

City of Springfield, Oregon

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

The financial statements of the City of Springfield have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant accounting polices are described below.

1. Financial Reporting Entity

The accompanying financial statements present the City of Springfield and its component units. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

DISCRETELY PRESENTED COMPONENT UNITS

Metropolitan Wastewater Management Commission (MWMC) provides regional sewage treatment and is governed by a board comprised of appointed members. The City of Springfield provides all administrative duties for MWMC in accordance with an intergovernmental agreement. Given the nature and significance of MWMC's relationship, the City of Springfield believes it would be misleading to exclude MWMC from the basic financial statements. MWMC is presented as an enterprise fund type.

The Regional Fiber Consortium was formed by units of local government on August 1, 1999 pursuant to ORS190. There are ten member governments: eight cities and two counties. The board is comprised of one representative appointed by each member government. The City of Springfield provides all administrative duties for the Regional Fiber Consortium in accordance with an intergovernmental agreement, and therefore believes it would be misleading to exclude the Regional Fiber Consortium from the basic financial statements. The Regional Fiber Consortium is presented as an enterprise fund type.

Complete financial statements for each of the discretely presented component units may be obtained as follows:

MWMC

City of Springfield
225 5th Street
Springfield, Oregon 97477

Regional Fiber Consortium

City of Springfield
225 5th Street
Springfield, Oregon 97477

City of Springfield, Oregon

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on charges for services for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

3. Measurement focus, basis of accounting and financial statement presentation

Measurement focus refers to what is being measured by a fund. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees, other taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

City of Springfield, Oregon

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Street Fund accounts for revenues from state gasoline taxes apportioned from the State of Oregon and expenditures as specified under Article IX, Section 3 of the Constitution of the State of Oregon. The street fund also accounts for transportation capital projects that are funded by system development charges.

The Special Revenue Fund accounts for the receipt of hotel and motel taxes dedicated to the University of Oregon Hayward Field renovation, the 911 tax collected to provide an emergency communications system, and the receipt and expenditure of grant monies from various state and federal government agencies.

The Housing and Community Development Fund accounts for the receipt and expenditure of monies received from the United States Government under the Community Development Block Grant Program.

The Development Capital Projects Fund is used to account for costs of constructing and improving city-owned buildings and also to account for construction projects with numerous funding sources, including system development charges, grants, intergovernmental revenues and contributions by private parties.

The government reports the following major proprietary funds:

The Emergency Medical Services Fund accounts for the city's ambulance operations. Revenue is derived mainly from ambulance fees. The fund also accounts for billing and collection of ambulance operations for other Oregon cities. This service is provided for a fee.

The Booth-Kelly Fund accounts for operations and maintenance of the Booth-Kelly Center. Revenue is derived from commercial leases.

The Sewer Utility Fund accounts for the local share of the operations and capital projects of the wastewater collection system. Revenue is derived from sewer user fees and system development charges.

Additionally, the government reports the following fund types:

Internal Service funds account for the ownership and use of rolling stock and computer equipment and for the city's risk and employee benefit program. Resources are provided by charges to other funds.

The Agency Fund is a fiduciary fund used to account for funds received and held by the City in a custodial capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

City of Springfield, Oregon

NOTES TO FINANCIAL STATEMENTS

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include interfund services provided and/or used. Interfund services provided and/or used are accounted for as revenues and expenses since the elimination of such revenues and expenses would distort the direct costs and program revenues reported for the various functions.

Accounts recorded as program revenues include charges to customers, operating grants and contributions and capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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. The principal operating revenues of the EMS Fund are ambulance fees and billing and collection charges. The principal operating revenues of the Booth-Kelly Fund are lease revenues. The principal operating revenues of the Sewer Fund are sewer user fees and system development charges. The principal operating revenues of the Internal Service Funds are charges to other funds for depreciation on equipment and for services provided. Operating expenses for the enterprise funds and internal service funds include administrative expenses, depreciation on capital assets and the cost of providing services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's practice to use restricted resources first, then unrestricted resources as they are needed.

4. Assets, liabilities and net assets or equity

a. Cash and Investments

The City maintains a cash and investment pool that is available for use by all funds, as well as for MWMC and the Regional Fiber Consortium, two discretely presented component units. Interest earned on pooled investments is allocated to funds based on the pro-rata amounts each fund has in the pool. Each fund type's portion of this pool is displayed on the combined balance sheet as "cash and investments".

State statutes authorize the City and its discretely presented component units to invest in obligations of the U.S. Treasury and its agencies, bankers' acceptances, high grade commercial paper, the State of Oregon Local Government Investment Pool and repurchase agreements.

Investments are reported at fair value.

For purposes of the statement of cash flows for proprietary fund types, cash and investments in the City-wide investment pool (including restricted cash and investments) are considered cash and cash equivalents.

The pool has the general characteristics of a demand deposit account in that funds may deposit additional cash at any time and may withdraw cash at any time without prior notice or penalty.

City of Springfield, Oregon

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

b. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to /from other funds (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Real and personal property taxes attach as an enforceable lien on property as of July 1. All taxes are levied as of July 1 and are payable in three installments on November 14, February 15 and May 15. All property taxes are billed and collected by Lane County, Oregon and then turned over to the City.

For the year ended June 30, 2004, the City’s tax levy did not exceed the Oregon constitutional limitation. The total property tax levy was \$16,625,557. This includes general property taxes to support general obligation bond debt service of \$1,114,816.

The City has foreclosed on properties, collateralizing assessments receivable over the past twenty years. The properties collateralizing the assessments receivable, where the right to redemption still exists by the benefited property owner, are recorded as liens receivable, which include the cost of the original assessment, foreclosure costs and interest to the date of foreclosure, as provided by Oregon Statutes. Once the right to redeem these properties no longer exists (after one year), the properties are deeded to the City and then become investment in foreclosed property. Liens receivable and investment in foreclosed property are offset by deferred revenue and, accordingly, have not been recorded as revenue in the governmental funds.

