staff, and management. The GFOA rates a budget's proficiency in four major categories: policy document, operations guide, financial plan, and communications device.

The City is a proud recipient of the *Certificate of Achievement for Excellence in Financial Reporting* award from the GFOA for its FY 2011 CAFR. This certificate is a prestigious national award that recognizes conformance with the highest standards for preparation of financial reports.

The City also received the *Award for Outstanding Achievement in Popular Annual Financial Reporting* from the GFOA for its FY 2011 Popular Annual Financial Report. This prestigious national award recognizes conformance with the highest standards for preparation of local government popular annual reports.

FY 2012 Fact	Figure
City Property Tax Rate:	\$2.12/\$1,000 TAV
City Bonded Debt Tax Rate:	\$0.30/\$1,000 TAV
Total Property Tax Rate:	\$18.50/\$1,000 TAV
City Share of Total:	13%
Total Operating Budget:	\$28.5 million
Population:	25,250
Employees:	133 FTE
Outstanding Debt:	\$21.7 million
Bond Rating:	AA / Aa2



Old Time Fair

FY 2012 Fact	Figure
Number of Permits Issued:	847
Parks and Open Space:	632 acres
Major Community Events:	6 managed
City Maintained Roads:	107 miles
Sidewalks:	122 miles
Sewer Mains:	193 miles
Water Lines Maintained:	118 miles
Number of Traffic Stops:	10,014
Number of Library Borrowers:	20,639

City Council Priorities

The West Linn City Council unanimously adopted the following priorities for 2012:

Economic Development – The City Council will provide Economic Development Leadership and an Economic Development Strategy by the end of the year.

- Meet with economic development experts in an effort to learn about the process and tools that are available to create more viable and sustainable economic development in West Linn (spring 2012)
- Coordinate with the Economic Development Committee
- Allocate resources to support dedicated staff to manage an economic development plan process that reflects the Highway 43/Willamette Falls Drive visioning process (December 2012)

Community Aquatic/Recreation Center – The City Council will work with the Aquatic Center Task Force to determine the optimal financing arrangement, physical configuration, and timing to send a bond measure to a vote.

- Continue review of public/private partnerships and report to the Aquatic Center Task Force (March 2012)
- Discuss decision making process and timeline with the Aquatic Center Task Force (April 2012)
- Conduct detailed community survey that includes information about preferred partnership alternative to gauge support and viability of bond measure (May 2012)
- Receive recommendation from Task Force regarding partnership and possible timing of a bond measure (June 30, 2012)

Blue Heron Property – The City Council will create a Master Plan for the former Blue Heron property.

- Determine opportunities and constraints by April 2012
- Establish a task force with clear direction to draft and recommend a master plan (April 2012)
- Complete citizen involvement and master plan process
- Receive and review a Master Plan recommended by the task force (December 2012)
- Form an agreement with the County and adopt the master plan (early 2013)

Water Infrastructure – The City Council will determine a preferred alternative to secure funding to replace the Bolton Reservoir and/or for ongoing maintenance needs by June 30, 2012.

- Meet with representatives of the Utility Advisory Board (UAB) and Finance Department to discuss UAB recommendation (March 2012)
- Develop a survey exploring finance and strategic options
- Appoint a citizens task force with clear direction to gather additional information, educate the community and provide recommendations to the Council (June 30, 2012)



Police Station – The City Council will ensure the community receives maximum value for the Police Station bond.

- Steering Committee appointed to provide advice to project team and City Council
- Receive quarterly updates from the Steering Committee and act on recommendations

The West Linn City Council also identifies the following emerging community issues and provides direction to the community and staff on these issues:

2013 Centennial Celebration:

- Assist with the long-range planning process for this event and work closely with the volunteer planning committee.
- Provide reasonable funding for advertising and the August 15, 2013 celebration.

Long-Term Financial Stability

- Direct City staff to engage the community in a discussion of alternative revenues for increasing long-term financial viability.

Stafford

- Oppose development of the Stafford area.



Balance Sheet

The *Statement of Net Assets* reflects a healthy financial condition as of June 30, 2012.

The assets of the City exceeded its liabilities by \$269 million at the close of fiscal year 2012. This balance sheet is presented as a high-level summary overview of net assets. For greater detail, please see the City's complete audit document, available online at <http://westlinnoregon.gov>.

