

# **Financial Section**

This page intentionally left blank.

# **Independent Auditors Report**

This page intentionally left blank.



**GROVE, MUELLER & SWANK, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

***INDEPENDENT AUDITOR'S REPORT***

To the Honorable Mayor, Members of the  
City Council and the City Manager  
City of Springfield, Oregon

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Springfield, Oregon as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Springfield, Oregon as of June 30, 2006, and the respective changes in financial position and the cash flows where applicable thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2006 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Springfield's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

GROVE, MUELLER & SWANK, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

By:   
\_\_\_\_\_  
Charles A. Swank, A Shareholder  
November 10, 2006

# **Management's Discussion and Analysis**

This page intentionally left blank

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of City of Springfield's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2006. Please read it in conjunction with the City's financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

- The City's total combined assets at June 30, 2006 are \$189,583,252.
- The City's total combined liabilities at June 30, 2006 are \$26,976,618.
- The City's total combined net assets at June 30, 2006 are \$162,606,634.
- At June 30, 2006, the City's governmental funds reported a combined ending fund balance of \$33,807,707. \$28,477,468 is unreserved and available for appropriation.
- The General Fund reported an ending fund balance this year of \$7,390,562. This is a significant increase from the previous year's fund balance of \$6,730,355.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the City of Springfield's basic financial statements. The City's basic financial statements comprise three components:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

#### **Government-wide Financial Statements**

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include:

- General Government
- Police
- Fire
- Public Works
- Library
- Development Services

The business-type activities of the City include:

- Local Sewer Service
- Booth Kelly (operation of the Booth Kelly Center, a large commercial building)
- Ambulance Service

The government-wide financial statements include not only the City of Springfield itself (known as the primary government), but also three legally separate entities.

The Urban Renewal Agency, called the Springfield Economic Development Agency (SEDA,) has a governing body that is substantively the same as the City's. For this reason, the SEDA capital project fund is included as an integral part of the primary government.

The City provides all administrative duties for the Metropolitan Wastewater Management Commission and the Regional Fiber Consortium in accordance with intergovernmental agreements. Therefore, management believes it would be misleading to exclude these entities from the government-wide financial statements. Financial information for both of these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 16-17 of the basic financial statements.

## **Fund Financial Statements**

The fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: government funds, proprietary funds, and fiduciary funds.

***Governmental funds.*** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However,

unlike the government-wide financial statements, governmental fund financial statements focus on the acquisition and use of current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and government activities. The reconciliations can be found on page 20 in the basic financial statements.

The City maintains 19 individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for those funds that are considered significant (major) to the City taken as a whole. These financial statements report four funds: General Fund, Street Fund, Community Development Block Grant Fund, and Development Projects Fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for all governmental funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided for the General Fund and the major special revenue funds as required supplementary information on pages 58-60. Budgetary comparisons for all other governmental funds have been provided elsewhere in this report.

The governmental fund financial statements can be found at pages 18-19 in the basic financial statements.

***Proprietary funds.*** The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in government-wide financial statements. The City uses enterprise funds to account for its Local Sewer Services, Ambulance Service and Booth-Kelly building. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal services funds to account for its equipment, including its fleet of vehicles and its computer and telecommunication equipment, for employee benefits and risk management activities and for administrative activities related to the System Development Charge program. Because all three of these services predominantly benefit government rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide

separate information for the Sewer Fund, the Ambulance Fund, and the Booth-Kelly Fund, which are all considered to be major funds of the City. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The proprietary fund financial statements can be found on pages 21-23 in the basic financial statements.

***Fiduciary funds.*** The City is the trustee, or *fiduciary*, for certain funds. The City is responsible for ensuring that the assets reported in a fiduciary fund are used for their intended purposes. The city has one fiduciary fund, the agency fund. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in assets and liabilities. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

The fiduciary fund financial statement of net assets can be found on page 24 in the basic financial statements.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-56 of this report.

**Required supplementary information.** This report also presents certain required supplementary information concerning budgetary comparisons for the general and major special revenue funds and information about the City's progress in funding its obligation to provide pension benefits to its employees.

**Other supplementary information.** The combining statements referred to earlier in connection with non major governmental funds and internal service funds, the schedule of property tax transactions, the schedule of bonded debt transactions and future requirements for bonded debt are included in this report and can be found on pages 61-113.

## **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$162,606,634 at the close of the most recent fiscal year.

The largest portion of the City's net assets \$109,986,701, or 67% reflects its investment in capital assets (e.g., land and right-of-way, buildings, improvements, equipment, and infrastructure, net of accumulated depreciation), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to

repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Springfield's Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current and other assets	52,108,689	\$46,554,274	15,440,674	\$15,201,539	67,549,363	\$61,755,813
Capital assets, net, where applicable, of accumulated depreciation	82,193,242	78,459,234	39,840,647	38,044,291	122,033,889	116,503,525
Total assets	134,301,931	125,013,508	55,281,321	53,245,830	189,583,252	178,259,338
Non-current liabilities	14,495,177	10,949,652	3,536,641	4,029,548	18,031,818	14,979,200
Other liabilities	6,977,920	5,770,851	1,966,880	2,141,946	8,944,800	7,912,797
Total liabilities	21,473,097	16,720,503	5,503,521	6,171,494	26,976,618	22,891,997
Net assets:						
Invested in capital assets, net of related debt	73,775,040	69,745,316	36,211,661	33,842,248	109,986,701	103,587,564
Restricted	6,709,199	8,616,435	5,011,183	4,260,230	11,720,382	12,876,665
Unrestricted	32,344,595	29,931,254	8,554,956	8,971,858	40,899,551	38,903,112
Total net assets	<u>\$112,828,834</u>	<u>\$108,293,005</u>	<u>\$49,777,800</u>	<u>\$47,074,336</u>	<u>162,606,634</u>	<u>\$155,367,341</u>

A portion of the City's net assets, \$11,720,382, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$40,899,551 or 25%, may be used to meet the government's ongoing obligations to citizens and creditors.

