

CITY OF SPRINGFIELD, OREGON

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

Fiscal Year Ended June 30, 2005

Prepared by:

Finance Department
Accounting Division

City of Springfield, Oregon

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2005

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Introductory Section

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CITY OF SPRINGFIELD, OREGON

SPRINGFIELD



FINANCE DEPARTMENT
ACCOUNTING / REPORTING
ACCOUNTS RECEIVABLE / PAYABLE
ASSESSMENTS
BUDGETING / TREASURY
PAYROLL
PURCHASING

225 FIFTH STREET
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November 14, 2005

To the Citizens of Springfield, Oregon:

Local ordinances and state statutes require that the City of Springfield issue a report on its financial position and activity within six months of the close of each fiscal year. In addition, this report must be audited in accordance with generally accepted auditing standards by an independent firm of certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Springfield for the fiscal year ended June 30, 2005.

This report consists of management's representations concerning the finances of the City. Consequently, responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Springfield's financial statements have been audited by Grove, Mueller & Swank, P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Springfield for the fiscal year ended June 30, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Springfield's financial statements for the fiscal year ended June 30, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

In addition to meeting the requirements set forth above, the independent audit also was designed to meet the special needs of federal grantor agencies as provided for in the Federal Single Audit Act and the Office of Management and Budget's (OMB) Circular A-133. These standards require the independent auditor report not only on the fair presentation of the basic financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The results of the independent audit for the fiscal year ended June 30, 2005 indicated no instances of material weaknesses in the internal control structure nor significant violations of applicable laws and regulations. The independent auditor's reports related specifically to the Single Audit and OMB Circular A-133 are included in the Government Auditing Standards Section.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of 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 of Springfield's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Springfield was incorporated on February 25, 1885. The City has a council-manager form of government. The six-member City Council sets overall city policy and goals. The City Council also makes laws, or ordinances which govern the city. Councilors are nominated from one of six wards and are elected at large for four-year staggered terms. The Mayor, elected at large to a four-year term, is the chief elected officer of the City and is responsible for providing political and policy leadership for the community. The Mayor has no executive power, but presides at City Council meetings and serves as the ceremonial head of the city.

Home to approximately 55,861 people, Springfield is bordered north and south by the McKenzie and Willamette Rivers, covering 15.43 square miles in Lane County. The Springfield community has rich cultural assets like the Springfield Museum and Historic Interpretive Center, Washburne Historic District, Springfield Railroad Depot, Oregon Trail Mural, and Dorris Ranch Living History Farm.

The City provides a full range of municipal services. These services include police, fire and emergency medical services, municipal court, community planning and development, library, stormwater management, general public works, and administration

For financial planning and control, the City prepares and adopts an annual budget in accordance with Oregon law. The law establishes standard procedures for preparing, presenting and administering the budget. It requires citizen involvement in the preparation of the budget and public disclosure of the budget before final adoption. The activities of all the funds of the City (except the Trust and Agency Fund, which accounts only for non-budgeted pass-through monies) are included in the annual budget, as required by state law. The City prepares its budget, as allowed under Oregon law, using the modified accrual basis method of accounting. The legally adopted budget is at the departmental level for current expenditures, with separate appropriations established for capital projects, debt service, interfund transfers,

miscellaneous fiscal transactions, statutory payments, contingencies, unappropriated fund balances and reserves.

Under the changes made by Measure 50, Oregon's municipalities now levy their annual property taxes on a partial rate based levy system. Springfield has been assigned a permanent tax rate of \$4.7403 per thousand dollars of assessed valuation for its annual property tax operating levy. This amount can be temporarily overridden through the use of voter approved serial levies. In November 2002, Springfield voters passed two special purpose four-year property tax levies for public safety. The City is now authorized to levy an additional \$.66 per thousand for police services and \$.36 per thousand for fire services. Springfield is considered to be on a partial rate based levy system, as it still has the authority to levy additional dollar value property tax levy for the retirement of its voter approved general obligation bond debt. For the year ended June 30, 2005, the amount of the tax levy for general obligation bonded debt was \$.39 per thousand.

Major Initiatives

The City Council goals for the year, along with some of the more significant activities and projects addressing those goals, are as follows:

Provide financially sound, stable city government.

- City refunded Sewer Revenue Bonds, saving \$132,00 in interest
- City refunded GO Bonds, saving over \$700,000 in interest
- City bond rating of A2 maintained

Utilize resources efficiently and effectively to meet citizen needs for core services.

- Springfield Budget Committee achieved a balanced budget through thoughtful deliberation
- Team Springfield jointly funded local park bike patrols
- City, other public agencies and developers partnered on construction of Martin Luther King , Jr. Parkway

Expand the Springfield economy through commercial and industrial development which creates family wage jobs.