City of West Linn - Statement of Net Assets

	As of June 30, 2012	As of June 30, 2011	As of June 30, 2010	As of June 30, 2009
Assets				
Current assets	\$ 26,503,817	\$ 15,460,356	\$ 15,998,868	\$ 17,562,941
Capital and other assets	268,231,254	267,643,600	266,447,457	268,080,343
Total assets	294,735,071	283,103,956	282,446,325	285,643,284
Liabilities				
Current liabilities	2,912,600	2,648,729	2,878,151	5,334,286
Long-term liabilities	22,930,449	15,420,746	16,253,401	17,024,339
Total liabilities	25,843,049	18,069,475	19,131,552	22,358,625
Net Assets	\$ 268,892,022	\$ 265,034,481	\$ 263,314,773	\$ 263,284,659



Photo courtesy of Kendra Frankle.

Income Statement

The *Statement of Activities* reports all financial activity for the fiscal year ended June 30, 2012.

This statement presents high-level summary information about how the City's net assets changed during the fiscal year as a result of all financial activity (i.e. revenues and expenses). For greater detail, see the City's complete audit document, available online at <http://westlinnoregon.gov>.

City of West Linn - Statement of Activities

	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>
Revenues	\$ 33,492,394	\$ 30,148,587	\$ 28,047,898	\$ 28,824,229
Expenses	(29,634,853)	(28,428,879)	(28,017,784)	(27,821,461)
Increase in net assets	3,857,541	1,719,708	30,114	1,002,768
Net assets, beginning of year	265,034,481	263,314,773	263,284,659	262,281,891
Net assets, end of year	<u>\$ 268,892,022</u>	<u>\$ 265,034,481</u>	<u>\$ 263,314,773</u>	<u>\$ 263,284,659</u>



Fields Bridge Park

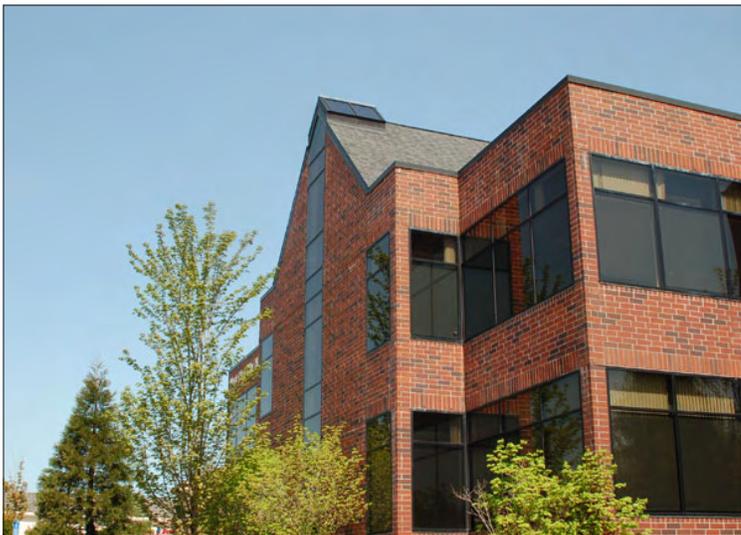


Budget

The Citizens' Budget Committee unanimously approved the biennial budget which was then adopted by the City Council on June 27, 2012. To best illustrate trends, below are the fiscal year budget amounts for the most recently adopted budget along with previous fiscal years to compare with.

City of West Linn - Budget Information

	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>
City Budget:				
Personal Services	\$ 14,247,000	\$ 13,601,000	\$ 13,188,000	\$ 12,447,000
Materials & Services	6,524,000	6,508,000	6,290,000	6,203,000
Debt Service	1,664,000	1,649,000	1,729,000	1,847,000
Transfers	6,087,000	5,772,000	5,780,000	5,995,000
Annual Operating Budget	28,522,000	27,530,000	26,987,000	26,492,000
Capital Outlay	2,690,000	15,372,000	7,547,000	8,930,000
Reserves	9,689,000	10,106,000	4,378,000	9,631,000
Total City Budget	\$ 40,901,000	\$ 53,008,000	\$ 38,912,000	\$ 45,053,000



West Linn City Hall and West Linn Public Library.

Financial Policies

Accounting Policy

The City shall establish and maintain its accounting systems according to generally accepted accounting practices and shall adhere to generally accepted accounting principles and standards promulgated by the Government Finance Officers Association (GFOA), Government Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB). An annual audit shall be performed by an independent public accounting firm, which will issue an opinion on the annual financial statements, along with a management letter identifying any areas needing improvement.

