



City of Springfield

Comprehensive
Annual Financial
Report

Fiscal Year Ending
June 30, 2006

CITY OF SPRINGFIELD, OREGON

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

Fiscal Year Ended June 30, 2006

Prepared by:

Finance Department
Accounting Division

City of Springfield, Oregon

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2006

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Introductory Section

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CITY OF SPRINGFIELD, OREGON



FINANCE DEPARTMENT
ACCOUNTING/REPORTING
ACCOUNTS RECEIVABLE/PAYABLE
ASSESSMENTS
BUDGETING/FINANCIAL PLANNING
TREASURY/DEBT MANAGEMENT

225 FIFTH STREET
SPRINGFIELD, OR 97477
(541) 726-3705
FAX (541) 726-3782

November 10, 2006

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, 2006.

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

The City of Springfield's financial statements have been audited by Grove, Mueller & Swank, P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Springfield for the fiscal year ended June 30, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Springfield's financial statements for the fiscal year ended June 30, 2006, 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, 2006 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 57,055 people, Springfield is bordered north and south by the McKenzie and Willamette Rivers, covering 15.47 square miles in Lane County. The Springfield community has rich cultural assets like the Springfield Museum and Historic Interpretive Center, Washburne Historic District, Springfield Railroad Depot, Oregon Trail Mural, and Dorris Ranch Living History Farm.

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

For financial reporting purposes, the City includes all funds of the City subject to appropriation by the City Council. In addition, the City includes all governmental organizations and activities for which the City Council is financially accountable. Therefore, the financial statements of the Urban Renewal Agency of the City of Springfield, although legally separate, have been blended with those of the City by including them in the appropriate statements and schedules in this report. The City performs all administrative duties for the legally separate Metropolitan Wastewater Management Commission and the legally separate Regional Fiber Consortium. It

would be misleading to omit information about these entities from the financial statements and so they are both included as discretely presented component units. Other potential component units have been evaluated and determined not to be component units of the City according to the criteria provided by the Governmental Accounting Standards Board.

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 2006, Springfield voters renewed a special purpose four-year property tax levy for fire services with a modest increase in the amount from \$.36 per thousand to \$.40 per thousand. In the same election, voters approved an additional \$1.09 per thousand to fund police services and operation costs for a city jail. 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, 2006, the amount of the tax levy for general obligation bonded debt was \$.35 per thousand.

Major Initiatives

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

Provide financially sound, stable city government

- City bond rating of A2 maintained
- Complete an operational and financial analysis of our emergency medical services system
- Develop a long-range repair and replacement plan for facilities and equipment

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

- Springfield Budget Committee achieved a balanced budget through thoughtful deliberation
- Team Springfield jointly funded local park bike patrols

- City, other public agencies and developers partnered on construction of Martin Luther King , Jr. Parkway
- City and Willamalane Park District worked jointly to secure an annexation agreement that includes the acquisition of 80 acres of parkland for the community
- Springfield, Eugene, Lane County and EWEB are engaged in a joint project to replace and upgrade the regions criminal justice system's Area Information Records System (AIRS)

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

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

Increase public safety in Springfield

- Council authorized the inclusion of funding for the operation of the municipal jail on the existing levy for police services
- Council authorized staff to proceed with the design of the new justice center and jail facility
- A citizen advisory group appointed by the mayor met throughout the year to provide input on the design of the new justice center

Facilitate a redevelopment of Springfield

- Construction was completed on the Richard E. Wildish community theatre, a performing arts venue located in downtown Springfield
- Construction began on St. Vincent de Paul's downtown mid-rise mixed use project
- Coordinated a design charrette for downtown Springfield that was conducted by the American Institute of Architects
- The City Council created a new urban renewal district for the Glenwood area with the ability to utilize tax increment financing

