



COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2006

CITY OF KEIZER
MARION COUNTY, OREGON

***CITY OF KEIZER
MARION COUNTY, OREGON
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
Year Ended June 30, 2006***

*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, 2006

CITY OF KEIZER, OREGON
JUNE 30, 2006

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

HUMAN RESOURCES DIRECTOR
Dianne Hunt

CHIEF OF POLICE
Marc Adams

COMMUNITY DEVELOPMENT DIRECTOR
Nathan Brown

CITY RECORDER
Tracy Davis

PUBLIC WORKS DIRECTOR
Rob Kissler

FINANCE DIRECTOR
Susan Gahlsdorf

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City of Keizer

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November 8, 2006

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, 2006. 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. 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 audit 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 audit 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 and account groups 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.

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 (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.

"Pride, Spirit and Volunteerism"

INTRODUCTION (continued)

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, 2006 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City’s basic financial statements for the fiscal year ended June 30, 2006, 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.

The City provides basic services. These services include police, municipal court, street construction and maintenance, water reservoirs, 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.

ECONOMIC CONDITION AND OUTLOOK (continued)

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 about 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, 2 captains and 7 sergeants. There are 8 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. Additionally, there are 32 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.

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 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 2006 the City's net value increased 4.7% overall and a 7.7% increase within 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 has 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, an increased tax base and needed commercial retail opportunities for the citizens of Keizer. The project, under construction during fiscal year 2006, is near completion.

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.**
- ▶ **Determine coordination direction for "No Meth" Task Force for next 24 months**
- ▶ **Establish Task Force for K-23 – to determine "value added" programming**

MAJOR INITIATIVES (continued)

Goal to Increase Citizen Participation (continued)

<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	Work session was held in October on 2006 and several directions were given to staff on how to move forward. This task is completed.
No Meth. Not in My Neighborhood	Determine Council Policy on City Participation in No Meth. Not in My Neighborhood task force.	33	05-06	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	Task force will be established at 1 st Council Meeting in November, 2006 and first meeting will take place on November 20, 2006.
Total % of Goal Completed to date		34		

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**
- ▶ **Work the issue**
- ▶ **Develop partnerships and grants to offset funding requirements**
- ▶ **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	Council has decided to move forward without a bond measure. This goal is completed.
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	Informational brochures have been developed and distributed. Council has decided to move forward without a bond measure. A new citizen task force has been appointed and an architect/engineering firm has been selected to design the new facilities. This goal is accomplished.
Funding	Work to identify partnering and grant opportunities to offset funding needs.	10	05-06	Funding has been established without the need of a bond measure. This goal is accomplished.
Develop Ballot Measure	Finalize ballot measure for 2006 general election	5	05-06	The Council has decided to move forward without a bond measure. This goal is accomplished.
Total % of Goal Completed to date		100		

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
Pursue Other Flood Mitigation Projects**

Develop Multi-Use Path Connection between Country Glen and Hidden Creek Neighborhoods and the Keizer Station Area

<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	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	Permits have been issued by Department of State Lands (DSL) and this project will begin in the Spring of 2007.
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	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
Master plan the park**

**Construct any hard and soft improvements and facilities
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	All necessary funding through grant programs has been secured for the purchase of the park property. Property has been closed upon.

MAJOR INITIATIVES (continued)

Goal to Open the Keizer Rapids Park to the Public Within Two Years (continued)

<u>Task</u>	<u>Next Steps</u>	<u>% Goal</u>	<u>FY</u>	<u>Update</u>
Master plan the park	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	The City Council has adopted a preliminary master plan for the park. The matter is now at the Marion County level where they are process an application for conditional use to make this area a park since it is in the County's jurisdiction.
Construct the Park	Secure funding to construct the park CIP project list and schedule for completion.	40	06-07	Work has not yet begun.
Develop IGAs for park patrol and maintenance	Develop a series of IGAs with partner jurisdictions to secure resources for patrol and maintenance of the park.	10	06-07	Work has not yet begun
Total % of Goal Completed to date		50		

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	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	Construction of the LID CIP is nearing completion. Once all projects are finished, the long-term financing will be put in place and the LID will be formed.
Secure 2 nd LID for Sports/Expo Center	Initiate discussions with property owners in Area A of Keizer Station about initiating LID earlier than \$300M valuation. Initiate LID	25	06-07	This goal has been moved beyond the short term goal status.
Total % of Goal Completed to date		90		

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**

MAJOR INITIATIVES (continued)

Goal to Place a Library Measure on the May, 2007 Ballot (continued)

<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	The City has been awarded a grant from the State Library to study options. This process will be accomplished prior to any additional work being done.
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	This goal has moved beyond the short term list parameters. A new goal will have to be developed once the State Library grant study is complete.
Total % of Goal Completed to date		100		

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
Finalize Review and Adopt Personnel Policies**

Complete Major Amendment of North River Road Urban Renewal District

<u>Task</u>	<u>Next Steps</u>	<u>% Goal</u>	<u>FY</u>	<u>Update</u>
Complete and adopt storm water master plan	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. 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.	33	06-07	Work has not yet begun.
Finalize review and adopt personnel policies	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	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 to before the full Council for adoption. For all intents and purposes, this task is completed.

MAJOR INITIATIVES (continued)

Goal to Complete and Adopt Several Outstanding Issues: (continued)

<u>Task</u>	<u>Next Steps</u>	<u>% Goal</u>	<u>FY</u>	<u>Update</u>
Complete major amendment to the Urban Renewal District	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	This task is completed

Total % of Goal Completed to date	67
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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 safety improvements**

Implement economic development strategies

<u>Task</u>	<u>Next Steps</u>	<u>% Goal</u>	<u>FY</u>	<u>Update</u>
City Council appoints citizen task force	Develop a proposed task force structure and submit to City Council for input and adoption. Mayor appoints task force members	5	05-06	Task force has been appointed and work has begun. This task is complete.
Select projects	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	The task force has selected a list of River Road enhancement and other projects and has forwarded this list on to the Keizer Urban Renewal Board. KURB modified the list somewhat and has forwarded it on to the City Council for review with estimated pricing. This task is complete.
Develop financing for the project list	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	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	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	The marketing plan has been given to the Chamber of Commerce for implementation. The City will not be involved to a major extent on carrying out the implementation, thus this task is complete.

MAJOR INITIATIVES (continued)

Goal to Implement River Road Renaissance Master Plan (continued)

<u>Task</u>	<u>Next Steps</u>	<u>% Goal</u>	<u>FY</u>	<u>Update</u>
Construct or complete project list	Budget, engineer and construct physical improvements adopted by the Council as recommended through the 3RAC committee	40	05-06 & 06-07	Work has been completed at a number of stand alone sites including Baskin Robins, in front of Shari's restaurant, at the corner of Lockhaven and River Road, etc. Several other locations are currently in the planning process or are under construction but have not yet been completed
Amend existing ordinances and/or codes to allow for successful completion of master plan	Amend ordinances/codes.	5	05-06 & 06-07	Necessary amendments are being identified by Planning Staff.
Total % of Goal Completed to date		55		

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	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	Work has not yet begun
	Work cooperatively with Salem to create a revised agreement document.	25	05-06 & 06-07	Work has not yet begun
Establish task force for K-23 Programming and Policies	Present revised document to both City Councils and approve new agreement	25	05-06 & 06-07	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.

