

CITY OF SPRINGFIELD, OREGON

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

Fiscal Year Ended June 30, 2004

Prepared by:

Finance Department
Accounting Division

City of Springfield, Oregon

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2004

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Introductory Section

CITY OF SPRINGFIELD, OREGON



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

225 FIFTH STREET
SPRINGFIELD, OR 97477
(541) 726-3705
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www.ci.springfield.or.us

December 2, 2004

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, 2004.

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. 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, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidences 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, 2004, 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, 2004 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 55,350 people, Springfield is bordered north and south by the McKenzie and Willamette Rivers, covering 15.32 square miles in Lane County. 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 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, 2004, the amount of the tax levy for general obligation bonded debt was \$.41 per thousand.

Major Initiatives

The community of Springfield and the staff of the City of Springfield have had many significant projects come to completion this year or have made substantial progress in seeing long-term efforts become success stories. Some of these are:

The efforts of a public/private partnership to develop a sports center complex in Springfield were fulfilled this year. The partners worked together, each contributing significant amounts of time and money and the new Springfield Sports Complex had its grand opening in August 2004. The site includes 5 acres of commercial retail and restaurant facilities, 10 acres for an indoor sports complex with parking, and 16 acres for 5 soccer fields and office space for sports related non-profit organizations.

Downtown, the renovation of the Richard E. Wildish Community Theatre continues to progress. The project is to convert the former movie house to a community performing arts center. This effort, by a local non-profit, was enhanced by the City's allocation of CDBG funds. The City's participation is a direct effort to respond to many of the Council's five-year goals that include expanding Springfield's economy, creating family wage jobs, continuing to make Springfield a safe community, participating in a renaissance for Springfield, partnering with citizens and other public agencies, and preservation of our small town character.

As a follow-up to the council's 2003 economic development efforts, the City Council sent to the voters Measure 20-92 concerning the approval for urban renewal financing for developing and redeveloping the Glenwood area. Voters approved it 72% - 28%. The Glenwood Urban Renewal Plan will implement the Glenwood Refinement Plan by building needed public infrastructure for industrial, commercial and residential uses over the next 20 years, currently estimated to cost about \$23 million.

To address a Council goal of providing for a stable, long term financial future, the Council directed staff to study the potential of adopting a privilege tax upon utilities doing business in the City. After completing the study and conducting public hearings, the utility tax was enacted in December 2004. With the submission of a citizen's remonstrance petition, the Council is currently studying the available options for proceeding with the plan for the tax.

For the past several years, the City has studied plans for the replacement of its current police administration building. In the summer of 2004, the Council authorized a November vote for a general obligation bond issue that included \$21 million for a police administration/municipal court building and \$7 million for a 100 bed municipal jail wing. The measure passed and plans are proceeding to construct this significant facility in downtown Springfield.

Local Economy

The Lane County jobless rate decreased to 6.6% in June 2004 from 8.0% in June 2003. In June 2004, Lane County's rate is below the statewide figure of 6.8% and significantly lower than the State's June 2003 rate of 8.2% unemployment. The seasonally adjusted unemployment rate for Oregon as of June 2004 was 6.8% and 5.6% for the United States. Lane County's covered employment of 140,577 is up by 3,897 from the June 2003 totals.

Over the past year, most sectors of the local economy have experienced growth in both manufacturing of durable goods and nondurable goods. In the non-manufacturing sectors, the largest increases were in the areas of wholesale, construction, transportation and warehousing, retail and professional, business services and information jobs.

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

- Lane Transit District completed its new Downtown Springfield Bus Transit Station on South A Street and Pioneer Parkway. The new \$3.5 million facility will be on the metro area's busiest route from Thurston to Downtown Eugene and provides the key nexus for the development of LTD's Bus Rapid Transit system to move patrons from major residential areas to the commercial and employment areas. The 8-bay bus facility includes a small commuter parking area, commuter kiss-and-ride (pick-up and drop-off area), rest rooms, and about 3,500 square feet of retail space for lease as part of the City's request for joint development.
- Construction has begun on two major subdivisions: Mountain Gate and Brentwood Estates. Mountain Gate's plans call for 450 single-family homes and up to 300 apartments or condominium units to be built on about 330 acres in east Springfield. Brentwood Estates is a 297-unit apartment complex in mid-Springfield. The first phase includes 21 four-plexes and two triplexes, and an 8,700 square foot community center for the offices, exercise room, and meeting rooms.
- 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.