Partner with citizens and other public agencies to leverage resources

- Working jointly with the Springfield Chamber and other agencies to advance the project of bringing a conference center to the community
- Improvements began for Gateway transportation network with federal, state and local resources to improve interstate freeway interchange and local connecting intersections
- The popular annual Spring Cleanup event is put on by the City, and local partners
- Team Springfield, comprised of the City of Springfield, School District #19, Willamalane Park & Recreation District and the Springfield Utility Board, continue to participate in community-wide planning

- Lane Transit District began operation of the first leg of its express bus service between downtown Springfield and downtown Eugene

Preserve our hometown feel as we grow

- Special events in Springfield this year included Fiesta Latina, the annual Show and Shine Car Cruise, the Filbert Festival, the Dorris Ranch Civil War re-enactment, Lights in the Park 4th of July Celebration, and Music in the Park series

Local Economy

The Lane County jobless rate decreased during the year from a seasonally adjusted 6.6% in June 2005 to 5.5% in June 2006. In June 2006, Lane County's rate is just above the statewide figure of 5.4% and somewhat higher than the United States rate of 4.6%. Lane County's non-farm payroll employment at June 2006 is 149,100 compared to 148,100 the previous year.

Over the past year, most sectors of the local economy have remained stable with the only significant change being an increase in construction and government jobs.

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

- Construction was completed by Michigan-based Workstage LLC on the new Royal Caribbean Cruise Lines customer service center. It will eventually house more than 900 employees in a 150,000 square-foot, \$65 million facility in the Gateway area.
- US Bakery's Franz & Williams Bread moved its Eugene operations to Springfield's Glenwood Urban Renewal District, built a new \$32 million facility (first since the early 1900s) and increased its employment to over 160 in a 135,000 square-foot building.
- Construction is complete on a 98,487 square-foot Kohl's Department Store at the Springfield Gateway mall, and it opened with over 125 employees. Ashley Furniture also reconfigured 30,000 square feet of vacant space in the Gateway Mall and opened in October 2006.
- Symantec Corp. doubled the size of its Springfield campus by adding a second 200,000 square foot research and development facility costing about \$35 million as a two-story office building connected on the west side of its existing 1,100 employee customer service center.
- Construction continued on Peace Health's 900,000 square-foot medical facility at the Riverbend campus. The eight story building is up with about 25% of façade and interior floor finishing now complete. Opening is expected in June 2008. Peace Health is also building the first of two planned parking structures. Plans are in for the second structure northwest of the hospital, that will be a 4-level, 333 car parking structure and a 3-level

connecting building with patient services and storage. The \$35 million Oregon Heart & Vascular Institute, a six story structure connected to the Hospital is up and weather enclosed and is expected to be completed when the hospital opens. Tentative plans for citing an additional two medical office buildings are now under review by the City.

- Inn Sight submitted plans for a new \$11 million six-story Holiday Inn Hotel on a 7-acre site at Kruse and Hutton Way with 153 rooms, restaurant and 4,000 square feet of meeting space. Groundbreaking will be in December 2006 and completion in May 2008.
- Embassy Suites Hotel has tentative approval for a \$12 million 8-story, full-service hotel with approximately 164 rooms in the Beltline-Gateway area. The hotel ground floor would include a swimming pool, a 3,800 square-foot restaurant lounge and 6,000 square feet of meeting rooms.
- Sycan B received approval for an additional 55,000 square-foot retail building on its Best Buy commercial site.
- St. Vincent de Paul began construction on a \$6.7 million dollar 5-story, mixed-use building. With approximately 4,000 square feet of ground floor commercial space, upper stories will provide 33, 1-bedroom affordable housing units to serve individuals, couples, and small families at or below 50% of the Area Median Income.
- Bayberry Commons' construction on Laura Street is underway for a two-story congregate care facility with 48 assisted living units and 13 Alzheimer's care units.
- Liberty Bank has begun framing of its new 5,000 square-foot branch bank in the Thurston area on a .6 acre-site at Main and 58th Streets.
- Midtown Court, a 5-acre commercial center at Main and 32nd Streets, would include six commercial buildings built in 3 phases, including a bank, pharmacy, two restaurants, and 3 retail/office buildings.