MAJOR INITIATIVES (continued)

Goal to Make Improvements to the Transportation System to Improve Traffic Conditions: (continued)

Accomplish Review of TSP

Construct Transportation CIP

Review Transportation SDC CIP

<u>Task</u>	<u>Next Steps</u>	<u>% Goal</u>	<u>FY</u>	<u>Update</u>
Review Keizer TSP	<p>Apply for State TGM Grant to conduct comprehensive TSP Review.</p> <p>Develop RFQ and hire consultant to help accomplish a comprehensive TSP Review</p> <p>Mayor appoints citizen task force to work with staff and consultant to review the Keizer TSP</p> <p>Task force makes recommendations to City Council for TSP updates.</p> <p>Council adopts modifications to the Keizer TSP.</p>	30	05-06	TGM Grant has been applied for and successfully awarded. This task is complete.
Review Transportation SDC CIP	<p>Initiate Planning Commission Review of Transportation SDC CIP</p> <p>Planning Commission makes recommendation to City Council on modifications to the Transportation SDC CIP list</p> <p>City Council holds public hearing on the SDC CIP list and adopts any modifications they deem prudent</p>	20	05-06	Scope of work has been developed and submitted to ODOT for their review. It is hoped that this project will be underway this winter.
Construct Transportation CIP	<p>Provide funding through the budget process to build the projects listed in the transportation CIP</p> <p>Construct each project in prioritized order as funding allows</p>	50	05-06 & 06-07	This task is ongoing
Total % of Goal Completed to date		30		

Long Term Goals

- Initiate changes to facilitate future Urban Growth Boundary changes
 - Evaluate extension of Wilsonville Commuter Rail to Keizer/Salem area after Wilsonville Commuter Rail Online for one year (approximately 3 years)
- Implement Storm Water Master Plan (10 years)
- Complete River Road Renaissance Master Plan (20 years)
- Implement changes when necessary to maintain safe drinking water

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, three deferred compensation plans are available for employees. These plans are provided through Nationwide, VALIC 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. The City currently has no general obligation debt outstanding.

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 2006, 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. The City pays all long-term disability and life insurance premiums up to \$50,000 coverage.

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, 2005.

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.

AWARDS (continued)

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

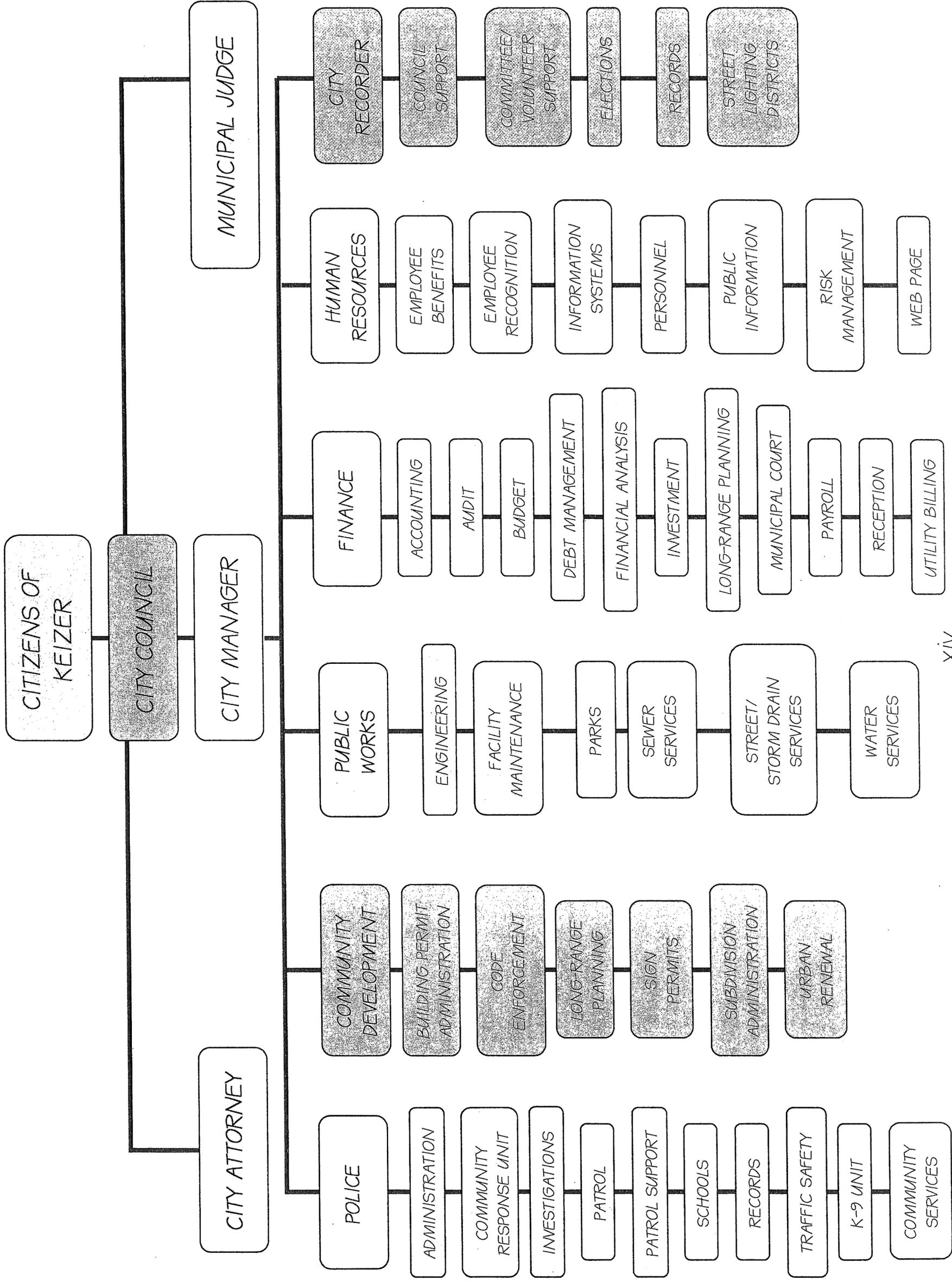
Special recognition is given to the City's accountant, Debbie Engelhard whose hard work and dedication during the annual audit ensured the preparation of the Comprehensive Annual Financial Report on a timely basis. I also recognize and thank all other Departments within the City who provided supporting 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 cursive script, appearing to read "Susan Gahlsdorf".

Susan Gahlsdorf, CPA
Finance Director

ORGANIZATIONAL STRUCTURE



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, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "Ronald J. [unclear]".

President

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

Executive Director



FINANCIAL SECTION

CITY OF KEIZER, OREGON
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2006



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, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, 2006 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 8, 2006

City of Keizer
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2006

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, 2006. Please read it in conjunction with the accompanying transmittal letter (beginning on page ii) of the basic financial statements (beginning on page 15), and the accompanying notes to those financial statements (beginning on page 24).

THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Keizer (the City) and its component units using the integrated approach as prescribed by GASB Statement No. 34. The *government-wide financial statements* (pages 15-16) 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* (pages 17-23) 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, Wastewater, and Lighting District 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, 2006 and 2005

	Governmental Activities		Business-type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Cash and investments	\$ 8,050,440	\$ 8,463,273	\$ 5,378,290	\$ 3,117,008	\$ 13,428,730	\$ 11,580,281
Other assets	1,183,737	1,257,746	585,940	535,578	1,769,677	1,793,324
Capital assets	49,263,845	26,669,084	7,150,046	6,064,309	56,413,891	32,733,393
Total assets	<u>58,498,022</u>	<u>36,390,103</u>	<u>13,114,276</u>	<u>9,716,895</u>	<u>71,612,298</u>	<u>46,106,998</u>
Other liabilities	1,764,449	2,346,004	878,539	572,757	2,642,988	2,918,761
Long-term debt	21,308,000	3,445,000	2,600,000	-	23,908,000	3,445,000
Total liabilities	<u>23,072,449</u>	<u>5,791,004</u>	<u>3,478,539</u>	<u>572,757</u>	<u>26,550,988</u>	<u>6,363,761</u>
Net assets						
Investment in capital assets, net of debt	27,955,845	23,224,084	5,281,178	6,064,309	33,237,023	29,288,393
Restricted	3,197,412	3,281,549	-	-	3,197,412	3,281,549
Unrestricted	4,272,316	4,093,466	4,354,559	3,079,829	8,626,875	7,173,295
Total net assets	<u>\$ 35,425,573</u>	<u>\$ 30,599,099</u>	<u>\$ 9,635,737</u>	<u>\$ 9,144,138</u>	<u>\$ 45,061,310</u>	<u>\$ 39,743,237</u>