For city government, the most significant event of the year was the passage of two ballot measures in the November 2004 election. As mentioned above, voters approved two money measures: one allowing for tax increment financing for improvements to Glenwood; the other for issuance of a General Obligation bond for the construction of a new police building and jail.

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.

- The Martin Luther King, Jr. Parkway is a multi-year project. When complete, it will connect at Pioneer Parkway/Harlow Road northward to Beltline Road. It will be a 4 lane arterial road with curbs, gutters, soundwall and a roundabout. Full funding of the Parkway has been secured, mostly through contributions from the PeaceHealth RiverBend development and Lane County. Construction is scheduled to begin in 2005.
- The City is obligated to construct improvements to the South 32nd Street and Main Street Intersection as a condition of the agreements for the development of the Sports Center. A portion of the work was completed and the remainder is scheduled for April 2005.
- Gateway traffic improvement projects continue to be funded at \$200,000 per year as a set-aside for needed transportation improvements in the Gateway area. The Gateway area continues to be an area of transportation pressure. Final decisions for capital improvements and timing of improvements will be made dependent on development patterns and based on need.
- Improvements on Franklin Boulevard in Glenwood include sidewalks and bike lanes, funded by ODOT; and the extension of a major sanitary sewer trunk line and dry-line drainage crossings, funded by the City. The sewer and drainage work was completed in late 2004. The design issues surrounding the sidewalks and bike lanes are closely related to other Franklin Boulevard improvements and may be delayed until a complete plan is approved.
- Completion of the Millrace Project includes work at the intake, Gorrie Creek re-routing, pond clean up and channel improvements. This project has required a great deal of coordination with federal and state environmental agencies. The Army Corps project feasibility study is complete. Construction is scheduled to begin in May 2005.

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 \$620,037 as compared to \$1,451,633 for the prior year. The change is the result of very low interest rates throughout the fiscal year ended June 30, 2004.

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. All of the investments held by the City during the year and at June 30, 2004, are classified in the category of lowest custodial risk as defined by the Governmental Accounting Standards Board.

Investments are required to be reported at fair value rather than cost. For this year, investment value was marked down by \$274,539 to reflect fair value. For fiscal year 2002-03 investments were marked up by \$41,170 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, 2004, the amount of liability for claims incurred before March 31, 1999, but not reported, was estimated at \$117,000.

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, 2003. This was the twenty-third 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

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 it's eligibility for another certificate.

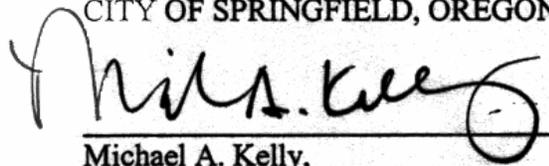
Acknowledgments

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.

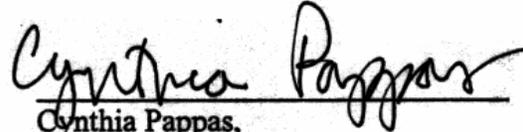
In closing, without the leadership and support of the Mayor and City Council, preparation of this report would not have been possible.