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 and Roundabout were opened to traffic on October 5th, 2006. The project was many years in planning and design and took a year and a half to construct. The \$9.3 million dollar project provides a four-lane arterial link from the Gateway area to downtown Springfield, and incorporates the second multi-lane roundabout in the state of Oregon.

- Design continues for construction of a new justice center for city government. Voters approved funding for operation of the jail component of the new building in November 2006. The project is being designed with a Construction Manager General Contractor (CMGC) and architect. \$4 million in general obligation bonds were issued in July 2005. An additional \$24 million are authorized and will be issued as needed to pay for construction.
- The Gateway/Beltline intersection has been identified as needing major transportation improvements, including the construction of a couplet and purchase of right-of-way. This will be a multi-year project, funded partially by developers and partially by sources yet to be identified, is expected to cost approximately \$15 - 18 million, depending on the option selected. Work has started on refining the plan for the intersection and moving to design of the intersection improvements. Right-of-way acquisition may start in FY07.
- Drainage improvements for the Springfield Millrace are underway. At completion, the project will improve water quality and stabilize year round flows, restoring the aquatic ecosystem from Clearwater Park to the 7th Street bridge. The entire project is anticipated to cost \$4.1 million, with the majority of the funds coming from a federal grant.
- An ongoing program of road maintenance is in place to repair and extend the life of city streets through sealing and overlays. Current budget estimates provide approximately \$3.4 million over five years. Public Works estimates that \$5 million would be necessary to maintain the street system in its present condition.
- An ongoing program of sanitary sewer maintenance is in place to deal with capacity issues caused by excess infiltration and inflow of rain and ground water to the system. Over the next five years, the City expects to spend approximately \$4.2 million on this activity, totally funded by sewer user fees.
- South 42nd Street from Jasper Road to Mt. Vernon road was re-paved and improved to include bike lanes and sidewalks, as well as a roundabout at the Jasper Road intersection. This is the first phase of a project that will repave and improve South 42nd Street from Jasper Road to Main Street with \$4.1 million received from ODOT as part of the jurisdictional transfer of the street from ODOT to the City.

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 \$2,928,472 as compared to \$1,588,126 for the prior year. The change is the result of rising interest rates throughout the fiscal year ended June 30, 2006 combined with higher cash balances.

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

Investments are required to be reported at fair value rather than cost. For this year, investment value was marked down by \$696,025 to reflect fair value. For fiscal year 2004-05 investments were marked down by \$303,428 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, 2006, the amount of liability for claims incurred before March 31, 1999, but not reported, was estimated at \$2,400.

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, 2005. This was the twenty-fifth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

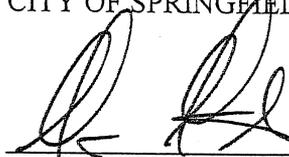
The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report. In addition, 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