Governmental Activities

The City's net assets from governmental activities increased (improved) 16% from \$30.6 million to \$35.43 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 \$412 thousand
- Other assets decreased \$74 thousand, primarily as a result of an increase of decreased accounts payable
 - A decrease of \$35 thousand in accounts receivable,
 - A decrease of \$40 thousand in property taxes receivables.
- Other liabilities decreased \$582 thousand, primarily as a result of an increase of
- Long-term debt outstanding increased \$22.6 million, primarily because of an increase in the line of credit for the Keizer Station project, due beyond one year, net of the normal retirement of debt in the Street Fund
- Capital assets increased \$22.6 million, primarily as a result of capital construction for the Keizer Station project

Business-type Activities

The City's net assets from business-type activities increased (improved) 5%, from \$9.1 million to \$9.6 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 increased \$2.3 million
- Other assets increased \$50 thousand, primarily as a result of an increase of \$55 thousand in accounts receivables
- Other liabilities increased \$306 thousand, primarily as a result of an increase of \$285 thousand in accounts payables
- Capital assets increased \$1.1 million, as a result of
 - \$1.7 million for acquisition of capital assets
 - \$600 thousand of depreciation expense
- Long-term debt outstanding increased \$2.6 million primarily as a result of new debt issued

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, 2006 and 2005

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Program Revenues						
Fines, fees & charges for services	\$ 1,278,001	\$ 815,111	\$ 6,564,373	\$ 6,371,027	\$ 7,842,374	\$ 7,186,138
Operating grants and contributions	2,783,622	1,904,784	23,913	2,934	2,807,535	1,907,718
Capital grants and contributions	1,647,944	617,998	442,663	378,485	2,090,607	996,483
Total program revenues	5,709,567	3,337,893	7,030,949	6,752,446	12,740,516	10,090,339
General revenues						
Franchise taxes	2,156,426	1,947,010	-	-	2,156,426	1,947,010
Taxes and assessments	6,782,351	6,332,711	-	-	6,782,351	6,332,711
Intergovernmental	750,630	771,629	-	-	750,630	771,629
Miscellaneous	829,146	260,848	165,315	50,115	994,461	310,963
Gain (loss) on disposal of capital assets	-	733,908	-	-	-	733,908
Total general revenues	10,518,553	10,046,106	165,315	50,115	10,683,868	10,096,221
Total revenues	16,228,120	13,383,999	7,196,264	6,802,561	23,424,384	20,186,560
Expenses						
Programs	11,408,876	10,135,302	6,697,434	6,715,851	18,106,310	16,851,153
Increase in net assets before transfers	4,819,244	3,248,697	498,830	86,710	5,318,074	3,335,407
Transfers	7,230	-	(7,230)	-	-	-
Change in net assets	4,826,474	3,248,697	491,600	86,710	5,318,074	3,335,407
Beginning net assets	30,599,099	27,350,402	9,144,137	9,057,427	39,743,236	36,407,829
Ending net assets	\$ 35,425,573	\$ 30,599,099	\$ 9,635,737	\$ 9,144,137	\$ 45,061,310	\$ 39,743,236

Governmental Activities

The City's changes in net assets from governmental activities increased 49%, from \$3.2 million to \$4.85 million. This increase in the changes in net assets primarily reflects

- Fines, fees and charges for services – Revenues primarily consist of municipal court fines and impound fees, community development application fees and planning and construction fees for streets. These revenues increase \$463 thousand.
- Operating 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 operating particular program. Revenues primarily consist of state gas tax funds and system development charges (e.g. parks, streets). Operating grants and contributions increased \$879 thousand.
- Capital 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 capital improvement programs. Revenues primarily consist of federal and state grants (e.g. community development grants) and system development charges (e.g. transportation). Capital grants and contributions increased \$1 million.
- Miscellaneous – Revenues primarily consist of interest earnings on funds held for capital construction projects (e.g. the Keizer Station development and street fund improvements) and working capital needs. Miscellaneous revenues increased \$568 thousand.
- 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 years ending June 30, 2006 and 2005**

Programs	Fiscal Year June 30, 2006		Fiscal Year June 30, 2005		Compared to Prior Year	
	Amount	%	Amount	%	Change	%
General government	\$ 1,482,804	13.0%	\$ 849,567	8.4%	\$ 633,237	175%
Community and youth services	5,104	0.0%	4,400	0.0%	704	116%
Community development	2,169,848	19.0%	2,561,213	25.3%	(391,365)	85%
Parks	177,860	1.6%	184,408	1.8%	(6,548)	96%
Public safety	5,426,593	47.6%	5,181,421	51.1%	245,172	105%
Public works	1,498,709	13.1%	1,123,454	11.1%	375,255	133%
Stadium operations	40,515	0.4%	40,610	0.4%	(95)	100%
Interest on long-term debt	607,443	5.3%	190,224	2.0%	417,219	319%
Total expenses	\$ 11,408,876	100.0%	\$ 10,135,297	100.1%	\$ 1,273,579	113%

The increased program expenses of \$1.27 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 delivery services to customers. The departments within this category are City Manager, Human Resources, City Recorder and Finance. General government cost increases are primarily a result of depreciation expense unallocated in fiscal year 2006 which was appropriated to the various programs in prior fiscal years.
- 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 capital construction and associated personnel, operating services and supplies costs needed to manage the district. Decreases primarily reflect one-time capital construction costs associated with the Keizer Station development expended in fiscal year 2005.
- Public safety of personnel costs and operating supplies to provide police protection and municipal court activities. The increase is primarily in personnel services and capital outlay for computers and equipment.
- Public Works consists of the Street operations. The increases primarily reflect an increase in maintenance and repair costs.

Business-type Activities

The City's changes in net assets from business-type activities increased from \$87 thousand to \$492 thousand. This increase 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 increased by \$175 thousand, or 3%.
- Capital grants and contributions are revenues for system development fees to pay for water, sewer and storm drain infrastructure. Grants and contributions increased by \$64 thousand or 17%.
- 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 years ending June 30, 2006 and 2005

Programs	Fiscal Year June 30, 2006		Fiscal Year June 30, 2005		Compared to Prior Year	
	Amount	%	Amount	%	Change	%
Water	\$ 2,192,830	33%	\$ 2,241,228	33%	\$ (48,398)	-2%
Sewer	4,106,832	61%	4,074,941	61%	31,891	1%
Street Lighting	397,772	6%	399,682	6%	(1,910)	0%
Total expenses	\$ 6,697,434	100%	\$ 6,715,851	100%	\$ (18,417)	0%

- The Program expense increases of \$182 thousand 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 personnel services and debt service expenses related to new bond issuance.

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, 2006 and 2005

Major Funds	Fiscal Year June 30, 2006		Fiscal Year June 30, 2005		Compared to Prior Year	
	Amount	%	Amount	%	Change	%
General	\$ 1,469,417	20%	\$ 1,243,622	17%	\$ 225,795	18%
Street	2,827,411	39%	1,902,889	27%	924,522	49%
Housing	135,204	2%	121,114	3%	14,090	12%
Urban Renewal Project	1,473,449	20%	1,712,800	24%	(239,351)	-14%
Urban Renewal Tax	378,905	5%	996,575	14%	(617,670)	-62%
Keizer Station LID	(518,476)	-7%	-	0%	(518,476)	-
Other Governmental Funds	1,532,421	21%	1,164,359	16%	368,062	32%
Total fund balances	\$ 7,298,331	100%	\$ 7,141,359	100%	\$ 156,972	2%

At June 30, 2006, the City's governmental funds reported combined fund balances of \$7.3 million, which is an increase of \$157 thousand or 3% compared with last year.

General Fund

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 11%, from \$5.98 million to \$6.62 million. This increase in revenues primarily reflects increases in property taxes of \$205 thousand, and increased licenses and permits of \$243.

The General fund expenditures increased 3%, from \$5.99 million to \$6.18 million. This increase in expenditures primarily reflects increases in expenditures for public safety of \$195 thousand.

State Gas Tax Fund

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 22.2%, from \$1.80 million to \$2.2 million. This increase in revenues primarily reflects increased in planning and construction fees and increased interest earnings.

