

# **Financial Section**

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# **Independent Auditor's Report**

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

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS  
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(503) 581-7788

***INDEPENDENT AUDITOR'S REPORT***

To the Honorable Mayor, Members of the  
City Council and the City Manager  
City of Springfield  
225 5<sup>th</sup> Street  
Springfield, Oregon 97477

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Springfield, Oregon as of and for the year ended June 30, 2010, 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 opinions 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 unit, each major fund, and the aggregate remaining fund information of the City of Springfield, Oregon as of June 30, 2010, 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 December 3, 2010 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.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Springfield, Oregon's financial statements as a whole. The introductory section, combining and individual fund financial statements, other supplementary information, and statistical section are presented for purposes of additional analysis and are not required parts of the financial statements. The supplementary 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. The combining and individual fund financial statements and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory, other supplementary information and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

By:   
Charles A. Swank, A Shareholder  
December 3, 2010

# **Management's Discussion and Analysis**

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## 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, 2010. Please read it in conjunction with the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The City's total assets at June 30, 2010 increased \$4.1 million from \$280.1 million to \$284.2 million, or 1.5% from the prior year. This increase was primarily due to capital contributions of \$7.2 million.
- The City's total liabilities decreased by \$5.3 million from \$78.6 million to \$73.3 million. This decrease was primarily due to a \$2.8 million decrease in bonded debt, a \$1.1 decrease in notes payable and a \$3.4 million decrease in current liabilities offset by a \$1.1 million increase in capital leases and .9 million increase in the City's OPEB obligation.
- The net assets of the City (assets less liabilities) at June 30, 2010 increased \$9.4 million from \$201.5 million to \$210.9 from the prior year.
- At June 30, 2010, the City's governmental funds reported a combined ending fund balance of \$22.1 million, a decrease of \$11.2 million from the prior year that can be primarily attributed to capital project expenditures. Approximately \$17.6 million of this is unreserved and available for spending at the government's discretion, subject to reporting fund-type limitations.
- At the end of fiscal year 2010, the unreserved fund balance in the General Fund was \$7.8 million which was 26.3% of total General Fund expenditures.

### 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:

- Sanitary Sewer
- Storm Drainage
- Booth Kelly (operation of the Booth Kelly Center, a large commercial building and other similar activities)
- Ambulance Service

The government-wide financial statements include not only the City of Springfield itself (known as the primary government), but also two 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 special revenue and capital project funds are included as an integral part of the primary government.

The City provides all administrative duties for the Metropolitan Wastewater Management Commission in accordance with an intergovernmental agreement. Therefore, management believes it would be misleading to exclude this entity from the government-wide financial statements. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 19-20 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 pages 21 and 23 in the basic financial statements.

The City maintains 20 individual governmental funds. Information is presented separately in the governmental funds 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 three funds: General Fund, Housing and Community Development 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 62-63. Budgetary comparisons for all other governmental funds have been provided elsewhere in this report.

The governmental funds financial statements can be found at pages 21-22 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 Operations, Storm Drainage Operations, 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 funds statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the Sewer Operating Fund, the Storm Drainage Fund, the Sewer Capital Projects 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 funds financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The proprietary funds financial statements can be found on pages 24-26 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 27 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 28-61 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 as well as information about the City's progress in funding its obligation to provide pension and other post employment benefits to its employees. Required supplementary information can be found on pages 62-64 of this report.

**Other supplementary information.** The combining statements referred to earlier in connection with nonmajor 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 65-120.

## 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 \$210,921,736 at the close of the most recent fiscal year.

The largest portion of the City's net assets, \$160,519,752, or 76%, 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>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 42,039,117	\$ 54,938,861	\$ 33,840,958	\$ 37,263,406	\$ 75,880,075	\$ 92,202,267
Capital assets, net, where applicable, of accumulated depreciation	<u>141,454,758</u>	<u>128,634,578</u>	<u>66,904,526</u>	<u>59,315,987</u>	<u>208,359,284</u>	<u>187,950,565</u>
Total assets	<u>183,493,875</u>	<u>183,573,439</u>	<u>100,745,484</u>	<u>96,579,393</u>	<u>284,239,359</u>	<u>280,152,832</u>
Noncurrent liabilities	37,066,694	37,435,634	30,826,218	32,343,440	67,892,912	69,779,074
Other liabilities	<u>3,865,039</u>	<u>6,826,411</u>	<u>1,559,672</u>	<u>1,996,753</u>	<u>5,424,711</u>	<u>8,823,164</u>
Total liabilities	<u>40,931,733</u>	<u>44,262,045</u>	<u>32,385,890</u>	<u>34,340,193</u>	<u>73,317,623</u>	<u>78,602,238</u>
Net assets:						
Invested in capital assets, net of related debt	107,712,593	99,380,714	52,807,159	49,313,676	160,519,752	148,694,390
Restricted	5,268,152	5,956,816	2,989,453	3,447,456	8,257,605	9,404,272
Unrestricted	<u>29,581,397</u>	<u>33,973,864</u>	<u>12,562,982</u>	<u>9,478,068</u>	<u>42,144,379</u>	<u>43,451,932</u>
Total net assets	<u>\$ 142,562,142</u>	<u>\$ 139,311,394</u>	<u>\$ 68,359,594</u>	<u>\$ 62,239,200</u>	<u>\$ 210,921,736</u>	<u>\$ 201,550,594</u>

A portion of the City's net assets, \$8,257,605, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$42,144,379 or 20%, 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>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues:						
Program revenues:						
Charges for services	\$ 6,174,848	\$ 8,275,078	\$ 17,526,400	\$ 15,516,425	\$ 23,701,248	\$ 23,791,503
Operating grants and contributions	6,436,204	4,161,206	-	-	6,436,204	4,161,206
Capital grants and contributions	3,994,233	155,634	3,161,477	1,367,790	7,155,710	1,523,424
General revenues:						
Taxes	30,384,602	29,051,652	-	-	30,384,602	29,051,652
In lieu of tax payments	2,346,889	2,275,036	-	-	2,346,889	2,275,036
Shared revenue	1,247,546	1,377,642	-	-	1,247,546	1,377,642
Interest and investment earnings	664,423	1,727,120	409,360	559,713	1,073,783	2,286,833
Miscellaneous receipts	201,184	379,635	186,763	120,051	387,947	499,686
Gain (loss) on disposal of assets	<u>(57,355)</u>	<u>19,810</u>	<u>-</u>	<u>-</u>	<u>(57,355)</u>	<u>19,810</u>
Total revenues	<u>51,392,574</u>	<u>47,422,813</u>	<u>21,284,000</u>	<u>17,563,979</u>	<u>72,676,574</u>	<u>64,986,792</u>
Expenses:						
General government	3,560,757	4,791,069	-	-	3,560,757	4,791,069
Development services	5,919,093	4,601,270	-	-	5,919,093	4,601,270
Fire	10,691,161	10,858,907	-	-	10,691,161	10,858,907
Library	1,382,782	1,400,056	-	-	1,382,782	1,400,056
Police	17,259,569	13,974,177	-	-	17,259,569	13,974,177
Public works	7,641,190	10,295,174	-	-	7,641,190	10,295,174
Unallocated depreciation & amortization	283,227	313,042	-	-	283,227	313,042
Interest on debt	1,373,371	1,406,144	-	-	1,373,371	1,406,144
Sewer	-	-	4,803,431	6,619,628	4,803,431	6,619,628
Drainage	-	-	3,956,135	3,894,947	3,956,135	3,894,947
Booth Kelly	-	-	1,433,965	779,773	1,433,965	779,773
Ambulance	<u>-</u>	<u>-</u>	<u>5,000,748</u>	<u>4,939,277</u>	<u>5,000,748</u>	<u>4,939,277</u>
Total expenses	<u>48,111,150</u>	<u>47,639,839</u>	<u>15,194,279</u>	<u>16,233,625</u>	<u>63,305,429</u>	<u>63,873,464</u>
Increase in net assets before transfers	3,281,424	(217,026)	6,089,721	1,330,354	9,371,145	1,113,328
Transfers	<u>(30,673)</u>	<u>593,130</u>	<u>30,673</u>	<u>(593,130)</u>	<u>-</u>	<u>-</u>
Increase in net assets	3,250,751	376,104	6,120,394	737,224	9,371,145	1,113,328
Net assets – beginning	<u>139,311,391</u>	<u>138,935,290</u>	<u>62,239,200</u>	<u>61,501,976</u>	<u>201,550,591</u>	<u>200,437,266</u>
Net assets ending	<u>\$ 142,562,142</u>	<u>\$ 139,311,394</u>	<u>\$ 68,359,594</u>	<u>\$ 62,239,200</u>	<u>\$ 210,921,736</u>	<u>\$ 201,550,594</u>

