

***CITY OF KEIZER
MARION COUNTY, OREGON
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
Year Ended June 30, 2005***

*Prepared by
City of Keizer - Finance Department
Susan Gahlsdorf, Finance Director*

CITY OF KEIZER, OREGON
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INTRODUCTORY SECTION

CITY OF KEIZER, OREGON
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2005

CITY OF KEIZER, OREGON

JUNE 30, 2005

MAYOR

Lore Christopher
6598 Stone Mason Lane NE
Keizer, Oregon 97303

Term Expires

January 2007

CITY COUNCIL

Jacque Moir
6745 McLeod Lane NE
Keizer, Oregon 97303

January 2007

Richard Walsh
5945 Shoreview Lane N.
Keizer, Oregon 97303

January 2007

James Taylor
1986 Meadowlark Drive NE
Keizer, Oregon 97303

January 2007

David McKane
674 Fall Creek Drive N
Keizer, Oregon 97303

January 2007

Troy Nichols
1085 Fir Cone Lane NE
Keizer, Oregon 97303

January 2009

Charles E. Lee
3445 Willamette Drive N.
Keizer, Oregon 97303

January 2009

CITY ATTORNEY

E. Shannon Johnson
Lien & Johnson
4855 River Road N.
Keizer, Oregon 97303

STAFF

CITY MANAGER
Chris Eppley

CHIEF OF POLICE
Marc Adams

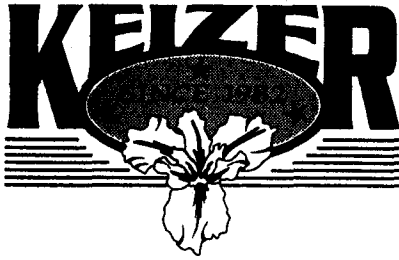
CITY RECORDER
Tracy Davis

FINANCE DIRECTOR
Susan Gahlsdorf

HUMAN RESOURCES DIRECTOR
Dianne Hunt

COMMUNITY DEVELOPMENT DIRECTOR
Nathan Brown

PUBLIC WORKS DIRECTOR
Rob Kissler



City of Keizer

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930 Chemawa Rd. N.E. • P.O. Box 21000 • Keizer, OR 97307-1000

December 13, 2005

Citizens of Keizer
The Honorable Mayor Lore Christopher
Members of the City Council
Christopher Eppley, City Manager

INTRODUCTION

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Keizer, Oregon for the fiscal year ended June 30, 2005. This report was prepared by the City's Finance Department. Responsibility for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material aspects and is presented in a manner designed to fairly set forth the financial position and results of operation of the City as measured by the financial activity of its various funds and account groups. All disclosures necessary to enable the reader to gain an understanding of the City's financial affairs have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical, and auditor's comments and disclosures required by state regulations. The introductory section includes this transmittal letter, the City's organizational chart, the certificate of achievement for excellence in financial reporting, and a list of principal officials. The financial section includes management's discussion and analysis, the basic financial statements, required supplementary information and other supplementary information, as well as the independent auditor's report on the financial statements. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The auditor's comments and disclosures section required by state regulations contains comments made by our auditor with regard to the City's compliance with various laws and regulations.

This report includes all funds of the City, as well as all organizations, which meet the criteria for inclusion in the report as set forth in Statement No. 14 of the Governmental Accounting Standards Board, *The Financial Reporting Entity*. The City of Keizer financial statements include the Keizer Urban Renewal Agency as a blended component unit.

INTRODUCTION (Continued)

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 an internal control structure designed to safeguard City assets against loss, theft, or misappropriation, and to ensure the reliability of financial records for preparing financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). The internal control structure has been designed to provide reasonable, but not absolute, assurance that these objectives are being met. The concept of reasonable assurance recognizes that (1) the cost of the control structure should not exceed the benefits likely to be derived; and (2) the evaluation of cost and benefits require estimates and judgments by management.

We believe that the City's internal control structure adequately safeguards assets and provides reasonable assurance of proper recording of financial transactions. To the best of our knowledge and belief, the enclosed data is presented accurately, in all material respects, along with disclosures necessary to provide the reader with a reasonable understanding of the City's financial affairs.

This report was prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and amendments. Therefore, the report includes:

A narrative introduction, overview, and analysis to the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditor's report on the basic financial statements.

Government-wide financial statements reflect the City as a single unified entity. The government-wide statements report information in a manner similar to that of for-profit business entities and include all long-term assets and liabilities of the City.

Fund financial statements present in detail significant (major) funds and totals for nonmajor funds. Detail on nonmajor funds can be found in the other supplementary information section of this report.

The City's financial statements were 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 for the fiscal year ended June 30, 2005 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's basic financial statements for the fiscal year ended June 30, 2005, are fairly presented, in all material respects, in conformity with GAAP. The independent auditor's report on the basic financial statements is included in the financial section of this report.

INTRODUCTION (Continued)

The City provides basic services. These services include police, municipal court, street construction and maintenance, a water reservoir, wells and water lines, storm drainage, land use planning and zoning, public improvements, parks and administrative services. The City contracts with the City of Salem, Oregon for maintenance of its sanitary sewer system and administers the billing function for use of this facility. The City also manages and operates the Keizer Urban Renewal District. The District was created in 1993 to strengthen the overall economic health of the commercial corridors, and enhance aesthetic appeal and safety within the District.

ECONOMIC CONDITION AND OUTLOOK

The City of Keizer was established in 1982. The first tax base was passed in November 1986 totaling \$447,810. The area that is now the City of Keizer was scarcely populated until the 1950's. By 1960, over 5,000 people resided in the area and as the 1980's arrived, so had another 7,000 people. Keizer is now the 14th largest city by population in the State of Oregon.

When the City incorporated in 1982, the City limits were aligned adjacent to the urban growth boundaries leaving little opportunity for annexation. In fact, the three annexations combined increased the City's area less than one-hundredth of one square mile.

The City of Keizer's central Willamette Valley location has directed the economic base toward local service. The majority of the workforce that resides within the City commutes into Salem or the Portland Metro area. The Keizer-Salem economy has shown a steady ability to produce jobs. The area has three primary industries including services, technology/manufacturing and government.

Review of the economic statistics presented in the statistical section of this Comprehensive Annual Financial Report shows the growth in population and residential building permits which point to a region with a stable and growing economy. However, because the City limits abut the urban growth boundaries, new construction will slow over the next ten years as infill is completed.

THE CITY

The City of Keizer, Marion County, Oregon is a financially independent entity, governed by an elected Mayor and a six member Council, all of which are volunteers. The City employs 39 sworn police officers including the Chief, two captains and seven sergeants. There are eight clerical and technical employees who support the Police Department functions. At City Hall, the department heads include the City Manager, Public Works Director, Finance Director, Human Resources Director, Community Development Director and City Recorder. There are 38 clerical and technical employees who support the City Hall departments and programs. There is a collective bargaining agreement with the Keizer Police Association and the Municipal Utility Workers' Local 320.

THE CITY (Continued)

In June 1997, the City revised its tax base for the first time since 1986. Shortly thereafter, Oregon's tax system was overturned by Ballot Measure 50 and like all other Oregon cities, Keizer had a permanent tax rate, replacing the existing tax base. The tax rate is constrained by the effects of Measure 5, which limits the consolidated tax rate that local governments can charge plus Measure 50, which limits growth in assessed value and places a tax rate limit that can be charged on each parcel of taxed property. The City's permanent levy rate is \$2.0838 per thousand. This amount will be applied to the taxable assessed value on the roll. The assessed value growth is limited to 3% plus any new construction, remodeling, or value increases due to property sales. In Fiscal Year 2005 the City's net value increased 5% overall including a 5% increase attributed to the Urban Renewal District.

In 1996, a privately owned business came to the Willamette Valley proposing to bring minor league baseball to the area. The Keizer City Council leaped at the opportunity to have the ball club in town. Through its Urban Renewal District, Keizer entered into a partnership with this private business and, in a short 18-months, Keizer had built a state of the art facility adjacent to Interstate 5. The stadium is now a major anchor for what is to become the Keizer Station commercial, industrial and mixed-use center.

The Keizer Station is a large mixed use development on 237-acres of ground adjacent to Interstate 5 exit 260. It has been in the making for nearly two decades and will provide thousands of jobs, increased tax base and needed commercial retail opportunities for the citizens of Keizer. The project is currently zoned correctly for the proposed uses, was master planned by the development team and is currently under construction.

MAJOR INITIATIVES

The City Council has adopted both short and long-term goals to provide a framework to meet the needs of our community. Short-term goals are defined as those that can be completed within 24-months. Below is a summary of each goal and a status report for each short-term goal.

Short Term Goals

Goal to Increase Citizen Participation: Develop methods of increasing the level of citizen participation in government in Keizer so as to ensure a high level of community satisfaction and build trust between citizens and government.

♦ Establish Task Force to revamp/review Neighborhood/Community Groups Process.

♦ Establish Task Force for K-23 – to determine “value added” programming

♦ Determine coordination direction for “No Meth” Task Force for next 24 months

<u>Task</u>	<u>Next Steps</u>	<u>% Goal</u>	<u>FY</u>	<u>Update</u>
Neighborhood Associations and Community Group Process	♦ Develop task force to review the value of neighborhood associations and determine level of community interest in making them more viable.	34	05-06	11-29-05 – Work has not yet begun

MAJOR INITIATIVES (continued)

<u>Task</u>	<u>Next Steps</u>	<u>% Goal</u>	<u>FY</u>	<u>Update</u>
No Meth. Not in My Neighborhood	♦ Determine Council Policy on City Participation in No Meth. Not in My Neighborhood task force.	33	05-06	11-29-05 - Work has not yet begun
Establish task force for K-23 Programming and Policies	♦ Mayor establishes task force or standing committee to oversee K-23. ♦ K-23 Committee develops policies and future direction for K-23 regarding programming content and audience.	33	05-06 & 06-07	11-29-05 - Work is scheduled to begin after the first of the year.
Total % of Goal Completed to date		0		

Goal to Complete Civic Center Improvement Plan and Forward to Citizens on the 2006 Ballot for Funding: Develop and implement process to take public input and inform the community on the future civic Center needs. Work with a citizen task force to measure public interest in supporting a potential bond measure for a new Civic Center and work toward placing the measure on the 2006 Ballot.

- | | |
|---------------------------------------|--|
| ♦ Determine process for citizen input | ♦ Develop partnerships and grants to offset funding requirements |
| ♦ Work the issue | ♦ Develop ballot measure for 2006 General Election |

<u>Task</u>	<u>Next Steps</u>	<u>% Goal</u>	<u>FY</u>	<u>Update</u>
Determine level and process for citizen input	♦ City Council appoints a task force to develop a public input and information strategy	5	05-06	11-29-05 - Several City Councilors agreed to serve on a task force to develop an informational brochure for distribution.
Work the issue	♦ Initiate public information campaign and make presentations to community/business groups. ♦ Conduct scientific polling to evaluate the level of community support for a Civic Center. ♦ Develop initial language for 2006 ballot measure for funding a new facility.	80	05-06	11-29-05 - An informational brochure has been developed and is ready for distribution after the first of the year. Funding has been located for initial round of scientific polling to evaluate demographics and likely support for a bond measure.
Funding	♦ Work to identify partnering and grant opportunities to offset funding needs.	10	05-06	11-29-05 - Through the major amendment to the Urban Renewal plan, the City Council allocated \$6M toward the construction of a new Police Department and City Hall complex. This project is anticipated to cost approximately \$10M.
Develop Ballot Measure	♦ Finalize ballot measure for 2006 general election	5	05-06	11-29-05 - Work has not yet begun
Total % of Goal Completed to date		5		

MAJOR INITIATIVES (continued)

Goal to Explore Options for Curly's Dairy Wetlands: Work with the West Labish Water Control District and the Salem Keizer Watershed Council to guarantee that the Curly's Dairy wetlands area remains a functioning wetlands for flood mitigation purposes.

- ♦ Explore Options for Curly's Dairy Wetlands
- ♦ Develop Multi-Use Path Connection between Country Glen and Hidden Creek Neighborhoods and the Keizer Station Area
- ♦ Pursue Other Flood Mitigation Projects

<u>Task</u>	<u>Next Steps</u>	<u>% Goal</u>	<u>FY</u>	<u>Update</u>
Explore options for Curly's Dairy Wetlands	♦ Actively work with West Labish Water Control District and the Salem Keizer Watershed Council to ensure that the Curly's Dairy wetland property remain undeveloped for flood mitigation purposes.	25	05-06 & 06-07	11-29-05 - The City remains active with these groups and will pursue opportunities to secure this ground as/if they arise.
Pursue other flood mitigation projects	♦ Develop flood overflow channel in the Hidden Creek and Country Glen Parks along Labish ditch.	50	05-06	11-29-05 - This project is budgeted and expected to be built in the Spring of 2006.
Develop multi-use path connection between Country Glen and Hidden Creek neighborhoods and the Keizer Station area	♦ Plan for a multi-use path connection between the Keizer Station area and the Country Glen and Hidden Creek neighborhoods. ♦ Construct the path.	25	06-07	11-29-05 - Community Development has been alerted to this need and will be working with property owners as master plans are made to incorporate such a connection.
Total % of Goal Completed to date		25		

Goal to Open the Keizer Rapids Park to the Public Within Two Years: Work with community members and regional partners to secure funding for and purchase the property for the park, master plan the park facilities, construct any improvements necessary to open the park for general use by the public, and develop intergovernmental agreements for patrol and maintenance of the park once it has been constructed.

- ♦ Secure funding for and purchase park property
- ♦ Construct any hard and soft improvements and facilities
- ♦ Master plan the park
- ♦ Develop IGAs necessary for the patrol and maintenance of the park

<u>Task</u>	<u>Next Steps</u>	<u>% Goal</u>	<u>FY</u>	<u>Update</u>
Secure funding for and purchase park property	♦ Secure state and local grants for the acquisition of park property. ♦ Complete closing on park property.	20	05-06	11-29-05 - All necessary funding through grant programs has been secured for the purchase of the park property. Closing on the park property is scheduled for October of 2005.

MAJOR INITIATIVES (continued)

<u>Task</u>	<u>Next Steps</u>	<u>% Goal</u>	<u>FY</u>	<u>Update</u>
Master plan the park	<ul style="list-style-type: none"> ◆ Conduct a public outreach campaign to gather community input on park master plan. ◆ Attain outside expert assistance on developing the master plan documents. ◆ City Council holds public hearing on master plan and adopts the document. 	30	05-06	11-29-05 - A citizen survey regarding desired uses for the park has been distributed and the results are currently being tallied. A series of community forums are being planned to be held so as to provide additional input on the park design.
Construct the Park	<ul style="list-style-type: none"> ◆ Secure funding to construct the park CIP project list and schedule for completion. 	40	06-07	11-29-05 - Work has not yet begun.
Develop IGAs for park patrol and maintenance	<ul style="list-style-type: none"> ◆ Develop a series of IGAs with partner jurisdictions to secure resources for patrol and maintenance of the park. 	10	06-07	11-29-05 - Work has not yet begun
Total % of Goal Completed to date		20		

Goal to Complete the Keizer Station LIDs: Develop public financing package for Keizer Station public improvements and Sports/Expo/Community Center.

- ◆ Secure public financing and form LID for Keizer Station public improvements
- ◆ Secure 2nd LID for Keizer Sports/Expo/Community Center

<u>Task</u>	<u>Next Steps</u>	<u>% Goal</u>	<u>FY</u>	<u>Update</u>
Secure public financing and form LID for Keizer Station public Improvements	<ul style="list-style-type: none"> ◆ Hire a financial advisor to help with project. ◆ Obtain appraisals of land within proposed LID to assess City's risk. ◆ Agree on terms of public financing and form LID. ◆ Issue bonds. 	75	05-06	11-29-05 - The City has entered into an interim financing agreement with Keybank and is making draws to pay for the public improvements as expenses are incurred. Once the project is completed and total costs are tabulated, the City will either issue bonds for the long term financing or initiate a private placement of the debt if appropriate.
Secure 2 nd LID for Sports/Expo Center	<ul style="list-style-type: none"> ◆ Initiate discussions with property owners in Area A of Keizer Station about initiating LID earlier than \$300M valuation. ◆ Initiate LID 	25	06-07	11-29-05 - Discussions have been had with NW National LLC about initiating the LID earlier than agreed to in the DDA. No resolution has been reached as of yet.
Total % of Goal Completed to date		75		

MAJOR INITIATIVES (continued)

Goal to Place a Library Measure on the May, 2007 Ballot: Develop a plan for a Keizer Library that meets the needs of the community and of the CCRLS so as to gain CCRLS membership and place a funding measure on the May, 2007 ballot for Keizer residents to vote upon.

- ♦ **Resolve CCRLS Membership issue**
- ♦ **Complete Analysis and Documentation for a possible May, 2007 Ballot Measure Vote**

<u>Task</u>	<u>Next Steps</u>	<u>% Goal</u>	<u>FY</u>	<u>Update</u>
Resolve CCRLS Membership Issue	♦ Work with CCRLS to create a position that meets the needs of the Keizer community and the CCRLS so as to gain full membership if a library is built in Keizer.	75	05-06	11-29-05 - Most recently, the City Managers of Dallas, McMinnville, Woodburn, Salem and Keizer met to develop a position that would be acceptable to CCRLS for an alternative library in Keizer. This position was presented to the CCRLS Board as a vote is expected at their next meeting in December, 2005. For all intents and purposes, this task is completed as we will have an answer one way or the other about membership from CCRLS within the next before the end of 2005.
Complete Analysis and Documentation for a possible May, 2007 Ballot Measure Vote	♦ Follow Oregon State Guidelines for placing a ballot on an election other than a general election.	25	06-07	11-29-05 - Work has not yet begun
Total % of Goal Completed to date		75		

Goal to Complete and Adopt Several Outstanding Issues: Work toward completion and adoption of several outstanding issues including the adoption of a storm water master plan, finalize review of personnel policies, and complete a major amendment to the Urban Renewal District.