## City of Springfield's Change in Net Assets

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues:						
Program revenues:						
Charges for services	\$14,307,389	\$17,433,497	\$12,483,724	\$11,794,565	\$26,791,113	\$29,228,062
Operating grants and contributions	4,679,550	5,632,824	6,068	675	4,685,618	5,633,499
Capital grants and contributions	2,019,869	2,894,691	3,004,413	2,683,114	5,024,282	5,577,805
General revenues:						
Taxes	21,618,097	19,885,548	-	-	21,618,097	19,885,548
In lieu of tax payments	2,258,956	2,208,008	-	-	2,258,956	2,208,008
Shared revenue	1,090,631	1,000,195	-	-	1,090,631	1,000,195
Interest and investment earnings	1,702,251	814,959	441,668	328,840	2,143,939	1,143,799
Miscellaneous receipts	206,256	151,033	142,650	238,626	348,906	389,659
Gain (loss) on disposal of assets	49,900	-	-	-	49,900	-
Total revenues	<u>47,932,899</u>	<u>50,020,755</u>	<u>16,078,543</u>	<u>15,045,820</u>	<u>64,011,442</u>	<u>65,066,575</u>
Expenses:						
General Government	5,452,865	5,088,042	-	-	5,452,865	5,088,042
Development Services	4,791,592	5,410,298	-	-	4,791,592	5,410,298
Fire	8,714,544	8,394,509	-	-	8,714,544	8,394,509
Library	1,298,373	1,278,006	-	-	1,298,373	1,278,006
Police	12,040,291	11,652,431	-	-	12,040,291	11,652,431
Public Works	10,869,437	9,125,560	-	-	10,869,437	9,125,560
Unallocated depreciation	255,614	235,888	-	-	255,614	235,888
Interest on debt	381,657	516,454	-	-	381,657	516,454
Sewer	-	-	7,653,331	6,918,423	7,653,331	6,918,423
Booth Kelly	-	-	520,007	502,163	520,007	502,163
Ambulance	-	-	4,785,189	5,018,686	4,785,189	5,018,686
Total expenses	<u>43,804,373</u>	<u>41,701,188</u>	<u>12,958,527</u>	<u>12,439,272</u>	<u>56,762,990</u>	<u>54,140,460</u>
Increase in net assets before transfers	4,128,526	8,319,567	3,120,016	2,606,548	7,248,542	10,926,115
Transfers	416,552	454,999	(416,552)	(454,999)	-	-
Transfer out to separate entity	-	(100,454)	-	-	-	(100,454)
Increase in net assets	<u>4,545,078</u>	<u>8,674,112</u>	<u>2,703,464</u>	<u>2,151,549</u>	<u>7,248,542</u>	<u>10,825,661</u>
Net assets – beginning (adjusted for change in inventory)	108,283,756	99,618,893	47,074,336	44,922,787	155,358,092	144,541,680
Net assets ending	<u>\$112,828,834</u>	<u>\$108,293,005</u>	<u>\$49,777,800</u>	<u>\$47,074,336</u>	<u>\$162,606,634</u>	<u>\$155,367,341</u>

**Entity-wide change in net assets:** Entity-wide net assets increased by \$7,248,542 in the current fiscal year compared to an increase of \$10,825,661 in the prior year. What appears to be a

significant decrease in program revenues from 2005 to 2006 is a return to a normal trending from a development spike in 2005. The increase in investment earnings is due to an increase in cash holdings and rising interest rates. On the expenditure side, General Government, Fire, Police, and Library increased by 2% to 7%. This can mostly be accounted for by normal inflationary pressures. The increase in General Government was on the high end and can be attributed to the cost of recruiting a new City Manager, prolonged labor negotiations, and increased resources for economic development. Development Services decreased by 11%. This was due to a one-time expenditure of \$600,235 in the prior fiscal year and a personnel reorganization which reduced costs in the current fiscal year. Public Works increased by 19%: in addition to expected increases from inflation, the department performed more work that was categorized as repair, vs. new construction which would have been capitalized. Debt service interest decreased due to refinancing the GO bonds during the year.

Overall, the \$7,248,542 increase in entity-wide ending net assets over the previous year places the government in an improved financial position.

**Governmental Activities.** Governmental activities increased the City’s net assets by \$4,545,078, thereby accounting for 63% of the growth in total net assets. Removing capital contributions, the increase in net assets represents less than 3% of beginning net assets, indicating a year of stability in revenues and expenditures in governmental activities.

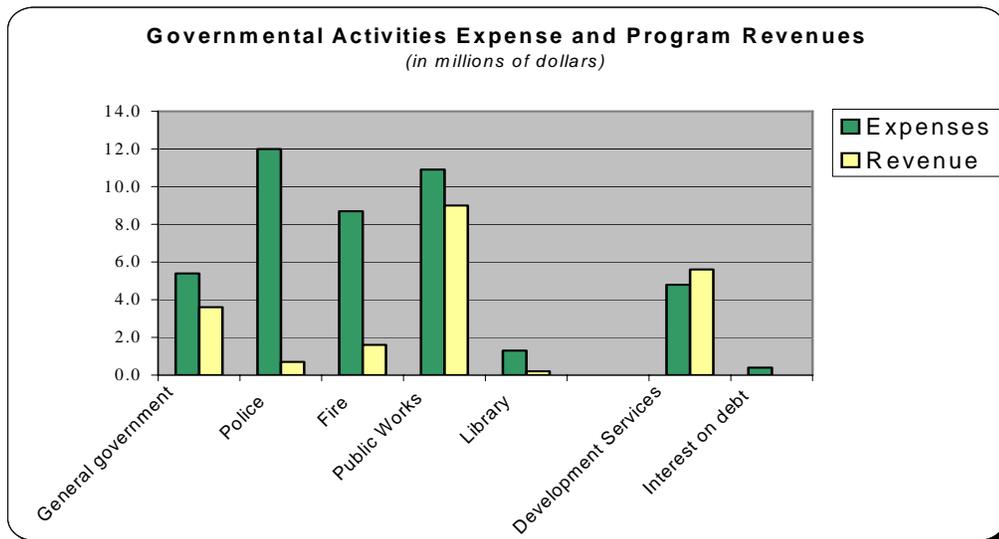


Chart 1

Chart 1 compares program revenues and expenses for the individual governmental activities for the current year. As the chart reflects, most governmental activities relied on general revenues to support the function. The Development Services Department continued to see a high level of activity in the planning and building divisions.