**Entity-wide change in net assets:** Entity-wide net assets increased by \$9.4 million in the current fiscal year compared to an increase of \$1.1 million in the prior year. This represents a significant increase from the prior year and can be attributed to the completion of some large private development projects and resulting capital contributions in the current year as well as a 14% increase in local sewer and drainage user fees and a significant decrease in sanitary sewer expenses.

**Governmental Activities.** The change in governmental activities before transfers increased from a deficit of \$217,000 in the prior year to a surplus of \$3.3 million in the current year. This increase of \$3.5 million can be explained by the following highlights:

- Capital grants and contributions increased by \$3.8 million from the prior year, representing the primary factor in explaining the changes in government activities. This was primarily due to an increase in development activity, however, it should be noted that development still remains depressed due to the economic downturn.
- Operating grants and contributions increased by \$2.3 million from the prior year due to an increase of \$1.7 million in Home Investment Partnerships Program grants as well as \$.5 million in American Recovery and Reinvestment Act (ARRA) grants the City received as part of the federal stimulus program.
- Charges for services decreased by \$2.1 million from the prior year, partially due to a \$.8 million decrease of planning fees that can be attributed to the completion of a large private development project in the prior year that generated \$.8 million in planning fee revenue offset by equivalent contractual services expense.
- Taxes increased by \$1.3 million (5%) from the prior year, primarily due to a \$1.7 million (7%) increase in property tax receipts.
- Interest and investment earnings decreased by \$1.1 million (62%) from the prior year due to a decrease in the return on the City's cash and investments as well smaller investment balances resulting from capital project expenditures of \$12 million.
- Expenses for the Police Department increased by \$3.3 million (24%) from the prior year, of which \$1.9 million can be attributed to the opening of the municipal jail in January of the current year and \$1.2 million in depreciation expense on the recently constructed Justice Center.
- Expenses for the Development Services Department increased by \$1.3 million (29%) from the prior year and can be attributed to the increase in Home Investment Partnership Programs grants discussed earlier.
- Expenses for the Public Works Department decreased by \$2.6 million from the prior year and can be attributed to a reduction in Street Fund expenses in the current year resulting from declining revenues as well as the completion of a large private development project in the prior year that generated \$.8 million in contractual services expense.

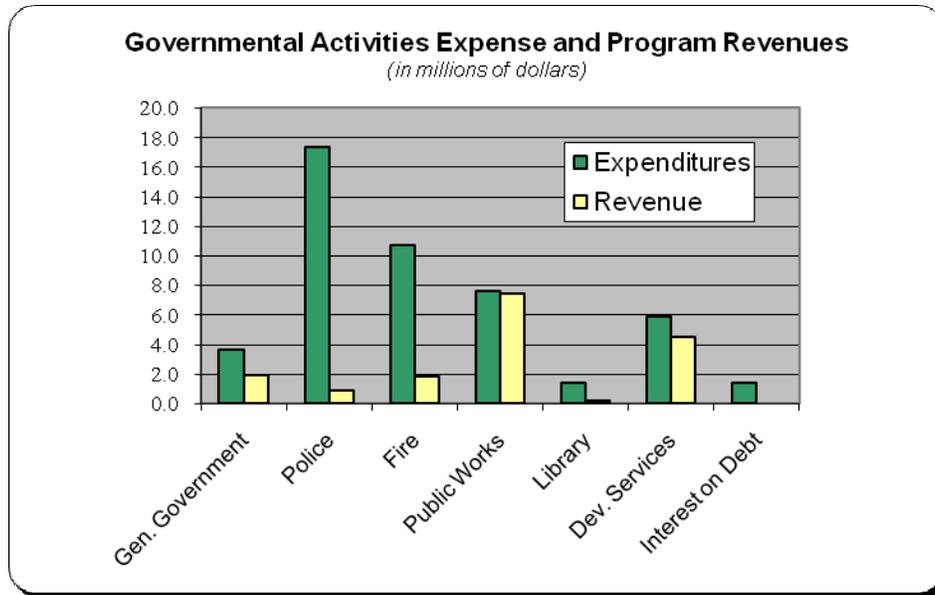


Chart 1

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.