- Economic development efforts brought new businesses and new commercial construction to Springfield. See the *Local Economy* section below.

Enhance Springfield's safety by constructing the Justice Center.

- City sold bonds to finance initial costs
- Architect and Construction Manager/General Contractor selected in competitive processes

- A citizen group appointed by the mayor met for several months to develop recommendations for jail funding

Participate in a renaissance for Springfield.

- Fundraising and construction continues for the Richard E. Wildish community theatre, a performing arts venue located in downtown Springfield.
- Funding assistance to St. Vincent de Paul downtown mid-rise mixed use project

Partner with citizens and other public agencies.

- The United Front brings elected officials from Springfield, Eugene and Lane County together in Washington DC to lobby federal funding for local projects.
- The Metropolitan Wastewater Management Commission consists of elected and non-elected representatives from Springfield, Eugene and Lane County. This body plans for future wastewater management needs
- The popular annual Spring Cleanup event is put on by the City, and local partners.
- Team Springfield, comprised of the City of Springfield, School District #19, Willamalane Park & Recreation District and the Springfield Utility Board, continue to participate in community-wide planning, having completed an update of the Springfield Tomorrow visioning document.

Preserve our hometown feel as we grow.

- Special events in Springfield this year included the relocation of Fiesta Latina from Eugene, an exhibit of a replica of the Vietnam War Memorial at Island Park and a visit from the C-Span bus to City Hall.

Local Economy

The Lane County jobless rate decreased during the year from 7.6% in June 2004 to 6.6% in June 2005. In June 2005, Lane County's rate is just above the statewide figure of 6.5% and substantially higher than the United States rate of 5.2%. Lane County's non-farm payroll employment at June 2005 is 148,100 compared to 145,900 the previous year.

Over the past year, most sectors of the local economy have experienced growth. Growth leaders include construction, manufacturing of transportation equipment, professional and business services and health care. Retail trade, wood products manufacturing and state government lost jobs during the year.

Some of the more significant events of the past year were:

- Construction is underway by Michigan-based Workstage LLC on the new Royal Caribbean Cruise Lines customer service center to house upwards of 900 employees in a 150,000 square-foot, \$65 million facility in the Gateway area. Expected completion in December 2005 will allow the initial

300 local employees of the luxury cruise line to better manage its contacts with travel agents worldwide and avoid interruptions plaguing its Florida-based operations during the hurricane season.

- US Bakery's Williams Bread will move its Eugene operations to Springfield's Glenwood Urban Renewal District, build a new \$32 million facility (first since the early 1900s) and increase its employment to over 160 in a 135,000 square-foot building. The new development site will also include a truck fleet maintenance facility and allow rail delivery of raw materials and potential expansion areas for additional facilities. The Williams Bread relocation enables the University of Oregon to pursue plans for a new basketball arena costing upwards of \$150 million adjacent to campus.
- The Oregon Military Department is building a new armory--National Guard Resource Center near Marcola Road. Congress has allocated \$8.5 million to put in a road and build a training center building and a large shop for vehicle repairs at the armory site. The facility will consolidate and update facilities now in Eugene and the Southern Willamette Valley. The main building will contain between 150,000 and 175,000 square feet and include \$3-\$9 million more investments in facilities depending on the ultimate inclusion of several federal agencies. At this time, the USDA Willamette National Forest Service facilities will consolidate its metro-area activities and co-locate in the armory facility. Occupancy for the major buildings is expected in early 2008.
- Construction is underway on a new \$1.5 mini-mall at 380 Q Street to house several local retail and commercial office tenants in the two buildings with total lease area of about 27,000 square feet.
- Construction has proceeded substantially on two major subdivisions: Mountain Gate and Brentwood Estates. The first 15 homes are underway in Mountain Gate's plans for 450 single-family homes and up to 300 apartments/condominium units to be built on about 330 acres in east Springfield. Brentwood Estates is a \$17 million 297-unit apartment complex in mid-Springfield. The first phase included 21 four-plexes and two triplexes, and an 8,700 square foot community center for the offices, exercise room, and meeting rooms, and the second and third phases are underway at this time.
- Construction began on a 98,487- square-foot Kohl's Department Store at the Springfield Gateway mall.
- Symantec Corp. plans to double the size of its Springfield campus by adding a research and development facility. A two-story office building west of its existing 850-employee customer service center will be built.
- Groundbreaking occurred on July 1, 2005 for PeaceHealth's 900,000 square-foot medical facility at the Riverbend campus. Total construction costs are expected to exceed \$400 million.