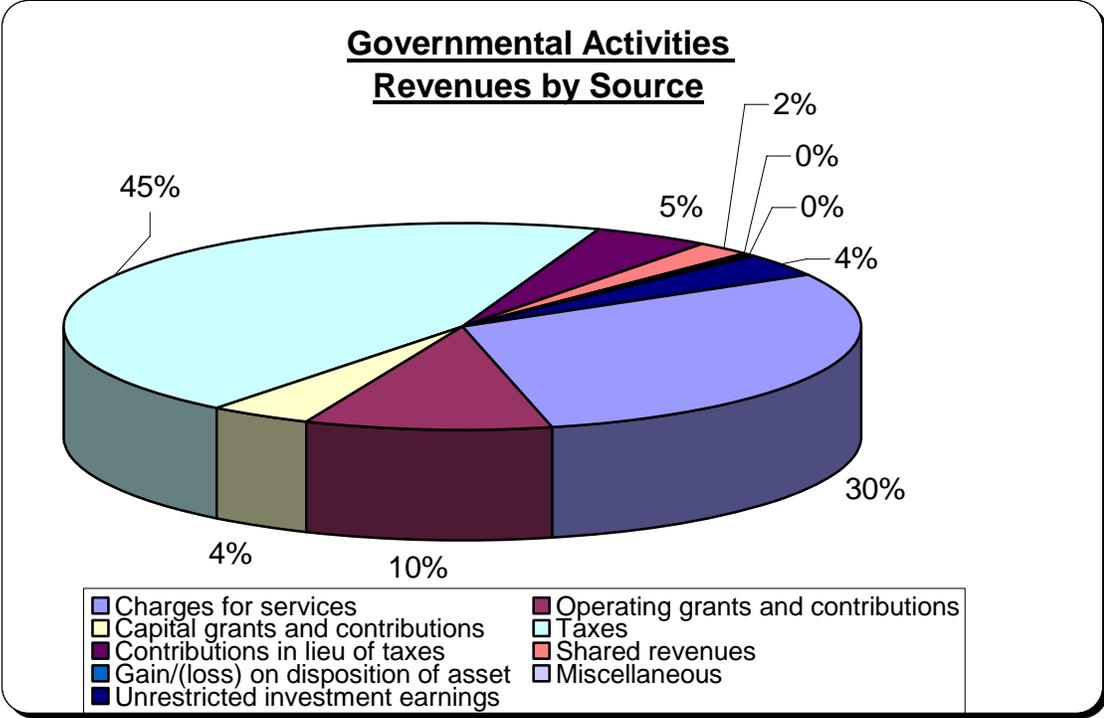


Chart 2

Chart 2 shows the percent of the total for each source of revenue supporting governmental activities. The chart demonstrates that the City depends on taxes as its major source of revenue. The City is making a deliberate effort to increase revenues generated by charges for services both by implementing new fees and by increasing the cost recovery percentage on existing fees.

**Business-type Activities.** Business-type activities increased the City’s net assets by \$2,703,464, accounting for 37 percent of the total growth in the government’s net assets. A key element of this increase is that the sewer utility fund collected system development charges of over \$1.3 million in the current year compared to \$800 thousand in the prior year.

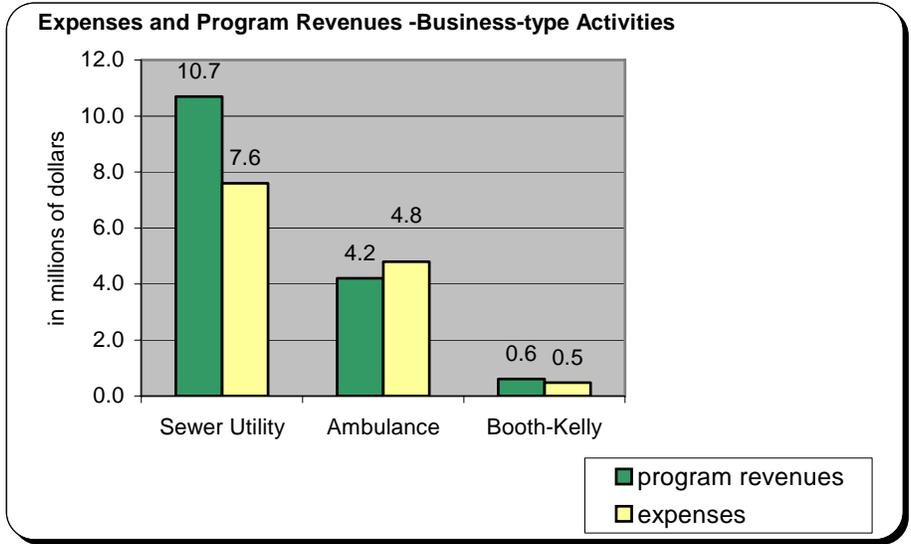


Chart 3

Chart 3 compares program revenues and expenses for the individual business-type activities for the current year.

The Sewer Utility fund relied primarily on program revenue to fund operating expenses.

The Ambulance fund continues a trend of expenses exceeding revenues. A major contributing factor to this trend has been the reduction in Medicare reimbursements for ambulance services that began April 1, 2002, and was fully implemented by December 31, 2005. The City has implemented a number of rate increases to reverse the trend.

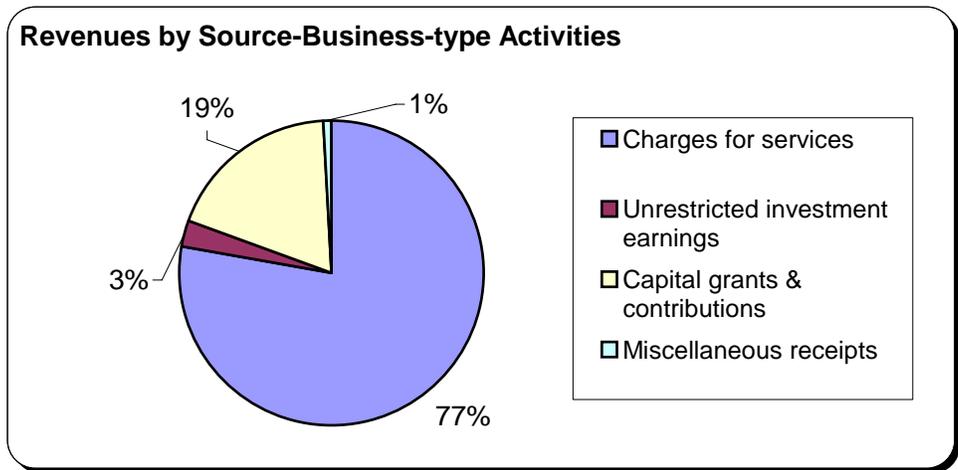


Chart 4

Chart 4 shows the percent of the total for each source of revenue supporting business-type activities. The largest component of business-type fund revenue comes from charges for services.

## Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$33,807,707. Approximately 84 percent of this total amount, \$28,477,468, constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed for a variety of purposes.

The General Fund is the chief operating fund of the City of Springfield. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$6,896,167, while total fund balance was \$7,390,562. As measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 27 percent of total General Fund expenditures, while total fund balance represents 29 percent of that same amount.