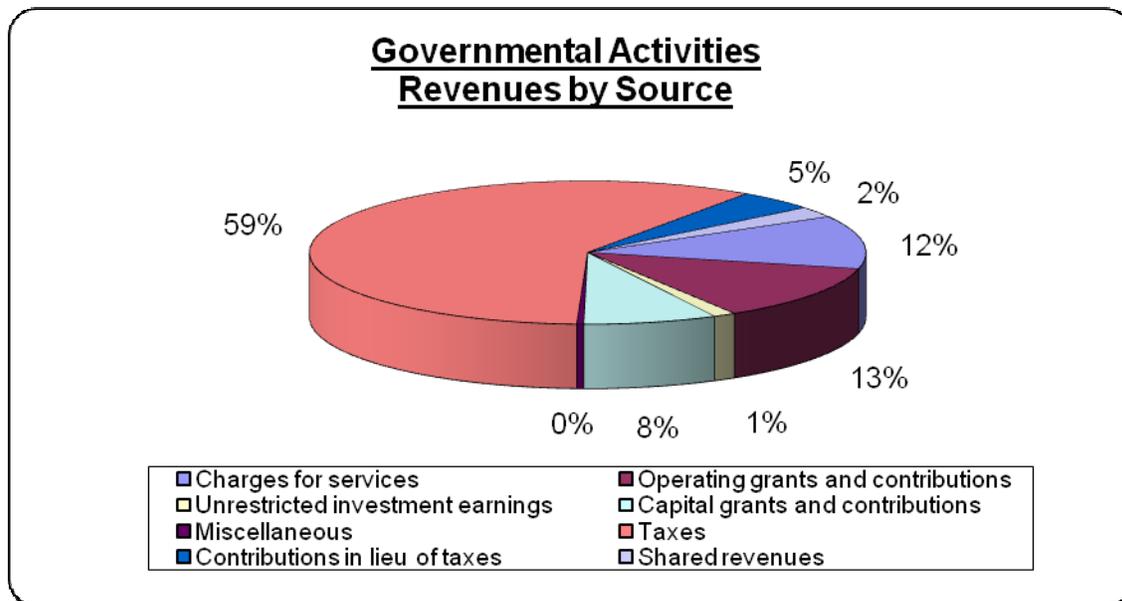


Chart 2

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.** The change in business-type activities before transfers increased from \$1.3 million in the prior year to \$6.1 million in the current year. This increase of \$4.8 million can be explained by the following highlights.

- Charges for services increased by \$2 million (13%) from the prior year, primarily due to a 14% increase in local sewer and drainage user fees.
- Capital grant and contributions increased by \$1.8 million from the prior year as a result of a small increase in development activity in the current year.
- Sanitary Sewer expenses decreased by \$1.8 million (27%). In the prior year, the City had experienced a significant increase in local sewer infrastructure repair and maintenance expenditures as a result of a large backlog of deferred repair and maintenance from prior years. The current year expenditures represent a return back to the minimum average expenditure of earlier years.

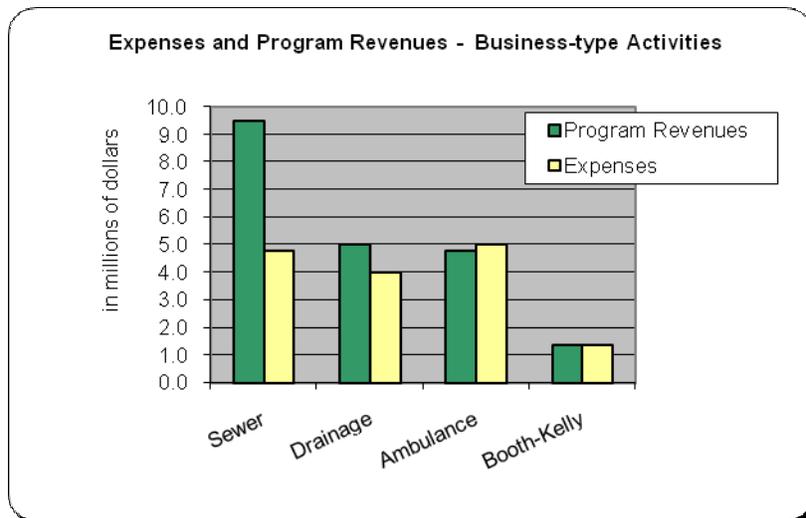


Chart 3

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

The Sanitary Sewer, Storm Drainage, and Booth Kelly Funds 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. Included in this fund are the business-type activities of ambulance billing services for other agencies and the

FireMed program. Both of these programs are meant to contribute to the fund balance. The City is actively working towards growing its ambulance billing services and the FireMed program.

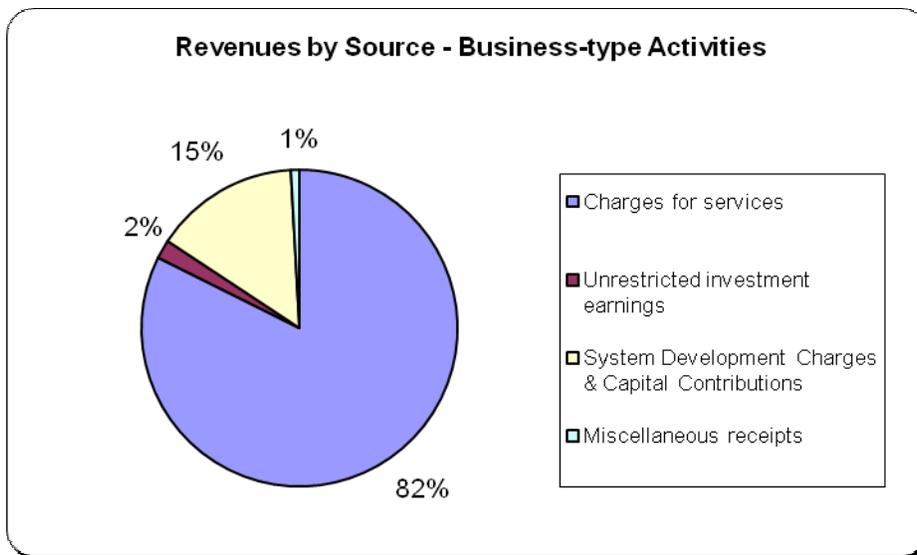


Chart 4

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 \$22.1 million. Of this total amount, \$17.6 million (80%) constitutes unreserved fund balance which is available for spending at the government's discretion, subject to reporting fund-type limitations. 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 \$7.8 million, while the total fund

balance was \$7.9 million. 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. Both unreserved fund balance and total fund balance represent roughly 26 percent of total General Fund expenditures.

The fund balance of the City's General Fund increased by \$.5 million during the current fiscal year compared to an decrease of \$1.9 million in the prior year. This increase of \$2.4 million can be explained by the following highlights:

- Revenues increased by \$.6 million (2%) from the prior year. This can be attributed to an increase of property tax receipts of \$1.1 million (7%) and municipal court revenues of \$.3 million (28%) offset by a general decline across the board in other revenues. The economic downturn continues to exert downward pressure on most revenue sources and we expect that influence to start impacting property tax receipts in the coming year.
- Operating expenditures decreased by \$1.4 million (4.5%) from the prior year. This can be attributed to holding some open positions vacant as well as targeted reductions in material and services expenditures across all departments. The City implemented a Continuous Process Improvement program in the previous year and continues working towards a goal of matching expenditure growth with revenue growth.
- Interfund transfers out decreased by \$.8 million offset by a \$.4 million decrease in interfund transfer in. This decline in General Fund interfund transfer activity represents a growing trend at the City of scarcer resources across all City funded services, resulting in the General Fund providing less support to other funds as well as receiving less support.

The fund balance of the Development Capital Projects Fund decreased by \$6.1 million during the current fiscal year, with an ending fund balance of \$2.3 million. This was primarily due to \$7 million in current year capital outlay expenditures that were funded primarily by prior year's resources.

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

As of the end of the current fiscal year, the City's proprietary funds reported combined ending net assets of \$68.4 million. Of this amount, \$12.6 million (18%) constitutes unrestricted net assets. Proprietary fund highlights are as follows:

The Sanitary Sewer Operations Fund reported a \$4.5 million increase in net assets. This increase can be largely attributed to capital contributions of \$3.2 million as well as a 14% increase in local sewer user fees.