- ♦ **Complete and Adopt Storm Water Master Plan**
- ♦ **Complete Major Amendment of North River Road Urban Renewal District**
- ♦ **Finalize Review and Adopt Personnel Policies**

MAJOR INITIATIVES (continued)

<u>Task</u>	<u>Next Steps</u>	<u>% Goal</u>	<u>FY</u>	<u>Update</u>
Complete and adopt storm water master plan	<ul style="list-style-type: none"> ◆ Hire consultant to help create storm water master plan. ◆ Council appoints task force to work with staff and consultant on development of the master plan. ◆ Task force recommends storm water master plan for approval by City Council. 	33	06-07	11-29-05 - Work has not yet begun.

<u>Task</u>	<u>Next Steps</u>	<u>% Goal</u>	<u>FY</u>	<u>Update</u>
	<ul style="list-style-type: none"> ◆ City Council holds public hearing on storm water master plan ◆ City Council adopts storm water master plan and any other regulations necessary to implement it. 			
Finalize review and adopt personnel policies	<ul style="list-style-type: none"> ◆ HR Director and Department Heads work with Council Personnel Policy Committee to review policies and recommend changes for Council adoption. ◆ City Council reviews and adopts changes to personnel policies. 	33	05-06	11-29-05 - The HR Director and Council Personnel Policies Committee have spent the last 5-years working on this project and have completed their review and proposed revisions to the City's personnel policies. This document now must be before the full Council for adoption. For all intents and purposes, this task is completed.
Complete major amendment to the Urban Renewal District	<ul style="list-style-type: none"> ◆ Develop project list. ◆ Determine probable cost of projects. ◆ Public notice to all Keizer residents of proposed changes, cost and public hearing date/time. ◆ Hold public hearing. ◆ Adopt major amendment to Urban Renewal district 	34	05-06	11-29-05 - This task is completed

Total % of Goal Completed to date

67

Goal to Implement River Road Renaissance Master Plan: River Road Renaissance task force is to work with the City, Chamber of Commerce, River Road merchants and the general public to implement the River Road Renaissance Master Plan recommendations.

- ◆ Implement traffic improvements
- ◆ Implement economic development strategies
- ◆ Implement safety improvements

MAJOR INITIATIVES (continued)

<u>Task</u>	<u>Next Steps</u>	<u>% Goal</u>	<u>FY</u>	<u>Update</u>
City Council appoints citizen task force	<ul style="list-style-type: none"> ◆ Develop a proposed task force structure and submit to City Council for input and adoption. ◆ Mayor appoints task force members 	5	05-06	11-29-05 - This task is complete.
Select projects	<ul style="list-style-type: none"> ◆ Task force selects transportation improvement projects along River Road to recommend for funding. ◆ Task force selects safety and pedestrian oriented improvement projects along River Road to recommend for funding ◆ Task force selects economic development related projects to recommend for funding. 	10	05-06	9-14-05 -- This task is complete.
<u>Task</u>	<u>Next Steps</u>	<u>% Goal</u>	<u>FY</u>	<u>Update</u>
Develop financing for the project list	<ul style="list-style-type: none"> ◆ Develop project list costs and determine methods for financing. ◆ If Urban Renewal is determined to be a potential financing tool, Urban Renewal Board and Agency must begin on Urban Renewal Plan amendment to incorporate projects into plan. 	20	05-06 & 06-07	11-29-05 - A major amendment to the Urban Renewal district has been accomplished to fund many of the RRR projects. Additional funding may be required as we move forward with implementation.
Implement marketing plan	<ul style="list-style-type: none"> ◆ Task force, working in conjunction with the Chamber of Commerce need to implement the marketing plan as developed through the River Road Renaissance master planning process. 	20	05-06 & 06-07	11-29-05 - District banners have been designed, purchased and installed demarking the 5 RRR districts.
Construct or complete project list	<ul style="list-style-type: none"> ◆ Budget, engineer and construct physical improvements adopted by the Council as recommended through the 3RAC committee 	40	05-06 & 06-07	11-29-05 - Work has not yet begun.
Amend existing ordinances and/or codes to allow for successful completion of master plan	<ul style="list-style-type: none"> ◆ Amend ordinances/codes. 	5	05-06 & 06-07	11-29-05 - Work has not yet begun.

Total % of Goal Completed to date

35

MAJOR INITIATIVES (continued)

Goal to Revamp the SKAPAC Process: Work with Salem City Staff and City Council to develop revisions to the SKAPAC process so as to make it more efficient to coordinate high level issues between Salem and Keizer.

♦ **Revamp the SKAPAC Process**

<u>Task</u>	<u>Next Steps</u>	<u>% Goal</u>	<u>FY</u>	<u>Update</u>
Revamp SKAPAC process	♦ Develop task force of City Council and City Staff to review the SKAPAC process and decide whether or not to move forward with a formal review process.	25	05-06 & 06-07	11-29-05 - Work has not yet begun
	♦ If a revision is determined feasible and important, initiate contact with Salem City Staff and City Council to initiate a joint agency review of the process.	25	05-06 & 06-07	11-29-05 - Work has not yet begun

<u>Task</u>	<u>Next Steps</u>	<u>% Goal</u>	<u>FY</u>	<u>Update</u>
Establish task force for K-23 Programming and Policies	♦ Work cooperatively with Salem to create a revised agreement document.	25	05-06 & 06-07	11-29-05 - Work has not yet begun
	♦ Present revised document to both City Councils and approve new agreement	25	05-06 & 06-07	11-29-05 - Work has not yet begun

Total % of Goal Completed to date

0

Goal to Make Improvements to the Transportation System to Improve Traffic Conditions: Work with the Planning Commission to review the Transportation SDC Capital Improvement Project List and to actively pursue accomplishing those projects listed on the CIP to improve the transportation system throughout Keizer. Also, accomplish a comprehensive review of the Keizer Transportation System Plan.

♦ **Accomplish Review of TSP**

♦ **Construct Transportation CIP**

♦ **Review Transportation SDC CIP**

MAJOR INITIATIVES (continued)

<u>Task</u>	<u>Next Steps</u>	<u>% Goal</u>	<u>FY</u>	<u>Update</u>
Review Keizer TSP	<ul style="list-style-type: none"> ◆ Apply for State TGM Grant to conduct comprehensive TSP Review. ◆ Develop RFQ and hire consultant to help accomplish a comprehensive TSP Review ◆ Mayor appoints citizen task force to work with staff and consultant to review the Keizer TSP ◆ Task force makes recommendations to City Council for TSP updates. ◆ Council adopts modifications to the Keizer TSP. 	30	05-06	4-19-05 – This task is complete.
Review Transportation SDC CIP	<ul style="list-style-type: none"> ◆ Initiate Planning Commission Review of Transportation SDC CIP ◆ Planning Commission makes recommendation to City Council on modifications to the Transportation SDC CIP list ◆ City Council holds public hearing on the SDC CIP list and adopts any modifications they deem prudent 	20	05-06	11-29-05 – Planning Commission is slated to take this issue up early in 2006.
Construct Transportation CIP	<ul style="list-style-type: none"> ◆ Provide funding through the budget process to build the projects listed in the transportation CIP ◆ Construct each project in prioritized order as funding allows 	50	05-06 & 06-07	11-29-05 – This task is ongoing
Total % of Goal Completed to date		80		

Long Term Goals

- Address Traffic Issues
- Address Options and Develop Position on Urban Growth Boundary Expansion
- Conduct Commuter Rail Feasibility Study
- Review and Update Salem Keizer Area Policy Advisory Committee Process
- Begin Periodic Review When Mandated
- Update Transportation System Plan

FINANCIAL INFORMATION

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

The City is required by state law to budget all funds. The budgeting process includes employee and citizen input through various stages of preparation, public hearings and adoption of the original budget by the City Council. Additional resources not anticipated in the original budget may be added through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers and adoption by the City Council. Original and supplemental budgets may be modified by the use of appropriation transfers between the cost categories. Such transfers require approval by the City Council.

FINANCIAL INFORMATION (Continued)

Budgetary control is maintained at the fund and/or departmental level by comparison of estimated purchase amounts with adopted appropriations prior to placing purchase orders to vendors. The City Manager and the six Department Heads are responsible for ensuring their departments, funds and programs fall within appropriated amounts.

FINANCIAL PLANNING

The City prepares a long-range financial plan. The City uses this tool to analyze the fiscal impact of policy decisions, to plan spending levels, and to match those projections with available resources.

RETIREMENT PROGRAMS

The City enrolls all sworn officers and two City Hall employees in the Public Employees Retirement System of the State of Oregon. PERS acts as administrator of this pension plan. Employees that are not covered by PERS participate in a section 401(a) qualified pension plan. In addition, two deferred compensation plans are available for employees. These plans are provided through Nationwide and ICMA/RC Deferred Compensation.

DEBT ADMINISTRATION

The City has received an A- rating on general obligation issues from Moody's Investors Service. The ratings awarded by Moody's are Aaa, Aa, A, Baa, Ba, B, Caa, C and Con. Ratings of A attached to an issue classify it as an issue possessing many favorable investment attributes and considered as an upper medium grade obligation.

CASH MANAGEMENT

The Keizer City Council has adopted an investment policy through a Council resolution. Available investments include the State of Oregon Local Government Investment Pool, U.S. Government securities and certificates of deposit.

RISK MANAGEMENT

During fiscal year 2005, the City continued safety awareness programs throughout its operations. The programs include safety committees, training, equipment operation manuals and signs.

The City purchases commercial insurance for all commonly insured risks. All employee groups participate in the cost of medical and dental premiums, long and short-term disability premiums, and life insurance premiums.

INDEPENDENT AUDIT

The State of Oregon (ORS 297.405 to 297.555) requires an annual audit of the fiscal affairs of the City by independent public accountants selected by the City Council. This requirement has been complied with and the independent auditor's opinion has been included in this report.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate for Achievement of Excellence in Financial Reporting to the City of Keizer for its comprehensive annual financial report for the fiscal year ended June 30, 2004.

AWARDS (Continued)

A Certificate of Achievement is valid for a period of one year only. We believe that 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.

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 accounting principles generally accepted in the United States of America and applicable legal requirements.

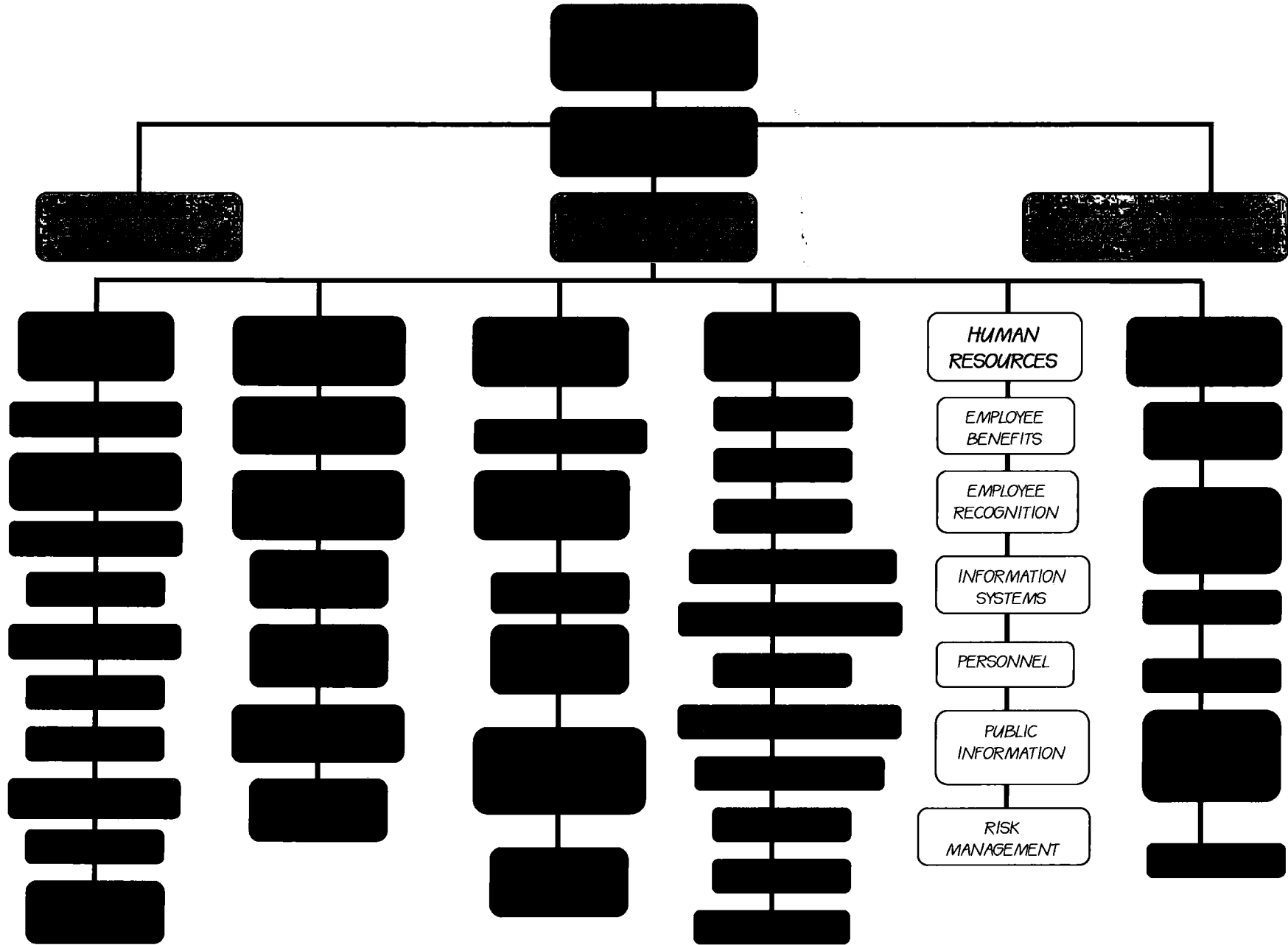
ACKNOWLEDGMENTS

Special recognition is given to the City's accountant, Debbie Engelhard whose hard work and dedication during the annual audit ensured the preparation of the Comprehensive Annual Financial Report on a timely basis. I also recognize and thank all other Departments within the City who provided supporting information for this report. I would like to express my appreciation to the Mayor, City Council members, the Audit Committee, the Budget Committee, and the City Manager for their leadership, support and dedication, to ensure the sound financial operations of the City of Keizer. Preparation of this report would not have been successful without that support.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Susan Gahlsdorf", written in a cursive style.

Susan Gahlsdorf, CPA
Finance Director



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Keizer,
Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

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.



President

Executive Director



FINANCIAL SECTION

CITY OF KEIZER, OREGON
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2005



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

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of Keizer
Keizer, Oregon

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Keizer, Oregon as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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, each major fund, and the aggregate remaining fund information of the City of Keizer, Oregon as of June 30, 2005 and the respective changes in financial position and its cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The other supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Keizer, Oregon. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

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

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

By: 
Charles A. Swank, A Shareholder
November 2, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2005

This discussion and analysis of the City of Keizer's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the accompanying transmittal letter of the basic financial statements, and the notes to those financial statements.

THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Keizer, Oregon (the City) and its component units using the integrated approach as prescribed by GASB Statement No. 34. The *government-wide financial statements* present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. Governmental activities and business type activities are presented separately. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by Statement No. 34 in regards to interfund activity, payables and receivables.

The *fund financial statements* include statements for each of the categories of activities - governmental and proprietary. The governmental activities are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The proprietary activities are prepared using the economic resources measurement focus and the accrual basis of accounting. A reconciliation of the fund financial statements to the government-wide financial statements is provided to explain the differences created by the integrated approach.

REPORTING THE CITY AS A WHOLE

The **Statement of Net Assets** and the **Statement of Activities** report financial information about the City as a whole and about its activities. These statements include *all* assets and liabilities of the City using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net assets* and the changes in them. Net assets are the difference between assets and liabilities, which is one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. Other factors to consider are changes in the City's property tax base and the condition of the City's infrastructure. In these statements, City activities are separated as follows:

Governmental activities - Most of the City's basic services are reported in this category, including the General Government, Police, Community Development, and Public Works. Property taxes, user fees, interest income, franchise fees, and state and federal grants finance these activities.

Business-type activities - The City's Water and Wastewater activities are reported in this category. The City charges a fee to customers to cover all or most of the cost of certain services it provides.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

Governmental funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The reconciliation of differences between the governmental fund financial statements and the government-wide financial statements is explained in a section following each governmental fund financial statement.

Proprietary funds - When the City charges customers for the services it provides - whether to outside customers or to other units of the City - these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows.

FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE

Government-wide Financial Statements

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets compared to the prior year.

For more detailed information, see the Statement of Net Assets (page 15).

Table 1
Statements of Net Assets
As of June 30, 2005 and 2004

	Governmental		Business-type		Totals	
	Activities		Activities			
	2004	2005	2004	2005	2004	2005
Cash and investments	\$ 10,189,048	\$ 8,463,278	\$ 2,286,427	\$ 3,117,008	\$ 12,475,475	\$ 11,580,286
Other assets	1,334,921	1,257,746	767,142	535,578	2,102,063	1,793,324
Capital assets	20,589,836	26,669,084	6,608,348	6,064,309	27,198,184	32,733,393
Total assets	32,113,805	36,390,108	9,661,917	9,716,895	41,775,722	46,107,003
Other liabilities	989,365	2,935,332	562,021	536,275	1,551,386	3,471,607
Long term debt	3,774,038	2,855,672	42,470	36,482	3,816,508	2,892,154
Total liabilities	4,763,403	5,791,004	604,491	572,757	5,367,894	6,363,761
Net assets						
Investment in capital assets, net of debt	16,394,836	23,224,084	6,598,348	6,064,309	22,993,184	29,288,393
Restricted	9,563,822	3,281,549	-	2,457,382	9,563,822	5,738,931
Unrestricted	1,391,744	4,093,471	2,459,079	622,447	3,850,823	4,715,918
Total net assets	\$ 27,350,402	\$ 30,599,104	\$ 9,057,426	\$ 9,144,138	\$ 36,407,828	\$ 39,743,242

Governmental Activities

The City's net assets from governmental activities increased (improved) 12% from \$27.4 million to \$30.6 million. This increase is the change in net assets reflected in the Statement of Activities, shown in Table 2, and explained below:

- Cash and investments decreased \$1.73 million
- Other assets decreased \$77 thousand, primarily as a result of:
 - A decrease of \$55 thousand in accounts receivables,
 - A decrease of \$20 thousand in property taxes receivables.
- Other liabilities increased \$1.78 million, primarily as a result of an increase of \$1.74 million in accounts payables.
- Long-term debt outstanding decreased \$754 thousand, primarily as a result of normal retirement of current year liabilities.
- Capital assets increased \$6.08 million, primarily as a result of:
 - An increase of \$7.8 million for new assets purchased,
 - A decrease of \$1.55 million for depreciation and related adjustments

Business-type Activities

The City's net assets from business-type activities increased (improved) 1%, from \$9.1 million to \$9.2 million. This increase is the change in net assets reflected in the Statement of Activities, shown in Table 2, and explained below:

- Cash and investments increased \$831 thousand
- Other assets decreased \$232 thousand, primarily as a result of:
 - A decrease of \$226 thousand in accounts receivables
- Other liabilities decreased \$47 thousand, primarily as a result of :
 - An decrease of \$44 thousand in accounts payables
- Capital assets decreased \$544 thousand, as a result of:
 - \$136 thousand of capital outlay purchases
 - \$200 thousand of capital outlay dispositions
 - \$480 thousand of depreciation expense
- Long-term debt outstanding increased \$15 thousand as a result of increases in accrued compensated absences.