Long-term Financial Planning

In the area of capital improvement projects, the council annually approves a list of public projects such as street, sewer and drainage repair and improvements that are tentatively funded for construction in the next five years. These projects are aimed at improving neighborhoods, providing for economic growth, improving traffic safety, and maintaining the existing city infrastructure.

- Planning has begun for construction of a new justice center for city government. As the city continues to study funding options for the jail component of the new building, contracts have been awarded for Construction Manager General Contractor (CMGC) and architect. \$4 million in general obligation bonds were issued in July 2005. An additional \$24 million are authorized and will be issued as needed to pay for construction.
- The Gateway/Beltline intersection has been identified as needing major transportation improvements, including the construction of a couplet and purchase of right-of-way. This will be a multi-year project, funded partially by developers and partially by sources yet to be identified, is expected to cost approximately \$13 million.
- Drainage improvements for the Springfield Millrace are underway. At completion, the project will improve water quality and stabilize year round flows, restoring the aquatic ecosystem from Clearwater Park to the 7th Street bridge. The entire project is anticipated to cost \$4.1 million, with the majority of the funds coming from a federal grant.
- An ongoing program of road maintenance is in place to repair and extend the life of city streets through sealing and overlays. Current budget estimates provide approximately \$3.9 million over five years. Public Works estimates that \$5 million would be necessary to maintain the street system in its present condition.
- An ongoing program of sanitary sewer maintenance is in place to deal with capacity issues caused by excess infiltration and inflow of rain and ground water to the system. Over the next five years, the city expects to spend approximately \$3.5 million on this activity, totally funded by sewer user fees.

Other Issues

Cash Management

Cash, temporarily idle during the year in the City's accounts, was invested in certificates of deposit, obligations of the U.S. Treasury and agencies, commercial paper, and the State of Oregon Local Government Investment Pool, all ranging in maturity from one day to eighteen months. The total amount

of interest earned was \$1,580,748 as compared to \$620,037 for the prior year. The change is the result of rising interest rates throughout the fiscal year ended June 30, 2005 combined with higher cash balances.

The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance, the Securities Investor Protection Corporation (SIPC), or collateralized through the Oregon Certification of Participation Collateral Pool.

Investments are required to be reported at fair value rather than cost. For this year, investment value was marked down by \$303,428 to reflect fair value. For fiscal year 2003-04 investments were marked down by \$274,359 to reflect fair value. This is a function of market fluctuation and will not result in a realized loss or gain to the City because our policy is to hold investments to maturity.

Risk Management

The City maintains a professional risk management program. Various risk control techniques, including employee accident prevention training, have been implemented to minimize accident-related losses. The City has third-party coverage for all lines of insurance. The liability program has token deductibles of less than \$1,000.

On March 31, 1999, the City terminated the Workers' Compensation Self-Insurance Plan, which had been implemented in 1991. From that date on, worker's compensation claims have been covered by a third-party carrier, SAIF. As of June 30, 2005, the amount of liability for claims incurred before March 31, 1999, but not reported, was estimated at \$29,000.

Awards and Acknowledgements

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2004. This was the twenty-fourth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

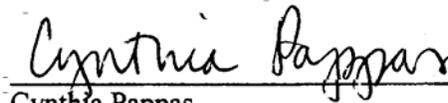
Long time City Manager Mike Kelly announced his intentions to retire in December, 2005. Mr. Kelly has been recognized as an outstanding advocate for Springfield citizens and provided strong leadership to city staff on a professional and personal level during his 38 year career.

The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report. In addition, members of the public works staff continue to make a substantial contribution to the financial statement preparation by tracking and valuing the city's infrastructure in order to report in compliance with GASB34.

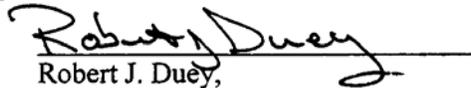
In closing, without the leadership and support of the Mayor and City Council, preparation of this report would not have been possible.