The Storm Drainage Operations Fund reported a \$1.3 million increase in net assets, primarily due to a 14% increase in local drainage user fees.

The Sanitary Sewer Capital Projects Fund reported a \$1.5 million increase in net assets, primarily due to transfers from other funds for anticipated projects in the coming year.

The Ambulance Fund reported a loss of \$229,000 before transfers. As discussed earlier, this has been a continuing trend resulting from the reduction in Medicare reimbursement for ambulance services compounded by an increase in expenses. The City has determined that this is an important service for the community and decided to subsidize ambulance services out of the General Fund.

The Booth Kelly Fund reported a \$185,000 decrease in net assets. This decrease was due to a \$200,000 transfer to the City's General Fund in support of general government activities.

Other factors concerning the finances of the proprietary funds can be found in the previous 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 \$339,943.

- \$119,900 increase to General Government
- \$148,059 increase to Fire
- \$3,030 increase to Police
- \$30,532 increase to Library
- \$2,500 increase to Public Works
- \$9,961 increase to Development Services
- \$0 increase to Non-Departmental transfers
- \$25,961 increase in the City reserves

For actual expenditures the City under spent the amended budget by \$1,173,439.

The impact of the economic recession, primarily on revenues, became apparent soon after the fiscal year began and the City saw revenue shortfalls occur in almost every major revenue category this past year. The exception to that was property taxes as the City had taken a very conservative approach to projecting taxes to be received for FY10. These differences in actual revenue received compared to the amended budget are as follows:

- \$775,713 increase in property taxes
- \$459,638 decrease in licenses, permits and fees
- \$280,637 decrease in intergovernmental revenues
- \$362,114 decrease in interest and investment earnings
- \$28,081 increase in charges for service
- \$282,728 decrease in fines and forfeitures
- \$13,111 Increase in miscellaneous revenues
- \$222,738 increase in beginning cash (amended over adopted budget)

For the year ended June 30, 2010, the total variance between the final amended budgeted revenue and the actual budget-basis revenue amounts in the General Fund was -1.6%, where actual revenues were less than budgeted revenues. Actual property tax revenues were 4.8% above budgeted amounts. Other revenue line items were generally below budget, with the aggregate difference representing the -6.4% variance. Beginning fund balance on July 1, 2009 was \$221,738 greater than budgeted (3.1%) while ending fund balance on June 30, 2010 was \$789,621 (11.2%) greater than was projected in the FY10 Amended Budget.

In response to the economic conditions, the City throughout the year required departments to establish expenditure targets for all operations that were less than legal authorities. The City did not require additional mid-year personnel cuts although some departments continued to hold vacant position unfilled to meet expenditure targets. Additional restrictions were put on other expenditures. As a result, expenditures were under budget in all General Fund operating departments in amounts ranging from 0.01% to 10.8%. In aggregate, operating expenditures in all General Fund departments were 3.8% under the revised budget amount. Personal services are the largest component of the General Fund's operating budget (80%) and as a result of the managing the timing of re-filling vacant positions, this category was under expended by \$1,004,923 (4.0%). Material & Services comprises 18.5% of the General Fund operating budget and was under expended by 4%. Overall departments under expended their General fund operating budgets by \$1,173,439 or 3.8% of their amended budgets.

## **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, 2010, amounts to \$208.4 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, sewer pipes, improvements, machinery and equipment and roads.

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

- Donated right of way during the year was recorded at an estimated cost of \$3.7 million, up from \$.5 million in the prior year.
- Property was purchased for Fire Station 14 for \$430,000.
- The Springfield Economic Development Agency purchased property for \$701,000.
- The Justice Center construction was completed at a cost of \$28.1 million, with expenditures of \$4.3 million in 2010.
- Beltline/Gateway Intersection improvements of \$5.6 million.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land	\$ 53,114,066	\$ 48,301,844	\$ 4,689,631	\$ 4,698,289	\$ 57,803,697	\$ 53,000,133
Land improvements	-	-	25,791	49,440	25,791	49,440
Construction in progress	7,926,882	1,810,309	4,123,685	4,209,422	12,050,567	6,019,731
Buildings	36,490,096	33,973,234	56,471,576	49,897,033	92,961,672	83,870,267
Infrastructure	35,715,671	37,215,727	-	-	35,715,671	37,215,727
Machinery & equipment	7,284,898	6,340,195	178,987	111,085	7,463,885	6,451,280
Library books	546,075	551,743	-	-	546,075	551,743
Studies	<u>377,070</u>	<u>441,526</u>	<u>1,414,856</u>	<u>350,718</u>	<u>1,791,926</u>	<u>792,244</u>
Total	<u>\$ 141,454,758</u>	<u>\$ 128,634,578</u>	<u>\$ 66,904,526</u>	<u>\$ 59,315,987</u>	<u>\$ 208,359,284</u>	<u>\$ 187,950,565</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 \$53.2 million. Of this amount, \$30 million 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>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
General obligation bonds – 2005	\$ 7,915,000	\$ 8,925,000	\$ -	\$ -	\$ 7,915,000	\$ 8,925,000
General obligation bonds - 2007	22,060,000	23,015,000	-	-	22,060,000	23,015,000
Revenue bonds series 2005	-	-	1,080,000	1,280,000	1,080,000	1,280,000
Revenue Bonds series 2009	<u>-</u>	<u>-</u>	<u>22,155,000</u>	<u>22,815,000</u>	<u>22,155,000</u>	<u>22,815,000</u>
Total	<u>\$ 29,975,000</u>	<u>\$ 31,940,000</u>	<u>\$23,235,000</u>	<u>\$24,095,000</u>	<u>\$53,210,000</u>	<u>\$56,035,000</u>

The City's total bonded debt decreased by \$2.8 million during the current fiscal year. For additional information on the City's long-term debt, see Note I in the Basic Financial Statement section of this report.

### **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 FY2011 budget:

- Assessed (taxable) value for the City will stabilize at 3%, with residential receiving an increase of 3% under the guidelines established by Measures 49 & 50. New added value will be minimal while industrial and commercial will remain relatively flat.
- Interest rates will be slightly below 1%.
- Inflation will be a factor during the next fiscal year but it appears that federal intent is to maintain some control over the overall inflation rate.
- Wages will increase by 2.1% for Springfield Police Association employees.
- Wages for International Association of Fire Fighters will remain flat for the 2010/11 fiscal year but a change in the vacation scheduling process will increase fire department overtime by an estimated \$300,000 annually.
- For General Service employees, the City is anticipating the completion of comprehensive classification and compensation study. Wages for July 1 will likely remain flat while anticipating mid-year adjustments at the completion of the compensation study. A factor of 3% will be anticipated for mid-year adjustments.
- Health insurance is being projected to rise by 9%.
- PERS rates are bi-annual and remain unchanged on July 2010. A significant increase is anticipated for July 2011.
- The City will complete an updated actuarial study on its City Retirement Plan during the fall of 2010, establishing adjusted contribution rates for the next two years.
- The City's special operating levy for fire services, a rate of \$0.40 per thousand, will expire on June 30, 2010. It is expected that the City will ask the voters for a renewal of the levy at the November 2010 general election.
- An increase in the State gas tax will go into effect in January 2011 with a prorated share coming to cities.
- The economic response towards building and construction activity is expected to remain slow for next year, resulting in continued low collection of fees related to planning and building.
- The City has planned a revenue bond sale in the fall for the purpose of improvements to the City's storm water program. Estimated amount is \$10M.
- Monthly rates for both the City's local sanitary sewer program and storm water program will increase on July 1 as a result of a debt issuance program that is intended to address both an ongoing system improvements program and an added capacity component for the two utilities.