Statement of Activities

The following table reflects the condensed Statement of Activities and compared to the prior year.

For more detailed information, see the Statement of Activities (page 16).

Table 2
Statements of Activities
For the years ending June 30, 2005 and 2004

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
Revenues						
Charges for services	\$ 859,495	\$ 815,111	\$ 6,718,667	6,371,027	\$ 7,578,162	\$ 7,186,138
Licenses and Permits	1,961,642	1,947,010	-	-	1,961,642	1,947,010
Grants and contributions	1,837,786	2,522,782	11,668	381,419	1,849,454	2,904,201
Taxes and assessments	6,053,862	6,332,711	-	-	6,053,862	6,332,711
Intergovernmental	744,190	771,629	-	-	744,190	771,629
Miscellaneous	209,733	260,848	27,270	50,115	237,003	310,963
Gain (loss) on disposal of capital assets	(94,140)	733,908	-	(200,000)	(94,140)	533,908
Total revenues	11,572,568	13,383,999	6,757,605	6,602,561	18,330,173	19,986,560
Expenses						
Programs	8,581,064	10,135,297	6,177,859	6,515,849	14,758,923	16,651,146
Change in net assets	2,991,504	3,248,702	579,746	86,712	3,571,250	3,335,414
Beginning net assets	24,358,898	27,350,402	8,477,680	9,057,426	32,836,578	36,407,828
Ending net assets	\$ 27,350,402	\$ 30,599,104	\$ 9,057,426	9,144,138	\$ 36,407,828	\$ 39,743,242

Governmental Activities

The City's changes in net assets from governmental activities increased 9%, from \$3.0 million to \$3.2 million. This increase in the changes in net assets primarily reflected:

- Grants and contributions - These are revenues arising from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program. Revenues primarily consist of federal and state grants (e.g. community development block grants, state gas tax funds), system development charges (e.g. parks, streets). Grants and contributions increased \$685 thousand.
- Taxes and assessments - These are revenues that consist primarily of property taxes. Taxes increased \$279 thousand primarily as a result of the 3% increase in the assessed value of existing property (Measure 50).
- A \$734 thousand gain on the disposal of capital assets.
- Programs - These are direct expenses that are specifically associated with a service, program, or department and, thus, are clearly identifiable to a particular function. The following table reflects the changes in program expenses:

Table 3
Governmental Activities - Program Expenses
For the year ending June 30, 2005

Programs	Fiscal Year June 30, 2005		Fiscal Year June 30, 2004		Compared to Prior Year	
	Amount	%	Amount	%	Change	%
General government	\$ 2,263,474	22%	\$ 2,156,572	25%	\$ 106,902	5%
Community and youth services	4,400	0%	441	0%	3,959	898%
Community development	1,553,543	15%	799,064	9%	754,479	94%
Parks	175,029	2%	110,806	1%	64,223	58%
Public safety	5,181,421	52%	4,512,031	53%	669,390	15%
Public works	726,596	7%	739,176	9%	(12,580)	-2%
Stadium operations	40,610	0%	38,343	0%	2,267	6%
Interest on Long-term debt	190,224	2%	224,631	3%	(34,407)	-15%
Total expenses	<u>\$ 10,135,297</u>	<u>100%</u>	<u>\$ 8,581,064</u>	<u>100%</u>	<u>\$ 1,554,233</u>	<u>18%</u>

The increased program expenses of \$1.55 million primarily reflect:

- General government consists of a variety of administrative functions necessary to direct the work force, provide legal services, set policy, manage the City's financial resources, and deliver services to customers. The departments within this category are City Manager, Human Resources, City Recorder and Finance.
- Public Works consists of the Street operations. The decreases primarily reflect a reduction in engineering services.

- Police consists of personnel costs and operating supplies to provide police protection. Increase is primarily in personnel services.
- Community Development consists of personnel costs and operating services and supplies to provide for the management of development activities and to enforce City Code. Community Development also includes the Urban Renewal District costs for associated personnel, operating services and supplies costs needed to manage the district. Increases primarily reflect costs associated with the Keizer Station development.

Business-type Activities

The City's changes in net assets from business-type activities decreased from \$580 thousand to \$153 thousand. This decrease in the changes in net assets primarily reflects:

- Charges for services are revenues that arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services. Revenues primarily consist of fees charged for water, sewer and street light utilities. Charges for services decreased by \$348 thousand, or 5%
- Grants and contributions are revenues for system development fees to pay for water, sewer and storm drain infrastructure. Grants and contributions increased by \$370 thousand or 3269%.
- Program expenses are direct expenses that are specifically associated with a service, program, or department and, thus, are clearly identifiable to a particular function. The following table reflects the changes in program expenses:

Table 4
Business-type Activities - Program Expenses
For the year ending June 30, 2005

Programs	Fiscal Year June 30, 2005		Fiscal Year June 30, 2004		Compared to Prior Year	
	Amount	%	Amount	%	Change	%
Water	\$ 2,041,226	31%	\$ 1,836,951	30%	\$ 204,275	11%
Sewer	4,074,941	63%	3,961,489	64%	113,452	3%
Street Lighting	399,682	6%	379,419	6%	20,263	5%
Total expenses	<u>\$ 6,515,849</u>	<u>100%</u>	<u>\$ 6,177,859</u>	<u>100%</u>	<u>\$ 337,990</u>	<u>5%</u>

The Program expense increases of \$337 thousand primarily reflects:

- Water, sewer and street lighting – consists of operations and maintenance of water, wastewater collection systems and the City's lighting districts. Cost increases primarily reflect the increase in overall operating costs to provide and maintain existing service levels. The increase in the Water Fund is primarily related to increases in personal services and the purchase of small tools and equipment below the capitalization threshold.

Fund Financial Statements

Governmental Funds

The following table reflects a summary of ending fund balances for governmental funds compared to the prior year.

Table 5
Governmental Funds - Fund Balances
As of June 30, 2005

Major Funds	Fiscal Year June 30, 2005		Fiscal Year June 30, 2004		Compared to Prior Year	
	Amount	%	Amount	%	Change	%
General	\$ 1,243,622	17%	\$ 1,537,345	14%	\$ (293,723)	-19%
Street	1,902,889	27%	1,951,191	18%	(48,302)	-2%
Housing	121,114	2%	109,977	2%	11,137	10%
Urban Renewal Project	1,712,800	24%	5,328,572	50%	(3,615,772)	-68%
Urban Renewal Tax	996,575	14%	686,789	6%	309,786	45%
Other Governmental Funds	1,164,359	16%	1,029,336	10%	135,023	13%
Total fund balances	<u>\$ 7,141,359</u>	<u>100%</u>	<u>\$ 10,643,210</u>	<u>100%</u>	<u>\$ (3,501,851)</u>	<u>-33%</u>

At June 30, 2005, the City's governmental funds reported combined fund balances of \$7.1 million, which is a decrease of \$3.5 million or 33% compared with last year. The decrease is primarily a result of capital construction in the Urban Renewal District and in Other Governmental funds, Keizer Station LID fund. Capital construction for both funds was for the Keizer Station Development. The decrease in the General fund ending fund balance is primarily a result of personal services increases in the Police Department attributed to an increase in retirement rates, overtime, insurance benefits and modest salary increases.

General

The General fund accounts for all of the financial resources of the City which are not accounted for in any other fund. Principal sources of revenue are property taxes, franchise fees, state shared revenues and fines and forfeitures. Principal expenditures are made for police, community development, administration, and parks.

The General fund revenues increased 2%, from \$5.86 million to \$5.98 million. This increase in revenues primarily reflects increases in property taxes of \$120 thousand, and increased fines of \$100 thousand. Licenses and permits decreased \$38 thousand and intergovernmental receipts decreased \$60 thousand.

The General fund expenditures increased 12%, from \$5.34 million to \$5.99 million. This increase in expenditures primarily reflects increases in expenditures for general government of \$103 thousand, community development of \$26 thousand, parks of \$26 thousand, and public safety of \$444 thousand.

State Gas Tax

The State Gas Tax fund accounts for maintenance and construction of streets and sidewalks. The major revenue source is highway funds.

The State Gas Tax fund revenues increased 13.5%, from \$1.58 million to \$1.80 million. This increase in revenues primarily reflects increased State revenues and Storm Drain System Development Fees.

The State Gas Tax fund expenditures increased 86%, from \$992 thousand to \$1.85 million. This increase in expenditures primarily reflects Capital construction for road improvements.

Urban Renewal

The Urban Renewal funds account for payment of capital construction, primarily infrastructure, and associated personnel, operating services and supplies costs needed to manage the district. Additionally, annual debt service is paid on debt that was issued to carry out the Urban Renewal Plan. Tax increment revenue is the primary source of revenue.

The Urban Renewal Fund revenues increased 7.8%, from \$3.56 million to \$3.84 million. This increase in revenues primarily reflects an increase in tax increment revenue.

The Urban Renewal Fund expenditures increased 37%, from \$2.93 million to \$6.94 million. This increase reflects an increase in capital construction for development of the Keizer Station area.

The Urban Renewal Fund as Other Financing Sources increased \$920 thousand from the proceeds of land sales.

Other Governmental Funds

These funds are not presented separately in the basic financial statements, but are individually presented as supplemental information.

Proprietary Funds

The following table reflects a summary of net assets for Proprietary Funds compared to the prior year.

Table 6
Proprietary Funds - Net Assets
As of June 30, 2005

Major Funds	Fiscal Year June 30, 2005		Fiscal Year June 30, 2004		Compared to Prior Year	
	Amount	%	Amount	%	Change	%
Sewer	\$ 2,258,390	25%	\$ 2,358,930	26%	\$ (100,540)	-4%
Water	4,188,621	45%	4,153,256	46%	35,365	1%
Sewer Reserve	711,092	8%	528,604	6%	182,488	35%
Lighting Districts	155,577	2%	87,858	1%	67,719	77%
Water Facility	1,830,458	20%	1,928,778	21%	(98,320)	-5%
Total net assets	<u>\$ 9,144,138</u>	<u>100%</u>	<u>\$ 9,057,426</u>	<u>100%</u>	<u>\$ 86,712</u>	<u>1%</u>

At June 30, 2005, the City's proprietary funds reported combined net assets of \$9.14 million, which is an increase of \$87 thousand, or 1% compared with last year.

Water and Water Facility Funds

The Water and Water Facility funds account for the operations, maintenance, and capital construction of the water system. The primary sources of revenues are user fees, system development charges, and interest earnings.

The Water and Water Facility fund revenues decreased 5%, from \$2.24 million to \$2.14 million. This decrease primarily reflects a slight reduction in water sales.

The Water and Water Facility fund expenditures increased 11%, from \$1.84 million to \$2.04 million. The increase in the Water Fund is primarily related to increases in personal services and the purchase of small tools and equipment below the capitalization threshold.

Sewer and Sewer Reserve Funds

The Sewer and Sewer Reserve funds account for the operations, maintenance, and capital construction of the water and wastewater collection systems. The primary sources of revenues are user fees, system development charges, and interest earnings.

The Sewer fund revenues remained constant at \$3.9 million for fiscal years 2004 and 2005.

The Sewer and Sewer Reserve fund expenditures increased 3%, from \$3.96 million to \$4.07 million. This increase primarily reflects a slight increase in operating costs to provide and maintain existing service levels by replacing aging infrastructure in order to meet new federal regulations, expand capacity and ensure safety standards are met and reimbursements for Storm Drain fees.

Street Lighting District Fund

This fund accounts for assessments to property owners to pay for street lighting. Street Lighting District fund revenues increased by 3%, from \$455 thousand to \$467 thousand. This increase is a result of increased assessments necessary to generate working capital to meet cash flow needs. Expenses increased by 5%, from \$379 thousand to \$399 thousand. This increase primarily reflects an overall increase in operating cost to provide and maintain existing service levels.

Budgetary Highlights

There were no material changes from the original budget to the final budget for any of the major governmental funds (for more detailed information see budget to actual comparisons on pages 37-41).

Capital Assets

As of June 30, 2005 the City had invested \$32.7 million in capital assets as reflected in the following table, which represents a net increase (additions, deductions, and depreciation) of \$5.54 million, or 20% from the previous fiscal year.

Table 7
Capital Assets at June 30, 2005
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
Land	\$ -	\$ -	\$ 371,759	\$ 371,759	\$ 371,759	\$ 371,759
Building and improvements	7,667,084	9,255,300	697,639	697,639	8,364,723	9,952,939
Equipment and vehicles	1,236,236	1,516,097	310,428	257,920	1,546,664	1,774,017
Infrastructure	22,322,213	27,952,615	13,373,812	13,354,296	35,696,025	41,306,911
Accumulated depreciation	(10,635,697)	(12,054,928)	(8,145,290)	(8,617,305)	(18,780,987)	(20,672,233)
Net capital assets	<u>\$ 20,589,836</u>	<u>\$ 26,669,084</u>	<u>\$ 6,608,348</u>	<u>\$ 6,064,309</u>	<u>\$ 27,198,184</u>	<u>\$ 32,733,393</u>

For more detailed information see the Notes to Basic Financial Statements (pages 24-35)

The following table is a summarized reconciliation of the change in capital assets.

Table 8
Changes in Capital Assets
(in thousands)

	Governmental Activities	Business-type Activities	Total
Beginning balance	\$ 20,589,836	\$ 6,608,349	\$ 27,198,185
Additions	7,814,900	136,405	7,951,305
Retirements	(185,870)	(200,000)	(385,870)
Depreciation	(1,549,782)	(480,445)	(2,030,227)
Ending balance	<u>\$ 26,669,084</u>	<u>\$ 6,064,309</u>	<u>\$ 32,733,393</u>

The City depreciates all its capital assets except for land.

Debt Outstanding

As of June 30, 2005 the City had \$3,445,000 in debt (bonds, notes, etc.) outstanding compared to the \$4,205,000 last year, an 18% net decrease from debt retirement.

Table 9
Outstanding Debt at Year End

	Totals	
	2004	2005
Governmental		
General obligation	\$ 4,195,000	\$ 3,445,000
Business-type		
Utility	10,000	-
Total	<u>\$ 4,205,000</u>	<u>\$ 3,445,000</u>

For more detailed information see the Notes to Basic Financial Statements (pages 24-35).

ECONOMIC FACTOR

The economy of the City and its major initiatives are discussed in detail in the accompanying Transmittal Letter.

FINANCIAL CONTACT

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the City's Finance Director at 930 Chemawa Road NE, Keizer, Oregon 97303.

BASIC FINANCIAL STATEMENTS

CITY OF KEIZER, OREGON
STATEMENT OF NET ASSETS
JUNE 30, 2005

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ 8,463,278	\$ 3,117,008	\$ 11,580,286
Accounts receivable	833,032	400,376	1,233,408
Property taxes receivable	423,819	31,105	454,924
Assessment liens receivable	895	39,006	39,901
Inventories	-	65,091	65,091
Nondepreciable capital assets	-	371,759	371,759
Other capital assets	26,669,084	5,692,550	32,361,634
<i>Total Assets</i>	<i>36,390,108</i>	<i>9,716,895</i>	<i>46,107,003</i>
LIABILITIES			
Accounts payable	1,955,079	421,699	2,376,778
Accrued expenses payable	-	171	171
Deposits	35,646	93,159	128,805
Noncurrent liabilities:			
Due within one year:			
Bonds payable	780,000	-	780,000
Accrued compensated absences	164,607	21,246	185,853
Due in more than one year:			
Bonds payable	2,665,000	-	2,665,000
Accrued compensated absences	190,672	36,482	227,154
<i>Total Liabilities</i>	<i>5,791,004</i>	<i>572,757</i>	<i>6,363,761</i>
NET ASSETS			
Investment in capital assets (net of related debt)	23,224,084	5,692,550	28,916,634
Reserved for special purposes	3,281,549	2,457,382	5,738,931
Unrestricted	4,093,471	994,206	5,087,677
<i>Total Net Assets</i>	<i>\$ 30,599,104</i>	<i>\$ 9,144,138</i>	<i>\$ 39,743,242</i>

The accompanying notes are an integral part of the financial statements.