The value of these properties, both liens and investment in foreclosed property, has been adjusted to the lower of net realizable value or cost. Net realizable value for the City has been determined by reviewing the true cash value of these properties as recorded by the Lane County assessor, less the underlying property taxes that must be paid upon the sale of the property by the City.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. In addition, governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At June 30, 2004, the various components of deferred and unearned revenue consist of the following:

City of Springfield, Oregon

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

<u>FUND BY TYPE</u>	<u>Deferred</u>	<u>Unearned</u>	<u>Total</u>
Property taxes receivable:			
General fund	\$ 965,988	\$ -	\$ 965,988
Debt	143,484	-	143,484
Special Revenue	75,803	-	75,803
Fees and charges:			
General fund	10,170	-	10,170
Street	454,040	-	370,381
Development Projects	115,630	951,657	1,067,287
Special Revenue	62,268	-	-
Grants receivable:			
General fund	29,900	-	29,900
Street	-	21,806	21,806
Special revenue fund	22,054	4,726	26,780
CDBG	1,475,167	-	1,475,167
Development projects	115,676	-	15,676
Mortgage Notes receivable:			
Special revenue fund	1,381,440	-	1,381,440
Assessments:			
Debt Service	154,405	-	154,405
Capital Projects	94,049	-	94,049
Use of Money & Property:			
General	20,822	-	20,822
Debt Service	7,865	-	7,865
Street	12,587	-	12,587
Special Revenue	6,395	-	6,395
Capital Projects	4,614	-	4,614
Total	\$ 5,152,358	\$ 978,189	\$ 6,130,547
revenue			

c. Inventory

Governmental fund types – Inventory of materials and supplies is recorded at first-in, first-out (FIFO) cost and is shown in the balance sheet as an asset and a reservation of fund balance. The amount shown as inventory has been recorded as an expenditure, consistent with the “purchase method” of accounting for inventories.

City of Springfield, Oregon

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

d. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004 are recorded as prepaid items.

e. Restricted Assets

Assets whose use is restricted for construction, debt service or other purposes by provisions of grants, bond indentures or other agreements are segregated on the balance sheet.

f. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, multi-use paths and traffic control devices), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Such assets are recorded at historical cost, or estimated historical cost if actual historical cost is not available or the estimated fair market value at the time received, in the case of gifts or projects constructed by others and accepted for ownership and maintenance by the City.

As permitted by GASB 34, the City has limited the retroactive capitalization of governmental fund infrastructure to fiscal years ending after June 30, 1980. Although the majority of such infrastructure was placed in service before that date, it has not been included in these financial statements since they have been primarily depreciated. In addition, the City has chosen to report infrastructure in the governmental activities column of the government-wide financial statements immediately rather than defer reporting to June 30, 2007.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation and amortization of capital assets are computed on the straight-line method over the estimated useful lives of the related assets. Upon disposal of such assets, the accounts are relieved of the related historical costs and accumulated depreciation, and resulting gains or losses are reflected in income. The estimated useful lives of the various categories of assets are as follows:

<u>Category</u>	<u>Estimated Useful Life</u>
Buildings	20-50 years
Equipment	5-20 years
Infrastructure	20-50 years

The capital assets of the Regional Fiber Consortium consist of fiber optic cable donated by the member governments. The cable is valued at fair market value. The fair market value was estimated at the present value of the right-of-way fees waived by the member governments in exchange for the cable. The useful life of the cable is estimated at 24 years.

City of Springfield, Oregon

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completing of the project with interest earned on invested proceeds over the same period.

g. Compensated Absences

Liabilities for accumulated vacation pay, holiday pay, compensatory time pay and sick pay at year-end are recorded in the government-wide financial statements and proprietary fund financial statements. The governmental fund financial statements do not report liabilities for compensated absences unless they are due for payment.

h. Long-term liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

i. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund *balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “all liabilities are reported in the statement of net assets, however if they are not due and payable in the current period, they are not recorded in the governmental funds.” The details of this \$12,153,541 difference are as follows:

Bonds payable	\$ 8,725,000
Notes payable	661,964
Due to developer	210,000
Compensated absences	<u>2,556,577</u>
Total	<u>\$12,153,541</u>

2. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

City of Springfield, Oregon

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS –
Continued

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in new assets of government activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays 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.” The details of this \$3,742,357 difference are as follows:

Capital outlay	\$ 1,564,850
Donated capital assets	3,985,857
Depreciation expense	<u>(1,808,350)</u>
Net adjustment to increase net changes if fund balances – total governmental funds to arrive at changes if net assets of governmental activities	<u>\$ 3,742,357</u>

NOTE C – STEWARSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budgetary information

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

In April of each year, the City Manager submits a recommended budget to the budget Committee (which consists of the City Council and an equal number of citizens of the City). The City’s budget is prepared for each fund on the modified accrual basis of accounting. Estimated receipts and expenditures are budgeted for by fund, program and object. Information on the past two years’ actual receipts and expenditures and current-year estimates are included in the budget document.

The Budget Committee conducts public hearings for the purpose of obtaining citizens’ comments.

The Budget Committee then proposes an approved budget to the City Council for final adoption. The approved expenditures for each fund may not be increased by more than 10% by Council without returning to the 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 fiscal year.

The City Council legally adopts the budget before July 1, by resolution. The resolution authorizes fund appropriations as current annual departmental requirements, debt service, capital projects, interfund transfers, interfund loans, statutory payments, contingencies, unappropriated fund balances and reserves. Expenditures cannot legally exceed appropriations at these control levels. Appropriations lapse as of the end of the year.

The City Council may change the budget throughout the year by transferring appropriations between levels of control and by adopting supplemental budgets as authorized by Oregon Revised statutes. Management may transfer budget amounts between individual line items within the control level, but cannot make changes between the legal levels of control. During the fiscal year ended June 30, 2004, the City Council approved several transfer resolutions and supplemental budgets increasing appropriations by \$17,454,379.

City of Springfield, Oregon

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE C – STEWARSHIP, COMPLIANCE AND ACCOUNTABILITY- Continued

2. Deficit Fund Balances

The Special Revenue Fund had a deficit ending fund balance of \$60,990. The Special Revenue fund incurs grant expenditures on a reimbursement basis. If the grantor agencies should disallow expenditures for reimbursement, the government plans to transfer funds from the General Fund.