## **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 Manager  
City of Springfield  
225 Fifth Street  
Springfield, OR 97477

**City of Springfield, Oregon**

**Basic Financial Statements**

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City of Springfield, Oregon

Statement Of Net Assets

June 30, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Metropolitan Wastewater
<b>ASSETS</b>				
Cash and investments	\$ 32,560,377	\$ 31,453,689	\$ 64,014,066	\$ 74,737,621
Receivables, net of allowance for uncollectable receivables	8,704,449	1,654,494	10,358,943	5,017,274
Internal balances	(181,914)	181,914	-	-
Due to/from component unit	(29,643)	-	(29,643)	29,643
Due to/from other governments	36,445	-	36,445	-
Inventory	69,843	-	69,843	-
Investment in foreclosed properties	1,970	-	1,970	-
Prepaid items	5,458	21,906	27,364	36,487
Deposits	119,000	958	119,958	700,000
Deferred charges	536,822	353,642	890,464	-
Restricted assets - cash and investments	-	-	-	4,391,548
Restricted assets - accounts receivables	-	-	-	121,594
Accrued interest	216,310	174,355	390,665	288,617
Capital assets				
Land and construction in progress	61,040,948	8,813,315	69,854,263	16,242,622
Other capital assets net of accumulated depreciation	80,413,810	58,091,211	138,505,021	118,974,617
<b>Total assets and other debits</b>	<b>183,493,875</b>	<b>100,745,484</b>	<b>284,239,359</b>	<b>220,540,023</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable	1,194,169	486,865	1,681,034	2,788,947
Accrued payroll and other liabilities	2,502,567	412,630	2,915,197	106,523
Unearned revenue	-	542,690	542,690	9,033
Accrued interest payable	168,303	87,809	256,112	745,621
Deposits	-	29,678	29,678	-
<b>Noncurrent liabilities</b>				
<b>Due within one year</b>				
Notes payable	221,618	868,911	1,090,529	184,464
Revenue bonds payable	-	1,025,000	1,025,000	3,350,000
Capital lease	260,495	-	260,495	-
General long-term debt	2,030,000	-	2,030,000	-
<b>Due in more than one year</b>				
Accrued absence payable	2,144,612	325,404	2,470,016	79,968
Accrued interest payable	-	32,141	32,141	-
General long-term debt	28,198,892	-	28,198,892	-
Revenue bonds payable (net of unamortized discount)	-	22,454,507	22,454,507	91,186,587
Notes and contracts payable	1,909,344	5,829,054	7,738,398	6,110,605
Capital lease	1,121,816	-	1,121,816	-
Net OPEB obligation	1,179,917	291,201	1,471,118	54,084
<b>Total liabilities</b>	<b>40,931,733</b>	<b>32,385,890</b>	<b>73,317,623</b>	<b>104,615,832</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	107,712,593	52,807,159	160,519,752	59,046,507
Restricted for:				
SDC projects	123,642	2,989,453	3,113,095	-
Transportation	3,760,010	-	3,760,010	-
Regional sanitary sewer	-	-	-	4,513,142
Debt service	764,704	-	764,704	-
Other purposes	619,796	-	619,796	-
Unrestricted	29,581,397	12,562,982	42,144,379	52,364,542
<b>Total net assets</b>	<b>\$ 142,562,142</b>	<b>\$ 68,359,594</b>	<b>\$ 210,921,736</b>	<b>\$ 115,924,191</b>

The accompanying notes are an integral part of this statement.

CITY OF SPRINGFIELD  
Statement of Activities  
For the Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit	
					Total Governmental Activities	Total Business-type Activities	Total	Metropolitan Wastewater Mgmt Commission	
Primary government									
Governmental activities:									
General government	\$ 3,560,757	\$ 1,940,273	\$ 5,305	\$ -	\$ (1,615,179)	\$ -	\$ (1,615,179)	\$ -	
Fire	10,691,161	1,716,417	68,702	-	(8,906,042)	-	(8,906,042)	-	
Police	17,259,569	246,682	624,463	-	(16,388,424)	-	(16,388,424)	-	
Library	1,382,782	103,475	66,242	-	(1,213,065)	-	(1,213,065)	-	
Public works	7,641,190	883,252	2,494,797	3,994,233	(268,908)	-	(268,908)	-	
Development services	5,919,093	1,284,749	3,176,695	-	(1,457,649)	-	(1,457,649)	-	
Depreciation & amortization, unallocated	283,227	-	-	-	(283,227)	-	(283,227)	-	
Interest on long-term debt	1,373,371	-	-	-	(1,373,371)	-	(1,373,371)	-	
Total governmental activities	<u>48,111,150</u>	<u>6,174,848</u>	<u>6,436,204</u>	<u>3,994,233</u>	<u>(31,505,865)</u>	<u>-</u>	<u>(31,505,865)</u>	<u>-</u>	
Business-type activities:									
Sanitary sewer	4,803,431	6,325,688	-	3,161,477	-	4,683,734	4,683,734	-	
Storm drainage	3,956,135	4,984,732	-	-	-	1,028,597	1,028,597	-	
Booth Kelly	1,433,965	1,381,649	-	-	-	(52,316)	(52,316)	-	
Ambulance	5,000,748	4,834,330	-	-	-	(166,418)	(166,418)	-	
Total business-type activities	<u>15,194,279</u>	<u>17,526,399</u>	<u>-</u>	<u>3,161,477</u>	<u>-</u>	<u>5,493,597</u>	<u>5,493,597</u>	<u>-</u>	
Total primary government	<u>\$ 63,305,429</u>	<u>\$ 23,701,247</u>	<u>\$ 6,436,204</u>	<u>\$ 7,155,710</u>	<u>(31,505,865)</u>	<u>5,493,597</u>	<u>(26,012,268)</u>	<u>-</u>	
Component unit									
Metropolitan Wastewater Management Commission	<u>\$ 22,462,669</u>	<u>\$ 26,415,997</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,953,328</u>	
General revenues:									
Taxes									
					26,616,211	-	26,616,211	-	
					2,346,889	-	2,346,889	-	
					1,787,916	-	1,787,916	-	
					1,002,858	-	1,002,858	-	
					679,566	-	679,566	-	
					298,051	-	298,051	-	
					664,423	409,361	1,073,784	1,478,880	
					201,184	186,763	387,947	2,010,280	
					(57,355)	-	(57,355)	-	
					1,247,546	-	1,247,546	-	
					(30,673)	30,673	-	-	
							-	-	
					<u>34,756,616</u>	<u>626,797</u>	<u>35,383,413</u>	<u>3,489,160</u>	
					Change in net assets	3,250,751	6,120,394	9,371,145	7,442,488
					Net assets, beginning	139,311,391	62,239,200	201,550,591	108,481,703
					Net assets, ending	<u>\$ 142,562,142</u>	<u>\$ 68,359,594</u>	<u>\$ 210,921,736</u>	<u>\$ 115,924,191</u>

The accompanying notes are an integral part of this statement.