CITY OF KEIZER, OREGON
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

		Program Revenues	
		Fees, Fines, and Charges for Services	Operating Grants and Contributions
	Expenses		
FUNCTIONS/PROGRAMS			
Governmental Activities:			
General government	\$ 2,263,474	\$ 147,149	\$ 187,714
Community and youth services	4,400	-	-
Community development	1,553,543	57,207	618
Parks	175,029	2,350	4,550
Public safety	5,181,421	473,327	53,549
Public works	726,596	82,025	1,658,353
Stadium operations	40,610	53,053	-
Interest on long-term debt	190,224	-	-
<i>Total Governmental Activities</i>	10,135,297	815,111	1,904,784
Business-type Activities:			
Water	2,041,226	1,997,748	2,934
Sewer and storm drain	4,074,941	3,905,878	-
Street lighting	399,682	467,401	-
<i>Total Business-type Activities</i>	6,515,849	6,371,027	2,934
<i>Total Activities</i>	<u>\$ 16,651,146</u>	<u>\$ 7,186,138</u>	<u>\$ 1,907,718</u>

General Revenues:

Taxes
Franchise fees
Intergovernmental - unrestricted
Miscellaneous
Gain (loss) on disposition of capital assets

Total General Revenues

Change in Net Assets

Net Assets, July 1, 2004

Net Assets, June 30, 2005

<i>Net (Expenses) Revenues and Changes in Net Assets</i>			
<i>Capital Grants and Contributions</i>	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
\$ 116,739	\$ (1,811,872)	\$ -	\$ (1,811,872)
-	(4,400)	-	(4,400)
400,000	(1,095,718)	-	(1,095,718)
71,101	(97,028)	-	(97,028)
7,645	(4,646,900)	-	(4,646,900)
22,513	1,036,295	-	1,036,295
-	12,443	-	12,443
-	(190,224)	-	(190,224)
617,998	(6,797,404)	-	(6,797,404)
135,292	-	94,748	94,748
243,193	-	74,130	74,130
-	-	67,719	67,719
378,485	-	236,597	236,597
<u>\$ 996,483</u>	<u>(6,797,404)</u>	<u>236,597</u>	<u>(6,560,807)</u>
	6,332,711	-	6,332,711
	1,947,010	-	1,947,010
	771,629	-	771,629
	260,848	50,115	310,963
	733,908	(200,000)	533,908
	10,046,106	(149,885)	9,896,221
	3,248,702	86,712	3,335,414
	27,350,402	9,057,426	36,407,828
<u>\$ 30,599,104</u>	<u>\$ 9,144,138</u>	<u>\$ 39,743,242</u>	

The accompanying notes are an integral part of the financial statements.

CITY OF KEIZER, OREGON
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2005

	<u>General</u>	<u>Street</u>	<u>Housing Services</u>
ASSETS			
Cash and investments	\$ 1,088,946	\$ 1,930,230	\$ 121,113
Accounts receivable	247,304	147,199	-
Property taxes receivable	178,924	-	-
Assessment liens receivable	-	895	-
Due from other funds	39,602	-	-
Other receivables	-	-	267,849
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	<u>\$ 1,554,776</u>	<u>\$ 2,078,324</u>	<u>\$ 388,962</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 142,851	\$ 173,840	\$ -
Deposits	34,548	700	-
Due to other funds	-	-	-
Deferred revenue	133,755	895	267,848
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	311,154	175,435	267,848
Fund Balances			
Unreserved, reported in:			
General fund	1,243,622	-	-
Special revenue funds	-	1,902,889	121,114
Capital projects funds	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Fund Balances</i>	<u>1,243,622</u>	<u>1,902,889</u>	<u>121,114</u>
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 1,554,776</u>	<u>\$ 2,078,324</u>	<u>\$ 388,962</u>

<i>Urban Renewal Project</i>	<i>Urban Renewal Tax Increment</i>	<i>Other Governmental Funds</i>	<i>Totals</i>
\$ 3,029,135	\$ 938,120	\$ 1,355,734	\$ 8,463,278
2	-	170,678	565,183
-	244,895	-	423,819
-	-	-	895
-	-	-	39,602
-	-	-	267,849
<u>\$ 3,029,137</u>	<u>\$ 1,183,015</u>	<u>\$ 1,526,412</u>	<u>\$ 9,760,626</u>
\$ 1,315,937	\$ -	\$ 322,451	\$ 1,955,079
400	-	-	35,648
-	-	39,602	39,602
-	186,440	-	588,938
<u>1,316,337</u>	<u>186,440</u>	<u>362,053</u>	<u>2,619,267</u>
-	-	-	1,243,622
1,712,800	996,575	228,962	4,962,340
-	-	935,397	935,397
<u>1,712,800</u>	<u>996,575</u>	<u>1,164,359</u>	<u>7,141,359</u>
<u>\$ 3,029,137</u>	<u>\$ 1,183,015</u>	<u>\$ 1,526,412</u>	<u>\$ 9,760,626</u>

The accompanying notes are an integral part of the financial statements.

CITY OF KEIZER, OREGON

RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

RECONCILIATION TO THE STATEMENT OF NET ASSETS

<i>Fund Balances</i>	\$ 7,141,359
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.	588,940
Capital assets are not financial resources in governmental funds, but are reported in the Statement of Net Assets at their net depreciable value.	26,669,084
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 governmental funds.	(3,800,279)
<i>Net assets of governmental activities</i>	<u>\$ 30,599,104</u>

The accompanying notes are an integral part of the financial statements.

CITY OF KEIZER, OREGON**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005**

	<u>General</u>	<u>Street</u>	<u>Housing Services</u>
REVENUES			
Taxes and assessments	\$ 2,704,353	\$ 2,440	\$ -
Licenses and permits	2,070,679	74,333	-
Intergovernmental	580,063	1,658,463	8,714
Fines and forfeitures	473,327	-	-
Miscellaneous	148,644	63,235	2,423
<i>Total Revenues</i>	<i>5,977,066</i>	<i>1,798,471</i>	<i>11,137</i>
EXPENDITURES			
Current operating:			
General government	685,280	-	-
Community and youth services	4,400	-	-
Community development	363,054	-	-
Parks	125,563	-	-
Public safety	4,757,767	-	-
Public works	-	716,465	-
Stadium operations	40,610	-	-
Capital outlay	10,942	1,130,309	-
Debt service	-	-	-
<i>Total Expenditures</i>	<i>5,987,616</i>	<i>1,846,774</i>	<i>-</i>
REVENUES OVER (UNDER) EXPENDITURES	(10,550)	(48,303)	11,137
OTHER FINANCING SOURCES (USES)			
Loan proceeds	-	-	-
Loan payment	-	-	-
Land sale proceeds	-	-	-
Interfund loan	-	-	-
Transfers in	659	-	-
Transfers out	(283,832)	-	-
<i>Total Other Financing Sources (Uses)</i>	<i>(283,173)</i>	<i>-</i>	<i>-</i>
NET CHANGE IN FUND BALANCES	(293,723)	(48,303)	11,137
FUND BALANCES, Beginning of year	1,537,345	1,951,192	109,977
FUND BALANCES, End of year	\$ 1,243,622	\$ 1,902,889	\$ 121,114

<i>Urban Renewal Project</i>	<i>Urban Renewal Tax Increment</i>	<i>Other Governmental Funds</i>	<i>Totals</i>
\$ -	\$ 3,727,076	\$ -	\$ 6,433,869
-	-	200,376	2,345,388
-	-	382,834	2,630,074
-	-	-	473,327
76,007	37,845	491,733	819,887
76,007	3,764,921	1,074,943	12,702,545
-	-	155,898	841,178
-	-	-	4,400
1,264,994	-	8,500	1,636,548
-	-	6,602	132,165
-	-	243,479	5,001,246
-	-	-	716,465
-	-	-	40,610
4,734,521	-	1,935,567	7,811,339
-	940,224	-	940,224
5,999,515	940,224	2,350,046	17,124,175
(5,923,508)	2,824,697	(1,275,103)	(4,421,630)
2,514,912	-	-	2,514,912
-	(2,514,912)	-	(2,514,912)
919,778	-	-	919,778
(1,126,953)	-	1,126,953	-
-	-	283,832	284,491
-	-	(659)	(284,491)
2,307,737	(2,514,912)	1,410,126	919,778
(3,615,771)	309,785	135,023	(3,501,852)
5,328,571	686,790	1,029,336	10,643,211
<u>\$ 1,712,800</u>	<u>\$ 996,575</u>	<u>\$ 1,164,359</u>	<u>\$ 7,141,359</u>

The accompanying notes are an integral part of the financial statements.

CITY OF KEIZER, OREGON

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**

Net change in fund balances - total governmental funds \$ (3,501,852)

Amounts reported for governmental activities in the statement of activities are different
because:

Governmental funds defer revenues that do not provide current financial resources.

However, the Statement of Activities recognizes such revenues at their net realizable value
when earned, regardless of when received.

(52,454)

Governmental funds do not report expenditures for unpaid compensated absences, interest
expense, or arbitrage 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.

(26,240)

Capital outlays are reported as expenditures in governmental funds. However, the
Statement of Activities allocates the cost of capital outlay over their estimated useful
lives as depreciation expense.

6,079,248

Proceeds from the issuance of long-term debt provide current financial resources to
governmental funds and are reported as revenues. In the same way, repayments of
long-term debt use current financial resources and are reported as expenditures in
governmental funds. However, neither the receipt of debt proceeds nor the payment of
debt principal affect the Statement of Activities, but are reported as increases and
decreases in noncurrent liabilities in the Statement of Net Assets.

750,000

Change in net assets of governmental activities.

\$ 3,248,702

The accompanying notes are an integral part of the financial statements.

CITY OF KEIZER, OREGON
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2005

	<u>Sewer</u>	<u>Water</u>	<u>Sewer Reserve</u>
ASSETS			
Current Assets			
Cash and investments	\$ 221,552	\$ 1,343,966	\$ 679,117
Accounts receivable	382,131	18,244	-
Property taxes receivable	-	-	-
Assessment liens receivable	-	7,031	31,975
Inventories	-	65,091	-
<i>Total Current Assets</i>	603,683	1,434,332	711,092
Noncurrent Assets			
Nondepreciable capital assets	-	371,759	-
Other capital assets	1,943,198	2,499,151	-
<i>Total Noncurrent Assets</i>	1,943,198	2,870,910	-
<i>Total Assets</i>	2,546,881	4,305,242	711,092
LIABILITIES			
Current Liabilities			
Accounts payable	281,653	67,504	-
Interest payable	171	-	-
Deposits	-	332	-
Accrued compensated absences - due within one year	2,664	15,423	-
<i>Total Current Liabilities</i>	284,488	83,259	-
Noncurrent Liabilities			
Accrued compensated absences	4,003	33,362	-
<i>Total Liabilities</i>	288,491	116,621	-
NET ASSETS			
Investment in capital assets (net of related debt)	1,943,198	2,499,151	-
Unreserved	315,192	1,689,470	711,092
<i>Total Net Assets</i>	<u>\$ 2,258,390</u>	<u>\$ 4,188,621</u>	<u>\$ 711,092</u>

<i>Lighting Districts</i>	<i>Water Facility</i>	<i>Totals</i>
\$ 132,116	\$ 740,257	\$ 3,117,008
1	-	400,376
31,105	-	31,105
-	-	39,006
-	-	65,091
163,222	740,257	3,652,586
-	-	371,759
-	1,250,201	5,692,550
-	1,250,201	6,064,309
163,222	1,990,458	9,716,895
5,369	67,173	421,699
-	-	171
-	92,827	93,159
1,024	-	19,111
6,393	160,000	534,140
1,252	-	38,617
7,645	160,000	572,757
-	1,250,201	5,692,550
155,577	580,257	3,451,588
\$ 155,577	\$ 1,830,458	\$ 9,144,138

The accompanying notes are an integral part of the financial statements.

CITY OF KEIZER, OREGON**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS**
YEAR ENDED JUNE 30, 2005

	<i><u>Sewer</u></i>	<i><u>Water</u></i>	<i><u>Sewer Reserve</u></i>
OPERATING REVENUES			
Taxes and assessments	\$ 140	\$ -	\$ -
Licenses and permits	4,274	45,623	-
Charges for services	3,901,289	1,938,765	-
Miscellaneous	6,032	16,294	-
	<u> </u>	<u> </u>	<u> </u>
<i>Total Operating Revenues</i>	3,911,735	2,000,682	-
OPERATING EXPENSES			
Personnel services	159,616	859,213	-
Materials and services	3,714,461	838,891	62,491
Depreciation	137,860	294,165	-
	<u> </u>	<u> </u>	<u> </u>
<i>Total Operating Expenses</i>	4,011,937	1,992,269	62,491
OPERATING INCOME (LOSS)	(100,202)	8,413	(62,491)
NONOPERATING REVENUES (EXPENSES)			
Investment revenue	175	26,952	1,786
Interest expense	(513)	-	-
Loss on disposal of capital assets	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
	<u> </u>	<u> </u>	<u> </u>
<i>Total Nonoperating Revenue (Expenses)</i>	(338)	26,952	1,786
CAPITAL CONTRIBUTIONS	-	-	243,193
	<u> </u>	<u> </u>	<u> </u>
CHANGE IN NET ASSETS	(100,540)	35,365	182,488
NET ASSETS, Beginning of year	<u>2,358,930</u>	<u>4,153,256</u>	<u>528,604</u>
NET ASSETS, End of year	<u>\$ 2,258,390</u>	<u>\$ 4,188,621</u>	<u>\$ 711,092</u>

<i>Lighting Districts</i>	<i>Water Facility</i>	<i>Totals</i>
\$ -	\$ -	\$ 140
-	-	49,897
467,401	-	6,307,455
-	-	22,326
467,401	-	6,379,818
43,827	-	1,062,656
355,855	537	4,972,235
-	48,420	480,445
399,682	48,957	6,515,336
67,719	(48,957)	(135,518)
-	15,345	44,258
-	-	(513)
-	(200,000)	(200,000)
-	-	-
-	-	-
-	(184,655)	(156,255)
-	135,292	378,485
67,719	(98,320)	86,712
87,858	1,928,778	9,057,426
<u>\$ 155,577</u>	<u>\$ 1,830,458</u>	<u>\$ 9,144,138</u>

The accompanying notes are an integral part of the financial statements.

CITY OF KEIZER, OREGON
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2005

	<i>Sewer Fund</i>	<i>Water Fund</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 3,975,112	\$ 2,162,536
Cash paid to employees for services	(158,869)	(844,702)
Cash paid to suppliers for goods and services	(3,706,309)	(865,802)
<i>Net Cash Provided by Operating Activities</i>	109,934	452,032
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(782)	(43,896)
Principal paid on contracts/bonds payable	(10,000)	-
Contribution of capital	-	-
Interest paid	(513)	-
<i>Net Cash Used in Capital Related Financing Activities</i>	(11,295)	(43,896)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	174	26,952
<i>Increase (Decrease) in Cash and Investments</i>	98,813	435,088
CASH AND INVESTMENTS, Beginning of year	122,739	908,878
CASH AND INVESTMENTS, End of year	<u>\$ 221,552</u>	<u>\$ 1,343,966</u>
RECONCILIATION OF CASH PROVIDED BY OPERATING ACTIVITIES TO OPERATING INCOME (LOSS)		
Operating income	\$ (100,202)	\$ 8,413
Depreciation	137,860	294,165
Change in assets and liabilities		
Accounts receivable	63,377	178,426
Inventory	-	817
Accounts payable and accrued liabilities	8,152	(44,432)
Compensated absences payable	747	14,511
Deposits payable	-	132
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 109,934</u>	<u>\$ 452,032</u>

<i>Sewer Reserve Fund</i>	<i>Lighting District Fund</i>	<i>Water Facility Fund</i>	<i>Totals</i>
\$ (2,135)	\$ 458,480	\$ 6,848	\$ 6,600,841
-	(43,827)	-	(1,047,398)
(62,491)	(355,409)	(8,675)	(4,998,686)
<u>(64,626)</u>	<u>59,244</u>	<u>(1,827)</u>	<u>554,757</u>
-	-	(91,728)	(136,406)
-	-	-	(10,000)
243,193	-	135,292	378,485
-	-	-	(513)
<u>243,193</u>	<u>-</u>	<u>43,564</u>	<u>231,566</u>
1,786	-	15,345	44,257
<u>180,353</u>	<u>59,244</u>	<u>57,082</u>	<u>830,580</u>
498,764	72,872	683,175	2,286,428
<u>\$ 679,117</u>	<u>\$ 132,116</u>	<u>\$ 740,257</u>	<u>\$ 3,117,008</u>
\$ (62,491)	\$ 67,719	\$ (48,957)	\$ (135,518)
-	-	48,420	480,445
(2,135)	(8,921)	-	230,747
-	-	-	817
-	446	(8,138)	(43,972)
-	-	-	15,258
-	-	6,848	6,980
<u>\$ (64,626)</u>	<u>\$ 59,244</u>	<u>\$ (1,827)</u>	<u>\$ 554,757</u>

The accompanying notes are an integral part of the financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

The City was established in November 1982.

Control of the City is vested in its Mayor and City Council who are elected to office by voters within the City. Administrative functions are delegated to individuals who report to, and are responsible to, the Mayor and City Council. The chief administrative officer is the City Manager.

As defined by accounting principles generally accepted in the United States of America, the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. The City of Keizer's financial statements include the Keizer Urban Renewal Agency as a blended component unit. The City Council and Board of Directors of Keizer Urban Renewal Agency are composed of the same individuals.

The Keizer Urban Renewal Agency does not issue separate financial statements.

Basic Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Government-wide financial statements display information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Assets and the Statement of Activities.

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

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, or fiduciary. Currently, the City has general, special revenue, debt service and proprietary type funds. Major individual governmental funds, major individual special revenue funds, and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the other supplementary information.

CITY OF KEIZER, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2005

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, receipts and disbursements. The various funds are reported by generic classification within the financial statements.

The reporting model sets forth minimum criteria (percentage of the assets liabilities, revenues or expenses of either fund category or the government and enterprise combined) for the determination of major funds.

The City reports the following major governmental funds:

General Fund - this fund accounts for the activities of the City which are not accounted for in any other fund. Principal sources of revenue are property taxes, franchise fees and state and county shared revenues. Primary expenditures are for police protection, parks, planning and general government.

Special Revenue Funds

Street Fund - this fund accounts for highway gas tax apportionments from the State of Oregon. Expenditures are as specified under Article IX, Section 3 of the Constitution of the State of Oregon.

Housing Services Fund - this fund accounts for rehabilitation loans to qualifying borrowers. Revenues are primarily from grant revenue and loan repayments.