The fund balance of the City's General Fund increased by \$660,401 during the year. The activities of the General Fund would have resulted in a loss of approximately \$200,000 had it not been for transfers in from other funds.

The Street Fund has a total ending fund balance of \$7,963,835. This is a decrease of \$1,561,639 from the prior year. This can be attributed to a planned draw-down of reserves to complete street maintenance and construction.

The fund balance of the Development Capital Projects Fund decreased by \$839,766 during this fiscal year. Over \$1.7 million dollars from this fund was spent on infrastructure for the Martin Luther King Parkway.

Other governmental funds remained relatively stable during the year.

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer Utility Fund at the end of the year totaled \$6,592,926, Ambulance Fund net assets totaled \$587,005 and Booth-Kelly Fund totaled \$1,224,175. The total change in net assets for these funds were \$3,324,584, (\$633,898) and (\$235,197),

respectively. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City's business-type activities.

### **General Fund Budgetary Highlights**

The difference between the original budget and the final amended budget was a net increase of \$453,759.

- \$245,851 increase to General Government
- \$166,621 increase to Fire
- \$107,600 increase to Police
- \$101,382 increase to Library
- \$42,848 increase to Public Works (includes capital projects)
- \$85,200 increase to Development Services
- \$295,743 decrease to Non-departmental transfers and reserves

These increases were funded as follows:

- \$34,330 from increases in intergovernmental revenues
- \$83,057 from increases in miscellaneous revenues
- \$55,000 from increases in fines
- \$13,300 from increases in licenses and permits
- \$24,000 from increases in interest
- \$3,200 from increases in charges for service
- \$240,872 increase in beginning cash

For the year ended June 30, 2006, the total variance between the final amended budget revenue and the actual budget-basis revenue amounts in the General Fund was less than 3%. Actual property tax revenues were within 4.7% of budget. Other revenue line items were above or below budget, with the aggregate difference representing only a 1.7% variance.

Expenditures were under budget in all operating departments in amounts ranging from 0% to 11%. In aggregate, operating expenditures of all General Fund departments was 3% under the revised budget amount. The major portion of the operating budgets consist of personal services. The larger variances occur in departments with major personnel changes. For example, the City Manager's office ended the year under budget by 11%. A significant portion of this is related to turnover in the city manager position. The Finance department is under budget by approximately 10%. This is due to the delay of a consulting project. Most departments with stable staffing throughout the year ended the year very close to budget.

## Capital Asset and Debt Administration

**Capital Assets.** The City's investment in capital assets for its governmental and business type activities as of June 30, 2006, amounts to \$122,033,889 (net of accumulated depreciation). This investment in capital assets includes land, buildings, sewer pipes, improvements, machinery and equipment and roads.

Major capital asset events during the current fiscal year included the following:

- Donated right-of-way during the year was recorded at an estimated cost of \$1,517,000
- Donated sewer infrastructure during the year was recorded at an estimated cost of \$1,675,000
- Major street repair work occurred on 42<sup>nd</sup> Street and Laura Street at a cost of \$1,343,000 and \$713,000 respectively

### City of Springfield's Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$33,869,957	\$32,014,712	\$4,079,241	\$4,073,713	\$37,949,198	\$36,088,425
Land improvements	-	-	125,631	151,028	125,631	151,028
Construction in progress	4,095,828	3,110,184	4,469,411	4,463,374	8,565,239	7,573,558
Buildings	7,765,914	8,128,374	1,886,150	2,091,521	9,652,064	10,219,895
Improvements other than buildings	-	-	28,936,497	26,830,761	28,936,497	26,830,761
Infrastructure	30,497,948	29,053,871	-	-	30,497,948	29,053,871
Machinery & equipment	5,182,911	5,536,919	185,968	266,857	5,368,879	5,803,776
Library books	628,931	505,018	-	-	628,931	505,018
Studies	91,796	110,156	107,173	110,815	198,969	220,971
Other	59,957	-	50,576	56,222	110,533	56,222
Total	<u>\$82,193,242</u>	<u>\$78,459,234</u>	<u>\$39,840,647</u>	<u>\$38,044,291</u>	<u>\$122,033,889</u>	<u>\$116,503,525</u>

Additional information on the City's capital assets can be found in note F in the Basic Financial Statement section of this report.

**Debt Administration.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$13,620,000. Of this amount, \$11,805,000 comprises debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured solely by specified revenue sources.

**City of Springfield's Outstanding Debt**  
General Obligation and Revenue Bonds

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
General obligation bonds	\$11,805,000	\$8,105,000	\$ -	\$ -	\$11,805,000	\$8,105,000
Revenue bonds	-	-	<u>1,815,000</u>	<u>1,985,000</u>	<u>1,815,000</u>	<u>1,985,000</u>
Total	<u>\$11,805,000</u>	<u>\$8,105,000</u>	<u>\$1,815,000</u>	<u>\$1,985,000</u>	<u>\$13,620,000</u>	<u>\$10,090,000</u>

The City's total debt increased by \$3,530,000 (35%) during the current fiscal year. For additional information on the City's long-term debt, see Note I in the notes to the financial statements.

**Economic Factors and Next Year's Budgets and Rates**

During the preparation of the budget for the ensuing fiscal year, the long-term impacts of the local economy were examined in conjunction with business decisions made by the City. The following are the major assumptions used in developing the FY2007 budget:

- Assessed values, the basis of property tax revenues, will grow by 5.5%.
- Interest rates on investments will be 4.5%.
- Inflation will occur at 3%, with special attention given to energy, fuel and intergovernmental costs
- Wages will increase by 2 % for non-union employees, and employees represented by Oregon Public Employees Union and the Association of Federal State City Municipal Employees.
- Wages will increase by 4% for Springfield Police Association employees
- Wages will increase by 3% for employees represented by International Association of Fire Fighters
- Retirement benefit rates remain level
- Health insurance costs will increase by 12%.