The River Bend Fund has a deficit ending fund balance of \$63,479, that was created when revenue was received too late to be accrued under the modified accrual basis of accounting.

NOTE D – CASH AND INVESTMENTS

Cash and investments are reflected in the Statement of Net Assets as follows:

	Total Primary Government	MWMC	Regional Fiber Consortium	Total
Cash and investments	\$ 48,528,579	\$ 16,678,618	\$ 25,810	\$ 65,233,007
Restricted cash and investments	<u>325,365</u>	<u>6,139,239</u>	<u>-</u>	<u>6,464,604</u>
	<u>\$ 48,853,944</u>	<u>\$ 22,817,857</u>	<u>\$ 25,810</u>	<u>\$ 71,697,611</u>

Deposits and Investments

Deposits with financial institutions are comprised of bank demand deposits, certificates of deposit, and amounts on deposit with a bond trustee and an insurance provider. Deposits that are not entirely insured are to be classified into the following three categories of credit risk:

- (1) Insured or collateralized with securities held by the City or by its agent in the City's name.
- (2) Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- (3) Uncollateralized. (Including any balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the City's name).

At June 30, 2004, the city's demand deposits and certificates of deposit have a carrying amount of \$16,727,543 and a bank value of \$17,651,483. \$4,407,610 is covered by federal depository insurance or by collateral held by the city's agent in the city's name. Of the remaining balance, \$12,319,933 are in excess of the federal depository insurance and are collateralized with securities pledged by the depository institution as public funds and are considered to be Category 3. Oregon Revised Statutes require the depository institution to maintain, on deposit with a collateral pool manager, securities having a value not less than 25% of the outstanding certificates of participation issued by the pool manager.

City of Springfield, Oregon

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE D – CASH AND INVESTMENTS – Continued

In addition, the City has the amount of \$325,365, deposited in a money market account, uninsured and uncollateralized and held by a trustee for bond principal and interest payments. This is considered to be Category 3. The City has \$5,500 on deposit with ACE-USA/ESIS, an insurance provider. This amount is uncollateralized and is considered to be Category 3.

The City also has cash on hand of \$5,675.

Investments are categorized into these three categories of credit risk:

- (1) Insured or registered, or securities held by the government or its agent in the City's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name.

The City participates in the Oregon State Treasurer's Local Government Investment Pool (LGIP), an open-ended, no-load diversified portfolio created under ORS 294.805 to 294.895. The LGIP is administered by the State Treasurer and the Oregon Investment Council with the advice of the Oregon Short Term Fund Board. The Oregon State Treasurer's Office has calculated the fair value of the underlying investments of the LGIP and the City's share of market value is reflected below. The City's investment in the Oregon State Treasurer's Investment Pool is not required to be categorized by level of risk because this investment is not evidenced by securities.

	Fair value and carrying amount <u>Category 1</u>	Fair value and carrying amount <u>Uncategorized</u>	Fair value and carrying amount- <u>All Categories</u>
Investment in Commercial Paper	\$ 9,518,654		\$ 9,518,654
Investment in U.S. Agency notes	26,388,438		26,388,438
Investment in Oregon State Treasurers Investment Pool		\$ 19,874,370	19,874,370
Total investments	<u>\$35,907,092</u>	<u>\$19,874,370</u>	<u>\$55,781,462</u>

City of Springfield, Oregon

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE D – CASH AND INVESTMENTS – Continued

Reconciliation of Deposits & Investments to total Cash and Investments on the Statement of Net Assets

Demand deposits and Certificates of Deposit	\$ 16,727,543
Investments	55,781,462
Cash on hand	5,675
Cash with fiscal agent	5,500
Money market funds with bond trustee	325,365
Less: Cash & Investments of the City's fiduciary fund (not included in the Statement of Net Assets)	<u>(1,147,934)</u>
Total Cash & Investments On Statement of Net Assets	<u>\$71,697,611</u>

NOTE E - RECEIVABLES

Receivables at June 30, 2004 consist of the following:

Fund	Property Taxes	Accounts	Assessments and liens	Grants	Accrued Interest	Mortgage Notes	Total gross receivable	Less Allowance for uncollectibles	Total net receivable
General	\$ 737,054	\$ 536,079	\$ -	\$ 66,343	\$ 50,282	\$ -	\$ 1,389,758	\$ -	\$ 1,389,758
Street	-	747,226	-	104,062	44,616	-	895,904	-	895,904
Special Revenue	-	-	-	174,621	-	1,381,440	1,556,061	-	1,556,061
CDBG	-	-	-	190,335	-	1,359,822	1,550,157	-	1,550,157
Development									
Projects	-	83,954	-	115,676	19,266	23,704	242,600	-	242,600
Sewer	-	911,120	-	-	64,972	-	976,092	-	976,092
EMS	-	1,058,357	-	-	8,375	-	1,066,732	(274,487)	792,245
Booth-Kelly	-	-	-	-	6,197	-	7,961	-	7,961
		1,764							
Nonmajor Funds	231,082	129,972	179,797	-	37,298	68,657	646,806	-	646,806
Internal Service Funds	-	-	-	-	28,054	-	28,054	-	28,054
	\$ <u>968,136</u>	\$ <u>3,468,472</u>	\$ <u>179,797</u>	\$ <u>651,037</u>	\$ <u>259,060</u>	\$ <u>2,833,623</u>	\$ <u>8,330,125</u>	\$ <u>(274,487)</u>	\$ <u>8,055,638</u>

Assessments and liens, and mortgage notes are collateralized by real estate.

Mortgage notes within the Special Revenue and CDBG funds are a result of loans made under the HOME and CDBG federal programs. Repayment is dependent on the type of mortgage note. Deferred payment loans, housing improvement loans, and SHOP loans are due and payable at the time of sale or transfer of title. Rental rehabilitation loans are considered paid in full 10 years after the date the note is signed, provided the client meets all contract

City of Springfield, Oregon

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE E – RECEIVABLES - Continued

requirements. If all contract requirements are not met, the note becomes immediately due in full. Home revolving loans are due and payable at the earlier of sale or transfer of title, or 24 months from the date of project completion. CHDO and HOME rent loans require amortized monthly payments. The first payment is due a specified number of months after project completion. Most loans are interest free.