City of Springfield, Oregon  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2010

	General	Housing and Community Development	Development Projects	Nonmajor Governmental	Total Governmental
<b>ASSETS</b>					
Cash and investments	\$ 7,670,488	\$ -	\$ 2,211,006	\$ 11,560,527	\$ 21,442,021
Receivables:					
Accounts	925,705	-	258,954	529,952	1,714,611
Taxes	1,180,161	-	-	755,234	1,935,395
Grants	-	848,230	41,261	274,553	1,164,044
Accrued interest	58,011	-	29,095	67,078	154,184
Assessments and liens	-	-	-	52,464	52,464
Mortgage notes	-	3,816,946	-	8,409	3,825,355
Inventory	3,118	-	-	66,725	69,843
Investment in foreclosed property	1,970	-	-	-	1,970
Due from other governments	36,445	-	-	-	36,445
Due from other funds	636,884	-	-	-	636,884
Prepaid items	5,458	-	-	-	5,458
Deposits	423	-	-	118,577	119,000
	<u>\$ 10,518,663</u>	<u>\$ 4,665,176</u>	<u>\$ 2,540,316</u>	<u>\$ 13,433,519</u>	<u>\$ 31,157,674</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 339,356	\$ 62,188	\$ 184,758	\$ 411,543	\$ 997,845
Accrued payroll and other liabilities	924,045	14,208	-	320,501	1,258,754
Deferred revenue	1,401,447	3,816,946	83,954	867,533	6,169,880
Due to other funds	-	636,884	-	-	636,884
	<u>2,664,848</u>	<u>4,530,226</u>	<u>268,712</u>	<u>1,599,577</u>	<u>9,063,363</u>
Fund balances:					
Reserved					
Inventory	3,118	-	-	66,725	69,843
Bicycle trails	-	-	-	64,233	64,233
Library	-	-	-	66,160	66,160
Prepays	5,458	-	-	-	5,458
Deposits	423	-	-	118,577	119,000
Police forfeitures	-	-	-	293,132	293,132
Transportation	-	-	-	3,760,010	3,760,010
Property held for resale	1,970	-	-	-	1,970
SDC projects	-	-	123,642	-	123,642
Unreserved, reported in:					
General fund	7,842,846	-	-	-	7,842,846
Special revenue funds	-	134,950	-	4,324,810	4,459,760
Capital projects funds	-	-	2,147,962	1,882,674	4,030,636
Debt service funds	-	-	-	1,257,621	1,257,621
	<u>7,853,815</u>	<u>134,950</u>	<u>2,271,604</u>	<u>11,833,942</u>	<u>22,094,311</u>
Total liabilities and fund balances	<u>\$ 10,518,663</u>	<u>\$ 4,665,176</u>	<u>\$ 2,540,316</u>	<u>\$ 13,433,519</u>	

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 in governmental funds. 6,169,880

Capital assets are not financial resources in governmental funds, but are reported in the statement of net assets at their net depreciable value. 135,261,289

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. (36,318,710)

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. 15,355,372

Net assets of governmental activities \$ 142,562,142

The accompanying notes are an integral part of this statement.

City of Springfield, Oregon  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2010

	General	Housing and Community Development	Development Capital Projects	Nonmajor Governmental	Total Governmental
<b>Revenues:</b>					
Taxes	\$ 16,929,079	\$ -	\$ -	\$ 11,192,818	\$ 28,121,897
Licenses, permits and fees	2,337,074	-	-	246,107	2,583,181
Intergovernmental	3,760,045	2,714,637	187,597	3,195,292	9,857,571
Charges for services	5,013,634	-	322,900	1,704,722	7,041,256
Fines & forfeitures	1,407,755	-	-	29,857	1,437,612
Use of money & property	115,578	54,833	51,860	229,859	452,130
Special assessments	-	-	-	10,856	10,856
Miscellaneous revenues	147,141	-	-	120,239	267,380
<b>Total revenues</b>	<b>29,710,306</b>	<b>2,769,470</b>	<b>562,357</b>	<b>16,729,750</b>	<b>49,771,883</b>
<b>Expenditures:</b>					
<b>Current operating:</b>					
General government	4,939,650	17,523	-	579,580	5,536,753
Fire	9,399,839	-	-	1,251,747	10,651,586
Police	11,548,172	-	-	4,636,888	16,185,060
Library	1,261,500	-	-	98,964	1,360,464
Public works	937,190	-	-	5,180,950	6,118,140
Development services	1,522,393	2,683,075	-	1,761,484	5,966,952
Capital projects	-	62,624	6,945,309	5,111,851	12,119,784
<b>Debt service</b>					
Principal	150,000	-	-	2,023,240	2,173,240
Interest	82,688	-	-	1,282,254	1,364,942
Arbitrage	-	-	-	49,406	49,406
<b>Total expenditures</b>	<b>29,841,432</b>	<b>2,763,222</b>	<b>6,945,309</b>	<b>21,976,364</b>	<b>61,526,327</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(131,126)</b>	<b>6,248</b>	<b>(6,382,952)</b>	<b>(5,246,614)</b>	<b>(11,754,444)</b>
<b>Other financing sources (uses)</b>					
Transfers in	1,295,689	-	746,809	2,604,543	4,647,041
Transfers out	(666,172)	-	(500,967)	(2,979,063)	(4,146,202)
<b>Total other financing sources (uses)</b>	<b>629,517</b>	<b>-</b>	<b>245,842</b>	<b>(374,520)</b>	<b>500,839</b>
<b>Net change in fund balance</b>	<b>498,391</b>	<b>6,248</b>	<b>(6,137,110)</b>	<b>(5,621,134)</b>	<b>(11,253,605)</b>
Fund balances, beginning	7,355,424	128,702	8,408,714	17,438,885	33,331,725
Change in reserve for inventories	-	-	-	16,191	16,191
<b>Fund balances, ending</b>	<b>\$ 7,853,815</b>	<b>\$ 134,950</b>	<b>\$ 2,271,604</b>	<b>\$ 11,833,942</b>	<b>\$ 22,094,311</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, 2010

Net change in fund balances - total governmental funds	\$ (11,253,605)
The net revenue of certain activities of internal service funds is reported with governmental activities.	284,347
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statements.	773,164
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.	11,571,191
Governmental funds do not report expenditures for unpaid compensated absences or other post employment benefits 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.	(395,134)
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.	2,254,597
Increases in inventory in governmental funds decrease expenses.	<u>16,191</u>
Change in net assets of governmental activities	<u>\$ 3,250,751</u>

The accompanying notes are an integral part of this statement.