**Requests for Information**

This financial report is designed to provide a general overview of the City's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Accounting & Audit Manager  
City of Springfield  
225 Fifth Street  
Springfield, OR 97477

**City of Springfield, Oregon**

**Basic Financial Statements**

This page intentionally left blank

City of Springfield, Oregon

Statement Of Net Assets

June 30, 2006

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Metropolitan Wastewater	Regional Fiber Consortium
<b>ASSETS</b>					
Cash and investments	\$ 45,224,165	\$ 13,660,443	\$ 58,884,608	\$ 26,037,219	\$ 57,055
Receivables, net of allowance for uncollectable receivables	6,373,433	1,479,387	7,852,820	1,610,376	527
Internal balances	(150,850)	150,850	-	-	-
Due to/from other governments	(24,009)	-	(24,009)	24,009	-
Inventory	75,773	-	75,773	-	-
Investment in foreclosed properties	1,971	-	1,971	-	-
Property held for resale	105,238	-	105,238	-	-
Prepaid items	6,331	20,890	27,221	58,497	-
Deposits	34,179	-	34,179	500,000	-
Restricted assets - cash and investments	-	-	-	4,089,153	-
Restricted assets - accounts receivables	-	-	-	179,386	-
Accrued interest	462,458	129,104	591,562	255,992	-
Capital assets					
Land and construction in progress	37,965,785	8,548,652	46,514,437	11,219,757	-
Other capital assets net of accumulated depreciation	44,227,457	31,291,995	75,519,452	53,943,463	21,728,165
<b>Total assets and other debits</b>	<b>134,301,931</b>	<b>55,281,321</b>	<b>189,583,252</b>	<b>97,917,852</b>	<b>21,785,747</b>
<b>LIABILITIES</b>					
Accounts payable	3,021,379	293,281	3,314,660	1,570,039	6,884
Accrued payroll and other liabilities	2,931,725	664,737	3,596,462	113,578	-
Unearned revenue	4,122	494,209	498,331	9,034	-
Interest payable	-	11,351	11,351	-	-
Deposits	-	30,357	30,357	-	-
Notes payable - current maturity	49,177	302,945	352,122	-	-
Revenue bonds payable - current maturity	-	170,000	170,000	-	-
Capital lease obligations due within one year	36,517	-	36,517	-	-
General long-term debt due within one year	935,000	-	935,000	-	-
Noncurrent liabilities					
Accrued absence payable	3,097,669	380,600	3,478,269	73,163	-
General long-term debt	10,765,162	-	10,765,162	-	-
Revenue bonds payable (net of unamortized discount)	-	1,616,504	1,616,504	-	-
Notes payable	511,279	1,539,537	2,050,816	-	-
Capital lease	121,067	-	121,067	-	-
<b>Total liabilities</b>	<b>21,473,097</b>	<b>5,503,521</b>	<b>26,976,618</b>	<b>1,765,814</b>	<b>6,884</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	73,775,040	36,211,661	109,986,701	65,163,220	21,728,165
Restricted for:					
SDC projects	-	5,011,183	5,011,183	-	-
Bicycle trails	71,313	-	71,313	-	-
Transportation	5,926,394	-	5,926,394	-	-
Regional sanitary sewer	-	-	-	4,268,539	-
Debt service	372,079	-	372,079	-	-
Library	36,499	-	36,499	-	-
Police forfeitures	302,914	-	302,914	-	-
Unrestricted	32,344,595	8,554,956	40,899,551	26,720,279	50,698
<b>Total net assets</b>	<b>\$ 112,828,834</b>	<b>\$ 49,777,800</b>	<b>\$ 162,606,634</b>	<b>\$ 96,152,038</b>	<b>\$ 21,778,863</b>

The accompanying notes are an integral part of this statement.

CITY OF SPRINGFIELD  
Statement of Activities  
For the Year Ended June 30, 2006

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units			
					Total Governmental Activities	Total Business-Type Activities	Total	Metropolitan Wastewater Mgmt Commission	Regional Fiber	
Primary government										
Governmental activities:										
General government	\$ 5,452,865	\$ 3,442,133	\$ -	\$ 207,970	\$ (1,802,762)	\$ -	\$ (1,802,762)	\$ -	\$ -	
Police	12,040,291	250,968	432,939	-	(11,356,384)	-	(11,356,384)	-	-	
Fire	8,714,544	1,423,906	166,663	-	(7,123,975)	-	(7,123,975)	-	-	
Public Works	10,869,437	4,627,601	2,681,435	1,683,735	(1,876,666)	-	(1,876,666)	-	-	
Library	1,298,373	79,534	50,528	128,164	(1,040,147)	-	(1,040,147)	-	-	
Development Services	4,791,592	4,483,247	1,347,985	-	1,039,640	-	1,039,640	-	-	
Depreciation & amortization, unallocated interest on long-term debt	255,614	-	-	-	(255,614)	-	(255,614)	-	-	
	381,657	-	-	-	(381,657)	-	(381,657)	-	-	
Total governmental activities	<u>43,804,373</u>	<u>14,307,389</u>	<u>4,679,550</u>	<u>2,019,869</u>	<u>(22,797,565)</u>	<u>-</u>	<u>(22,797,565)</u>	<u>-</u>	<u>-</u>	
Business-type activities:										
Sewer	7,653,331	7,687,885	1,538	3,004,413	-	3,040,505	3,040,505	-	-	
Booth Kelly	520,007	600,968	-	-	-	80,961	80,961	-	-	
Ambulance	4,785,189	4,194,871	4,530	-	-	(585,788)	(585,788)	-	-	
Total business-type activities	<u>12,958,527</u>	<u>12,483,724</u>	<u>6,068</u>	<u>3,004,413</u>	<u>-</u>	<u>2,535,678</u>	<u>2,535,678</u>	<u>-</u>	<u>-</u>	
Total primary government	\$ <u>56,762,900</u>	\$ <u>26,791,113</u>	\$ <u>4,685,618</u>	\$ <u>5,024,282</u>	<u>(22,797,565)</u>	<u>2,535,678</u>	<u>(20,261,887)</u>	<u>-</u>	<u>-</u>	
Component units										
Regional Fiber Consortium	1,179,218	36,103	-	-	-	-	-	-	(1,143,115)	
Metropolitan Wastewater Management Commission	16,466,687	18,937,217	-	-	-	-	-	2,470,530	-	
Total component units	\$ <u>17,645,905</u>	\$ <u>18,973,320</u>	\$ <u>-</u>	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,470,530</u>	<u>(1,143,115)</u>	
General revenues:										
Taxes										
Property taxes					17,978,830	-	17,978,830	-	-	
Other taxes					2,960,673	-	2,960,673	-	-	
Contributions in lieu of taxes					2,258,956	-	2,258,956	-	-	
Room tax					678,594	-	678,594	-	-	
Interest and investment earnings					1,702,251	441,688	2,143,939	782,951	1,582	
Miscellaneous					206,256	142,650	348,906	121,900	-	
Gain (loss) on disposition of capital assets					49,900	-	49,900	(2,989,542)	-	
Intergovernmental, unrestricted										
Shared revenue					1,090,631	-	1,090,631	-	-	
Transfers					416,552	(416,552)	-	-	-	
Total general revenues and transfers					<u>27,342,643</u>	<u>167,786</u>	<u>27,510,429</u>	<u>(2,084,691)</u>	<u>1,582</u>	
Change in net assets					4,545,078	2,703,464	7,248,542	385,839	(1,141,533)	
Net assets, beginning					108,293,005	47,074,336	155,367,341	96,014,696	22,920,396	
Prior period adjustments					-	-	-	(248,497)	-	
Change in net assets for inventory					(9,249)	-	(9,249)	-	-	
Net assets, beginning (as restated)					<u>108,283,756</u>	<u>47,074,336</u>	<u>155,358,092</u>	<u>95,766,199</u>	<u>22,920,396</u>	
Net assets, ending					\$ <u>112,828,834</u>	\$ <u>49,777,800</u>	\$ <u>162,606,634</u>	\$ <u>96,152,038</u>	\$ <u>21,778,863</u>	

The accompanying notes are an integral part of this statement.