Financial Management Policies

The City Manager shall recommend fiscal policy and changes in policy to the City Council. The City Manager shall prepare a report explaining the substantive impact of all recommendations and their impact on the City's operations, service levels and/or finances. The City Manager shall implement fiscal policies and monitor compliance. If the City Manager discovers a material deviation from policy, it shall be reported in writing to the Council within thirty days.

Operating Budget Policy

The City shall prepare, present, adopt and amend its operating budget in accordance with Oregon Budget Law. The City shall maintain a budget system to monitor expenditures and revenues on a monthly basis, with a thorough analysis and adjustment (if required) at least at mid-year. The City shall not adopt an operating budget that is greater than the amount of resources available to fund it. Current operating resources will be sufficient to support operating expenditures, transfers, reserves, unappropriated balances and contingencies.

Reserve Policy

The City shall establish a contingency reserve to provide for unanticipated expenditures of a nonrecurring nature to meet unexpected increases in service delivery costs. The contingency reserve policy must be at least equal to 10 percent of the Fund's annual operational expenditures (which includes Personal Services and Materials & Services line items and excludes Debt Service, Transfers, and Capital Outlay line items) with 15 percent for Public Safety, Library, and Parks & Recreation Funds. The unappropriated ending fund balance reserve policy must be at least equal to five percent of the Fund's Personal Services and Materials and Services line items, excluding Debt Service, Transfers, and Capital Outlay line item. Neither reserve policies apply to debt service, trust and agency, capital projects, serial levy, temporary or certain special purpose funds.

Revenue Policy

The City will maximize the use of service users' charges in lieu of ad valorem taxes and subsidies from other City funds, for services that can be identified and where costs are directly related to the level of service provided. Charges for providing utility services shall be sufficient to finance all operating, capital outlay and debt service expenses of the City's enterprise funds, including operating contingency and reserve requirements.

Capital Improvement Policy

The City shall adopt a 5-year Capital Improvement Plan (CIP) and update it periodically. Prior to adopting a CIP, the City shall hold public meetings and a public hearing on the contents of the CIP document. The document shall provide details on each capital project plan: its estimated costs, sources of financing, and a full description.

Debt Management Policy

Capital projects financed through the issuance of bonds shall not be financed for a period which (a) exceeds the expected useful life of the project and (b) is less than 30% of the expected useful life of the improvements. The City shall maintain its bond rating at the highest level fiscally prudent, so that future borrowing costs are minimized and access to the credit market is preserved.



Revenue Overview

The City maintains 12 distinct funds in which to account for governmental services. The financial statements of the City are divided into two categories – governmental activities and business-type activities. Governmental activities include the basic services provided by the city, including public safety, parks and recreation, library, public works, and general administration. Property taxes, charges for services, and state and federal grants fund most of these activities.

Business-type activities include water, sanitary sewer, and surface water services. The City charges fees to customers to help cover the costs of these services. Along with the adoption of the budget, effective January 1, 2012, a five percent rate increase for water, sewer, and surface water management fees were approved by the City Council following the support and recommendation of the Citizens' Budget Committee and the Utility Advisory Board.

Major Revenue Types

Property Taxes - The City of West Linn's permanent tax rate is \$2.12 per \$1,000 of taxable assessed value.

Intergovernmental - The grants or shared revenues received from other governments (state, county, etc.).

Fees & Charges - Fees received for services, including water, sewer, surface water, streets, and parks fees.

Licenses, Permits, & Fines - Revenue generated from selling licenses and permits and collecting on fines.

Franchise Fees - The revenues received as per agreements with the cable, electric, telephone, and garbage utilities for use of City right-of-ways.

Other - Revenues that do not fall into the above categories.

Clackamas County assesses property taxes on behalf of the county, schools, special districts, and the City of West Linn on a consolidated property tax bill. Of this tax bill, 13 percent of the total is allocated to the City of West Linn. Of every dollar paid, \$0.13 goes to the City:

\$0.10
Tualatin
Valley Fire
& Rescue



\$0.13
City of
West Linn



\$0.18
Clackamas
County



\$0.55
Education

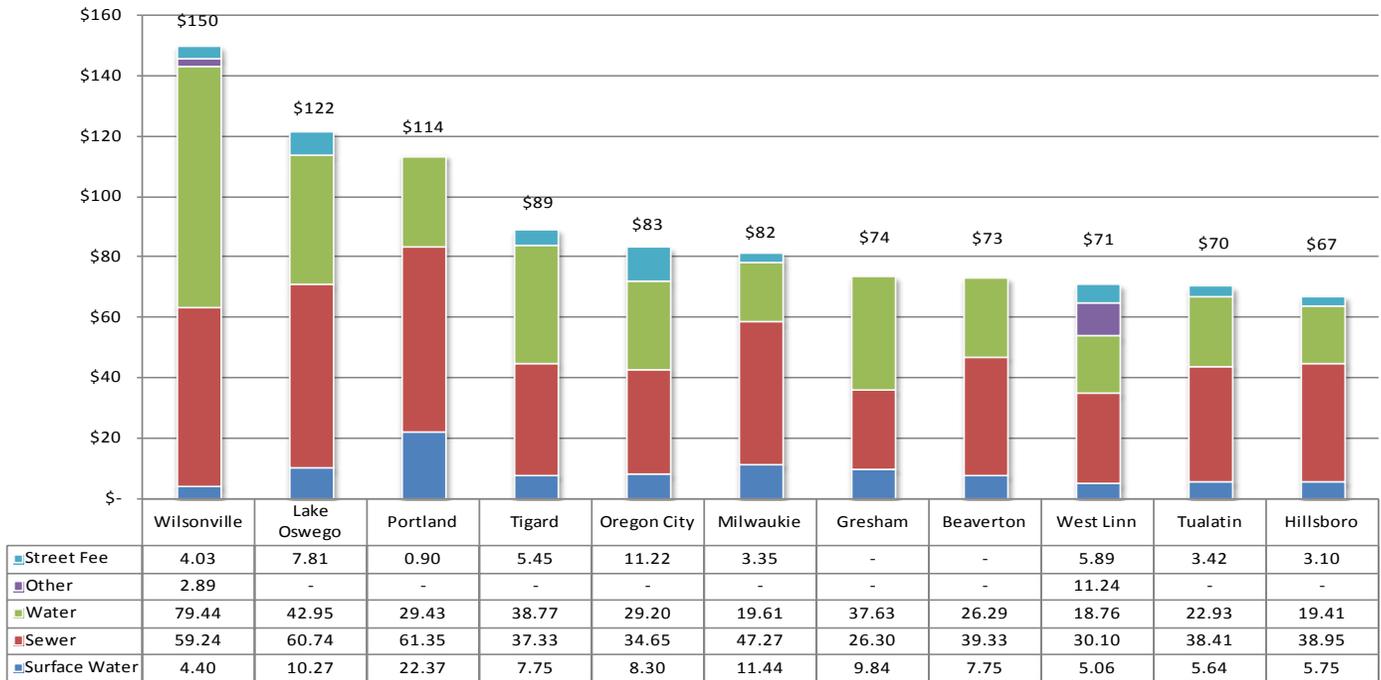


\$0.04
Other

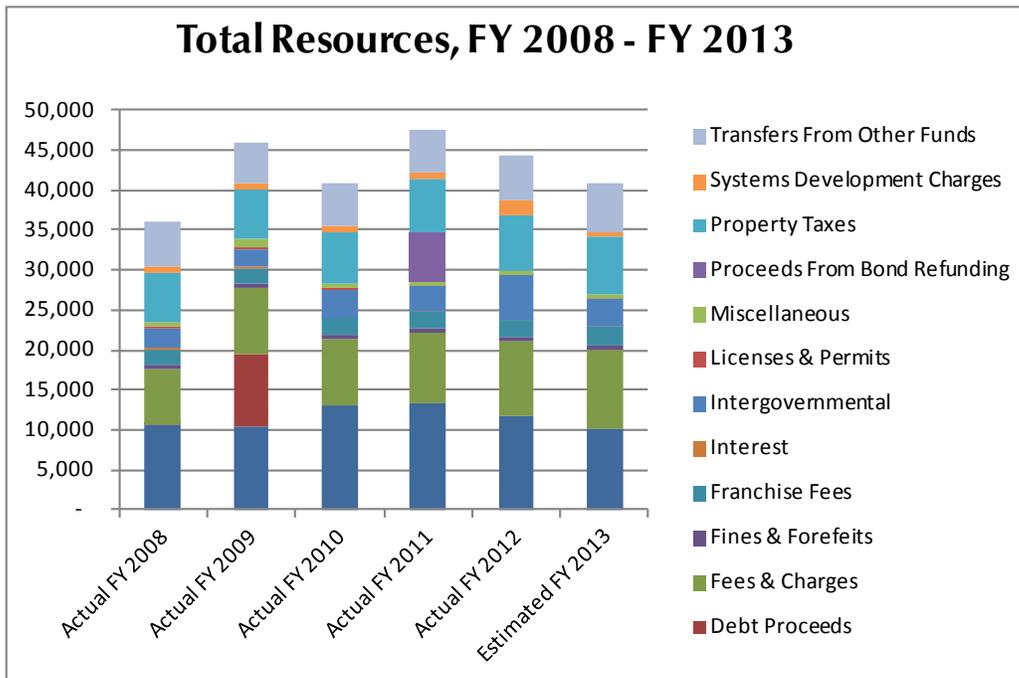


More Information About Revenues

Comparison of Neighboring Cities' Average Monthly Utility Bills



Total Resources, FY 2008 - FY 2013





Expenditure Overview

The City of West Linn plans for expenditures using several short and long-range planning tools. Five-year financial forecasts, prior to the development of the budget, guide short-term spending. The five year forecasting model anticipates projected increases and decreases in revenues and expenditures.

The City of West Linn also relies on master planning documents including the Transportation System Plan, Water Master Plan, Parks Master Plan, and Sewer & Surface Water Master Plans. These master plan documents provide long-range (20-year) planning for necessary capital improvements and investments in the City's infrastructure. The City's expenses related to services provided are tracked by distinct funds, and can also be displayed by type of service provided. There are five main service categories in which expenses can be attributed:

Major Expenditure Areas

General Government - Expenses include those incurred by the City Council, City Manager, City Attorney, Finance, Human Resources, Information Technology, and Planning departments.

Culture - Expenses include those incurred by the Library and Parks & Recreation departments.

Public Safety - Includes expenses from the Police Department and Building Inspections.

Public Works - Expenses related to the provision of water, sewer, surface water, engineering and vehicle maintenance services.

Debt Service - Expenses related to debt retirement.

SDCs - Includes expenses funded by Systems Development Charges for streets, bike/pedestrian, water, sewer, surface water, and parks.