The State Gas Tax fund expenditures increased 64%, from \$1.85 million to \$3.03 million. This increase in expenditures primarily reflects Capital construction for road improvements.

Urban Renewal Funds

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. During fiscal year 2006, the District underwent a major plan amendment, extending the maximum indebtedness, allowing for additional development. As a result, the District defeased all of the outstanding debt that was issued to carry out the preceding Urban Renewal Plan. Tax increment revenue is the primary source of revenue.

The Urban Renewal District revenues increased 6.6%, from \$3.84 million to \$4.09 million. This increase in revenues primarily reflects an increase in tax increment revenue.

The Urban Renewal District expenditures decreased 12%, from \$6.94 million to \$6.08 million. This decrease reflects a decrease in capital construction as development of the Keizer Station area neared completion.

The Urban Renewal District's other financing sources increased 300%, from (\$207) thousand to \$2.13 million. The Keizer Station LID fund repaid the District for an interfund loan made in fiscal year 2005. The repayment, net proceeds of land sales in fiscal year 2005 resulted in the net increase in Other Financing Sources.

Keizer Station LID Fund

The Keizer Station LID fund accounts for the improvements to the Keizer Station Development project. Money expended in this fund is financed with a line-of-credit during the construction phase of the project. Once completed, the City plans to issue long-term debt as its financing mechanism. The cost of the improvements will then be assessed to the property owners who directly benefit from the project. The assessments received will be issued to pay off the debt.

The Keizer Station LID fund revenues increased 300%, from \$400 thousand to \$1.2 million. This increase in revenues primarily reflects a one-time contribution from the Chemawa LLC, a development group made up of the Confederated Tribes of the Grande Ronde and the Siletz Indians, and reimbursements from the developer for interest paid on the line of credit.

The Keizer Station LID fund expenditures increased from \$1.5 million to \$20 million. This increase reflects an increase in capital construction for development of the Keizer Station area.

The \$518 negative ending fund balance at June 30, 2006 reflects expenditures paid that had not yet been reimbursed from the line of credit.

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, 2006 and 2005**

Major Funds	Fiscal Year June 30, 2006		Fiscal Year June 30, 2005		Compared to Prior Year	
	Amount	%	Amount	%	Change	%
Sewer	\$ 2,227,711	23%	\$ 2,258,390	25%	\$ (30,679)	-1%
Water	1,414,822	15%	4,188,621	45%	(2,773,799)	-66%
Sewer Reserve	846,325	9%	711,092	8%	135,233	19%
Lighting Districts	227,632	2%	155,577	2%	72,055	46%
Water Facility	4,919,247	51%	1,830,458	20%	3,088,789	169%
Total net assets	<u>\$ 9,635,737</u>	<u>100%</u>	<u>\$ 9,144,138</u>	<u>100%</u>	<u>\$ 491,599</u>	<u>5%</u>

At June 30, 2006, the City's proprietary funds reported combined net assets of \$9.6 million, which is an increase of \$492 thousand, or 5% 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 increased 10%, from \$2 million to \$2.2 million. This increase primarily reflects an increase in water sales.

The Water and Water Facility fund expenditures increased 5%, from \$2.04 million to \$2.15 million. The increase in the Water Fund is primarily related to increases in personnel services and additional depreciation expense from newly capitalized assets.

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 2005 and 2006.

The Sewer and Sewer Reserve fund expenditures increased 1%, from \$4.07 million to \$4.1 million. This increase primarily reflects an increase in Personnel Service costs for cost of living and merit increases and additional depreciation expense from newly capitalized assets.

Street Lighting District Fund

This fund accounts for assessments to property owners to pay for street lighting. Street Lighting District fund revenues increased by 1%, from \$467 thousand to \$470 thousand as a result of additional lighting districts formed in fiscal year 2006. Expenses remained constant at approximately \$400 thousand from fiscal year 2005 to fiscal year 2006.

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 40-44 and 45-54).

Capital Assets

As of June 30, 2006 the City had invested \$56.4 million in capital assets as reflected in the following table, which represents a net increase (additions, deductions, and depreciation) of \$23.7 million, or 72% from the previous fiscal year.

Table 7
Capital Assets at June 30, 2006 and 2005
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 9,457,146	\$ 5,860,566	\$ 371,759	\$ 371,759	\$ 9,828,905	\$ 6,232,325
Building and improvements	3,873,684	3,394,731	725,388	697,639	4,599,072	4,092,370
Equipment and vehicles	1,076,391	1,516,097	376,728	257,920	1,453,119	1,774,017
Infrastructure	48,774,143	27,952,615	14,889,025	13,354,296	63,663,168	41,306,911
Accumulated depreciation	(13,917,519)	(12,054,928)	(9,212,854)	(8,617,305)	(23,130,373)	(20,672,233)
Net capital assets	\$ 49,263,845	\$ 26,669,081	\$ 7,150,046	\$ 6,064,309	\$ 56,413,891	\$ 32,733,390

For more detailed information see the Notes to Basic Financial Statements (pages 32-33)

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

Table 8
Changes in Capital Assets
For the year ending June 30, 2006

	Governmental Activities	Business-type Activities	Total
Beginning balance	\$ 26,669,081	\$ 6,064,310	\$ 32,733,391
Additions	25,299,387	1,681,286	26,980,673
Retirements	(462,483)	-	(462,483)
Depreciation	(2,242,140)	(595,549)	(2,837,689)
Ending balance	<u>\$ 49,263,845</u>	<u>\$ 7,150,047</u>	<u>\$ 56,413,892</u>

The City depreciates all its capital assets except for land.

Debt Outstanding

As of June 30, 2006 the City had \$23,908,000 in debt (bonds, notes, etc.) outstanding compared to the \$3,445,000 last year, an 18% net decrease from debt retirement.

Table 9
Outstanding Debt at Year End
For the years ended June 30, 2006 and 2005

	Totals	
	2006	2005
<i>Governmental</i>		
Urban Renewal Agency	\$ 1,738,000	\$ 3,445,000
Tax-Exempt Non-Revolving Credit Facility and Note 2006	19,570,000	-
Total Governmental	<u>21,308,000</u>	<u>3,445,000</u>
<i>Business-type</i>		
Water Revenue Loan	2,600,000	-
Total	<u>\$ 23,908,000</u>	<u>\$ 3,445,000</u>

For more detailed information see the Notes to Basic Financial Statements (pages 34-35).

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

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CITY OF KEIZER, OREGON
STATEMENT OF NET ASSETS
JUNE 30, 2006

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ 8,050,440	\$ 5,378,290	\$ 13,428,730
Accounts receivable	539,732	455,698	995,430
Property taxes receivable	383,517	26,932	410,449
Assessment liens receivable	1,790	33,159	34,949
Loan receivables	258,698	-	258,698
Inventories	-	70,151	70,151
Nondepreciable capital assets	9,457,146	371,759	9,828,905
Other capital assets	39,806,699	6,778,287	46,584,986
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	58,498,022	13,114,276	71,612,298
LIABILITIES			
Accounts payable	1,335,061	706,827	2,041,888
Deposits	56,510	107,728	164,238
Noncurrent liabilities:			
Due within one year:			
Bonds and notes payable	17,365,000	135,000	17,500,000
Accrued compensated absences	172,761	23,548	196,309
Due in more than one year:			
Bonds and notes payable	3,943,000	2,465,000	6,408,000
Accrued compensated absences	200,117	40,436	240,553
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	23,072,449	3,478,539	26,550,988
NET ASSETS			
Investment in capital assets (net of related debt)	27,955,845	5,281,178	33,237,023
Restricted for special purposes	3,197,412	-	3,197,412
Unrestricted	4,272,316	4,354,559	8,626,875
	<hr/>	<hr/>	<hr/>
<i>Total Net Assets</i>	<u>\$ 35,425,573</u>	<u>\$ 9,635,737</u>	<u>\$ 45,061,310</u>