City of Springfield, Oregon  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2006

	General	Street	Housing and Community Development	Development Projects	Nonmajor Governmental	Total Governmental
<b>ASSETS</b>						
Cash and investments	\$ 8,540,471	\$ 8,169,575	\$ 12,322	\$ 8,609,379	\$ 11,886,676	\$ 37,218,423
Receivables:						
Accounts	378,859	855,768	-	83,954	162,934	1,481,515
Taxes	625,853	89,384	-	-	254,814	970,051
Assessments and liens	-	-	-	-	130,234	130,234
Grants	15,930	117,907	383,327	-	147,470	664,634
Accrued interest	142,037	79,210	-	82,614	84,320	388,181
Mortgage notes	-	-	3,006,228	17,704	12,243	3,036,175
Inventory	1,328	74,445	-	-	-	75,773
Investment in foreclosed property	1,971	-	-	-	-	1,971
Property held for resale	-	-	105,238	-	-	105,238
Due from other funds	145,352	-	-	-	50,426	195,778
Prepaid items	6,331	-	-	-	-	6,331
Deposits	-	-	-	-	34,179	34,179
<b>Total assets</b>	<b>\$ 9,858,132</b>	<b>\$ 9,386,289</b>	<b>\$ 3,507,115</b>	<b>\$ 8,793,651</b>	<b>\$ 12,763,296</b>	<b>\$ 44,308,483</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 136,270	\$ 494,769	\$ 103,724	\$ 1,714,044	\$ 472,446	\$ 2,921,253
Accrued payroll and other liabilities	1,636,967	229,981	27,224	-	304,891	2,199,063
Deferred revenue	694,333	697,704	3,041,768	101,658	645,097	5,180,560
Unearned revenue	-	-	-	-	4,122	4,122
Due to other funds	-	-	-	-	195,778	195,778
<b>Total liabilities</b>	<b>2,467,570</b>	<b>1,422,454</b>	<b>3,172,716</b>	<b>1,815,702</b>	<b>1,622,334</b>	<b>10,500,776</b>
Fund balances:						
Reserved						
Inventory	1,328	74,445	-	-	-	75,773
Library	36,499	-	-	-	-	36,499
Bicycle trails	-	71,313	-	-	-	71,313
Prepays	6,331	-	-	-	-	6,331
Deposits	-	-	-	-	34,179	34,179
Police forfeitures	302,914	-	-	-	-	302,914
Street capital	-	3,596,961	-	-	-	3,596,961
Property held for resale	1,971	-	105,238	-	-	107,209
Interfund receivable	145,352	-	-	-	50,426	195,778
SDC projects	-	-	-	903,282	-	903,282
Unreserved, reported in:						
General fund	6,896,167	-	-	-	-	6,896,167
Special revenue funds	-	4,221,116	229,161	-	3,668,129	8,118,406
Capital projects funds	-	-	-	6,074,667	4,954,698	11,029,365
Debt service funds	-	-	-	-	2,433,530	2,433,530
<b>Total fund balances</b>	<b>7,390,562</b>	<b>7,963,835</b>	<b>334,399</b>	<b>6,977,949</b>	<b>11,140,962</b>	<b>33,807,707</b>
<b>Total liabilities and fund balances</b>	<b>\$ 9,858,132</b>	<b>\$ 9,386,289</b>	<b>\$ 3,507,115</b>	<b>\$ 8,793,651</b>	<b>\$ 12,763,296</b>	

Reconciliation to the statement of net assets

The statement of net assets reports receivables at their net realizable value. However, receivables not available to pay for current period expenditures are deferred governmental funds. 5,180,560

Capital assets are not financial resources in governmental funds, but are reported in the statement of net assets at their net depreciable value. 77,667,004

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. (15,654,881)

Internal service funds are proprietary-type funds and not reported with governmental funds. However, because internal service funds primarily benefit governmental activities, their assets, liabilities, and net assets are reported along with governmental activities in the statement of net assets 11,828,444

Net assets of governmental activities \$ 112,828,834

The accompanying notes are an integral part of this statement.