City of Springfield, Oregon

PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS

June 30, 2010

	Business-type Activities - Enterprise Funds						Total	Governmental
	Sanitary Sewer Operations	Storm Drainage Operations	Sewer Capital Projects Fund	Ambulance	Booth Kelly	Other Nonmajor Proprietary		Internal Service Funds
<b>ASSETS</b>								
Current assets:								
Cash and investments	\$ 4,067,769	\$ 2,766,155	\$ 19,092,838	\$ 485,125	\$ 761,936	\$ 4,279,866	\$ 31,453,689	\$ 11,118,356
Accounts receivable, net of allowance for estimated uncollectibles	484,971	623,712	47,401	441,151	23,228	34,031	1,654,494	12,580
Prepays	-	-	-	21,906	-	-	21,906	-
Deposits	958	-	-	-	-	-	958	-
Accrued interest	26,268	11,644	108,687	130	4,347	23,279	174,355	62,126
Total current assets	4,579,966	3,401,511	19,248,926	948,312	789,511	4,337,176	33,305,402	11,193,062
Noncurrent assets:								
Bond costs - net	353,642	-	-	-	-	-	353,642	-
Capital assets - net	45,572,923	-	4,169,383	90,319	8,258,586	-	58,091,211	6,193,468
Construction in progress	3,373,176	-	750,512	-	-	-	4,123,688	-
Land and land rights	2,048,070	-	-	-	2,641,557	-	4,689,627	-
Total noncurrent assets	51,347,811	-	4,919,895	90,319	10,900,143	-	67,258,168	6,193,468
Total assets	55,927,777	3,401,511	24,168,821	1,038,631	11,689,654	4,337,176	100,563,570	17,386,530
<b>LIABILITIES</b>								
Current liabilities:								
Accounts payable	90,441	18,364	258,859	102,853	1,293	15,055	486,865	196,324
Accrued payroll and other liabilities	62,492	101,654	-	246,079	2,405	-	412,630	171,666
Accrued interest payable	87,809	-	-	-	-	-	87,809	32,188
Deposits	-	-	-	-	29,678	-	29,678	-
Notes payable - current maturity	351,537	-	-	-	517,374	-	868,911	-
Capital lease payable - current maturity	-	-	-	-	-	-	-	260,495
Unearned revenues	-	-	-	542,690	-	-	542,690	-
Revenue bonds payable - current maturity	1,025,000	-	-	-	-	-	1,025,000	-
Total current liabilities	1,617,279	120,018	258,859	891,622	550,750	15,055	3,453,583	660,673
Noncurrent liabilities:								
Accrued absence payable	100,566	112,749	-	112,089	-	-	325,404	27,172
Accrued interest	-	-	-	-	32,141	-	32,141	-
Revenue bonds payable (net of unamortized discount)	1,454,507	-	21,000,000	-	-	-	22,454,507	-
Notes payable	347,461	-	-	-	5,481,593	-	5,829,054	-
Net OPEB obligation payable	58,788	87,343	-	145,070	-	-	291,201	9,940
Capital lease obligation	-	-	-	-	-	-	-	1,121,816
Total noncurrent liabilities	1,961,322	200,092	21,000,000	257,159	5,513,734	-	28,932,307	1,158,928
Total liabilities	3,578,601	320,110	21,258,859	1,148,781	6,064,484	15,055	32,385,890	1,819,601
<b>NET ASSETS</b>								
Invested in capital assets, net of related debt	47,815,664	-	-	90,319	4,901,176	-	52,807,159	4,811,157
Restricted for SDC projects	-	-	-	-	-	2,989,453	2,989,453	-
Unrestricted	4,533,512	3,081,401	2,909,962	(200,469)	723,994	1,332,668	12,381,068	10,755,772
Total net assets	\$ 52,349,176	\$ 3,081,401	\$ 2,909,962	\$ (110,150)	\$ 5,625,170	\$ 4,322,121	68,177,680	\$ 15,566,929
Adjustment to reflect consolidation of internal service fund activities							181,914	
Net assets of business-type activities							\$ 68,359,594	

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, 2010

	Sanitary Sewer Operations	Storm Drainage Operations	Sewer Capital Projects Fund	Ambulance	Booth Kelly	Other Nonmajor Proprietary	Total	Internal Service Funds
<b>OPERATING REVENUES:</b>								
Charges for services	\$ 6,055,760	\$ 4,832,825	\$ -	\$10,735,386	\$ 1,381,649	\$ 421,835	\$23,427,455	\$ 3,772,146
Less: Contractual adjustments	-	-	-	(5,901,056)	-	-	(5,901,056)	-
Licenses and permits	-	-	-	-	-	-	-	51,387
Intergovernmental revenues	-	-	-	-	-	-	-	47,172
Miscellaneous receipts	2,923	165,723	10,151	2,516	-	5,450	186,763	208,451
<b>Total operating revenues</b>	<b>6,058,683</b>	<b>4,998,548</b>	<b>10,151</b>	<b>4,836,846</b>	<b>1,381,649</b>	<b>427,285</b>	<b>17,713,162</b>	<b>4,079,156</b>
<b>Operating expenses:</b>								
City manager's office	-	-	-	-	-	-	-	3,750
Court	-	-	-	-	-	-	-	5,658
Human resources	-	-	-	-	-	-	-	1,874,682
Finance	9,635	9,633	-	-	-	-	19,268	26,574
Information technology	-	-	-	-	-	-	-	133,979
Fire	-	-	-	5,042,320	-	-	5,042,320	12,650
Police	-	-	-	-	-	-	-	10,810
Public works	2,823,141	3,524,801	-	-	22,657	510,087	6,880,686	482,436
Development services	22,588	47,416	-	-	270,729	-	340,733	97,820
Depreciation	1,657,784	-	-	24,563	697,259	-	2,379,606	949,735
<b>Total operating expenses</b>	<b>4,513,148</b>	<b>3,581,850</b>	<b>-</b>	<b>5,066,883</b>	<b>990,645</b>	<b>510,087</b>	<b>14,662,613</b>	<b>3,598,094</b>
<b>Operating income (loss)</b>	<b>1,545,535</b>	<b>1,416,698</b>	<b>10,151</b>	<b>(230,037)</b>	<b>391,004</b>	<b>(82,802)</b>	<b>3,050,549</b>	<b>481,062</b>
<b>Nonoperating revenues (expenses):</b>								
Interest on investments	71,644	26,697	257,104	1,347	9,202	43,367	409,361	129,209
Interest expense	(130,243)	-	-	-	(434,176)	-	(564,419)	(34,399)
Gain/(loss) on disposal of assets	-	-	-	-	-	-	-	(57,355)
<b>Total nonoperating revenues</b>	<b>(58,599)</b>	<b>26,697</b>	<b>257,104</b>	<b>1,347</b>	<b>(424,974)</b>	<b>43,367</b>	<b>(155,058)</b>	<b>37,455</b>
<b>Income (loss) before contributions and transfers</b>	<b>1,486,936</b>	<b>1,443,395</b>	<b>267,255</b>	<b>(228,690)</b>	<b>(33,970)</b>	<b>(39,435)</b>	<b>2,895,491</b>	<b>518,517</b>
Transfers in	1,249,903	217,799	1,253,000	182,883	49,383	250,000	3,202,968	-
Transfers out	(1,435,940)	(382,960)	(9,341)	-	(200,000)	(1,144,054)	(3,172,295)	(531,512)
Capital contributions	3,161,477	-	-	-	-	-	3,161,477	319,159
<b>Change in net assets</b>	<b>4,462,376</b>	<b>1,278,234</b>	<b>1,510,914</b>	<b>(45,807)</b>	<b>(184,587)</b>	<b>(933,489)</b>	<b>6,087,641</b>	<b>306,164</b>
Net assets, beginning	47,886,800	1,803,167	1,399,048	(64,343)	5,809,757	5,255,610		15,260,765
Net assets, end of year	<u>\$ 52,349,176</u>	<u>\$ 3,081,401</u>	<u>\$ 2,909,962</u>	<u>\$ (110,150)</u>	<u>\$ 5,625,170</u>	<u>\$ 4,322,121</u>		<u>\$ 15,566,929</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							32,753	
Change in net assets of business-type activities							<u>\$ 6,120,394</u>	