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

CITY OF KEIZER, OREGON
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

	<i>Program Revenues</i>		
	<i>Expenses</i>	<i>Fees, Fines, and Charges for Services</i>	<i>Operating Grants and Contributions</i>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
General government	\$ 1,482,804	\$ 156,286	\$ 220,102
Community and youth services	5,104	-	1
Community development	2,169,848	125,927	-
Parks	177,860	2,780	753,317
Public safety	5,426,593	723,302	131,791
Public works	1,498,709	212,908	1,678,411
Stadium operations	40,515	56,798	-
Interest on long-term debt	607,443	-	-
<i>Total Governmental Activities</i>	11,408,876	1,278,001	2,783,622
Business-type Activities:			
Water	2,192,830	2,188,101	23,913
Sewer and storm drain	4,106,832	3,906,054	-
Street lighting	397,772	470,218	-
<i>Total Business-type Activities</i>	6,697,434	6,564,373	23,913
<i>Total Activities</i>	<u>\$ 18,106,310</u>	<u>\$ 7,842,374</u>	<u>\$ 2,807,535</u>
General Revenues:			
Taxes			
Franchise taxes			
Intergovernmental - unrestricted			
Miscellaneous			
<i>Total General Revenues</i>			
Transfers			
Change in Net Assets			
<i>Net Assets, July 1, 2005</i>			
<i>Net Assets, June 30, 2006</i>			

*Net (Expenses) Revenues and
Changes in Net Assets*

<i>Capital Grants and Contributions</i>	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
\$ 715,168	\$ (391,248)	\$ -	\$ (391,248)
-	(5,103)	-	(5,103)
800,000	(1,243,921)	-	(1,243,921)
125,534	703,771	-	703,771
3,780	(4,567,720)	-	(4,567,720)
3,462	396,072	-	396,072
-	16,283	-	16,283
-	(607,443)	-	(607,443)
1,647,944	(5,699,309)	-	(5,699,309)
142,466	-	161,650	161,650
300,197	-	99,419	99,419
-	-	72,446	72,446
442,663	-	333,515	333,515
<u>\$ 2,090,607</u>	(5,699,309)	333,515	(5,365,794)
	6,782,351	-	6,782,351
	2,156,426	-	2,156,426
	750,630	-	750,630
	829,146	165,315	994,461
	10,518,553	165,315	10,683,868
	7,230	(7,230)	-
	4,826,474	491,600	5,318,074
	30,599,099	9,144,137	39,743,236
	<u>\$ 35,425,573</u>	<u>\$ 9,635,737</u>	<u>\$ 45,061,310</u>

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

CITY OF KEIZER, OREGON
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2006

	<u>General</u>	<u>Street</u>	<u>Housing Services</u>
ASSETS			
Cash and investments	\$ 1,316,240	\$ 2,891,809	\$ 135,204
Accounts receivable	295,918	145,678	-
Property taxes receivable	161,032	-	-
Assessment liens receivable	-	1,790	-
Loan receivables	-	-	258,698
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	<u>\$ 1,773,190</u>	<u>\$ 3,039,277</u>	<u>\$ 393,902</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 139,474	\$ 209,376	\$ -
Deposits	55,410	700	-
Deferred revenue	108,889	1,790	258,698
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	303,773	211,866	258,698
Fund Balances			
Unreserved (deficit), reported in:			
General fund	1,469,417	-	-
Special revenue funds	-	2,827,411	135,204
Capital projects funds	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Fund Balances</i>	<u>1,469,417</u>	<u>2,827,411</u>	<u>135,204</u>
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 1,773,190</u>	<u>\$ 3,039,277</u>	<u>\$ 393,902</u>

<i>Urban Renewal Project</i>	<i>Urban Renewal Tax Increment</i>	<i>Keizer Station LID</i>	<i>Other Governmental Funds</i>	<i>Totals</i>
\$ 1,494,079	\$ 331,318	\$ 433,609	\$ 1,448,181	\$ 8,050,440
-	-	-	98,136	539,732
-	222,485	-	-	383,517
-	-	-	-	1,790
-	-	-	-	258,698
<u>\$ 1,494,079</u>	<u>\$ 553,803</u>	<u>\$ 433,609</u>	<u>\$ 1,546,317</u>	<u>\$ 9,234,177</u>
\$ 20,230	\$ -	\$ 952,085	\$ 13,896	\$ 1,335,061
400	-	-	-	56,510
-	174,898	-	-	544,275
<u>20,630</u>	<u>174,898</u>	<u>952,085</u>	<u>13,896</u>	<u>1,935,846</u>
-	-	-	-	1,469,417
1,473,449	378,905	-	1,532,421	6,347,390
-	-	(518,476)	-	(518,476)
<u>1,473,449</u>	<u>378,905</u>	<u>(518,476)</u>	<u>1,532,421</u>	<u>7,298,331</u>
<u>\$ 1,494,079</u>	<u>\$ 553,803</u>	<u>\$ 433,609</u>	<u>\$ 1,546,317</u>	<u>\$ 9,234,177</u>

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

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CITY OF KEIZER, OREGON

**RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006**

RECONCILIATION TO THE STATEMENT OF NET ASSETS

<i>Fund Balances</i>	\$ 7,298,331
 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.	 544,275
 Capital assets are not financial resources in governmental funds, but are reported in the Statement of Net Assets at their net depreciable value.	
Cost of capital assets	63,181,364
Accumulated depreciation	(13,917,519)
 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.	
Bonds and notes payable	(21,308,000)
Accrued compensated absences	(372,878)
 <i>Net assets of governmental activities</i>	 <hr/> <hr/> \$ 35,425,573

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, 2006**

	<u>General</u>	<u>Street</u>	<u>Housing Services</u>
REVENUES			
Taxes and assessments	\$ 2,909,798	\$ 631	\$ -
Licenses and permits	2,314,371	216,122	-
Intergovernmental	623,627	1,673,671	9,151
Fines and forfeitures	545,247	-	-
Miscellaneous	222,617	325,229	4,939
	<hr/>	<hr/>	<hr/>
<i>Total Revenues</i>	6,615,660	2,215,653	14,090
EXPENDITURES			
Current operating:			
General government	683,822	-	-
Community and youth services	5,104	-	-
Community development	344,606	-	-
Parks	141,167	-	-
Public safety	4,930,635	-	-
Public works	-	724,336	-
Stadium operations	40,515	-	-
Capital outlay	30,426	2,273,860	-
Debt service	-	28,955	-
	<hr/>	<hr/>	<hr/>
<i>Total Expenditures</i>	6,176,275	3,027,151	-
REVENUES OVER (UNDER) EXPENDITURES	439,385	(811,498)	14,090
OTHER FINANCING SOURCES (USES)			
Issuance of debt	-	1,738,000	-
Transfers in	-	-	-
Transfers out	(213,590)	(1,980)	-
	<hr/>	<hr/>	<hr/>
<i>Total Other Financing Sources (Uses)</i>	(213,590)	1,736,020	-
NET CHANGE IN FUND BALANCES	225,795	924,522	14,090
FUND BALANCES, Beginning of year	<hr/> 1,243,622	<hr/> 1,902,889	<hr/> 121,114
FUND BALANCES (DEFICIT), End of year	<hr/> <u>\$ 1,469,417</u>	<hr/> <u>\$ 2,827,411</u>	<hr/> <u>\$ 135,204</u>

<i>Urban Renewal Project</i>	<i>Urban Renewal Tax Increment</i>	<i>Keizer Station LID</i>	<i>Other Governmental Funds</i>	<i>Totals</i>
\$ -	\$ 3,975,235	\$ -	\$ -	\$ 6,885,664
-	-	-	800,899	3,331,392
-	-	-	1,174,654	3,481,103
-	-	-	-	545,247
66,090	51,982	1,187,644	170,876	2,029,377
66,090	4,027,217	1,187,644	2,146,429	16,272,783
-	-	-	61,320	745,142
-	-	-	-	5,104
436,997	-	-	-	781,603
-	-	-	20,141	161,308
-	-	-	224,399	5,155,034
-	-	10,049	-	734,385
-	-	-	-	40,515
1,995,397	-	19,760,517	1,695,307	25,755,507
-	4,644,887	378,601	-	5,052,443
2,432,394	4,644,887	20,149,167	2,001,167	38,431,041
(2,366,304)	(617,670)	(18,961,523)	145,262	(22,158,258)
1,000,000	-	19,570,000	-	22,308,000
1,126,953	-	-	222,800	1,349,753
-	-	(1,126,953)	-	(1,342,523)
2,126,953	-	18,443,047	222,800	22,315,230
(239,351)	(617,670)	(518,476)	368,062	156,972
1,712,800	996,575	-	1,164,359	7,141,359
\$ 1,473,449	\$ 378,905	\$ (518,476)	\$ 1,532,421	\$ 7,298,331