City of Springfield, Oregon

GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Year Ended June 30, 2006

	General	Street	Housing and Community Development	Development Capital Projects	Nonmajor Governmental	Total Governmental
<b>Revenues:</b>						
Taxes	\$ 13,817,270	\$ 1,078,954	\$ -	\$ -	\$ 5,011,435	\$ 19,907,659
Intergovernmental	3,561,008	3,311,763	1,356,375	493,342	413,740	9,136,228
Licenses and permits	2,703,671	96,229	-	-	-	2,799,900
Fines & forfeitures	1,058,271	-	-	-	-	1,058,271
Use of money & property	392,718	303,225	220,889	366,450	516,984	1,800,266
Miscellaneous revenues	122,789	28,579	25	9,800	5,851	167,044
Charges for services	3,986,897	1,514,552	-	1,479,105	3,496,560	10,477,114
Special assessments	-	-	-	-	138,754	138,754
<b>Total revenues</b>	<b>25,642,624</b>	<b>6,333,302</b>	<b>1,577,289</b>	<b>2,348,697</b>	<b>9,583,324</b>	<b>45,485,236</b>
<b>Expenditures:</b>						
<b>Current operating:</b>						
General government	4,597,353	10,105	15,321	-	495,739	5,118,518
Fire	7,587,257	-	-	-	1,145,800	8,733,057
Police	10,240,572	-	-	-	1,895,562	12,136,134
Library	1,228,363	-	-	-	51,300	1,279,663
Public Works	789,984	4,522,165	-	3,957	1,256,538	6,572,644
Development Services	1,412,396	53,762	839,438	-	1,986,163	4,291,759
Capital projects	-	3,306,877	492,780	3,510,278	99,220	7,409,155
<b>Debt service</b>						
Principal	-	-	-	-	668,462	668,462
Interest	-	-	-	-	372,870	372,870
Bond issue costs	-	-	-	-	63,112	63,112
<b>Total expenditures</b>	<b>25,855,925</b>	<b>7,892,909</b>	<b>1,347,539</b>	<b>3,514,235</b>	<b>8,034,766</b>	<b>46,645,374</b>
Excess of revenues over (under) expenditures	(213,301)	(1,559,607)	229,750	(1,165,538)	1,548,558	(1,160,138)
<b>Other financing sources (uses)</b>						
Transfers in	1,044,235	10,373	88,049	325,772	182,794	1,651,223
Transfers out	(170,533)	(12,405)	-	-	(1,118,019)	(1,300,957)
Bond proceeds	-	-	-	-	12,425,000	12,425,000
Bond discount	-	-	-	-	(134,647)	(134,647)
Payment to refunded bond escrow agent	-	-	-	-	(8,301,763)	(8,301,763)
<b>Total other financing sources (uses)</b>	<b>873,702</b>	<b>(2,032)</b>	<b>88,049</b>	<b>325,772</b>	<b>3,053,365</b>	<b>4,338,856</b>
<b>Net change in fund balance</b>	<b>660,401</b>	<b>(1,561,639)</b>	<b>317,799</b>	<b>(839,766)</b>	<b>4,601,923</b>	<b>3,178,718</b>
Fund balances-- beginning	6,730,355	9,534,529	16,600	7,817,715	6,539,039	30,638,238
Change in reserve for inventories	(194)	(9,055)	-	-	-	(9,249)
<b>Fund balances--ending</b>	<b>\$ 7,390,562</b>	<b>\$ 7,963,835</b>	<b>\$ 334,399</b>	<b>\$ 6,977,949</b>	<b>\$ 11,140,962</b>	<b>\$ 33,807,707</b>

The accompanying notes are an integral part of this statement.

City of Springfield, Oregon

Reconciliation of Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
For the Year Ended June 30, 2006

Net change in fund balances - total governmental funds	\$	3,178,718
The net revenue of certain activities of internal service funds is reported with governmental activities		751,956
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statements		126,488
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. This is the amount by which capital outlays exceeded depreciation in the current period.		4,081,076
Governmental funds do not report expenditures for unpaid compensated absences since they do not require the use of current financial resources. However, the statement of activities reports such expenses when incurred, regardless of when settlement ultimately occurs.		(256,460)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		<u>(3,336,700)</u>
Change in net assets of governmental activities	\$	<u><u>4,545,078</u></u>

The accompanying notes are an integral part of this statement.

City of Springfield, Oregon

PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS

June 30, 2006

	Business-type Activities - Enterprise Funds				Governmental
	Sewer Utility	Ambulance	Booth- Kelly	Total	Internal Service Funds
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 11,552,540	\$ 858,655	\$ 1,249,248	\$ 13,660,443	\$ 8,005,742
Accounts receivable, net of allowance for estimated uncollectible	842,712	623,898	12,777	1,479,387	90,824
Prepays	-	20,890	-	20,890	-
Accrued interest	842,712	8,151	11,669	862,532	74,277
<b>Total current assets</b>	<b>13,237,964</b>	<b>1,511,594</b>	<b>1,273,694</b>	<b>16,023,252</b>	<b>8,170,843</b>
Noncurrent assets:					
Bond costs - net	35,672,716	-	-	35,672,716	-
Capital assets - net	29,351,737	166,958	1,722,724	31,241,419	4,526,238
Construction in progress	4,469,411	-	-	4,469,411	-
Land and land rights	1,851,568	-	2,227,673	4,079,241	-
<b>Total noncurrent assets</b>	<b>71,345,432</b>	<b>166,958</b>	<b>3,950,397</b>	<b>75,462,787</b>	<b>4,526,238</b>
<b>Total assets</b>	<b>84,583,396</b>	<b>1,678,552</b>	<b>5,224,091</b>	<b>91,486,039</b>	<b>12,697,081</b>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	262,897	22,035	8,349	293,281	100,126
Accrued payroll and other liabilities	382,629	271,457	10,651	664,737	436,064
Accrued interest	262,897	-	-	262,897	-
Deposits	170,000	4,129	26,228	200,357	-
Notes payable - current maturity	382,629	-	-	382,629	-
Capital lease payable - current maturity	-	-	-	-	36,517
Unearned revenues	-	490,653	3,556	494,209	-
Revenue bonds payable - current maturity	-	-	-	-	-
<b>Total current liabilities</b>	<b>1,461,052</b>	<b>788,274</b>	<b>48,784</b>	<b>2,298,110</b>	<b>572,707</b>
Noncurrent liabilities					
Accrued absence payable	243,550	136,315	735	380,600	-
Revenue bonds payable (net of unamortized discount)	1,616,504	-	-	1,616,504	-
Notes payable	243,550	-	-	243,550	-
Capital lease obligation	-	-	-	-	121,067
<b>Total noncurrent liabilities</b>	<b>2,103,604</b>	<b>136,315</b>	<b>735</b>	<b>2,240,654</b>	<b>121,067</b>
<b>Total liabilities</b>	<b>3,564,656</b>	<b>924,589</b>	<b>49,519</b>	<b>4,538,764</b>	<b>693,774</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related deb	32,094,306	166,958	3,950,397	36,211,661	4,368,654
Restricted	5,011,183	-	-	5,011,183	-
Unrestricted	6,592,926	587,005	1,224,175	8,404,106	7,634,653
<b>Total net assets</b>	<b>\$ 43,698,415</b>	<b>\$ 753,963</b>	<b>\$ 5,174,572</b>	<b>49,626,950</b>	<b>\$ 12,003,307</b>
Adjustment to reflect consolidation of internal service fund activities				150,850	
<b>Net assets of business-type activities</b>				<b>\$ 49,777,800</b>	

The accompanying notes are an integral part of this statement.