Gino Grimaldi,
City Manager



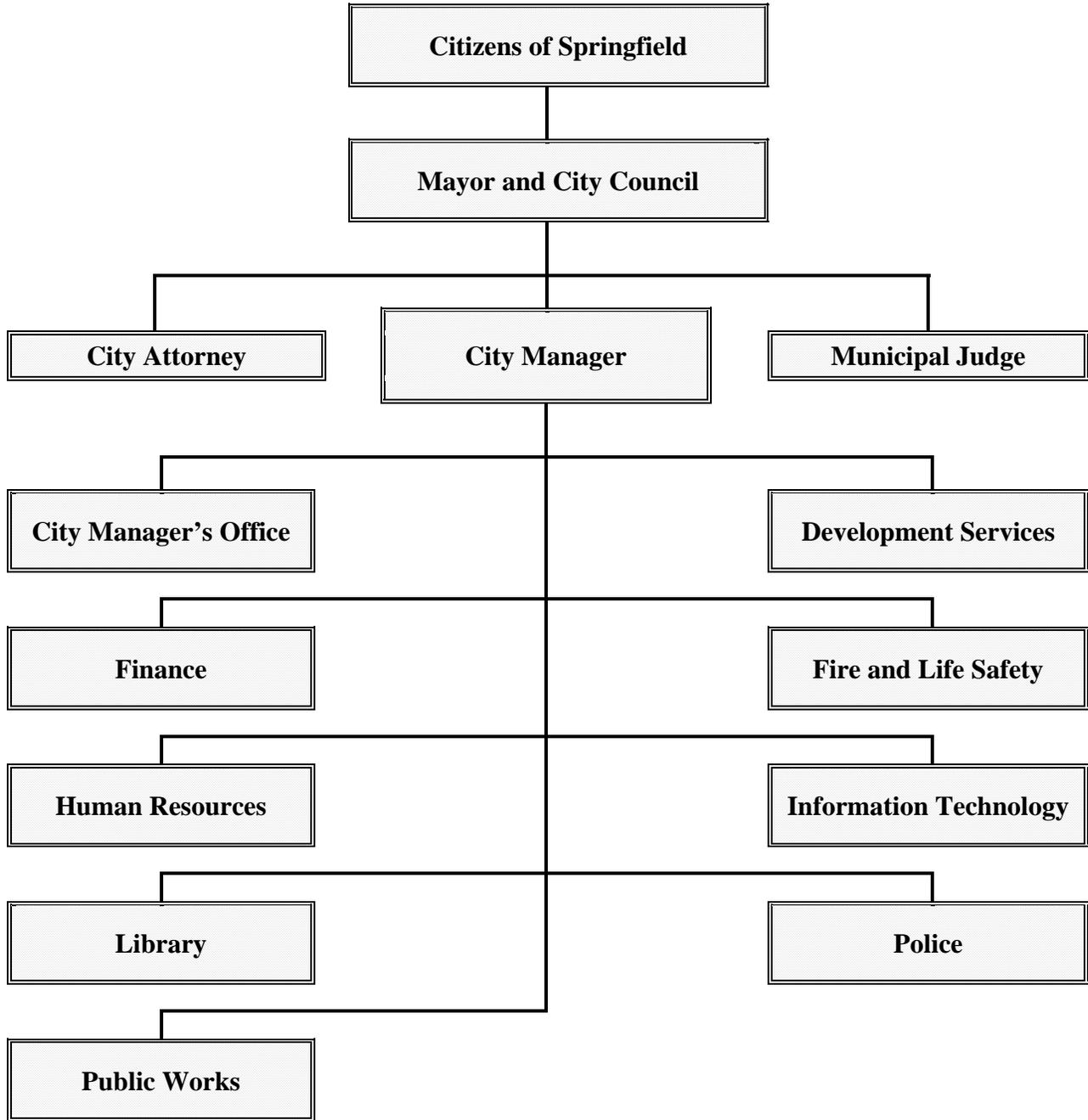
Robert J. Duey,
Finance Director



Valerie Warner,
Accounting & Audit Manager

CITY OF SPRINGFIELD

Organization Chart



City of Springfield, Oregon

Principal City Officials June 30, 2006

Elected Officials

Mayor

Sidney W. Leiken
6856 Holly Street
Springfield, OR 97478

Term Expiration

December 31, 2008

Council Members

Christine Lundberg
127 Woodlane Drive
Springfield, OR 97477

Ward 1

December 31, 2006

Tammy Fitch
1269 Island Court
Springfield, OR 97477

Ward 2

December 31, 2006

Anne Ballew
953 "C" Street
Springfield, OR 97477

Ward 3

December 31, 2008

David Ralston
2114 "L" Street
Springfield, OR 97477

Ward 4

December 31, 2008

John Woodrow
1009 S 59th Street
Springfield, OR 97477

Ward 5

December 31, 2006

Joe Pishioneri
961 S 70th Street
Springfield, OR 97478

Ward 6

December 31, 2008

Administrative Officials

Gino Grimaldi
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, 2005

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.



A handwritten signature in black ink, appearing to read "Ronald J. Hawn".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Enos".

Executive Director

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