Urban Renewal Agency Funds - these funds account for the activity of the Urban Renewal Agency, a blended component unit. Taxes are the primary source of revenue. Expenditures are for urban renewal purposes.

The City reports the following nonmajor governmental funds:

Special Revenue Funds

Revenue Sharing - this fund accounts for State Revenue Sharing Funds. Primary expenditures are for police protection, parks, planning and general government.

Local Law Enforcement Grant - this fund accounts for money received to support law enforcement activities. Expenditures are for purposes designated in the grant.

911 Emergency Communications - this fund accounts for 911 funds received from the State of Oregon. Expenditures are for emergency dispatch services.

Public Education Government - this fund accounts for franchise fees assessed on cable television bills. Expenditures are for governmental cable programming.

Capital Projects Fund

Park Improvement Fund - this fund accounts for money set aside for park purposes. Designated funds and interest earnings are the primary source of revenue.

CITY OF KEIZER, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2005

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The City reports the following major proprietary funds:

Sewer Fund - this fund accounts for the operation of the City's wastewater system.

Water Fund - this fund accounts for the operation of the City's water system.

Sewer Reserve Fund - this fund accounts for money set aside for future sewer system expansion.

Lighting Districts Fund - this fund accounts for assessments received to pay for street lighting.

Water Facility Fund - this fund accounts for money set aside for future water system expansion.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide financial statements and the proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net assets. Net assets are segregated into investment in capital assets, net of related debt, restricted and unrestricted components. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Those revenues susceptible to accrual are property taxes, franchise fees, licenses, interest revenue and charges for services. Fines and permits revenues are not susceptible to accrual because generally they are not measurable until received in cash.

Transfers between funds are to facilitate operations.

The City has adopted Governmental Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting." The City has elected to apply all applicable GASB pronouncements, as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. As allowed under GASB No. 20, the City has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by the GASB.

CITY OF KEIZER, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2005

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reporting amounts of certain assets, liabilities, revenues and expenses as of and for the year ended June 30, 2005. Actual results may differ from such estimates.

Cash and Investments

Statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, banker's acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial paper Record, and the State Treasurer's Investment Pool.

Investments are stated at cost, which approximates fair value. Fair value is defined as the amount at which an investment could be exchanged between willing parties, other than in a forced or liquidation sale. The fair value adjustment is an "unrealized" gain or loss and is reported with other interest income. No investments are carried at amortized cost.

For purposes of the statement of cash flows, the proprietary funds consider cash and cash equivalents to include cash and investment pool amounts since they have the characteristics of demand deposits.

Receivables and Deferred Revenues

Receivables for state, county and local shared revenues, included in accounts receivable, are recorded as revenue in the governmental funds as earned.

Receivables of the business-type funds are recorded as revenue as earned.

Property taxes receivable for the governmental fund types, which have been collected within sixty days subsequent to year end, are considered measurable and available and are recognized as revenues. All other property taxes are offset by deferred property tax revenues and, accordingly, have not been recorded as revenue. Real and personal property taxes are levied upon all taxable property within the City and become liens against the property as of July 1 of each year and are payable in three installments which are due on November 15, February 15, and May 15. Discounts are allowed if the amount due is received by February 15. Taxes unpaid and outstanding on May 16 are considered delinquent. Property taxes receivable by the City represent the City's allocated share of delinquent property taxes and other amounts to be collected from property owners within Marion County, Oregon.

Assessment liens in the governmental fund types are recognized as receivables at the time property owners are assessed for property improvements. All assessments receivable are offset by a deferred revenue account and, accordingly, have not been recorded as revenue.

Interest earned on assessments in the governmental fund types is accrued when due and is approximately offset by the related improvement bond interest expenditure which is also recognized when due.

Inventory

Inventory in the business-type funds is stated at cost (first-in, first-out basis) and is charged to expense as used.

CITY OF KEIZER, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2005

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets are stated at cost or estimated historical cost. Donated assets are recorded at fair market value at date of donation. Estimated fair market value of donated assets is determined based on engineering estimates of current cost or price indexed cost.

Normal maintenance and repairs are charged to operations as incurred. Major additions, improvements and replacements are capitalized. Gains or losses from sales or retirements of fixed assets are included in operations.

Capital assets include land, right-of-way (included with land), buildings, improvements, equipment, infrastructure, and other tangible and intangible assets costing over \$5,000 used in operations that have initial useful lives extending beyond a single reporting period. Infrastructure are those capital assets that are stationary in nature and can be preserved for a significantly greater number of years than most other capital assets. Infrastructure reported in governmental activities consists of roads, bridges, sidewalks, and traffic and lighting systems. Infrastructure reported in business-type activities consist of water, stormwater and wastewater collection systems.

As permitted by GASB 34, the City has limited the retroactive capitalization of governmental fund infrastructure to fiscal years ended after June 30, 1980. Although, the majority of such infrastructure was placed in service before that date, it has not been included in these financial statements since they have been primarily depreciated. In addition, the City has chosen to report infrastructure in the governmental activities column of the government-wide financial statements immediately rather than defer reporting to June 30, 2006.

Capital assets are depreciated unless they are inexhaustible in nature (e.g., land and right-of-ways). Depreciation is an accounting process to allocate the cost of capital assets to expense in a systematic and rational manner to those periods expected to benefit from the use of capital assets. Depreciation is not intended to represent an estimate in the decline of fair market value, nor are capital assets, net of accumulated depreciation, intended to represent an estimate of the current condition of the assets, or the maintenance requirements needed to maintain the assets at their current level of condition.

Depreciation is computed over the estimated useful lives of the capital assets. All estimates of useful lives are based on actual experience by City departments with identical or similar capital assets. Depreciation is calculated on the straight-line basis, except for infrastructure and improvements other than buildings reported in the governmental activities column of the government-wide financial statements, which are calculated using a composite depreciation method. The estimated useful lives of the various categories of assets are as follows:

Buildings	30-50 years
Improvements other than buildings	20 years
Infrastructure	20-40 years
Equipment	3-15 years

Upon disposal of capital assets, cost and accumulated depreciation are removed from the accounts and, if appropriate, a gain or loss on the disposal is recognized. In accordance with the composite depreciation method, no gain or loss is recorded upon disposal, but rather, cost is removed from the capital asset account and charged to the accumulated depreciation account.

CITY OF KEIZER, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2005

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Debt

Long-term debt directly related and expected to be paid from the enterprise funds is recorded in these funds. All other unmatured long-term debt is recorded on the Statement of Net Assets. Urban Renewal Agency bonds are payable from the Urban Renewal Tax Increment Fund.

Accrued Vacation Pay

Accumulated vested vacation pay is accrued in the government-wide and enterprise funds financial statements as it is earned by employees. In governmental fund types the amounts, if any, that have matured and will be paid from available resources.

The City has a policy which permits employees to accumulate unused sick pay at the rate of eight hours per month up to a maximum of 960 hours. Portions of sick pay accumulated at any point in time can be expected to be redeemed before termination of employment, however, such redemptions cannot be reasonably estimated.

Budget and Budgetary Accounting

The City Council adopts the budget on a departmental basis for the General Fund and object level for all other funds. Expenditures may not legally exceed that fund's appropriations. Management has no authority outside of budgeted appropriations. City Council may, by resolution, transfer appropriations. Public hearings before a budget committee and the City Council and formal newspaper publications of certain budgetary information must be conducted prior to the formal adoption of the budget by City resolution. The City Council may amend the budget to expend unforeseen receipts by supplemental appropriations. Supplemental budgets require public hearings, newspaper publications and approval by the City Council prior to enactment. No supplemental budgets were required in the current year. Budgets are adopted on the modified accrual basis of accounting. Appropriations lapse at year-end and may not be carried over.

CASH AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds, except for restricted cash and investments. Each fund type's portion of this pool is displayed as part of "cash and investments." Cash and investments are comprised of the following at June 30, 2005:

	<i>Carrying Value</i>	<i>Fair Value</i>
Cash		
Cash on hand	\$ 1,450	\$ 1,450
Deposits with financial institutions	5,745,630	5,745,630
Investments		
Local Government Investment Pool	5,833,206	5,833,206
	<u>\$ 11,580,286</u>	<u>\$ 11,580,286</u>

CITY OF KEIZER, OREGON**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)****YEAR ENDED JUNE 30, 2005**

CASH AND INVESTMENTS (Continued)*Deposits*

At year end, the book balance of the City's bank deposits (checking accounts) is \$5,745,630 and the bank balance is \$6,013,258. The difference is due to transactions in process. The first \$100,000 of the general deposit balance is insured by federal depository insurance. Of the remaining balance, \$1,478,772 is secured by collateral that is held by the pledging banks' custodian acting as agents for the City in the City's name, and \$4,434,486 is uncollateralized.

Investments

State statutes authorize the City to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial paper and the state treasurer's investment pool, among others.

The State Treasurer of the State of Oregon maintains the Oregon Short-term Fund, of which the Local Government Investment Pool is part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, the investment funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. The Oregon Short Term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). At June 30, 2005, the fair value of the position in the Oregon State Treasurer's Short-term Investment Pool was equal to approximately 100% of the value of the pool shares. The investment in the Oregon Short-term Fund is not subject to risk evaluation. Separate financial statements for the Oregon Short-term Fund are available from the Oregon State Treasurer.

RECEIVABLES

	<i>General</i>	<i>Special Revenue</i>	<i>Enterprise</i>	<i>Total</i>
Accounts	\$ 247,290	\$ 625,728	\$ 400,376	\$ 1,273,394
Property taxes	178,721	245,098	31,105	454,924
Property assessments				
Bonded				
Sewer	-	-	39,006	39,006
Street	-	895	-	895
	<u>\$ 426,011</u>	<u>\$ 871,721</u>	<u>\$ 470,487</u>	<u>\$ 1,768,219</u>

CITY OF KEIZER, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2005

RECEIVABLES (Continued)

Property Taxes - Collection Procedures

Taxes are levied on July 1 and are payable in three installments due November 15, February 15, and May 15. The County bills and collects property taxes for the City.

	#	<u>Balances July 1, 2004</u>	<u>2004-05 Levy</u>	<u>Added To Rolls</u>	<u>Discounts & Adjustments</u>	<u>Collections</u>	<u>Balances June 30, 2005</u>
General Fund							
Current	\$	-	\$ 2,772,455	\$ 3,738	\$ (92,239)	\$ (2,582,450)	\$ 101,504
Prior		190,687	-	693	(53,887)	(60,073)	77,420
	\$	<u>190,687</u>	<u>\$ 2,772,455</u>	<u>\$ 4,431</u>	<u>\$ (146,126)</u>	<u>\$ (2,642,523)</u>	<u>\$ 178,924</u>
Urban Renewal Fund							
Current	\$	-	\$ 3,906,579	\$ 5,267	\$ (130,460)	\$ (3,638,849)	\$ 142,537
Prior		253,405	-	920	(70,066)	(81,901)	102,358
	\$	<u>253,405</u>	<u>\$ 3,906,579</u>	<u>\$ 6,187</u>	<u>\$ (200,526)</u>	<u>\$ (3,720,750)</u>	<u>\$ 244,895</u>
Lighting District Fund							
Current	\$	-	\$ 481,038	\$ 649	\$ (9,100)	\$ (448,025)	\$ 24,562
Prior		22,182	-	120	(5,306)	(10,453)	6,543
	\$	<u>22,182</u>	<u>\$ 481,038</u>	<u>\$ 769</u>	<u>\$ (14,406)</u>	<u>\$ (458,478)</u>	<u>\$ 31,105</u>

CAPITAL ASSETS

The summary of capital assets for the business-type activities for the year ended June 30, 2005 is as follows:

	<u>Balances July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances June 30, 2005</u>
NON-DEPRECIABLE				
Land and improvements	\$ 371,759	\$ -	\$ -	\$ 371,759
DEPRECIABLE				
Buildings	697,639	-	-	697,639
Water and sewer systems	13,443,298	110,998	(200,000)	13,354,296
Equipment and vehicles	240,943	25,407	(8,430)	257,920
Total depreciable	<u>14,381,880</u>	<u>136,405</u>	<u>(208,430)</u>	<u>14,309,855</u>

CITY OF KEIZER, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2005

CAPITAL ASSETS (Continued)

	<i>Balances July 1, 2004</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balances June 30, 2005</i>
ACCUMULATED DEPRECIATION				
Buildings	(455,230)	(34,882)	-	(490,112)
Water and sewer systems	(7,572,694)	(393,979)	-	(7,966,673)
Equipment and vehicles	(117,366)	(51,584)	8,430	(160,520)
<i>Total accumulated depreciation</i>	<i>(8,145,290)</i>	<i>(480,445)</i>	<i>8,430</i>	<i>(8,617,305)</i>
<i>Business-type activities capital assets, net</i>	<i>\$ 6,608,349</i>	<i>\$ (344,040)</i>	<i>\$ (200,000)</i>	<i>\$ 6,064,309</i>

The changes in the capital assets for governmental activities for the year ended June 30, 2005 are as follows:

	<i>Balances July 1, 2004</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balances June 30, 2005</i>
DEPRECIABLE				
Buildings	\$ 7,667,084	\$ 1,858,247	\$ (270,031)	\$ 9,255,300
Equipment and vehicles	1,236,236	326,251	(46,390)	1,516,097
Infrastructure	22,322,213	5,630,402	-	27,952,615
<i>Total depreciable</i>	<i>31,225,533</i>	<i>7,814,900</i>	<i>(316,421)</i>	<i>38,724,012</i>
ACCUMULATED DEPRECIATION				
Buildings	(7,539,213)	(827,994)	-	(8,367,207)
Equipment and vehicles	(957,427)	(205,603)	46,390	(1,116,640)
Infrastructure	(2,139,057)	(516,185)	84,161	(2,571,081)
<i>Total accumulated depreciation</i>	<i>(10,635,697)</i>	<i>(1,549,782)</i>	<i>130,551</i>	<i>(12,054,928)</i>
<i>Governmental activities capital assets, net</i>	<i>\$ 20,589,836</i>	<i>\$ 6,265,118</i>	<i>\$ (185,870)</i>	<i>\$ 26,669,084</i>

CITY OF KEIZER, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2005

LONG-TERM OBLIGATIONS

Long-term debt transactions for the year were as follows:

	<u>Outstanding July 1, 2004</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2005</u>	<u>Due in One Year</u>
<i>Governmental activities</i>					
2001 URA, Series A	\$ 2,820,000	\$ -	\$ (315,000)	\$ 2,505,000	\$ 320,000
2001 URA, Series B	1,375,000	-	(435,000)	940,000	460,000
	<u>\$ 4,195,000</u>	<u>\$ -</u>	<u>\$ (750,000)</u>	<u>\$ 3,445,000</u>	<u>\$ 780,000</u>
Accrued compensated absences	<u>\$ 329,038</u>	<u>\$ 352,595</u>	<u>\$ (326,354)</u>	<u>\$ 355,279</u>	<u>\$ 164,607</u>
<i>Business-type activities</i>					
1984 GO Sewer Bonds	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ (10,000)</u>	<u>\$ -</u>	<u>\$ -</u>
Accrued compensated absences	<u>\$ 42,470</u>	<u>\$ 45,511</u>	<u>\$ (30,253)</u>	<u>\$ 57,728</u>	<u>\$ 21,246</u>

The future maturities of obligations outstanding as of June 30, 2005:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 780,000	\$ 153,375	\$ 933,375
2006	830,000	113,100	943,100
2007	270,000	85,000	355,000
2008	285,000	71,125	356,125
2009	300,000	56,500	356,500
2010-2013	980,000	75,250	1,055,250
	<u>\$ 3,445,000</u>	<u>\$ 554,350</u>	<u>\$ 3,999,350</u>

CITY OF KEIZER, OREGON**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)****YEAR ENDED JUNE 30, 2005**

PENSION PLANS*Plan Description*

Certain City employees participate in the Oregon Public Employee's Retirement System (PERS). Contributions are made for employees after six months of employment unless they are members of PERS, and eligible for contributions when they begin employment. PERS is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for government units in the State of Oregon. Benefits generally vest after five years of continuous service in a PERS covered position. Retirement is allowed at age 58 or 30 years of service with unreduced benefits, but retirement is generally available after age 55 with reduced benefits. Compulsory retirement age is 70. Contributions made by, or on behalf of, the employee are payable in a lump sum or monthly amounts using several payment options. Contributions made on behalf of the employee to the employer account can only be taken in monthly payments. PERS also provides death and disability benefits. These benefit provisions and other requirements are established by state statutes, Chapter 238, Oregon Revised Statutes. PERS issues a publicly available comprehensive annual financial report that includes financial statements and required supplemental information. The stand-alone report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700.

Funding Policy

The City's contributions rate, based on the most current actuarial valuation, was 13.89% of covered payroll. The required employee contribution is 6% of covered compensation. The contribution requirements of the City are established or may be amended by the PERS Retirement Board while the employees' rate is set by the state statute, ORS 238.200. The City's payroll for employees covered by PERS for the year ended June 30, 2005 was \$2,548,099, the City's total payroll was \$4,430,891.

Annual Pension Cost

For fiscal 2004-05, the City's annual pension cost of \$353,929 for PERS was equal to the City's required and actual contributions. The required contributions and liabilities were determined as part of the December 31, 2001 actuarial valuation using the entry age actuarial cost method. Because all PERS employers are required by law to submit the contributions adopted by the Retirement Board, and the employer contributions are calculated in conformance with the standards of Statement No. 27, there is no net pension obligation. The contributions actually made are the equivalent to the annual pension cost. Significant actuarial assumptions used in the valuation include (1) a rate of return on the investment of present and future assets of 8.5% per year; (b) projected annual salary increases for inflation and merit of 4.25% per year; (c) projected automatic post-retirement benefit increases of 2.0% per year; and (d) demographic assumptions that have been chosen to reflect the best estimate of emerging experience of the members of PERS. The unfunded actuarial liability is amortized as a level percentage of covered payroll over a thirty year period on an open basis.