Respectfully submitted,

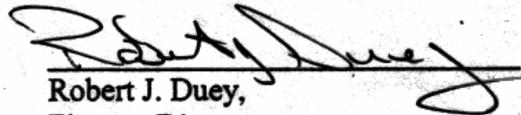
CITY OF SPRINGFIELD, OREGON



Michael A. Kelly,
City Manager



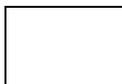
Cynthia Pappas,
Assistant City Manager



Robert J. Duey,
Finance Director

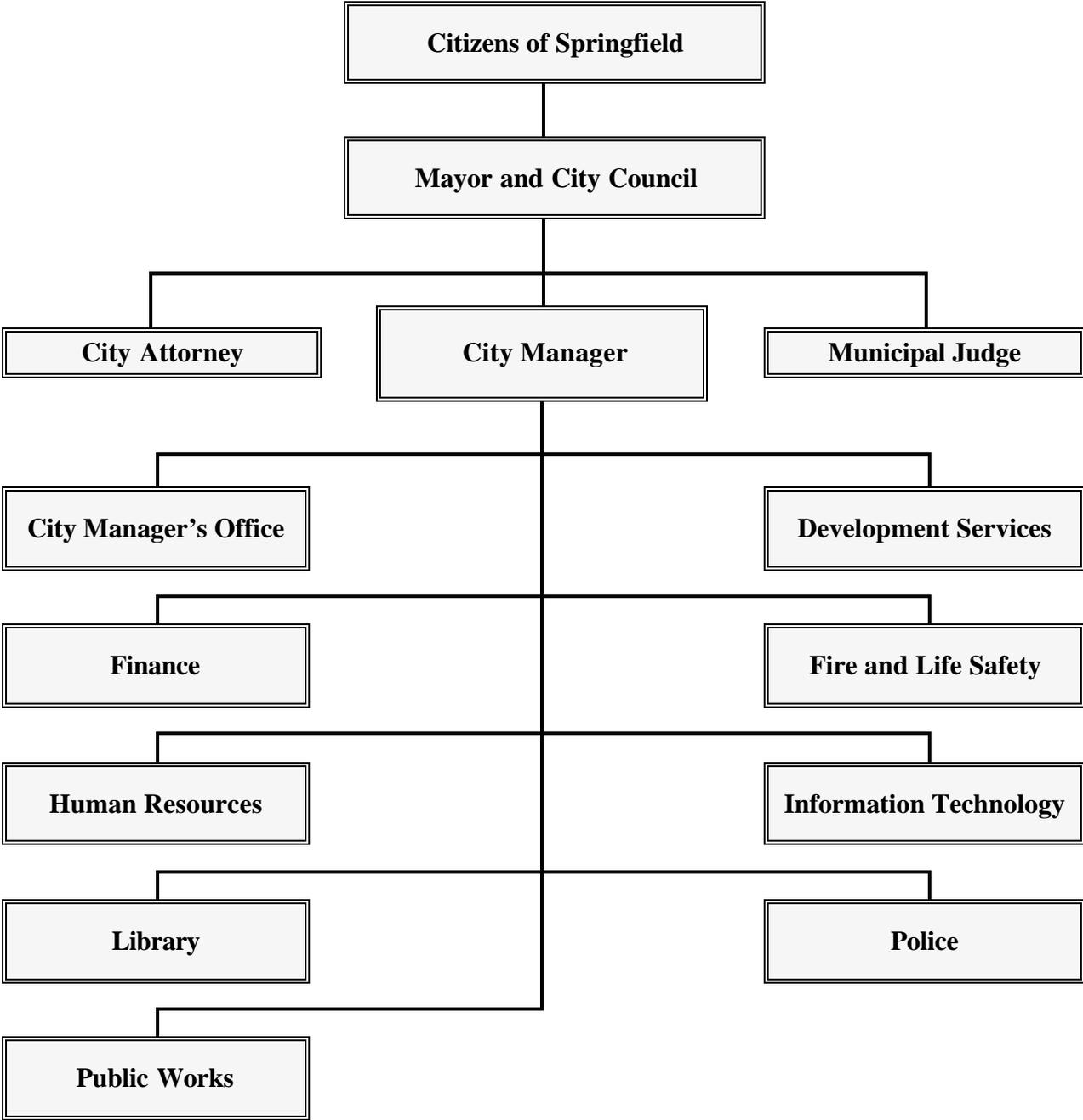


Valerie Warner,
Accounting & Audit Manager



CITY OF SPRINGFIELD

Organization Chart



City of Springfield, Oregon

Principal City Officials June 30, 2004

Elected Officials

Mayor

Sidney W. Leiken
6856 Holly Street
Springfield, OR 97478

Term Expiration

December 31, 2004

Council Members

Christine Lundberg
127 Woodlane Drive
Springfield, OR 97477

Ward 1

December 31, 2004

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, 2004

David Ralston
2114 "L" Street
Springfield, OR 97477

Ward 4

December 31, 2004

John Woodrow
1009 S 59th Street
Springfield, OR 97477

Ward 5

December 31, 2006

Vacant

Ward 6

December 31, 2004

Joe Pishioneri
961 S 70th Street
Springfield, OR 97478

Ward 6

Appointed to position
November 15, 2004

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, 2003

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