In all cases, loans become immediately due and payable if the client fails to meet any contract requirements.

NOTE F – CAPITAL ASSETS

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$28,774,587	\$2,116,578	\$ -	\$30,891,165
Construction in progress	<u>676,045</u>	<u>1,896,286</u>	<u>(144,039)</u>	<u>2,428,292</u>
Total capital assets, not being depreciated	29,450,632	4,012,864	(144,039)	33,319,457
Capital assets, being depreciated:				
Buildings	14,159,733	247,493	-	14,407,226
Infrastructure	38,099,032	1,605,729	-	39,704,761
Machinery & Equipment	13,113,171	598,651	(585,882)	13,125,940
Library Books	1,631,435	85,325	(36,482)	1,680,278
Studies	<u>183,592</u>	<u>-</u>	<u>-</u>	<u>183,592</u>
Total capital assets, being depreciated	67,186,963	2,537,198	(622,364)	69,101,797
Less accumulated depreciation for :				
Buildings	(5,602,516)	(361,194)	-	(5,963,710)
Infrastructure	(10,382,973)	(1,173,796)	-	(11,556,769)
Machinery & Equipment	(6,164,193)	(1,243,725)	408,516	(6,999,402)
Library Books	(1,096,616)	(105,858)	36,482	(1,165,992)
Studies	<u>(36,718)</u>	<u>(18,359)</u>	<u>-</u>	<u>(55,077)</u>
Total depreciation	<u>(23,283,016)</u>	<u>(2,902,932)</u>	<u>444,998</u>	<u>(25,740,950)</u>
Total capital assets, being depreciated, net	<u>43,903,947</u>	<u>(365,734)</u>	<u>(177,366)</u>	<u>43,360,847</u>
Governmental activities capital assets, net	\$ <u>73,354,579</u>	\$ <u>3,647,130</u>	\$ <u>(321,405)</u>	\$ <u>76,680,304</u>

City of Springfield, Oregon

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE F – CAPITAL ASSETS- Continued

Business-type activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 3,011,754	\$ 18,894	\$ (332,999)	\$ 2,697,649
Construction in Progress	<u>961,486</u>	<u>880,246</u>	<u>(25,000)</u>	<u>1,816,732</u>
Total capital assets, not being depreciated:	3,973,240	899,140	(357,999)	4,514,381
Buildings & structure	37,626,454	724,975	-	38,351,429
Land Improvements	507,931	-	-	507,931
Equipment	990,926	100,303	-	1,091,229
Studies	76,554	-	-	76,554
Bond issue costs	<u>38,791</u>	<u>-</u>	<u>(3,255)</u>	<u>35,536</u>
Total capital assets, being depreciated	39,240,656	825,278	(3,255)	40,062,679
Less accumulated depreciation for:				
Land Improvements	(306,110)	(25,397)	-	(331,507)
Buildings	(9,053,397)	(876,514)	-	(9,929,911)
Equipment	(651,080)	(84,046)	-	(735,126)
Studies	<u>(58,083)</u>	<u>(3,828)</u>	<u>-</u>	<u>(61,911)</u>
Total depreciation	<u>(10,068,671)</u>	<u>(989,784)</u>	<u>-</u>	<u>(11,058,455)</u>
Total capital assets, being depreciated, net	<u>29,171,985</u>	<u>(164,506)</u>	<u>(3,255)</u>	<u>29,004,224</u>
Business-type activities capital assets, net	<u>\$33,145,225</u>	<u>\$ 734,634</u>	<u>\$ (361,254)</u>	<u>\$ 33,518,605</u>

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities:

General Government	\$ 374,435
Police	277,164
Fire	301,853
Public Works	1,521,503
Library	135,440
Development Services	42,490
Unallocated	<u>235,888</u>
Total depreciation expense – governmental activities	<u>\$2,888,773</u>
Business-type activities:	
Sewer	\$710,278
Booth-Kelly	213,173
Emergency Medical Services	<u>71,369</u>
Total depreciation expense – business type activities	<u>\$ 994,820</u>

City of Springfield, Oregon

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE F – CAPITAL ASSETS- Continued

Component units:

Metropolitan Wastewater Management Commission

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases and Reclassifications</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 7,812,696	\$ -	\$ -	\$ 7,812,696
Construction in Progress	<u>2,250,699</u>	<u>6,290,933</u>	<u>(1,929,280)</u>	<u>6,612,352</u>
Total capital assets, not being depreciated:	10,063,395	6,290,933	(1,929,280)	14,425,048
Capital assets, being depreciated:				
Buildings	60,180,453	1,297,649	-	61,478,102
Machinery & Equipment	68,929,708	1,726,371	(822,507)	69,833,572
Other	<u>1,082,845</u>	<u>-</u>	<u>582,819</u>	<u>1,665,664</u>
Total capital assets, being depreciated	130,193,006	3,024,020	(239,688)	132,977,338
Less accumulated depreciation for:				
Buildings	(28,375,905)	(1,844,191)	-	(30,220,096)
Machinery & Equipment	(43,933,983)	(2,953,169)	808,710	(46,078,442)
Other	<u>(247,345)</u>	<u>(58,146)</u>	<u>-</u>	<u>(305,491)</u>
Total depreciation	(72,557,233)	(4,855,506)	808,710	(76,604,029)
Total capital assets, being depreciated, net	<u>57,635,773</u>	<u>(1,831,486)</u>	<u>569,022</u>	<u>56,373,309</u>
Capital assets, net	\$ <u>67,699,168</u>	(\$ <u>4,459,447</u>)	(\$ <u>1,360,258</u>)	\$ <u>70,798,356</u>

Regional Fiber Consortium

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets being depreciated				
Fiber	\$ 27,446,105	\$ -	\$ -	\$ 27,446,105
Less accumulated depreciation for:				
Fiber	<u>2,287,176</u>	<u>1,143,588</u>	<u>-</u>	<u>3,430,764</u>
Capital assets, net	<u>\$ 25,158,929</u>	<u>\$ 1,143,588</u>	<u>\$ -</u>	<u>\$ 24,015,341</u>

In proprietary funds, the following estimated useful lives are used to compute depreciation:

Buildings	10 to 40 years
Sewer lines	50 years
Equipment	3 to 20 years
Fiber system	24 years

City of Springfield, Oregon

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE G - 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.