The following table presents three-year trend information for the City's defined benefit pension plan:

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/03	\$ 140,479	100%	\$ -
6/30/04	324,212	100	-
6/30/05	353,929	100	-

CITY OF KEIZER, OREGON**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)****YEAR ENDED JUNE 30, 2005**

PENSION PLANS (Continued)*Defined Contribution*

Employees that are not covered by PERS and have worked for the city for six months, qualify for a section 401(a) qualified pension plan. The plan was established and is administered by the City Council. Contributions to the plan are 11 to 12 percent of compensation paid by the City. There are no employee contributions. Contributions for the year ended June 30, 2005, amounted to \$353,929. Plan assets are invested in registered mutual funds. Benefits are provided at normal retirement age or under other circumstances such as death or disability.

Deferred Compensation

The City offers its permanent, full-time employees a deferred compensation plan under Internal Revenue Code section 457 wherein they may defer amounts earned until a future date when certain circumstances are met. These circumstances are: termination by reason of death, disability, resignation or retirement. Payment to the employees will be made in a lump sum or by annuity.

TRANSFERS

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 659	\$ 283,832
Revenue Sharing	246,000	-
Crime Prevention	4,432	659
911 Emergency	33,400	-
	<u>\$ 284,491</u>	<u>\$ 284,491</u>

Transfers are for operating purposes as determined by the City Council.

INTERFUND LOAN

A loan in the amount of \$1,126,953 was made by the Urban Renewal Project Fund to the Keizer Station LID Fund to facilitate property purchases in the current year. The loan will be repaid in the subsequent year.

CONTINGENCIES

The City purchases commercial insurance to cover all commonly insurable risks, including property, liability, vehicles, fidelity bond, worker's compensation and unemployment. All policies carry a small deductible amount. No insurance claims settled in each of the prior three years have exceeded policy coverage.

The City is a defendant in various litigation proceedings. Management believes any losses arising from these actions will not materially affect the City's financial position.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KEIZER, OREGON**SCHEDULE OF FUNDING PROGRESS - PUBLIC EMPLOYEES RETIREMENT SYSTEM****JUNE 30, 2005**

The following table presents a schedule of funding progress for the City's defined benefit pension plan:

<i>Actuarial Valuation Ending December 31</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability</i>	<i>Assets in Excess of Actuarial Liability (UAL)</i>	<i>Funded Percent</i>	<i>Covered Payroll</i>	<i>UAAL as a Percentage of Covered Payroll</i>
12/31/99	\$ 7,405,948	\$ 6,098,889	\$ (1,307,059)	121%	\$ 1,903,697	(69)%
12/31/01	7,701,879	6,403,106	(1,298,773)	120	2,255,204	(58)
12/31/03	7,782,349	8,406,202	623,853	93	2,304,166	27

CITY OF KEIZER, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -****BUDGET AND ACTUAL - GENERAL FUND****YEAR ENDED JUNE 30, 2005**

	<i>Budgeted Amounts</i>			
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Variance</i>
REVENUES				
Taxes and assessments	\$ 2,761,100	\$ 2,761,100	\$ 2,704,353	\$ (56,747)
Licenses and permits	2,036,000	2,050,000	2,070,679	20,679
Intergovernmental	534,400	558,400	580,063	21,663
Fines and forfeitures	362,500	385,500	473,327	87,827
Miscellaneous	133,000	133,000	148,644	15,644
<i>Total Revenues</i>	5,827,000	5,888,000	5,977,066	89,066
EXPENDITURES				
Administration	622,800	656,400	655,673	727
Baseball stadium project	39,600	40,700	40,610	90
Parks	153,000	156,700	137,008	19,692
Planning	332,300	378,140	363,054	15,086
Police	4,538,400	4,672,400	4,583,755	88,645
Municipal court	191,700	211,200	207,516	3,684
Contingency	88,600	41,060	-	41,060
<i>Total Expenditures</i>	5,966,400	6,156,600	5,987,616	168,984
REVENUES OVER (UNDER)				
EXPENDITURES	(139,400)	(268,600)	(10,550)	258,050
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	659	659
Transfers out	(279,400)	(279,400)	(283,832)	(4,432)
<i>Total Other Financing Sources (Uses)</i>	(279,400)	(279,400)	(283,173)	(3,773)
NET CHANGE IN FUND BALANCE	(418,800)	(548,000)	(293,723)	254,277
FUND BALANCE, Beginning of year	1,346,200	1,475,400	1,537,345	61,945
FUND BALANCE, End of year	\$ 927,400	\$ 927,400	\$ 1,243,622	\$ 316,222

The budgetary basis of accounting and GAAP are the same.

CITY OF KEIZER, OREGON**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - STREET FUND
YEAR ENDED JUNE 30, 2005**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 2,500	\$ 2,500	\$ 2,440	\$ (60)
Licenses and permits	14,800	14,800	74,333	59,533
Intergovernmental	2,348,700	2,348,700	1,658,463	(690,237)
Miscellaneous	19,500	19,500	63,235	43,735
<i>Total Revenues</i>	<u>2,385,500</u>	<u>2,385,500</u>	<u>1,798,471</u>	<u>(587,029)</u>
EXPENDITURES				
Personnel services	249,800	256,400	253,877	2,523
Materials and services	467,600	467,600	462,588	5,012
Capital outlay	2,690,000	2,683,400	1,130,309	1,553,091
Contingency	188,800	188,800	-	188,800
<i>Total Expenditures</i>	<u>3,596,200</u>	<u>3,596,200</u>	<u>1,846,774</u>	<u>1,749,426</u>
NET CHANGE IN FUND BALANCE	(1,210,700)	(1,210,700)	(48,303)	1,162,397
FUND BALANCE, Beginning of year	<u>1,368,500</u>	<u>1,368,500</u>	<u>1,951,192</u>	<u>582,692</u>
FUND BALANCE, End of year	<u>\$ 157,800</u>	<u>\$ 157,800</u>	<u>\$ 1,902,889</u>	<u>\$ 1,745,089</u>

The budgetary basis of accounting and GAAP are the same.

CITY OF KEIZER, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - HOUSING SERVICES FUND
YEAR ENDED JUNE 30, 2005**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 80,000	\$ 80,000	\$ 8,714	\$ (71,286)
Miscellaneous	1,000	1,000	2,423	1,423
<i>Total Revenues</i>	81,000	81,000	11,137	(69,863)
EXPENDITURES				
Materials and services	164,300	164,300	-	164,300
NET CHANGE IN FUND BALANCE	(83,300)	(83,300)	11,137	94,437
FUND BALANCE, Beginning of year	83,300	83,300	109,977	26,677
FUND BALANCE, End of year	\$ -	\$ -	\$ 121,114	\$ 121,114

The budgetary basis of accounting and GAAP are the same.

CITY OF KEIZER, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - URBAN RENEWAL PROJECT FUND
YEAR ENDED JUNE 30, 2005**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 23,700	\$ 23,700	\$ 76,007	\$ 52,307
EXPENDITURES				
Personnel services	216,400	227,300	225,621	1,679
Materials and services	249,000	1,049,000	1,039,373	9,627
Capital outlay	6,350,100	5,550,100	4,734,521	815,579
Contingency	200,000	189,100	-	189,100
<i>Total Expenditures</i>	<u>7,015,500</u>	<u>7,015,500</u>	<u>5,999,515</u>	<u>1,015,985</u>
REVENUES OVER (UNDER) EXPENDITURES	(6,991,800)	(6,991,800)	(5,923,508)	1,068,292
OTHER FINANCING SOURCES (USES)				
Loan proceeds	3,056,700	3,056,700	2,514,912	(541,788)
Land sale proceeds	-	-	919,778	919,778
Interfund loan	-	-	(1,126,953)	(1,126,953)
<i>Total Other Financing Sources (Uses)</i>	<u>3,056,700</u>	<u>3,056,700</u>	<u>2,307,737</u>	<u>(748,963)</u>
NET CHANGE IN FUND BALANCE	(3,935,100)	(3,935,100)	(3,615,771)	319,329
FUND BALANCE, Beginning of year	<u>4,718,100</u>	<u>4,718,100</u>	<u>5,328,571</u>	<u>610,471</u>
FUND BALANCE, End of year	<u>\$ 783,000</u>	<u>\$ 783,000</u>	<u>\$ 1,712,800</u>	<u>\$ 929,800</u>

The budgetary basis of accounting and GAAP are the same.

CITY OF KEIZER, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - URBAN RENEWAL TAX INCREMENT FUND
YEAR ENDED JUNE 30, 2005**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 3,839,000	\$ 3,839,000	\$ 3,727,076	\$ (111,924)
Miscellaneous	44,000	44,000	37,845	(6,155)
<i>Total Revenues</i>	3,883,000	3,883,000	3,764,921	(118,079)
EXPENDITURES				
Debt service	1,525,200	1,525,200	940,224	584,976
REVENUES OVER (UNDER) EXPENDITURES	2,357,800	2,357,800	2,824,697	466,897
OTHER FINANCING SOURCES (USES)				
Loan repayment	(3,056,700)	(3,056,700)	(2,514,912)	541,788
NET CHANGE IN FUND BALANCE	(698,900)	(698,900)	309,785	1,008,685
FUND BALANCE, Beginning of year	698,900	698,900	686,790	(12,110)
FUND BALANCE, End of year	\$ -	\$ -	\$ 996,575	\$ 996,575

The budgetary basis of accounting and GAAP are the same.

OTHER SUPPLEMENTARY INFORMATION

CITY OF KEIZER, OREGON**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2005

	<i>Special Revenue</i>		
	<i>Revenue Sharing</i>	<i>Local Law Enforcement Grant</i>	<i>911 Fund</i>
ASSETS			
Cash and investments	\$ 17,794	\$ -	\$ -
Accounts receivable	45,109	1,545	102,341
<i>Total Assets</i>	<u>\$ 62,903</u>	<u>\$ 1,545</u>	<u>\$ 102,341</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 4,356	\$ 1,260	\$ 31,302
Due to other funds	-	285	38,159
<i>Total Liabilities</i>	4,356	1,545	69,461
Fund Balances			
Unreserved, reported in:			
Special revenue funds	58,547	-	32,880
Capital projects funds	-	-	-
<i>Total Fund Balances</i>	<u>58,547</u>	<u>-</u>	<u>32,880</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 62,903</u>	<u>\$ 1,545</u>	<u>\$ 102,341</u>

<i>Capital Projects</i>				
<i>Public Education Government</i>	<i>Transporation Improvement</i>	<i>Keizer Station LID</i>	<i>Park Improvement</i>	<i>Totals</i>
\$ -	\$ 117,010	\$ 283,623	\$ 937,307	\$ 1,355,734
21,683	-	-	-	170,678
<u>\$ 21,683</u>	<u>\$ 117,010</u>	<u>\$ 283,623</u>	<u>\$ 937,307</u>	<u>\$ 1,526,412</u>
\$ -	\$ -	\$ 283,623	\$ 1,910	\$ 322,451
1,158	-	-	-	39,602
1,158	-	283,623	1,910	362,053
20,525	117,010	-	-	228,962
-	-	-	935,397	935,397
<u>20,525</u>	<u>117,010</u>	<u>-</u>	<u>935,397</u>	<u>1,164,359</u>
<u>\$ 21,683</u>	<u>\$ 117,010</u>	<u>\$ 283,623</u>	<u>\$ 937,307</u>	<u>\$ 1,526,412</u>

CITY OF KEIZER, OREGON**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005**

	Special Revenue		
	Revenue Sharing	Local Law Enforcement Grant	911 Fund
REVENUES			
Licenses and permits	\$ -	\$ -	\$ -
Intergovernmental	187,714	12,965	182,155
Miscellaneous	-	-	23
Total Revenues	187,714	12,965	182,178
EXPENDITURES			
Current operating:			
General government	95,898	-	-
Community development	-	-	-
Parks	-	-	-
Public safety	-	12,898	230,581
Capital outlay	307,518	-	-
Total Expenditures	403,416	12,898	230,581
REVENUES OVER (UNDER) EXPENDITURES	(215,702)	67	(48,403)
OTHER FINANCING SOURCES (USES)			
Interfund loan	-	-	-
Transfers in	246,000	4,432	33,400
Transfers out	-	(659)	-
Total Other Financing Sources (Uses)	246,000	3,773	33,400
NET CHANGE IN FUND BALANCES	30,298	3,840	(15,003)
FUND BALANCES, Beginning of year	28,249	(3,840)	47,883
FUND BALANCES, End of year	\$ 58,547	\$ -	\$ 32,880

<i>Capital Projects</i>				
<i>Public Education Government</i>	<i>Transporation Improvement</i>	<i>Keizer Station LID</i>	<i>Park Improvement</i>	<i>Totals</i>
\$ 83,637	\$ 116,739	\$ -	\$ -	\$ 200,376
-	-	-	-	382,834
56	271	400,000	91,383	491,733
83,693	117,010	400,000	91,383	1,074,943
60,000	-	-	-	155,898
-	-	8,500	-	8,500
-	-	-	6,602	6,602
-	-	-	-	243,479
51,509	-	1,518,453	58,087	1,935,567
111,509	-	1,526,953	64,689	2,350,046
(27,816)	117,010	(1,126,953)	26,694	(1,275,103)
-	-	1,126,953	-	1,126,953
-	-	-	-	283,832
-	-	-	-	(659)
-	-	1,126,953	-	1,410,126
(27,816)	117,010	-	26,694	135,023
48,341	-	-	908,703	1,029,336
\$ 20,525	\$ 117,010	\$ -	\$ 935,397	\$ 1,164,359

CITY OF KEIZER, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -****BUDGET AND ACTUAL - REVENUE SHARING FUND****YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Intergovernmental	\$ 169,100	\$ 169,100	\$ 187,714	\$ 18,614
EXPENDITURES				
Capital outlay	372,400	429,400	403,416	25,984
REVENUES OVER (UNDER) EXPENDITURES	(203,300)	(260,300)	(215,702)	44,598
OTHER FINANCING SOURCES (USES)				
Transfers in	189,000	246,000	246,000	-
<i>Total Other Financing Sources (Uses)</i>	189,000	246,000	246,000	-
NET CHANGE IN FUND BALANCE	(14,300)	(14,300)	30,298	44,598
FUND BALANCE, Beginning of year	14,300	14,300	28,249	13,949
FUND BALANCE, End of year	\$ -	\$ -	\$ 58,547	\$ 58,547

CITY OF KEIZER, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - LOCAL LAW ENFORCEMENT GRANT FUND
YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Intergovernmental	\$ 50,000	\$ 50,000	\$ 12,965	\$ (37,035)
Miscellaneous	1,000	1,000	-	(1,000)
Total Revenues	51,000	51,000	12,965	(38,035)
EXPENDITURES				
Materials and services	27,300	27,300	12,898	14,402
Capital outlay	27,300	27,300	-	27,300
Total Expenditures	54,600	54,600	12,898	41,702
REVENUES OVER (UNDER) EXPENDITURES	(3,600)	(3,600)	67	3,667
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	4,432	4,432
Transfers out	-	-	(659)	(659)
Total Other Financing Sources (Uses)	-	-	3,773	3,773
NET CHANGE IN FUND BALANCE	(3,600)	(3,600)	3,840	7,440
FUND BALANCE, Beginning of year	3,600	3,600	(3,840)	(7,440)
FUND BALANCE, End of year	\$ -	\$ -	\$ -	\$ -

CITY OF KEIZER, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -****BUDGET AND ACTUAL - 911 FUND****YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Intergovernmental	\$ 142,800	\$ 167,800	\$ 182,155	\$ 14,355
Miscellaneous	300	300	23	(277)
Total Revenues	143,100	168,100	182,178	14,078
EXPENDITURES				
Materials and services	208,900	233,900	230,581	3,319
REVENUES OVER (UNDER)				
EXPENDITURES	(65,800)	(65,800)	(48,403)	17,397
OTHER FINANCING SOURCES (USES)				
Transfers in	33,400	33,400	33,400	-
NET CHANGE IN FUND BALANCE	(32,400)	(32,400)	(15,003)	17,397
FUND BALANCE, Beginning of year	32,400	32,400	47,883	15,483
FUND BALANCE, End of year	\$ -	\$ -	\$ 32,880	\$ 32,880

CITY OF KEIZER, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - PUBLIC EDUCATION GOVERNMENT FUND
YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Licenses and permits	\$ 78,600	\$ 78,600	\$ 83,637	\$ 5,037
Miscellaneous	200	200	56	(144)
<i>Total Revenues</i>	78,800	78,800	83,693	4,893
EXPENDITURES				
Materials and services	60,000	60,000	60,000	-
Capital outlay	63,600	63,600	51,509	12,091
<i>Total Expenditures</i>	123,600	123,600	111,509	12,091
NET CHANGE IN FUND BALANCE	(44,800)	(44,800)	(27,816)	16,984
FUND BALANCE, Beginning of year	44,800	44,800	48,341	3,541
FUND BALANCE, End of year	\$ -	\$ -	\$ 20,525	\$ 20,525

CITY OF KEIZER, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - TRANSPORTATION IMPROVEMENT FUND
YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Licenses and permits	\$ -	\$ -	\$ 116,739	\$ 116,739
Miscellaneous	-	-	271	271
<i>Total Revenues</i>	-	-	117,010	117,010
FUND BALANCE, Beginning of year	-	-	-	-
FUND BALANCE, End of year	\$ -	\$ -	\$ 117,010	\$ 117,010

CITY OF KEIZER, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - KEIZER STATION LID FUND
YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 400,000	\$ 400,000
EXPENDITURES				
Capital outlay	-	17,220,000	1,526,953	15,693,047
REVENUES OVER (UNDER) EXPENDITURES	-	(17,220,000)	(1,126,953)	16,093,047
OTHER FINANCING SOURCES (USES)				
Interfund loan	-	17,220,000	1,126,953	(16,093,047)
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE, Beginning of year	-	-	-	-
FUND BALANCE, End of year	\$ -	\$ -	\$ -	\$ -