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

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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, 2006**

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

<i>Net change in fund balances - total governmental funds</i>	\$ 156,972
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.	(44,663)
The Statement of Activities reports gains and losses arising from the disposal of existing capital assets, while governmental funds do not report any gains and losses on the disposal of existing capital assets.	(462,483)
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.	(17,599)
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.	
Capital outlays	25,299,387
Depreciation	(2,242,140)
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.	
Proceeds from issuance of debt	(22,308,000)
Debt principal payments	4,445,000
<i>Change in net assets of governmental activities</i>	<u>\$ 4,826,474</u>

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

CITY OF KEIZER, OREGON
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2006

	<u>Sewer</u>	<u>Water</u>	<u>Sewer Reserve</u>
ASSETS			
Current Assets			
Cash and investments	\$ 284,897	\$ 1,381,370	\$ 818,722
Accounts receivable	323,740	131,958	-
Property taxes receivable	-	-	-
Assessment liens receivable	-	5,527	27,632
Inventories	-	70,151	-
<i>Total Current Assets</i>	<u>608,637</u>	<u>1,589,006</u>	<u>846,354</u>
Noncurrent Assets			
Nondepreciable capital assets	-	371,759	-
Other capital assets	1,906,733	2,328,664	-
<i>Total Noncurrent Assets</i>	<u>1,906,733</u>	<u>2,700,423</u>	<u>-</u>
<i>Total Assets</i>	<u>2,515,370</u>	<u>4,289,429</u>	<u>846,354</u>
LIABILITIES			
Current Liabilities			
Accounts payable	280,297	220,695	29
Deposits	-	346	-
<i>Total Current Liabilities</i>	<u>280,297</u>	<u>221,041</u>	<u>29</u>
Noncurrent Liabilities			
Bonds payable	-	-	-
Accrued compensated absences	7,362	53,566	-
<i>Total Noncurrent Liabilities</i>	<u>7,362</u>	<u>53,566</u>	<u>-</u>
<i>Total Liabilities</i>	<u>287,659</u>	<u>274,607</u>	<u>29</u>
NET ASSETS			
Investment in capital assets (net of related debt)	1,906,733	2,328,664	846,325
Unrestricted	320,978	1,686,158	-
<i>Total Net Assets</i>	<u>\$ 2,227,711</u>	<u>\$ 4,014,822</u>	<u>\$ 846,325</u>

<i>Lighting Districts</i>	<i>Water Facility</i>	<i>Totals</i>
\$ 209,472	\$ 2,683,829	\$ 5,378,290
-	-	455,698
26,932	-	26,932
-	-	33,159
-	-	70,151
236,404	2,683,829	5,964,230
-	-	371,759
-	2,542,890	6,778,287
-	2,542,890	7,150,046
236,404	5,226,719	13,114,276
5,716	200,090	706,827
-	107,382	107,728
5,716	307,472	814,555
-	2,600,000	2,600,000
3,056	-	63,984
3,056	2,600,000	2,663,984
8,772	2,907,472	3,478,539
-	199,456	5,281,178
227,632	2,119,791	4,354,559
<u>\$ 227,632</u>	<u>\$ 2,319,247</u>	<u>\$ 9,635,737</u>

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, 2006**

	<u>Sewer</u>	<u>Water</u>	<u>Sewer Reserve</u>
OPERATING REVENUES			
Licenses and permits	\$ 1,407	\$ 46,767	\$ -
Charges for services	3,904,647	2,126,659	-
Miscellaneous	6,215	38,588	-
<i>Total Operating Revenues</i>	<u>3,912,269</u>	<u>2,212,014</u>	<u>-</u>
OPERATING EXPENSES			
Personal services	173,383	951,194	-
Materials and services	3,730,460	752,247	47,372
Depreciation	155,617	340,257	-
<i>Total Operating Expenses</i>	<u>4,059,460</u>	<u>2,043,698</u>	<u>47,372</u>
OPERATING INCOME (LOSS)	(147,191)	168,316	(47,372)
NONOPERATING REVENUES (EXPENSES)			
Investment revenue	-	55,678	1,560
Interest expense	-	(44,713)	-
<i>Total Nonoperating Revenue (Expenses)</i>	<u>-</u>	<u>10,965</u>	<u>1,560</u>
INCOME (LOSS) BEFORE TRANSFERS	(147,191)	179,281	(45,812)
Transfers in	119,152	-	-
Transfers out	(2,640)	(353,080)	(119,152)
CAPITAL CONTRIBUTIONS	-	-	300,197
CHANGE IN NET ASSETS	(30,679)	(173,799)	135,233
NET ASSETS, Beginning of year	<u>2,258,390</u>	<u>4,188,621</u>	<u>711,092</u>
NET ASSETS, End of year	<u>\$ 2,227,711</u>	<u>\$ 4,014,822</u>	<u>\$ 846,325</u>

<i>Lighting Districts</i>	<i>Water Facility</i>	<i>Totals</i>
\$ -	\$ -	\$ 48,174
470,218	-	6,501,524
-	-	44,803
470,218	-	6,594,501
45,262	-	1,169,839
352,510	4,745	4,887,334
-	99,674	595,548
397,772	104,419	6,652,721
72,446	(104,419)	(58,220)
19	101,843	159,100
-	-	(44,713)
19	101,843	114,387
72,465	(2,576)	56,167
-	348,900	468,052
(410)	-	(475,282)
-	142,466	442,663
72,055	488,790	491,600
155,577	1,830,457	9,144,137
<u>\$ 227,632</u>	<u>\$ 2,319,247</u>	<u>\$ 9,635,737</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, 2006

	<i>Sewer Fund</i>	<i>Water Fund</i>
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>		
Cash received from customers	\$ 3,970,660	\$ 2,080,024
Cash paid to employees for services	(172,688)	(946,413)
Cash paid to suppliers for goods and services	(3,731,816)	(584,322)
	<hr/>	<hr/>
<i>Net Cash Provided by (Used in) Operating Activities</i>	66,156	549,289
	<hr/>	<hr/>
<i>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</i>		
Transfers in	119,152	-
Transfers out	(2,640)	(353,080)
	<hr/>	<hr/>
<i>Net Cash Provided by (Used in) Non-Capital Financing Activities</i>	116,512	(353,080)
	<hr/>	<hr/>
<i>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</i>		
Acquisition of capital assets	(119,152)	(169,771)
Debt issuance	-	-
Contribution of capital	-	-
Interest paid	(171)	(44,712)
	<hr/>	<hr/>
<i>Net Cash Used in Capital Related Financing Activities</i>	(119,323)	(214,483)
	<hr/>	<hr/>
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>		
Interest on investments	-	55,678
	<hr/>	<hr/>
<i>Increase (Decrease) in Cash and Investments</i>	63,345	37,404
	<hr/>	<hr/>
<i>CASH AND INVESTMENTS, Beginning of year</i>	221,552	1,343,966
	<hr/>	<hr/>
<i>CASH AND INVESTMENTS, End of year</i>	<u>\$ 284,897</u>	<u>\$ 1,381,370</u>
<i>RECONCILIATION OF CASH PROVIDED BY OPERATING ACTIVITIES TO OPERATING INCOME (LOSS)</i>		
Operating income	\$ (147,191)	\$ 168,316
Depreciation	155,617	340,257
Change in assets and liabilities		
Accounts receivable	58,391	(112,210)
Inventory	-	(5,060)
Accounts payable and accrued liabilities	(1,356)	153,191
Compensated absences payable	695	4,781
Deposits payable	-	14
	<hr/>	<hr/>
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>\$ 66,156</u>	<u>\$ 549,289</u>