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 (less than \$1,000), except for workers' compensation claims. No significant reductions in the levels of insurance coverage have been made in the past fiscal year. Settled claims have not exceeded insurance coverage in any of the past three fiscal years, except as follows: In the fiscal year ended June 30, 2003, the city paid \$50,000 to settle a disputed contract issue with several firefighters.

During fiscal year 1991, the City implemented a Workers' Compensation Self-Insurance Plan (Plan). Under the Plan, the City is self-insured up to a maximum of \$150,000 per occurrence with specific excess and aggregate excess insurance purchased. Claims, expenditures and liabilities are reported when it is probably that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

The Workers' Compensation Self-Insurance Plan was terminated on March 31, 1999. From that point forward, workers compensation claims will be covered by third-party carrier, SAIF Corporation.

At June 30, 2004, the amount of liabilities for self-insured claims incurred but not reported was \$117,000. This liability is the City's best estimate based on available information.

Changes in the reported liability since June 30, 1994 resulted from the following:

	Beginning of Fiscal Year <u>Liability</u>	Current Year Claims and Changes <u>Estimates</u>	Claim Payments	Balance At Fiscal Year End
1993-94	\$ 64,000	\$702,000	\$(194,000)	\$572,000
1994-95	572,000	52,000	(169,000)	455,000
1995-96	455,000	232,000	(117,000)	570,000
1996-97	570,000	179,000	(186,000)	563,000
1997-98	563,000	215,000	(317,000)	461,000
1998-99	461,000	193,000	(204,000)	450,000
1999-00	450,000	(192,000)	(117,000)	141,000
2000-01	141,000	67,000	(61,000)	147,000
2001-02	147,000	(23,000)	(60,000)	64,000
2002-03	64,000	29,274	(28,274)	65,000
2003-04	65,000	79,492	(27,492)	117,000

City of Springfield, Oregon

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE H - CAPITAL AND OPERATING LEASES

The City leases certain equipment under various operating leases, which are not, in the aggregate, material.

The City purchased a fire engine for \$227,501 with a down payment of \$5,563 and entered into a capital lease for the remaining balance of \$221,938. Lease payments are due annually and the first payment of \$36,422 was made on May 21, 2004.

The future minimum lease obligations as of June 30, 2004, are as follows:

Fiscal Year Ending December 31,	Principal	Interest
2005	\$ 27,350	\$ 9,072
2006	28,688	7,734
2006	30,090	6,332
2008	31,561	4,860
Thereafter	<u>67,828</u>	<u>5,015</u>
	\$ <u>185,516</u>	\$ <u>33,013</u>

NOTE I - LONG-TERM DEBT

General Obligation Bonds, Limited Tax Obligation Bonds and Revenue Bonds

General obligation bonds are direct obligations and pledge the full faith and credit of the City. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and special assessments for public improvements. Special assessment bonds are also a general obligation of the City, with the same legal status as general obligation bonds, and resulting in the same pledge to levy taxes in the event of property owner default. At June 30, 2004 there are no outstanding special assessment general obligation bonds or special assessment limited tax obligation bonds. Limited tax obligation bonds are similar to general obligation bonds; however, the City's taxing power is subject to constitutional limitation. Revenue bonds are secured by system revenues.

City of Springfield, Oregon

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE I - LONG-TERM DEBT – Continued

General obligation bonds payable transactions for the year ended June 30, 2004 are as follows:

	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Effective Interest Rate</u>	<u>Matured During Year</u>	<u>Outstanding July 1, 2003</u>	<u>Paid During Year</u>	<u>Outstanding June 30, 2004</u>
General issue bonds, paid from ad valorem taxes:							
General improvement	3-1-96	2015	5.37%	<u>\$ 590,000</u>	<u>9,315,000</u>	<u>(590,000)</u>	<u>8,725,000</u>

Revenue obligation bonds payable transactions for the year ended June 30, 2004 are as follows:

	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Effective Interest Rate</u>	<u>Outstanding July 1, 2003</u>	<u>Matured/ Called During Year</u>	<u>Outstanding June 30, 2004</u>
Sewer system revenue bonds						
Series 1995A	6-1-95	2015	5.500	<u>\$ 2,495,000</u>	<u>(150,000)</u>	<u>2,345,000</u>

Maturities of bond principal and interest are as follows:

Year	General Obligation Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2004-05	\$620,000	\$469,190	\$160,000	\$124,325	\$780,000	\$593,515
2005-06	645,000	438,810	165,000	116,485	810,000	555,295
2006-07	675,000	406,560	175,000	108,235	850,000	514,795
2007-08	710,000	372,135	185,000	99,310	895,000	471,445
2008-09	745,000	335,215	200,000	89,690	945,000	424,905
2009-10	780,000	295,730	210,000	79,190	990,000	374,920
2010-11	820,000	253,610	220,000	68,060	1,040,000	321,670
2011-12	860,000	208,510	235,000	56,290	1,095,000	264,800
2012-13	910,000	161,210	250,000	43,600	1,160,000	204,810
2013-14	955,000	110,250	265,000	29,975	1,220,000	140,225
2014-15	1,005,000	56,531	280,000	15,400	1,285,000	71,931
	8,725,000	3,107,751	2,345,000	830,560	11,070,000	3,938,311
Unamortized discount	-	-	(19,438)	-	(19,438)	-
	<u>\$ 8,725,000</u>	<u>\$3,107,751</u>	<u>\$ 2,325,562</u>	<u>\$830,560</u>	<u>\$11,050,562</u>	<u>\$3,938,311</u>

City of Springfield, Oregon

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE I - LONG-TERM DEBT - Continued

Notes Payable

At June 30, 2004, notes payable are as follows:

Governmental activities:

State of Oregon, payable in semiannual installments of \$4,778 including interest at 5%, due 2005	\$ 11,094
Oregon Special Public Works (OSPW), payable in annual installments of \$81,684 including interest at 5.8%, due 2015	<u>650,870</u>
Subtotal Governmental activities	<u>661,964</u>

Business-type activities:

Oregon Department of Environmental Quality (DEQ) State Revolving Fund loan, payable in semiannual installments of \$36,609 including interest at 3%, due 2014	628,516
Oregon Department of Environmental Quality (DEQ) State Revolving Fund loan, payable in semiannual installments of \$147,256 including interest at 3.93%, due 2011. In addition, the City pays additional interest annually based on the declining principal balance.	<u>1,897,090</u>
Subtotal Business-type activities	<u>2,525,606</u>
TOTAL	<u>\$3,187,570</u>

Principal amounts due on these notes payable, in each of the next five years and in the aggregate thereafter, are as follows:

Fiscal Year	Governmental Activities	Business-type Activities
2004-05	\$ 53,047	\$ 276,887
2005-06	48,462	287,358
2006-07	49,177	298,227
2007-08	52,030	309,513
2008-09	55,047	321,229
Thereafter	<u>404,201</u>	<u>1,032,392</u>
	<u>\$ 661,964</u>	<u>\$ 2,525,606</u>

City of Springfield, Oregon

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE I - LONG-TERM DEBT - Continued

Notes and Contracts Payable, Governmental activities

Changes in notes and contracts payable recorded in Governmental Activities and Business-type Activities for the year ended June 30, 2004 are as follows:

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
Governmental Activities				
Notes Payable	\$ 713,249	\$ -	\$ 51,285	\$ 661,964
Contracts Payable	<u>210,000</u>	<u>-</u>	<u>-</u>	<u>210,000</u>
	<u>\$ 923,249</u>	<u>\$ -</u>	<u>\$ 51,285</u>	<u>\$ 871,964</u>
Business-type Activities	<u>\$2,686,629</u>	<u>\$ -</u>	<u>\$ 161,023</u>	<u>\$ 2,525,606</u>

Due to Sycan B Corporation, for land purchase, due date to be established by mutual agreement of both parties, \$210,000.

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2004, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$9,315,000	\$ -	\$(590,000)	\$8,725,000	\$620,000
Notes payable	713,249	-	(51,285)	661,964	53,047
Contracts payable	210,000	-	-	210,000	-
Compensated absences	<u>2,593,181</u>	<u>1,596,510</u>	<u>(1,633,114)</u>	<u>2,556,577</u>	<u>1,607,765</u>
Governmental activity Long-term liabilities	<u>\$12,831,430</u>	<u>\$1,596,510</u>	<u>\$(2,274,399)</u>	<u>\$12,153,541</u>	<u>\$2,280,812</u>
Business-type activities:					
Bonds payable:					
Revenue bonds	\$2,495,000	-	\$(150,000)	\$2,345,000	\$160,000
Less deferred amounts:					
For issuance discounts on refunding	<u>(21,219)</u>	<u>\$1,781</u>	<u>-</u>	<u>(19,438)</u>	<u>-</u>
Total bonds payable	<u>2,473,781</u>	<u>1,781</u>	<u>(150,000)</u>	<u>2,325,562</u>	<u>160,000</u>
Notes payable	2,686,629	-	(161,023)	2,525,606	276,877

City of Springfield, Oregon

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE I - LONG-TERM DEBT - Continued

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	465,716	267,156	(274,976)	457,895	270,359
Business-type activities					
Long-term liabilities	<u>\$5,626,125</u>	<u>\$268,937</u>	<u>\$(585,999)</u>	<u>\$5,309,063</u>	<u>\$707,236</u>
Discretely Presented					
Component Unit					
Metropolitan Wastewater Management Commission –					
Compensated absences	<u>\$88,960</u>	<u>\$52,731</u>	<u>\$71,014</u>	<u>\$70,677</u>	<u>\$56,419</u>

NOTE J – RECEIVABLES AND PAYABLES WITHIN THE REPORTING ENTITY

Interfund Payables & Receivables

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Internal service funds	Sewer Fund	\$ 118,913
Internal service funds	EMS Fund	48,704
Booth Kelly Fund	Internal service funds	<u>(35,044)</u>
Net due to/from other funds (different fund types)		\$ <u>165,139</u>

The balances shown above are for services rendered and are generally paid within 30 days.

<u>Receivable Fund</u>	<u>Payable –Fund</u>	<u>Amount</u>
General Fund	RiverBend Fund	22,094
General Fund	Community Development Fund	102,612
General Fund	Special Revenue Fund	<u>201,026</u>
Total due to/from other funds (similar fund types)		\$ <u>325,732</u>

Interfund receivables and payables are due to temporary cash flow deficiencies and are generally paid back within 30 days.

City of Springfield, Oregon

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE J – RECEIVABLES AND PAYABLES WITHIN THE REPORTING ENTITY - Continued

Amounts due from other governments at June 30, 2004 are presented below:

<u>Fund</u>	<u>MWMC</u>
Internal Service Funds	\$ <u>5,174</u>
Total due from other governments – government-wide Statement of Net Assets	\$ <u>5,174</u>

Interfund Transfers

<u>Fund</u>	<u>General</u>	<u>Develop- ment Projects</u>	<u>Non-major Governmental funds</u>	<u>Internal Services</u>	<u>Total Transfers out</u>
General	\$ -	\$ 5,370	\$ 395	\$ 3,000	\$ 8,765
Street	-	-	20,184	-	20,184
Development Projects	355,399	-	-	-	355,399
Non-major				-	
Governmental	748,357	65,000	33,555	-	846,912
Sewer	-	-	71,758	-	71,758
Booth Kelly	150,000	-	-	-	150,000
Emergency Medical Services	233,261	-	-	-	233,261
Internal Service Funds	50,000	-	-	-	50,000
Total Transfers In	<u>\$1,537,017</u>	<u>\$ 70,370</u>	<u>\$ 125,892</u>	<u>\$ 3,000</u>	<u>\$ 1,736,279</u>

Transfers are routinely made for the following purposes:

To move unrestricted revenues collected in other funds to the General Fund to finance government programs.

To move revenues appropriated for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due.

NOTE K – REBATABLE ARBITRAGE

The City issued general obligation bonds in the amount of \$12,700,000 on March 1, 1996. Interest earnings on unspent bond proceeds may result in an arbitrage rebate due to the federal government. Arbitrage regulations require that the first installment date computation be made at five years from the delivery date of March 27, 1996. The rebate is required to be made within 60 days of the calculation.