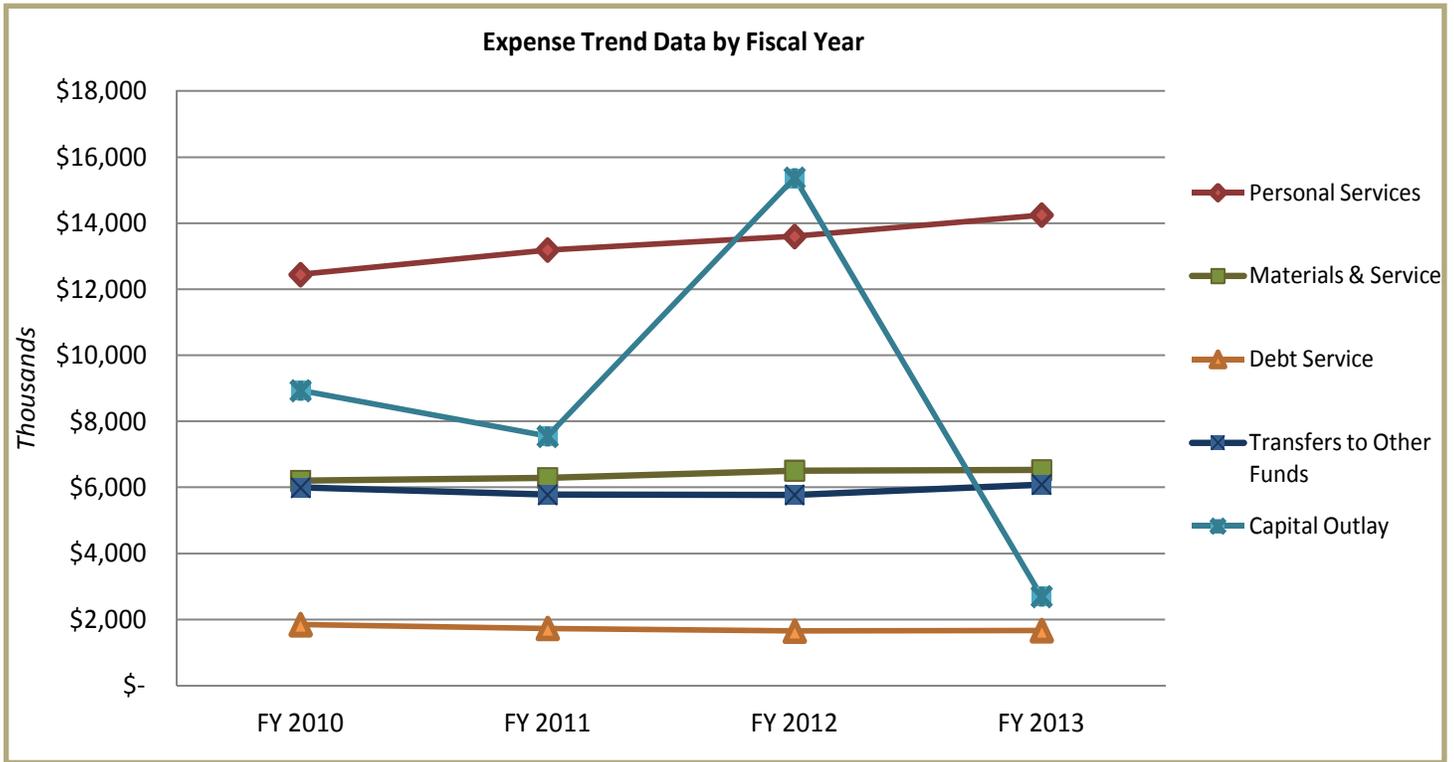


Holiday Tree Lighting / Photo courtesy of Kim Elliott.



Movies in the Park.

Financial Planning

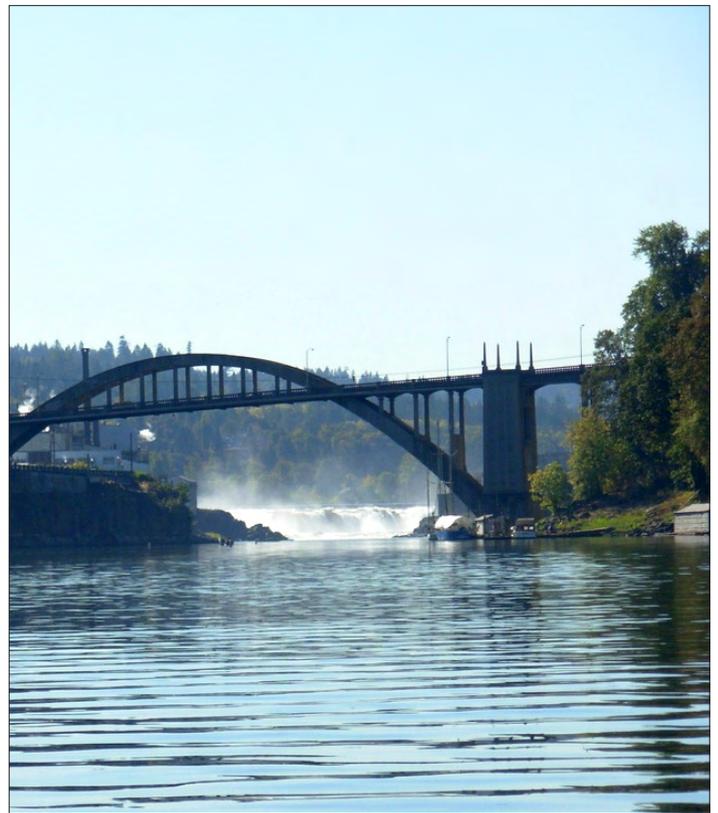


Financial Forecasting

The controlling document for long-term financial planning is the City's Five Year Financial Forecast document, 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.

The financial forecasting document is updated annually with actual results, updated budget data, and revised assumptions. Assumptions are incorporated into the forecast based on the best available information, and are clearly stated throughout the document.

The financial forecast document is used as a guide in crafting the budget document for upcoming fiscal years. The financial forecasts for each fund, including the assumptions, are reproduced in the Appendix of the budget document and available online.



Historic Arch Bridge between West Linn and Oregon City.



<http://westlinnoregon.gov/finance>

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

Biennial Budget 2Q 2011

2011 Comprehensive Annual Financial Report 4Q 2011

2011 Popular Annual Financial Report 4Q 2011

Five Year Financial Forecast 1Q 2012

Budget Overview 2Q 2012

2012 Comprehensive Annual Financial Report 4Q 2012

2012 Popular Annual Financial Report 4Q 2012

Six Year Capital Improvement Plan 1Q 2012

Five Year Financial Forecast 1Q 2013