CITY OF KEIZER, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - PARK IMPROVEMENT FUND
YEAR ENDED JUNE 30, 2005**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 60,000	\$ 60,000	\$ 91,383	\$ 31,383
EXPENDITURES				
Capital outlay	324,900	324,900	64,689	260,211
Contingency	100,000	100,000	-	100,000
<i>Total Expenditures</i>	<u>424,900</u>	<u>424,900</u>	<u>64,689</u>	<u>360,211</u>
NET CHANGE IN FUND BALANCE	(364,900)	(364,900)	26,694	391,594
FUND BALANCE, Beginning of year	<u>857,600</u>	<u>857,600</u>	<u>908,703</u>	<u>51,103</u>
FUND BALANCE, End of year	<u>\$ 492,700</u>	<u>\$ 492,700</u>	<u>\$ 935,397</u>	<u>\$ 442,697</u>

CITY OF KEIZER, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -****BUDGET AND ACTUAL - SEWER FUND****YEAR ENDED JUNE 30, 2005**

	<i>Budgeted Amounts</i>		<i>Budget</i>	<i>GAAP</i>
	<i>Original</i>	<i>Final</i>	<i>Basis</i>	<i>Basis</i>
REVENUES				
Taxes and assessments	\$ 6,000	\$ 6,000	\$ 6,107	\$ 140
Licenses and permits	1,000	1,000	4,274	4,274
Charges for services	4,308,900	4,308,900	3,896,248	3,901,289
Miscellaneous	1,900	1,900	6,207	6,207
<i>Total Revenues</i>	4,317,800	4,317,800	3,912,836	3,911,910
EXPENDITURES				
Personnel services	164,200	166,100	158,869	159,616
Materials and services	4,137,000	4,137,000	3,707,882	3,714,461
Capital outlay/depreciation	9,900	9,900	7,361	137,860
Debt service	10,600	10,600	10,513	513
Contingency	13,400	11,500	-	-
<i>Total Expenditures</i>	4,335,100	4,335,100	3,884,625	4,012,450
NET CHANGE IN FUND BALANCE	(17,300)	(17,300)	28,211	(100,540)
FUND BALANCE, Beginning of year	50,900	50,900	96,521	2,358,930
FUND BALANCE, End of year	\$ 33,600	\$ 33,600	\$ 124,732	\$ 2,258,390

CITY OF KEIZER, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -****BUDGET AND ACTUAL - WATER FUND****YEAR ENDED JUNE 30, 2005**

	<i>Budgeted Amounts</i>		<i>Budget</i>	<i>GAAP</i>
	<i>Original</i>	<i>Final</i>	<i>Basis</i>	<i>Basis</i>
REVENUES				
Licenses and permits	\$ 4,500	\$ 4,500	\$ 45,623	\$ 45,623
Charges for services	2,097,200	2,097,200	1,985,527	1,938,765
Miscellaneous	12,700	12,700	43,246	43,246
<i>Total Revenues</i>	2,114,400	2,114,400	2,074,396	2,027,634
EXPENDITURES				
Personnel services	836,100	860,400	844,702	859,213
Materials and services	837,500	837,500	792,377	838,891
Capital outlay/depreciation	135,900	135,900	89,593	294,165
Debt service	135,700	135,700	-	-
Contingency	160,000	135,700	-	-
<i>Total Expenditures</i>	2,105,200	2,105,200	1,726,672	1,992,269
REVENUES OVER (UNDER)				
EXPENSES	9,200	9,200	347,724	35,365
OTHER FINANCING SOURCES (USES)				
Transfers out	(525,000)	(525,000)	-	-
NET CHANGE IN FUND BALANCE	(515,800)	(515,800)	347,724	35,365
FUND BALANCE, Beginning of year	844,800	844,800	886,890	4,153,256
FUND BALANCE, End of year	\$ 329,000	\$ 329,000	\$ 1,234,614	\$ 4,188,621

CITY OF KEIZER, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SEWER RESERVE FUND
YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Budget Basis	GAAP Basis
	Original	Final		
REVENUES				
Licenses and permits	\$ 540,000	\$ 540,000	\$ 182,161	\$ 184,296
Charges for services	-	-	58,897	58,897
Intergovernmental	70,000	70,000	-	-
Miscellaneous	4,700	4,700	1,786	1,786
Total Revenues	614,700	614,700	242,844	244,979
EXPENDITURES				
Materials and services	70,000	70,000	61,708	62,491
Capital outlay/depreciation	375,000	375,000	783	-
Contingency	70,000	70,000	-	-
Total Expenditures	515,000	515,000	62,491	62,491
NET CHANGE IN FUND BALANCE	99,700	99,700	180,353	182,488
FUND BALANCE, Beginning of year	487,700	487,700	498,764	528,604
FUND BALANCE, End of year	\$ 587,400	\$ 587,400	\$ 679,117	\$ 711,092

CITY OF KEIZER, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - LIGHTING DISTRICTS FUND
YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Budget Basis	GAAP Basis
	Original	Final		
REVENUES				
Charges for services	\$ 422,800	\$ 422,800	\$ 458,478	\$ 467,401
EXPENDITURES				
Personnel services	42,200	44,100	43,827	43,827
Materials and services	333,700	350,700	354,086	355,855
Capital outlay/depreciation	1,900	1,900	1,769	-
Contingency	18,900	-	-	-
Total Expenditures	396,700	396,700	399,682	399,682
NET CHANGE IN FUND BALANCE	26,100	26,100	58,796	67,719
FUND BALANCE, Beginning of year	69,900	69,900	70,855	87,858
FUND BALANCE, End of year	\$ 96,000	\$ 96,000	\$ 129,651	\$ 155,577

CITY OF KEIZER, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WATER FACILITY FUND
YEAR ENDED JUNE 30, 2005**

	<i>Budgeted Amounts</i>		<i>Budget</i>	<i>GAAP</i>
	<i>Original</i>	<i>Final</i>	<i>Basis</i>	<i>Basis</i>
REVENUES				
Licenses and permits	\$ 109,200	\$ 109,200	\$ 135,292	\$ 135,292
Miscellaneous	8,600	8,600	15,345	15,345
<i>Total Revenues</i>	117,800	117,800	150,637	150,637
EXPENDITURES				
Materials and services	-	-	213	537
Capital outlay/depreciation	3,692,600	3,692,600	92,052	48,420
Contingency	392,900	392,900	-	-
<i>Total Expenditures</i>	4,085,500	4,085,500	92,265	48,957
REVENUES OVER (UNDER)				
EXPENSES	(3,967,700)	(3,967,700)	58,372	101,680
OTHER FINANCING SOURCES (USES)				
Bond proceeds	3,447,500	3,447,500	-	-
Transfers in	525,000	525,000	-	-
<i>Total Other Financing Sources (Uses)</i>	3,972,500	3,972,500	-	-
NET CHANGE IN FUND BALANCE	4,800	4,800	58,372	101,680
FUND BALANCE, Beginning of year	554,100	554,100	521,885	1,928,778
FUND BALANCE, End of year	\$ 558,900	\$ 558,900	\$ 580,257	\$ 2,030,458

CITY OF KEIZER, OREGON
PROPERTY TAX TRANSACTIONS
YEAR ENDED JUNE 30, 2005

<i>Tax Year</i>	<i>Uncollected Balances July 1, 2004</i>	<i>2004-05 Levy</i>	<i>Added To Rolls</i>	<i>Discounts & Adjustments</i>	<i>Turnovers</i>	<i>Uncollected Balances June 30, 2005</i>
2004-2005	\$	\$ 7,160,072	\$ 9,654	\$ 231,799	\$ 6,669,324	\$ 268,603
2003-2004	267,331	-	613	41,892	130,944	95,108
2002-2003	109,621	-	602	28,742	28,871	52,610
2001-2002	52,825	-	518	22,077	7,128	24,138
2000-2001	22,385	-	-	18,419	(1,924)	5,890
1999-2000	5,626	-	-	9,914	(7,397)	3,109
1998-1999	3,943	-	-	1,496	(292)	2,739
Prior Years	4,542	-	-	6,719	(4,904)	2,727
Total	\$ 466,273	\$ 7,160,072	\$ 11,387	\$ 361,058	\$ 6,821,750	\$ 454,924

CITY OF KEIZER, OREGON
SCHEDULE OF BOND TRANSACTIONS
YEAR ENDED JUNE 30, 2005

	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Fiscal Year of Maturity</u>
BOND PRINCIPAL TRANSACTIONS			
General Obligation Bonds			
1984 GO Sewer Bonds	5.00%	1984	2004-05
2001 URA, Series A	5.00%	2001	2012-13
2001 URA, Series B	4.75-5.25%	2001	2006-07
	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Unmatured Interest Outstanding July 1, 2004</u>
BOND INTEREST TRANSACTIONS			
General Obligation Bonds			
1984 GO Sewer Bonds	5.00%	1984	\$ 513
2001 URA, Series A	5.00%	2001	638,750
2001 URA, Series B	4.75-5.25%	2001	105,563
			<u> </u>
			<u>\$ 744,826</u>

<i>Outstanding July 1, 2004</i>	<i>Bonds Issued</i>	<i>Bonds Paid</i>	<i>Outstanding June 30, 2005</i>
\$ 10,000	\$ -	\$ 10,000	\$ -
2,820,000	-	315,000	2,505,000
1,375,000	-	435,000	940,000
<u>\$ 4,205,000</u>	<u>\$ -</u>	<u>\$ 760,000</u>	<u>\$ 3,445,000</u>

<i>New Issues</i>	<i>Interest Coupons Paid/ Refunded</i>	<i>Unmatured Interest June 30, 2005</i>
\$ -	\$ 513	\$ -
-	133,125	505,625
-	56,838	48,725
<u>\$ -</u>	<u>\$ 190,476</u>	<u>\$ 554,350</u>

CITY OF KEIZER, OREGON**SCHEDULE OF FUTURE DEBT REQUIREMENTS BY ISSUE
YEAR ENDED JUNE 30, 2005**

Fiscal Year Ending June 30,	2001 Urban Renewal, Series A			2001 Urban Renewal, Series B		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 320,000	\$ 117,250	\$ 437,250	\$ 460,000	\$ 36,125	\$ 496,125
2007	350,000	100,500	450,500	480,000	12,600	492,600
2008	270,000	85,000	355,000			-
2009	285,000	71,125	356,125	-	-	-
2010	300,000	56,500	356,500	-	-	-
2011	310,000	41,250	351,250	-	-	-
2012	325,000	25,375	350,375	-	-	-
2013	345,000	8,625	353,625	-	-	-
	<u>\$ 2,505,000</u>	<u>\$ 505,625</u>	<u>\$ 3,010,625</u>	<u>\$ 940,000</u>	<u>\$ 48,725</u>	<u>\$ 988,725</u>

<i>Totals</i>		
<i>Principal</i>	<i>Interest</i>	<i>Total</i>
\$ 780,000	\$ 153,375	\$ 933,375
830,000	113,100	943,100
270,000	85,000	355,000
285,000	71,125	356,125
300,000	56,500	356,500
310,000	41,250	351,250
325,000	25,375	350,375
345,000	8,625	353,625
<hr/>		
<u>\$ 3,445,000</u>	<u>\$ 554,350</u>	<u>\$ 3,999,350</u>



STATISTICAL SECTION

CITY OF KEIZER, OREGON
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2005

CITY OF KEIZER, OREGON**SCHEDULE OF GENERAL FUND REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS**

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
REVENUE BY SOURCE				
Taxes and assessments	\$ 2,647,007	\$ 2,584,700	\$ 2,465,104	\$ 2,373,599
Licenses, permits and fees	2,070,679	2,108,832	1,865,090	1,737,887
Fines and forfeitures	473,327	372,964	443,464	411,379
Use of money and property	148,639	157,605	131,458	167,302
Intergovernmental	637,409	639,839	629,815	604,084
Charges for services and transfers	-	-	12,168	-
Other	-	-	-	-
<i>Total Revenue</i>	<u>\$ 5,977,061</u>	<u>\$ 5,863,940</u>	<u>\$ 5,547,099</u>	<u>\$ 5,294,251</u>
EXPENDITURES BY FUNCTION				
General government	\$ 685,280	\$ 582,977	\$ 528,800	\$ 746,238
Public safety	4,757,767	4,271,288	4,228,294	4,168,501
Community development	544,569	486,909	408,770	147,458
Transfers	<u>283,173</u>	<u>78,574</u>	<u>82,920</u>	<u>-</u>
<i>Total Expenditures</i>	<u>\$ 6,270,789</u>	<u>\$ 5,419,748</u>	<u>\$ 5,248,784</u>	<u>\$ 5,062,197</u>

Source: City of Keizer Finance Department

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
\$ 2,237,590	\$ 2,115,374	\$ 1,955,063	\$ 1,882,834	\$ 1,790,446	\$ 1,561,992
1,262,154	1,030,904	1,133,936	827,040	861,882	777,911
391,003	413,823	370,680	334,256	442,524	379,034
249,551	119,294	21,014	35,734	25,718	23,055
631,933	747,747	397,416	349,270	349,622	286,662
15,000	5,215	62,260	134,071	66,500	66,500
-	-	133,003	120,818	50,693	45,849
<u>\$ 4,787,231</u>	<u>\$ 4,432,357</u>	<u>\$ 4,073,372</u>	<u>\$ 3,684,023</u>	<u>\$ 3,587,385</u>	<u>\$ 3,141,003</u>
\$ 566,498	\$ 703,661	\$ 634,558	\$ 512,634	\$ 551,596	\$ 477,861
3,833,733	3,733,722	3,211,113	2,681,306	2,548,993	2,393,539
119,067	147,564	386,544	257,531	159,062	217,763
-	-	5,687	-	16,300	30,000
<u>\$ 4,519,298</u>	<u>\$ 4,584,947</u>	<u>\$ 4,237,902</u>	<u>\$ 3,451,471</u>	<u>\$ 3,275,951</u>	<u>\$ 3,119,163</u>

CITY OF KEIZER, OREGON
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
TOTAL TAX LEVY	<u>\$ 7,160,072</u>	<u>\$ 6,227,395</u>	<u>\$ 5,925,125</u>	<u>\$ 5,616,372</u>
Current tax collections	6,669,324	5,819,509	5,503,327	5,210,713
Delinquent tax collections	<u>152,427</u>	<u>228,691</u>	<u>234,963</u>	<u>203,737</u>
<i>Total Tax Collections</i>	<u>\$ 6,821,751</u>	<u>\$ 6,048,200</u>	<u>\$ 5,738,290</u>	<u>\$ 5,414,450</u>
 OUTSTANDING TAXES	 <u>\$ 454,924</u>	 <u>\$ 466,273</u>	 <u>\$ 463,664</u>	 <u>\$ 468,393</u>
 Percent of current taxes collected	 93.1%	 93.5%	 92.8%	 92.8%
Ratio of total tax collections to tax levy	95.3%	97.1%	96.8%	96.4%
Ratio of outstanding taxes to total taxes imposed	6.4%	7.5%	7.8%	8.3%

Source: City of Keizer Finance Department
Marion County Tax Assessor

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
<u>\$ 5,205,126</u>	<u>\$ 4,925,532</u>	<u>\$ 5,466,706</u>	<u>\$ 3,912,709</u>	<u>\$ 3,001,709</u>	<u>\$ 2,656,565</u>
4,829,632	4,579,931	5,058,918	3,665,367	2,815,486	2,488,571
<u>165,018</u>	<u>180,842</u>	<u>120,104</u>	<u>113,415</u>	<u>102,235</u>	<u>92,221</u>
<u>\$ 4,994,650</u>	<u>\$ 4,760,773</u>	<u>\$ 5,179,022</u>	<u>\$ 3,778,782</u>	<u>\$ 2,917,721</u>	<u>\$ 2,580,792</u>
<u>\$ 433,365</u>	<u>\$ 352,385</u>	<u>\$ 317,244</u>	<u>\$ 231,191</u>	<u>\$ 186,676</u>	<u>\$ 169,000</u>
92.8%	93.0%	92.5%	93.7%	93.8%	93.7%
96.0%	96.7%	94.7%	96.6%	97.2%	97.1%
8.3%	7.2%	5.8%	5.9%	6.2%	6.4%

CITY OF KEIZER, OREGON**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY****LAST TEN FISCAL YEARS (Dollars in Thousands)**

	<i>Total Assessed Value</i>	<i>Real Market Value</i>	<i>Ratio of total assessed value to real market value</i>
2004-05	\$ 1,575,977	\$ 2,031,390	77.6%
2003-04	1,501,486	1,891,624	79.4%
2002-03	1,437,311	1,814,135	79.2%
2001-02	1,373,503	1,722,643	79.7%
2000-01	1,298,322	1,618,359	80.2%
1999-00	1,214,180	NA	NA
1998-99	1,123,576	NA	NA
1997-98	1,063,316	NA	NA
1996-97	1,150,879	1,150,879	100.0
1995-96	1,060,977	1,060,977	100.0

Source: Marion County Assessor's Office

NA = information not available

CITY OF KEIZER, OREGON
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS (Per Thousand)

	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>
City	\$ 2.08	\$ 2.08	\$ 2.08	\$ 2.08
County	3.02	3.02	3.02	3.02
Keizer Fire District	1.88	1.87	1.54	1.55
Marion County Fire District	2.35	2.37	2.42	2.44
Marion County Soil & Water	0.05	0.05	0.05	0.05
School District	7.11	6.89	6.88	6.98
Willamette Regional ESD	0.30	0.30	0.28	0.28
Community College	0.96	0.77	0.76	0.76
Regional Library	0.08	0.08	0.08	0.08
Transit District	0.76	0.76	0.76	0.76
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 18.59</u>	<u>\$ 18.19</u>	<u>\$ 17.87</u>	<u>\$ 18.00</u>

Source: Marion County Summary of Tax Roll

<u>2000-01</u>	<u>1999-00</u>	<u>1998-99</u>	<u>1997-98</u>	<u>1996-97</u>	<u>1995-96</u>
\$ 2.08	\$ 2.08	\$ 2.08	\$ 2.08	\$ 1.78	\$ 1.65
3.02	3.02	3.02	3.01	2.89	3.00
1.55	1.55	1.55	1.59	1.39	1.32
2.46	2.50	1.90	1.90	1.81	1.89
-	-	-	-	-	-
6.87	7.08	5.86	5.86	9.60	10.91
0.28	0.28	0.28	0.28	0.52	0.49
0.76	0.80	0.82	0.83	1.31	1.24
0.08	0.08	0.08	0.08	0.08	0.08
0.76	0.76	0.76	0.76	0.74	0.51
<u>\$ 17.86</u>	<u>\$ 18.15</u>	<u>\$ 16.35</u>	<u>\$ 16.39</u>	<u>\$ 20.12</u>	<u>\$ 21.09</u>

CITY OF KEIZER, OREGON**PROPERTY TAX LEVIES* - DIRECT AND OVERLAPPING GOVERNMENTS****LAST TEN FISCAL YEARS**

	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>
City	\$ 2,772,455	\$ 2,646,807	\$ 2,541,447	\$ 2,437,208
County	44,035,018	41,647,267	40,455,791	38,608,292
Keizer Fire District	2,305,554	2,193,930	1,690,445	1,637,032
Marion County Fire District	4,783,557	4,616,327	4,532,782	4,453,329
Marion County Soil & Water	696,742	665,299	641,824	611,175
School District	68,439,161	63,790,181	61,566,361	58,579,304
Willamette Regional ESD	4,236,318	4,052,723	3,680,889	3,470,311
Community College	13,932,751	10,633,822	10,154,994	9,590,672
Regional Library	1,184,447	1,131,642	1,092,890	1,038,110
Transit District	6,719,463	6,447,017	6,216,093	5,887,184

Source: Marion County Summary of Tax Roll

* Gross tax levies, excluding urban renewal agencies.