City of Springfield, Oregon

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE K – REBATABLE ARBITRAGE - Continued

The City's liability was calculated at \$207,648. Payments were made in the amount of \$186,883, leaving a liability in the General Obligation Bond Capital Projects Fund of \$20,765.

NOTE L – DEFINED CONTRIBUTION PENSION PLAN

City Retirement Plan

The City sponsors a single-employer pension plan for Springfield Police Association employees hired before April 1, 1996 (City Retirement Plan – CRP). Participants of the plan are fully vested for employer contributions after 5 years participation in the plan. Participants are fully vested for employee contributions at all times.

The CRP covers full-time regular employees covered by the Springfield Police Association and Fire Management hired before April 1, 1996, all Police Management employees, and all disability retirees formerly in the Money Purchase Pension Plan. The City contributes 7% of salaries as employee contributions. The City also pays an employer contribution of 12.6% for public safety employees, 10% for police dispatchers and 7% for other union employees. The City determines the annual interest earnings to be credited to plan participants' accounts. This is currently guaranteed at nine percent for emergency service employees in compliance with PERS "equal to or better than" statutory requirements. The current guarantee for disability retirees is eight percent. The guaranteed earnings requirement makes the CRP a "hybrid" pension plan. Periodic actuarial valuations are performed to determine the amount of contribution needed to fund the plan. Wells Fargo Bank is trustee for the CRP.

Funding policy – The City's contribution rate, based on the most current actuarial valuation, was 25.95% of covered payroll. The City opted to contribute 27.6% in anticipation of mitigating a future increase. The City's contribution to the CRP was calculated using the covered base salary amount of \$2,915,803. The City's total payroll in fiscal year 2004 was \$22,143,970.

Annual Pension Cost – For fiscal 2003-04, the City's contribution of \$785,324 for the CRP was in excess of the City's required annual pension cost of \$756,650. The required contributions and liabilities were determined as part of the July 2000 actuarial valuation using the Aggregate Actuarial Cost method. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8% per year; (b) projected annual salary increases for inflation of 4.25% per year; (c) demographic assumptions have been chosen to mirror those in use by Oregon PERS except: (d) 50% of the members who terminate or retire will leave their accounts in the Plan until they reach age 65.

The following table presents trend information for the CRP:

Fiscal year ending	Annual cost (APC)	Percentage of APC contributed	Net pension obligation
6/30/2000	\$591,234	100%	0
6/30/2001	\$902,199	100%	0
6/30/2002	\$899,739	100%	0
6/30/2003	\$803,591	100%	0
6/30/2004	\$756,650	100%	0

City of Springfield, Oregon

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE L – DEFINED CONTRIBUTION PENSION PLAN - Continued

The following table presents a schedule of required contributions for the CRP:

Actuarial Valuation for <u>the year</u> <u>ended June</u> <u>30,</u>	Present value of projected <u>benefits</u>	Less Market value of <u>assets</u>	Value of Future <u>Contributions</u>	Value of Future <u>Salaries</u>	Total contribution <u>rate</u>
1997	\$26,032,656	\$15,103,201	\$10,929,455	\$36,388,012	30.04%
2000	26,575,704	17,435,792	9,138,912	35,223,549	25.95%
2003	28,755,625	16,893,683	11,861,942	30,535,724	38.82%

If all future experiences emerge as assumed, the total City contribution rate multiplied by the salary of active members will produce sufficient income to fully fund all benefits by the time the last active member leaves the workforce.

NOTE M – DEFINED BENEFIT PENSION PLAN

Plan Description – All City employees in qualified fire public safety positions and full time regular public safety employees covered by the Springfield Police Association (SPA) hired on or after April 1, 1996, and, beginning April 1, 2002, all general service employees participate in the Oregon Public Employees Retirement System (OPERS). Contributions are made for employees after six months of employment unless they are members of OPERS, and eligible for contributions when they begin employment. OPER is an agent multiple-employer defined benefit pension plan that acts as a common investment and administrative agent for government units in the State of Oregon. Benefits generally vest after five years of continuous service in OPERS covered position(s).

Retirement is allowed at age 58 with unreduced benefits, but retirement is generally available after age 55 with reduced benefits. Compulsory retirement age is 70.

Contributions made by, or on the behalf of, the employee are payable in a lump sum or monthly amounts using several payment options. Contributions made on behalf of the employee to the employer account can only be taken in monthly payments. OPERS also provides death and disability benefits. These benefit provisions and other requirements are established by state statutes, Chapter 238, Oregon Revised Statutes.

City of Springfield, Oregon

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE M – DEFINED BENEFIT PENSION PLAN – continued

In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for PERS. The Oregon Public Service Retirement Plan (OPSRP) is effective for all new employees hired on or after August 29, 2003, and applies to any inactive PERS members who return to employment following a six month or greater break in service. The new plan consists of a defined benefit program (the Pension Program) and a defined contribution portion (the Individual Account Program or IAP). The Pension Program portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service and a factor that varies based on type of service (general vs. police or fire).

Beginning January 1, 2004, all PERS member contributions go into the IAP portion of OPSRP. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account. Those employees who had established a PERS membership prior to creation of OPSRP will be members of both the PERS and OPSRP system as long as they remain in covered employment.

Both PERS and OPSRP are administered by the Oregon Public Employees Retirement Board (OPERB). The comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to the Oregon Public Employees Retirement System, PO Box 23700, Tigard, Oregon 97281-3700, by calling (503) 598-7377, or by accessing the PERS website at www.pers.state.or.us.

Funding Policy – The City's contribution rate for the fiscal year ended June 30, 2004 changed during the year. At the start of the year, the rate, based on the December 31, 2001 actuarial valuation, was 11.86% of covered payroll for all participants. The rate was recalculated mid-year to reflect the impact of recently passed legislation (House Bills 2001, 2003 and 2004). Effective January 1, 2004 and through the rest of the fiscal year ended June 30, 2004, the contribution rate remained 11.86% of covered payroll for the following members: PERS Fire (Emergency Services), PERS Fire Management (Emergency Services), PERS General Service and PERS Police (Emergency Services). For members of OPSRP Fire (Emergency Services, OPSRP Fire Management (Emergency Services),

OPSRP Police (Emergency Services), the rate changed to 11.65% of covered payroll effective January 1, 2004. For members of OPSRP General Service, the rate changed to 8.04% of covered payroll effective January 1, 2004.