Respectfully submitted,

CITY OF SPRINGFIELD, OREGON



Cynthia Pappas,
Interim City Manager



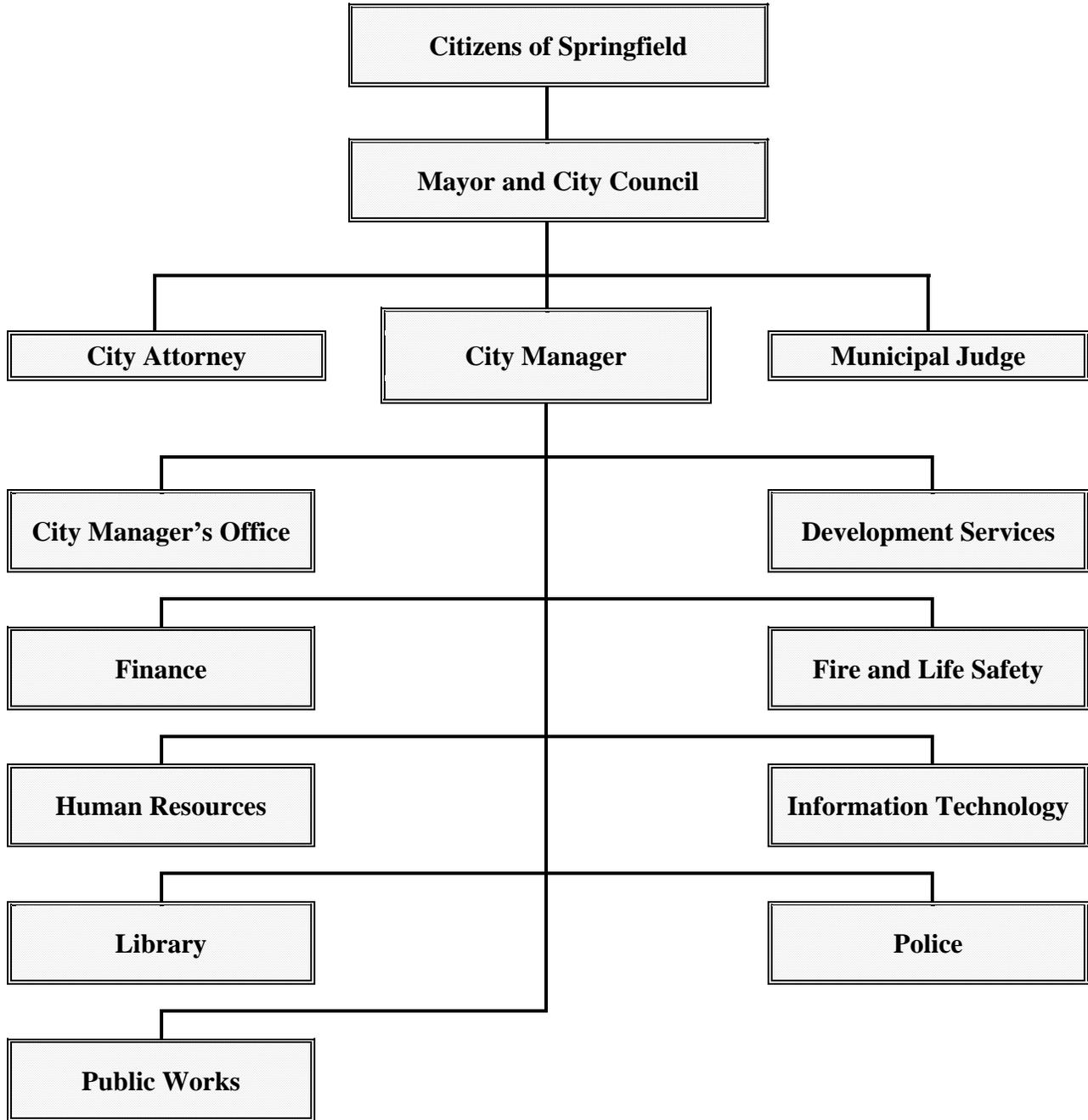
Robert J. Duey,
Finance Director



Valerie Warner,
Accounting & Audit Manager

CITY OF SPRINGFIELD

Organization Chart



City of Springfield, Oregon

Principal City Officials June 30, 2005

Elected Officials

Mayor

Sidney W. Leiken
6856 Holly Street
Springfield, OR 97478

Term Expiration

December 31, 2008

Council Members

Christine Lundberg
127 Woodlane Drive
Springfield, OR 97477

Ward 1

December 31, 2006

Tammy Fitch
1269 Island Court
Springfield, OR 97477

Ward 2

December 31, 2006

Anne Ballew
953 "C" Street
Springfield, OR 97477

Ward 3

December 31, 2008

David Ralston
2114 "L" Street
Springfield, OR 97477

Ward 4

December 31, 2008

John Woodrow
1009 S 59th Street
Springfield, OR 97477

Ward 5

December 31, 2006

Joe Pishioneri
961 S 70th Street
Springfield, OR 97478

Ward 6

December 31, 2008

Administrative Officials

Michael A. Kelly
Cynthia Pappas
Robert J. Duey

City Manager
Assistant City Manager
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Springfield,
Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

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. Zjelke

President

Jeffrey R. Emer

Executive Director