City of Springfield, Oregon

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

Year Ended June 30, 2006

	Business-type Activities - Enterprise Funds				Governmental
	Sewer Utility	Ambulance	Booth- Kelly	Total	Internal Service Funds
<b>OPERATING REVENUES:</b>					
Charges for service:	\$ 7,687,885	\$ 6,142,553	\$ 600,968	\$ 14,431,406	\$ 3,638,341
Less: Contractual adjustment	-	(1,947,682)	-	(1,947,682)	-
Licenses and permit:	-	-	-	-	201,597
Intergovernmental revenue	1,538	4,530	-	6,068	22,283
Fines and forfeiture:	-	-	-	-	1,628
Miscellaneous receipts:	124,997	17,629	24	142,650	163,778
<b>Total operating revenues:</b>	<b>7,814,420</b>	<b>4,217,030</b>	<b>600,992</b>	<b>12,632,442</b>	<b>4,027,627</b>
<b>Operating expenses</b>					
City Manager's Office	1,185	-	-	1,185	4,135
Court	-	-	-	-	5,480
Human Resource:	-	-	-	-	1,978,686
Finance	13,645	-	-	13,645	29,407
Information Technology	-	-	-	-	1,978
Library	-	-	-	-	7,019
Fire	-	4,005,686	-	4,005,686	2,502
Police	-	-	-	-	23,435
Public Works	6,791,262	-	20,481	6,811,743	352,049
Development Services:	47,133	-	294,221	341,354	106,899
Depreciation	785,291	71,851	217,062	1,074,204	988,351
Bad debt expense	-	813,181	-	813,181	-
<b>Total operating expenses:</b>	<b>7,638,516</b>	<b>4,890,718</b>	<b>531,764</b>	<b>13,060,998</b>	<b>3,499,941</b>
<b>Operating income (loss):</b>	<b>175,904</b>	<b>(673,688)</b>	<b>69,228</b>	<b>(428,556)</b>	<b>527,686</b>
<b>Nonoperating revenues (expenses)</b>					
Interest on investment	361,455	39,790	40,443	441,688	233,051
Interest expense	(145,504)	-	-	(145,504)	(8,787)
Gain/(loss) on disposal of asset	-	-	-	-	9,396
<b>Total nonoperating revenues</b>	<b>215,951</b>	<b>39,790</b>	<b>40,443</b>	<b>296,184</b>	<b>233,660</b>
<b>Income (loss) before contribution: and transfers</b>	<b>391,855</b>	<b>(633,898)</b>	<b>109,671</b>	<b>(132,372)</b>	<b>761,346</b>
Transfers in	-	-	-	-	87,079
Transfers out	(71,684)	-	(344,868)	(416,552)	(20,793)
Capital contributions	3,004,413	-	-	3,004,413	207,970
<b>Change in net asset:</b>	<b>3,324,584</b>	<b>(633,898)</b>	<b>(235,197)</b>	<b>2,455,489</b>	<b>1,035,602</b>
Net assets - beginning	40,373,831	1,387,861	5,409,769		10,967,705
Net assets, end of year	\$ 43,698,415	\$ 753,963	\$ 5,174,572		\$ 12,003,307
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund				247,975	
<b>Change in net assets of business-type activities</b>				<b>\$ 2,703,464</b>	

The accompanying notes are an integral part of this statement.

City of Springfield, Oregon

PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS

Year Ended June 30, 2006

	Business type activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Sewer Utility	Ambulance	Booth Kelly	Total	
Cash flows from operating activities:					
Cash received from customers	\$ 7,651,678	\$ 3,319,979	\$ 604,230	\$ 11,575,887	\$ -
Cash received from interfund services provided	-	-	-	-	3,547,517
Cash paid for employee services	(3,476,365)	(2,651,342)	(68,984)	(6,196,691)	(456,794)
Cash paid to suppliers for goods and services	(3,512,322)	(1,326,413)	(241,352)	(5,080,087)	(2,162,266)
Other operating receipts	123,497	73,699	4,206	201,402	389,286
Net cash provided by (used in) operating activities	786,488	(584,077)	298,100	500,511	1,317,743
Cash flows from noncapital financing activities:					
Transfers from other funds	-	-	-	-	87,079
Transfers to other funds	(71,684)	-	(344,868)	(416,552)	(20,793)
Due to other funds	(3,614)	-	-	(3,614)	-
Net cash provided (used) by noncapital financing activities	(75,298)	-	(344,868)	(420,166)	66,286
Cash flows from capital and related financing activities:					
Bond costs	5,646	-	-	5,646	-
Acquisition of capital assets	(1,200,774)	-	-	(1,200,774)	(413,079)
Disposition of capital assets	-	-	-	-	19,900
System development charges	1,328,980	-	-	1,328,980	-
Proceeds from revenue bond issuance	1,953,323	-	-	1,953,323	-
Loan payments	(406,238)	-	-	(406,238)	(31,341)
Payment to refund 95A revenue bonds	(2,120,138)	-	-	(2,120,138)	-
Interest paid	(191,241)	-	-	(191,241)	(8,787)
Net cash used in capital and related financing activities	(630,442)	-	-	(630,442)	(433,307)
Cash flows from investing activities:					
Interest received	288,295	35,293	32,627	356,215	179,248
Net change in cash and investments	369,043	(548,784)	(14,141)	(193,882)	1,129,970
Cash and investments, beginning of year	11,183,497	1,407,439	1,263,389	13,854,325	6,875,772
Cash and investments, end of year	\$ 11,552,540	\$ 858,655	\$ 1,249,248	\$ 13,660,443	\$ 8,005,742
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ 175,904	\$ (673,688)	\$ 69,228	\$ (428,556)	\$ 527,686
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	785,291	71,851	217,062	1,074,204	988,351
Changes in assets and liabilities:					
Accounts receivable	(37,745)	(56,840)	3,238	(91,347)	(90,824)
Prepaid expenses	262	(4,871)	-	(4,609)	-
Accounts payable	(173,544)	(7,497)	2,131	(178,910)	(172,483)
Accrued payroll and other liabilities	37,820	35,428	2,235	75,483	65,013
Deposits	(1,500)	4,129	650	3,279	-
Unearned revenue	-	47,411	3,556	50,967	-
Net cash provided by (used in) operating activities	\$ 786,488	\$ (584,077)	\$ 298,100	\$ 500,511	\$ 1,317,743
Noncash capital and related financing activities:					
Contributed capital assets	\$ 483,446	\$ -	\$ -	\$ 483,446	\$ 207,970
Retirement and disposition of capital assets, net of accumulated depreciation	-	-	-	-	\$ 9,396
Capital lease with no down-payment					32,296

The accompanying notes are an integral part of this statement.

City of Springfield, Oregon

Statement of Fiduciary Net Assets

Agency Fund

June 30, 2006

ASSETS

Cash and investments \$ 1,539,807

Total assets \$ 1,539,807

LIABILITIES

Amounts held in trust for other parties \$ 1,539,807

Total liabilities \$ 1,539,807

The accompanying notes are an integral part of this statement.