The required employee contribution of 6% of covered compensation is paid by the City for SPA members, and is paid by employee contribution for all other members. The contribution requirements of the City are established or may be amended by the OPERS Retirement Board while the employees' rate is set by the state statute, ORS 238.200. The City's payroll for employees covered by OPERS for the year ended June 30, 2004 was \$17,953,387, the City's total payroll was \$22,143,970.

Annual Pension Cost – For fiscal 2003-04, the City's annual pension cost of \$3,257,793 for OPERS was equal to the City's required and actual contributions. The amount of \$2,227,411 was funded by the City and \$1,030,382 was paid by employee contributions from fire public safety and general service members. The required contributions and liabilities were determined as part of the December 31, 2001 actuarial valuation, using the entry age actuarial cost method and amended in April 2002 to reflect the additional city OPERS members. Because all OPERS employers are required by law to submit the contributions adopted by the Retirement Board, and the employer contributions are calculated in conformance with the standards of Statement No. 27, there is no net

City of Springfield, Oregon

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE M – DEFINED BENEFIT PENSION PLAN – continued

pension obligation. The contributions actually made are the equivalent to the annual pension cost. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8.0% per year; (b) projected annual salary increases for inflation of 4.25% per year; (c) projected automatic post-retirement benefit increases of 2.0% per year; and (d) demographic assumptions that have been chosen to reflect the best estimate of emerging experience of the members of OPERS. The unfunded actuarial liability is amortized as a level percentage of covered payroll over a thirty year period on an open basis.

The actuarial value of OPERS assets are reported at fair market value, less a reserve equal to a pro-rata portion of the investment gains (losses) over the four-year period ending on the valuation date. Investment gains (losses), effective from January 1, 2000, are recognized at the rate of 25% per year. The actuarial value of assets is limited to a 10% corridor above and below the fair market value.

The following table presents three-year trend information for the City's Defined Benefit Pension Plan:

Fiscal year ending	Annual pension cost (APC)	Percentage of APC contributed	Net pension obligation
6/30/02	\$ 1,562,520	100%	\$ 0
6/30/03	2,696,586	100%	0
6/30/04	3,257,793	100%	0

The following table presents a schedule of funding progress for the City's Defined Benefit Pension Plan:

Actuarial valuation ending <u>December 31,</u>	Actuarial value of assets	Actuarial accrued liability	Unfunded actuarial accrued liability (UAAL)	Funded percent	Covered payroll	UAAL as percentag of covered payroll
1993	\$5,813,307	\$7,646,779	\$1,833,472	76%	\$2,904,969	63%
1995	7,582,525	9,321,572	1,739,047	81%	3,255,405	53%
1997	12,780,578	12,843,439	62,861	100%	3,800,125	2%
1999	22,333,739	20,736,407	-1,597,332	100%	5,187,097	-31%
2001	25,782,739	28,075,445	2,292,706	92%	15,071,111	15%

* Information related to GASB Statement No. 27 disclosures prior to December 31, 1993 is not available. Information related to GASB Statement No. 27 disclosures for December 31, 2003 is not yet available.

City of Springfield, Oregon

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE N – OTHER POSTEMPLOYMENT BENEFITS

The City provides postretirement health benefits for qualified retirees and their eligible dependents. The following groups are eligible: Non-Medicare eligible regular retirees, Disability retirees, Non-Medicare eligible early retirees eligible for pension under a City Plan or OPERS with at least 2 years of benefited service at the City, or Non-Medicare eligible early retirees whose age plus years of service equal 70 or greater at their time of retirement. The authority for this coverage is City Personnel Policy. At June 30, 2004, 39 qualified retirees are eligible to receive this benefit. The cost of the coverage, financed on a pay-as-you-go basis, is shared between the City and the retirees. The city's share is capped at \$115.05 per month, per qualified retiree. The total cost of providing this coverage for the fiscal year ending June 30, 2004 was \$33,134.4.

The City also provides disability retirement contributions for employees who cease working because of a permanent disability. The following groups are eligible: employees, who at the time of disability retirement were covered under the City Retirement Plan, and employees, who at the time of disability retirement were covered under the Money Purchase Pension Plan. The authority for this coverage is in the pension plan documents. All of the disability retirees are members of the City Retirement Plan.

For these employees, the amount of the pension contribution is either 7% or 12.6% of the employee's last monthly salary, depending on what the employee's contribution rate was before retirement. At June 30, 2004, there were seven employees receiving this benefit. No payments are sent to the plan for these employees, but their accounts are credited for the correct amount.

NOTE O - COMMITMENTS AND CONTINGENCIES

At June 30, 2004, the City was obligated under incomplete construction contracts in the amount of \$38,321.

NOTE P – CONSTITUTIONAL PROPERTY TAX LIMITATION

The State of Oregon has a constitutional limit on property taxes for governmental operations. The limitation specifies a maximum rate for local government operations of \$10.00 per \$1,000 of assessed value.

In May 1997, the voters approved a citizen initiative (Measure 50). Measure 50 rolls back assessed values to 90 percent of their 1995-96 real market value amount and limits future increases to 3 percent per year, except for major improvements. Under Measure 50, voters may approve new local initiatives provided a majority approves at either a general election in an even numbered year, or at any other election in which at least 50 percent of registered voters cast a ballot.

NOTE Q – SUBSEQUENT EVENTS

On November 2, 2004, the Springfield residents voted in favor of a public safety bond measure. The measure authorizes the city to sell \$28.65 in general obligation bonds to build a police building and jail. The bond measure stipulates that the city will not sell that portion of the bonds to finance the jail construction until funding has been identified for operation of the jail.

On November 2, 2004, the Springfield residents also voted to authorize the City of Springfield Glenwood Urban Renewal Plan. This will allow the city to allocate property taxes from Glenwood to Urban Renewal District Debt to improvements to Glenwood.