<u>2000-01</u>	<u>1999-00</u>	<u>1998-99</u>	<u>1997-98</u>	<u>1996-97</u>	<u>1995-96</u>
\$ 2,312,503	\$ 2,170,807	\$ 2,014,439	\$ 1,927,978	\$ 1,840,198	\$ 1,619,838
36,814,095	34,512,158	32,692,807	30,590,636	33,901,146	31,982,214
1,588,822	1,496,909	1,443,735	1,422,099	1,394,524	1,267,929
4,277,098	4,087,501	2,981,728	2,839,082	3,158,871	2,992,803
-	-	-	-	-	-
55,105,931	53,866,138	42,592,727	39,811,357	84,018,350	87,811,010
3,312,383	3,139,843	2,998,128	2,790,752	7,453,847	5,601,116
9,070,404	9,123,546	8,866,379	8,408,529	22,126,120	18,986,906
991,303	926,709	885,229	830,901	1,332,585	1,257,156
5,622,012	5,366,373	5,087,158	4,768,916	5,900,000	3,752,435

CITY OF KEIZER, OREGON**RATIO OF BONDED DIRECT DEBT TO ASSESSED VALUE AND BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS**

	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>
Population	34,380	34,010	33,100	32,950	32,203
Real market value (in dollars)*	2,031,390	1,891,624	1,814,135	1,722,643	1,618,359
Gross bonded debt (in dollars)	3,445,000	4,205,000	4,955,000	5,660,000	6,395,000
Bonded direct debt Per capita (in dollars)	100	124	150	172	199
Ratio of bonded direct debt to true cash value	0.17%	0.22%	0.27%	0.33%	0.40%

Source: Marion County Oregon; City of Keizer Finance Department

Population: www.census.gov; Portland State University

* Dollars expressed in thousands

<u>1999-00</u>	<u>1998-99</u>	<u>1997-98</u>	<u>1996-97</u>	<u>1995-96</u>
31,220	30,260	29,235	27,692	26,320
1,214,180	1,123,576	1,063,316	1,150,879	1,060,977
6,970,000	7,310,000	7,790,000	8,215,000	4,200,000
223	242	266	297	160
0.57%	0.65%	0.73%	0.71%	0.40%

CITY OF KEIZER, OREGON

COMPUTATION OF LEGAL DEBT MARGIN - GENERAL OBLIGATION BONDED DEBT

JUNE 30, 2005

Real Market Value	<u>\$ 2,031,390,000</u>
Debt limit at three (3) percent of real market value	<u>\$ 60,941,700</u>
Amount of bonded debt applicable to limit: Total bonded debt outstanding	<u>\$ 3,445,000</u>
Legal debt margin*	<u>\$ 57,496,700</u>

* The legal debt margin has been calculated in accordance with the provisions of ORS 287.004.

CITY OF KEIZER, OREGON
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2005

<i>Governmental unit</i>	<i>Real market Value (In Thousands)</i>	<i>Gross Property-tax backed debt</i>	<i>Percent overlapping</i>	<i>Net direct debt</i>
City of Keizer and Urban Renewal Agency	\$ 2,031,390	\$ 3,445,000	100.0000%	\$ 3,445,000
Keizer Fire District	1,855,582	1,925,000	98.2830%	1,891,948
Marion County Fire District	3,159,281	3,630,000	8.0255%	291,326
Salem-Keizer School District 24J	15,850,137	200,215,000	13.1865%	26,401,351
Chemeketa Community College	24,906,909	<u>26,480,000</u>	6.8902%	<u>1,824,525</u>
Total direct and overlapping debt		<u><u>\$ 235,695,000</u></u>		<u><u>\$ 33,854,149</u></u>

Source: Oregon State Treasury - overlapping debt schedule

CITY OF KEIZER, OREGON**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT* TO TOTAL
GENERAL GOVERNMENT EXPENDITURES
LAST TEN FISCAL YEARS**

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Principal	\$ 750,000	\$ 750,000	\$ 725,000	\$ 735,000
Interest **	<u>189,963</u>	<u>225,588</u>	<u>256,600</u>	<u>417,968</u>
<i>Total Tax Collections</i>	<u>\$ 939,963</u>	<u>\$ 975,588</u>	<u>\$ 981,600</u>	<u>\$ 1,152,968</u>
 Total general government expenditures ***	 <u>\$ 17,124,175</u>	 <u>\$ 9,798,348</u>	 <u>\$ 8,645,984</u>	 <u>\$ 9,031,340</u>
 Ratio of debt service to general government expenditures ***	 5.50%	 10.00%	 11.30%	 12.80%

Source: City of Keizer Finance Department

The City of Keizer did not have bonded debt outstanding prior to July 1993

* General obligation bonds reported in the enterprise funds and special assessment debt with government commitment have been excluded. Therefore, only the Urban Renewal District debt is applicable.

** Excludes bond issuance and other costs

*** Includes Urban Renewal Agency expenditures only

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
\$ 575,000	\$ 500,000	\$ 480,000	\$ 425,000	\$ 150,000	\$ 145,000
<u>401,233</u>	<u>433,015</u>	<u>499,698</u>	<u>528,690</u>	<u>217,010</u>	<u>222,910</u>
<u>\$ 976,233</u>	<u>\$ 933,015</u>	<u>\$ 979,698</u>	<u>\$ 953,690</u>	<u>\$ 367,010</u>	<u>\$ 367,910</u>
 <u>\$ 5,367,919</u>	 <u>\$ 6,048,570</u>	 <u>\$ 4,963,629</u>	 <u>\$ 3,037,671</u>	 <u>\$ 4,679,319</u>	 <u>\$ 2,301,147</u>
 18.20%	 15.40%	 19.70%	 31.40%	 7.84%	 15.99%

CITY OF KEIZER, OREGON
REVENUE BOND COVERAGE - WATER AND SEWER FUNDS
LAST TEN FISCAL YEARS

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Operating revenues	\$ 3,911,735	\$ 3,893,367	\$ 3,422,431	\$ 3,234,352
Operating expenses	<u>4,012,695</u>	<u>3,954,735</u>	<u>3,531,079</u>	<u>3,334,156</u>
<i>Net Revenue Available for Debt Service</i>	<u>\$ (100,960)</u>	<u>\$ (61,368)</u>	<u>\$ (108,648)</u>	<u>\$ (99,804)</u>
Principal	\$ 10,000	\$ 10,000	\$ 10,000	\$ 5,000
Interest	<u>513</u>	<u>1,538</u>	<u>2,562</u>	<u>3,330</u>
<i>Total General Government Expenditures</i>	<u>\$ 10,513</u>	<u>\$ 11,538</u>	<u>\$ 12,562</u>	<u>\$ 8,330</u>
Coverage	NA	NA	NA	NA

Source: City of Keizer Finance Department

Note: Year 2002 and subsequent operating revenues and expenses are the Utility Fund only.

<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
\$ 4,900,481	\$ 5,501,774	\$ 4,978,950	\$ 4,685,578	\$ 4,474,550	\$ 4,101,871
<u>4,267,552</u>	<u>5,318,323</u>	<u>4,923,509</u>	<u>4,078,938</u>	<u>3,739,812</u>	<u>3,390,357</u>
<u>\$ 632,929</u>	<u>\$ 183,451</u>	<u>\$ 55,441</u>	<u>\$ 606,640</u>	<u>\$ 734,738</u>	<u>\$ 711,514</u>
\$ 365,000	\$ 345,000	\$ 325,000	\$ 310,000	\$ 350,000	\$ 360,000
<u>25,439</u>	<u>50,540</u>	<u>64,565</u>	<u>82,955</u>	<u>104,078</u>	<u>109,475</u>
<u>\$ 390,439</u>	<u>\$ 395,540</u>	<u>\$ 389,565</u>	<u>\$ 392,955</u>	<u>\$ 454,078</u>	<u>\$ 469,475</u>
1.62	0.46	0.14	1.54	1.62	1.52

CITY OF KEIZER, OREGON
DEMOGRAPHICS STATISTICS
LAST TEN FISCAL YEARS

<u>Year</u>	<u>Population</u>	<u>Area (square mile)</u>	<u>Average Density (persons/ square mile)</u>	<u>Median Household Effective Buying Income</u>	<u>Average Annual Unemployment</u>
1995	25,275	7.36	3,434	19,276	5.4%
1996	26,320	7.36	3,576	20,293	4.7%
1997	27,692	7.36	3,763	21,192	5.4%
1998	28,757	7.36	3,907	21,695	5.6%
1999	29,235	7.36	3,972	22,609	5.8%
2000	30,260	7.36	4,111	23,695	5.8%
2001	32,203	7.36	4,375	24,450	5.4%
2002	32,950	7.36	4,477	24,732	6.3%
2003	33,100	7.36	4,497	24,682	7.1%
2004	34,010	7.36	4,621	24,978	7.7%
2005	34,380	7.36	4,671	N/A	7.4%

Source: City of Keizer Community Development Department
State of Oregon Employment Department
Oregon Department of Administrative Services

* Based on calendar year.

N/A - Information not available

CITY OF KEIZER, OREGON**PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS****LAST TEN FISCAL YEARS**

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Number of building permits:					
Single family dwellings	72	162	151	100	267
Multi-family units	22	28	96	3	52
Valuation*	\$ 16,378	\$ 33,181	\$ 36,505	\$ 13,094	\$ 33,146
Bank deposits*	\$ 112,854	\$ 158,773	\$ 151,312	\$ 101,635	\$ 119,105

Source: City of Keizer Community Development Department
State of Oregon Department of Consumer & Business Services.

* Expressed in thousands

NA - information not available

<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
237	305	269	299	318
-	230	110	34	94
\$ 34,811	\$ 48,281	\$ 37,932	\$ 44,213	\$ 47,353
\$ 129,048	\$ 106,839	\$ 138,879	\$ 124,612	\$ 114,915

CITY OF KEIZER, OREGON
PRINCIPAL TAXPAYERS
JUNE 30, 2005

<i>Private enterprise</i>	<i>Industry</i>	<i>Assessed valuation</i>	<i>Percent of total assessed value</i>
Senior Management Co LTD	Real estate	\$ 12,175,110	0.60%
Keizer Road Appartments LLC	Real estate	7,161,430	0.35%
Keizer Schoolhouse LLC	Real estate	6,281,130	0.31%
Hidden Creek Apartments LLC	Real estate	5,025,900	0.25%
Century Apartments LLC	Grocery Store	4,331,102	0.21%
Northwest National LLC	Real estate	2,918,000	0.14%
<i>Public Utilities</i>			
Northwest Natural Gas Co	Natural gas	12,480,100	0.61%
Portland General Electric Co	Electricity	10,995,000	0.54%
Qwest Corporation	Telephone	7,228,600	0.36%
<i>Government</i>			
City of Keizer	Government	4,413,410	0.22%
All other taxpayers		<u>1,958,380,218</u>	<u>96.41%</u>
	Total	\$ <u>2,031,390,000</u>	<u>100.00%</u>

Source: Marion County Assessor

CITY OF KEIZER, OREGON
SALEM/KEIZER AREA MAJOR EMPLOYERS
JUNE 30, 2005

<i>Name</i>	<i>Industry</i>	<i>Number of Employees</i>
Manufacturers:		
T-Mobile	Wireless Service	1,100
Norpac Foods, Incorporated	Food processor	1,100
Truitt Brothers, Inc.	Food processor	919
Food Services of America	Food processor	450
Phillips/Sisson Industries, Inc.	Traffic control devises	403
Non-Manufacturers:		
Salem Hospital*	Healthcare	3,500
State Accident Insurance Fund	Insurance	711
Kaiser Permanente	Health maintenance (HMO)	550
Wachovia	Financial	510
May Trucking Company	Transportation	406
Winco	Grocery	364
Statesman Journal	Newspaper	348
Oregon State Hospital	Healthcare	1,200
Education:		
Salem-Keizer School District*	Primary and secondary public schools	4,000
Chemeketa Community College	State college of higher education	1,684
Willamette University	Private university	700
Government:		
State of Oregon	State	18,800
U.S. Federal Agencies	Federal	1,500
City of Salem	Municipal	1,213
Marion County	County	1,180
City of Keizer	Municipal	82

Source: SEDCOR

* Includes full and part-time positions

CITY OF KEIZER, OREGON
MISCELLANEOUS STATISTICAL DATA
JUNE 30, 2005

Public Works:

Miles of streets and alleys:	
Streets	120
Alleys	2
Number of street, pedestrian, and other bridges	3
Number of traffic signals	15
Water System:	
Number of reservoirs	1
Storage capacity (in millions of gallons)	1.5
Annual consumption (in millions of cubic feet - calendar year 2003)	185
Miles of water line	130
Number of pump stations	14
Sewer System:	
Miles of storm drains	55
Miles of sewer lines	121
Number of lift stations	1

Number of schools in Keizer:

Elementary	10
Middle	2
High School	1

Grades 1 - 12:

Number of teachers, administrators and support personnel	771
Number of students	7518

Parks and Recreation:

	<u>Number</u>	<u>Acres</u>
Number of Parks and Acreage:		
Neighborhood parks	15	65.5
Community parks	2	27.0
Landscape areas	1	0.5
Historical areas	1	0.5

Source: City of Keizer Public Works Department
Salem/Keizer Public Schools Web Site



AUDITOR'S COMMENTS AND DISCLOSURES

CITY OF KEIZER, OREGON
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2005

COMPLIANCE SECTION

CITY OF KEIZER, OREGON

AUDITOR'S COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

YEAR ENDED JUNE 30, 2005

STATE OF OREGON COMPLIANCE SECTION

Oregon Administrative Rules 162-10-000 through 162-16-000 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments, and disclosures required in annual financial reports. Required comments and disclosures related to our audit of such financial statements and schedules are set forth on the following pages.

Significant Accounting Policies

The significant accounting policies followed in preparing the City's financial statements are summarized in the notes to the financial statements.

Organization and Fund Structure

The organization and fund structure of the City is documented in the notes to the financial statements.

Internal Accounting Control

We have audited the basic financial statements of the City of Keizer as of and for the year ended June 30, 2005, and have issued our report thereon dated November 2, 2005. As part of our audit, we made a study and evaluation of accounting systems and controls as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the City's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control of the City taken as a whole. However, our study and evaluation disclosed no condition that we believe to be a material weakness.

Adequacy of Collateral Securing Depository Balances

ORS 295 provides that each depository, throughout the period of its possession of public fund deposits, shall maintain on deposit with its custodians, at its own expense, securities having a value not less than 25% of the certificates of participation issued by the pool manager for funds in excess of those insured by the Federal Deposit Insurance Corporation. Our review of the adequacy of collateral securing depository balances indicated the collateral was sufficient during the year ended June 30, 2005.

Indebtedness

The general obligation bonded debt of the City is in compliance with the limitation imposed by law. We noted no defaults in principal, interest, sinking fund, or redemption provisions with respect to any of the City's liabilities, and no breach of the bond agreements, at June 30, 2005.

Budget Compliance

The City has complied with Local Budget Law (ORS 294) in the preparation and adoption of its budget and tax levy for fiscal years ending June 30, 2005 and 2006.

Insurance and Fidelity Bonds

We have reviewed the City's insurance and fidelity bond coverage at June 30, 2005. We ascertained that such policies appeared to be in force and in compliance with legal requirements relating to insurance and fidelity bond coverage. We are not competent by training to comment on the adequacy of the insurance policies.

CITY OF KEIZER, OREGON

AUDITOR'S COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS (Continued)
YEAR ENDED JUNE 30, 2005

STATE OF OREGON COMPLIANCE SECTION (Continued)

Highway Funds

The City complied with the legal requirements, Article IX, Section 3a of the Oregon Constitution pertaining to the use of revenue from taxes on motor vehicle fuel, and the statutory requirements of ORS 294, 368 and 373 as they pertain to the use of road funds.

Programs Funded from Outside Sources

We have reviewed the City's compliance with appropriate laws, rules, and regulations pertaining to programs funded wholly or partially by other governmental agencies. The City is in compliance with the guidelines in all material respects.

Investments

Our review of deposit and investment balances indicated that the City was in compliance with ORS 294, as it pertains to investment of public funds, during the year ended June 30, 2005.

Public Contracting and Purchasing

Our review of the City's public contracting, purchasing procedures and construction of public improvement requirements (ORS 279) indicated that the City was in compliance.

Financial Reporting Requirements

We have reviewed financial reports and other data relating to programs funded wholly or partially by other governmental agencies. This data, filed with other governmental agencies, is in agreement with and supported by the accounting records.

Schedule of Accountability of Independently Elected Officials

There are no elected City officials who collect or receive funds on behalf of the City.

This report is intended for the information of the City Council and management of the City of Keizer. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

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

By: 

Charles A. Swank, A Shareholder

November 2, 2005