<i>Sewer Reserve Fund</i>	<i>Lighting District Fund</i>	<i>Water Facility Fund</i>	<i>Totals</i>
\$ 4,343	\$ 474,392	\$ 14,555	\$ 6,543,974
-	(44,482)	-	(1,163,583)
(47,343)	(352,163)	128,172	(4,587,472)
<u>(43,000)</u>	<u>77,747</u>	<u>142,727</u>	<u>792,919</u>
-	-	348,900	468,052
(119,152)	(410)	-	(475,282)
<u>(119,152)</u>	<u>(410)</u>	<u>348,900</u>	<u>(7,230)</u>
-	-	(1,392,364)	(1,681,287)
-	-	2,600,000	2,600,000
300,197	-	142,466	442,663
-	-	-	(44,883)
<u>300,197</u>	<u>-</u>	<u>1,350,102</u>	<u>1,316,493</u>
1,560	19	101,843	159,100
<u>139,605</u>	<u>77,356</u>	<u>1,943,572</u>	<u>2,261,282</u>
679,117	132,116	740,257	3,117,008
<u>\$ 818,722</u>	<u>\$ 209,472</u>	<u>\$ 2,683,829</u>	<u>\$ 5,378,290</u>
\$ (47,372)	\$ 72,446	\$ (104,419)	\$ (58,220)
-	-	99,674	595,548
4,343	4,174	-	(45,302)
-	-	-	(5,060)
29	347	132,917	285,128
-	780	-	6,256
-	-	14,555	14,569
<u>\$ (43,000)</u>	<u>\$ 77,747</u>	<u>\$ 142,727</u>	<u>\$ 792,919</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, capital projects, debt service and enterprise 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.

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.

Capital Projects Fund

Keizer Station LID Fund - this fund is used to account for improvements made to real property to facilitate the construction of Keizer Station, a major shopping complex. Borrowings are the primary source of revenue.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Transportation Fund - this fund was established to account for system development fees. The City charges a system development fee per dwelling unit to help cover the cost of transportation improvements resulting from development.

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 Hall Facility Fund – this fund accounts for improvements made to the City Hall facility. Transfers from other funds are the primary source of revenue.

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.

CITY OF KEIZER, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2006

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (continued)

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.

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, 2006. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and Deferred Revenues (continued)

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 are offset by a deferred revenue account and, accordingly, have not been recorded as revenue.

Inventory

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

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 capital 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 five years. 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 consists of water, stormwater and wastewater collection systems.

As permitted by GAAP, 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.

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:

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (continued)

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.

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 and the credit facility line of credit are payable from the Urban Renewal funds. Gas revenue bonds are payable from the Street 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 are accrued. Liabilities for accrued compensated absences are generally paid from the General, Street and Urban Renewal Projects funds.

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.

CITY OF KEIZER, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2006

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." At June 30, 2006 the carrying value of cash and investments and fair value are approximately equal. Cash and investments are comprised of the following at June 30, 2006:

Cash

Cash on hand	\$	1,750
Deposits with financial institutions		332,557
Money market		5,061,809

Investments

Local Government Investment Pool		8,032,614
		<hr/>
	\$	13,428,730
		<hr/> <hr/>

Deposits

At year end, the book balance of the City's bank deposits (checking accounts) was \$332,557 and the bank balance was \$771,814. The difference is due to transactions in process. Of these deposits, \$100,000 was covered by federal depository insurance. The remaining amount including money market funds are collateralized in accordance with Oregon Revised Statutes.

Investments

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. At June 30, 2006, the fair value of the position in the Oregon State Treasurer's Short-term Investment Pool was approximately equal to 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.

Interest Rate Risk

In accordance with its investment policy, the City manages its exposure to declines in fair value of its investments by limiting the weighted average maturity of its investments, specifically by maintaining funds in the Local Government Investment Pool.

CITY OF KEIZER, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2006

CASH AND INVESTMENTS (Continued)

Custodial Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Oregon laws require governmental deposits to be made in banks to be protected either by depository insurance or the financial institution is required to maintain on deposit with a collateral pool manager securities having a value of not less than 25% of the face value of the certificate issued by the pool manager. When such securities are deposited with the pool manager, covered funds are considered fully collateralized under Oregon law. The collateral is held by a state-sponsored pool manager which is a commercial bank in the name of the pool manager, with the collateral certificate issued by the pool manager in the name of the City. This does not constitute full collateral of deposits, but meets Oregon legal requirements.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of a failure of the counterparty, the City will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. Currently the City's investments are limited to the Local Government Investment Pool.

The LGIP is administered by the Oregon State Treasury with the advice of other state agencies and is not registered with the U.S. Securities and Exchange Commission. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short-term Fund Board, which has established diversification percentages and specifies the types and maturities of the investments. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP. These investments within the LGIP must be invested and managed as a prudent investor would, exercising reasonable care, skill and caution. Professional standards indicate that the investments in external investment pools are not subject to custodial risk because they are not evidenced by securities that exist in physical or book entry form. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP.

RECEIVABLES

<u>Fund</u>	<u>Accounts</u>	<u>Loans</u>	<u>Property Taxes</u>	<u>Bonded Assessments</u>
General	\$ 295,918	\$ -	\$ 161,032	\$ -
Street	145,678	-	-	1,790
Housing Services	-	258,698	-	-
Urban Renewal Tax	-	-	222,485	-
Other governmental funds	98,136	-	-	-
Sewer	323,740	-	-	-
Water	131,958	-	-	5,527
Sewer Reserve	-	-	-	27,632
Lighting Districts	-	-	26,932	-
	<u>\$ 995,430</u>	<u>\$ 258,698</u>	<u>\$ 410,449</u>	<u>\$ 34,949</u>

CITY OF KEIZER, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2006

CAPITAL ASSETS

The summary of capital assets for the business-type activities for the year ended June 30, 2006 is as follows:

	<i>Balances July 1, 2005</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balances June 30, 2006</i>
NON-DEPRECIABLE				
Land	\$ 371,759	\$ -	\$ -	\$ 371,759
DEPRECIABLE				
Buildings and improvements	697,639	27,749	-	725,388
Water and sewer systems	13,354,296	1,534,729	-	14,889,025
Equipment and vehicles	257,920	118,808	-	376,728
<i>Total depreciable</i>	14,309,855	1,681,286	-	15,991,141
ACCUMULATED DEPRECIATION				
Buildings	(490,112)	(36,269)	-	(526,381)
Water and sewer systems	(7,966,673)	(493,477)	-	(8,460,150)
Equipment and vehicles	(160,520)	(65,803)	-	(226,323)
<i>Total accumulated depreciation</i>	(8,617,305)	(595,549)	-	(9,212,854)
<i>Business-type activities capital assets, net</i>	\$ 6,064,309	\$ 1,085,737	\$ -	\$ 7,150,046

Depreciation expense for business-type activities is charged to functions as follows:

Water	\$ 439,932
Sewer and storm drain	155,617
<i>Total depreciation expense for business-type activities</i>	\$ 595,549

CITY OF KEIZER, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2006

CAPITAL ASSETS (Continued)

The changes in the capital assets for governmental activities for the year ended June 30, 2006 are as follows:

	<i>Balances July 1, 2005</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balances June 30, 2006</i>
NON-DEPRECIABLE				
Land	\$ 5,860,569	\$ 3,596,577	\$ (169,827)	\$ 9,287,319
DEPRECIABLE				
Buildings and improvements	18,184,902	2,164,502	-	20,349,404
Equipment and vehicles	1,516,097	64,075	(503,781)	1,076,391
Infrastructure	13,162,444	19,474,230	(168,424)	32,468,250
<i>Total depreciable</i>	32,863,443	21,702,807	(672,205)	53,894,045
ACCUMULATED DEPRECIATION				
Buildings	(8,367,207)	(1,010,972)	-	(9,378,179)
Equipment and vehicles	(1,116,640)	(150,003)	368,321	(898,322)
Infrastructure	(2,571,081)	(1,081,165)	11,228	(3,641,018)
<i>Total accumulated depreciation</i>	(12,054,928)	(2,242,140)	379,549	(13,917,519)
<i>Governmental activities capital assets, net</i>	<u>\$ 26,669,084</u>	<u>\$ 23,057,244</u>	<u>\$ (462,483)</u>	<u>\$ 49,263,845</u>