The accompanying notes are an integral part of this statement.

City of Springfield, Oregon  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 Year Ended June 30, 2010

	Business type activities - Enterprise Funds						Governmental Activities Internal Service Funds	
	Sanitary Sewer Operations	Storm Drainage Operations	Sanitary Sewer Capital	Ambulance	Booth Kelly	Other Nonmajor Proprietary	Total	
Cash flows from operating activities:								
Cash received from customers	\$ 6,108,296	\$ 4,644,081	\$ (47,401)	\$ 4,838,080	\$ 1,369,061	\$ 408,227	\$ 17,320,344	\$ -
Cash received from interfund services provided	-	-	-	-	-	-	-	3,779,533
Cash paid for employee services	(1,689,056)	(2,263,165)	-	(3,327,513)	(68,711)	-	(7,348,445)	(1,553,225)
Cash paid to suppliers for goods and services	(1,059,442)	(1,268,645)	(468,072)	(1,526,574)	(232,051)	(547,409)	(5,102,193)	(1,537,852)
Other operating receipts	2,923	165,723	10,151	84,837	(500)	5,450	268,584	307,010
Net cash provided by (used in) operating activities	<u>3,362,721</u>	<u>1,277,994</u>	<u>(505,322)</u>	<u>68,830</u>	<u>1,067,799</u>	<u>(133,732)</u>	<u>5,138,290</u>	<u>995,466</u>
Cash flows from noncapital financing activities:								
Transfers from other funds	1,249,903	217,799	1,253,000	182,883	49,383	250,000	3,202,968	-
Transfers to other funds	(1,435,940)	(382,960)	(9,341)	-	(200,000)	(1,144,054)	(3,172,295)	(531,512)
Net cash provided (used) by noncapital financing activities	<u>(186,037)</u>	<u>(165,161)</u>	<u>1,243,659</u>	<u>182,883</u>	<u>(150,617)</u>	<u>(894,054)</u>	<u>30,673</u>	<u>(531,512)</u>
Cash flows from capital and related financing activities:								
Bond costs	42,837	-	-	-	-	-	42,837	-
Acquisition and construction of capital assets	(1,914,696)	-	(4,919,895)	-	-	-	(6,834,591)	(1,955,431)
Disposition of capital assets	-	-	-	-	-	-	-	18,510
Principal paid on bonds and notes	(1,221,318)	-	-	-	(485,137)	-	(1,706,455)	1,336,006
Interest paid on bonds and notes	(264,357)	-	-	-	(434,176)	-	(698,533)	(34,399)
Net cash used in capital and related financing activities	<u>(3,357,534)</u>	<u>-</u>	<u>(4,919,895)</u>	<u>-</u>	<u>(919,313)</u>	<u>-</u>	<u>(9,196,742)</u>	<u>(635,314)</u>
Cash flows from investing activities:								
Interest received	55,685	22,583	179,789	660	8,539	52,468	319,724	124,780
Net change in cash and investments	<u>(125,165)</u>	<u>1,135,416</u>	<u>(4,001,769)</u>	<u>252,373</u>	<u>6,408</u>	<u>(975,318)</u>	<u>(3,708,055)</u>	<u>(46,580)</u>
Cash and investments, beginning of year	<u>4,192,934</u>	<u>1,630,739</u>	<u>23,094,607</u>	<u>232,752</u>	<u>755,528</u>	<u>5,255,184</u>	<u>35,161,744</u>	<u>11,164,936</u>
Cash and investments, end of year	<u>\$ 4,067,769</u>	<u>\$ 2,766,155</u>	<u>\$ 19,092,838</u>	<u>\$ 485,125</u>	<u>\$ 761,936</u>	<u>\$ 4,279,866</u>	<u>\$ 31,453,689</u>	<u>\$ 11,118,356</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities								
Operating income (loss)	\$ 1,545,535	\$ 1,416,698	\$ 10,151	\$ (230,037)	\$ 391,004	\$ (82,802)	\$ 3,050,549	\$ 481,062
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Depreciation & amortization	1,657,784	-	-	24,563	697,259	-	2,379,606	949,735
Changes in assets and liabilities:								
Accounts receivable	52,536	(188,744)	(47,401)	(446)	(12,588)	(13,608)	(210,251)	7,387
Prepaid expenses	-	-	-	4,196	-	-	4,196	289,858
Accounts payable	36,366	(4,425)	(468,072)	74,596	(513)	(37,322)	(399,370)	133,311
Accrued interest payable	-	-	-	-	-	-	-	32,188
Accrued payroll and other liabilities	41,987	13,306	-	19,702	(6,863)	-	68,132	(908,015)
Net OPEB obligation payable	28,513	41,159	-	93,935	-	-	163,607	9,940
Deposits	-	-	-	-	(500)	-	(500)	-
Unearned revenue	-	-	-	82,321	-	-	82,321	-
Net cash provided by (used in) operating activities	<u>\$ 3,362,721</u>	<u>\$ 1,277,994</u>	<u>\$ (505,322)</u>	<u>\$ 68,830</u>	<u>\$ 1,067,799</u>	<u>\$ (133,732)</u>	<u>\$ 5,138,290</u>	<u>\$ 995,466</u>
Noncash capital and related financing activities:								
Contributed capital assets	\$ 3,161,477	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,161,477	\$ 319,159
Retirement and disposition of capital assets, net of accumulated depreciation	-	-	-	-	-	-	-	(57,355)

The accompanying notes are an integral part of this statement.

City of Springfield, Oregon  
Statement of Fiduciary Net Assets  
Agency Fund  
June 30, 2010

ASSETS	
Cash and investments	<u>\$ 2,849,741</u>
Total assets	<u><u>\$ 2,849,741</u></u>
LIABILITIES	
Amounts held in trust for other parties	<u>\$ 2,849,741</u>
Total liabilities	<u><u>\$ 2,849,741</u></u>

The accompanying notes are an integral part of this statement.