Depreciation expense for governmental-type activities is charged to functions as follows:

General government	\$ 196,576
Public works	574,153
Community development	1,457,842
Parks	<u>13,569</u>
<i>Total depreciation expense for governmental activities</i>	<u>\$ 2,242,140</u>

CITY OF KEIZER, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2006

LONG-TERM OBLIGATIONS

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

	<i>Outstanding July 1, 2005</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2006</i>	<i>Due in One Year</i>
Governmental Activities					
2001 URA, Series A	\$ 2,505,000	\$ -	\$ (2,505,000)	\$ -	\$ -
2001 URA, Series B	940,000	-	(940,000)	-	-
Gas Tax Revenue Bonds 2005	-	1,738,000	-	1,738,000	145,000
Tax-Exempt Non-Revolving Credit Facility Series 2006	-	19,570,000	-	19,570,000	17,220,000
	<u>\$ 3,445,000</u>	<u>\$ 21,308,000</u>	<u>\$ (3,445,000)</u>	<u>\$ 21,308,000</u>	<u>\$ 17,365,000</u>
Accrued compensated absences	<u>\$ 355,279</u>	<u>\$ 351,117</u>	<u>\$ (333,518)</u>	<u>\$ 372,878</u>	<u>\$ 172,761</u>
Business-type Activities					
2005 Water Revenue Loan	<u>\$ -</u>	<u>\$ 2,600,000</u>	<u>\$ -</u>	<u>\$ 2,600,000</u>	<u>\$ 135,000</u>
Accrued compensated absences	<u>\$ 57,728</u>	<u>\$ 61,052</u>	<u>\$ (54,796)</u>	<u>\$ 63,984</u>	<u>\$ 23,548</u>

The future maturities of obligations outstanding as of June 30, 2006:

Governmental Activities

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2007	\$ 17,365,000	\$ 1,046,611	\$ 18,411,611
2008	2,501,000	182,141	2,683,141
2009	157,000	53,449	210,449
2010	163,000	47,177	210,177
2011	169,000	40,670	209,670
2012-16	953,000	96,334	1,049,334
	<u>\$ 21,308,000</u>	<u>\$ 1,466,382</u>	<u>\$ 22,774,382</u>

CITY OF KEIZER, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2006

LONG-TERM OBLIGATIONS (Continued)

Business-type Activities

Fiscal Year Ending June 30,	Principal	Interest	Total
2007	\$ 135,000	\$ 103,833	\$ 238,833
2008	135,000	98,297	233,297
2009	140,000	92,660	232,660
2010	145,000	86,817	231,817
2011	150,000	80,770	230,770
2012-16	855,000	303,913	1,158,913
2017-2021	1,040,000	110,085	1,150,085
	<u>\$ 2,600,000</u>	<u>\$ 876,375</u>	<u>\$ 3,476,375</u>

Credit Facility

During 2005-06, the City obtained a credit facility for the Urban Renewal District. The facility has a maximum limit of \$23,720,000 and carries variable interest rates; at June 30, 2006 the rates were from 4.49% to 6.50%. Drawdowns are payable as follows:

February 19, 2007	\$ 4,000,000
March 20, 2007	13,220,000
September 5, 2007	<u>2,350,000</u>
	<u>\$ 19,570,000</u>

The outstanding balance of the credit facility as of June 30, 2006 is \$19,570,000. Future debt service requirements are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2007	\$ 17,220,000	\$ 981,323	\$ 18,201,323
2008	2,350,000	122,655	2,472,655
	<u>\$ 19,570,000</u>	<u>\$ 1,103,978</u>	<u>\$ 20,673,978</u>

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, 2006 was \$2,558,046, the City's total payroll was \$4,542,107.

Annual Pension Cost

For fiscal 2005-06, the City's annual pension cost of \$425,914 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, 2003 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><i>Year Ending</i></u>	<u><i>Annual Pension Cost (APC)</i></u>	<u><i>Percentage of APC Contributed</i></u>	<u><i>Net Pension Obligation</i></u>
6/30/04	\$ 324,212	100%	\$ -
6/30/05	353,929	100	-
6/30/06	425,914	100	-

CITY OF KEIZER, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2006

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, 2006, amounted to \$425,914. 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	\$ -	\$ 213,590
Street	-	1,980
Nonmajor Governmental	222,800	-
Keizer Station LID	-	1,126,953
Urban Renewal Project	1,126,953	-
Utility	-	2,640
Sewer	119,152	-
Sewer Reserve	-	119,152
Water	-	353,080
Lighting Districts	-	410
Water Facility	348,900	-
	<u>\$ 1,817,805</u>	<u>\$ 1,817,805</u>

Transfers are for operating purposes as determined by the City Council. Interfund balances represent temporary borrowing that is repaid in the subsequent fiscal year.

DEFICIT FUND BALANCES

At June 30, 2006 the Keizer Station LID fund had a deficit fund balance of \$518,476. The deficit arises from the manner in which the fund transactions are recorded. Expenditures related to the project are recorded as incurred. This creates a deficit. Later, draws are made on the credit facility to pay the expenditures. This eliminates the deficit. The deficit balance at June 30, 2006 was eliminated in July, 2006 by drawing down funds from the credit facility.

At June 30, 2006 the Local Law Enforcement Grant Fund had a deficit balance of \$2,730 and the 911 Fund had a deficit balance of \$22,961. These deficits will be eliminated after year end through the receipt of additional funds.

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

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CITY OF KEIZER, OREGON

SCHEDULE OF FUNDING PROGRESS - PUBLIC EMPLOYEES RETIREMENT SYSTEM

JUNE 30, 2006

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>Unfunded Actuarial Liability (UAL)</i>	<i>Funded Percent</i>	<i>Covered Payroll</i>	<i>UAL as a Percentage of Covered Payroll</i>
1999	\$ 7,405,948	\$ 6,098,889	1,307,059	121%	\$ 1,903,697	69%
2001	7,701,879	6,403,106	1,298,773	120	2,255,204	58
2003	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, 2006

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 2,822,700	\$ 2,822,700	\$ 2,909,798	\$ 87,098
Licenses and permits	2,090,600	2,132,300	2,314,371	182,071
Intergovernmental	584,100	560,900	623,627	62,727
Fines and forfeitures	425,500	435,500	545,247	109,747
Miscellaneous	114,400	119,000	222,617	103,617
<i>Total Revenues</i>	<u>6,037,300</u>	<u>6,070,400</u>	<u>6,615,660</u>	<u>545,260</u>
EXPENDITURES				
Administration	687,900	686,600	650,321	36,279
Baseball stadium project	42,600	42,600	40,515	2,085
Parks	175,700	175,700	161,593	14,107
Planning	451,100	451,100	344,606	106,494
Police	4,781,000	4,844,100	4,779,163	64,937
Municipal court	198,900	208,900	200,077	8,823
Contingency	66,400	3,810	-	3,810
<i>Total Expenditures</i>	<u>6,403,600</u>	<u>6,412,810</u>	<u>6,176,275</u>	<u>236,535</u>
REVENUES OVER (UNDER)				
EXPENDITURES	(366,300)	(342,410)	439,385	781,795
OTHER FINANCING SOURCES (USES)				
Transfers in	15,000	15,000	-	(15,000)
Transfers out	(142,700)	(163,590)	(213,590)	(50,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(127,700)</u>	<u>(148,590)</u>	<u>(213,590)</u>	<u>(65,000)</u>
NET CHANGE IN FUND BALANCE	(494,000)	(491,000)	225,795	716,795
FUND BALANCE, Beginning of year	<u>1,210,000</u>	<u>1,207,000</u>	<u>1,243,622</u>	<u>36,622</u>
FUND BALANCE, End of year	<u>\$ 716,000</u>	<u>\$ 716,000</u>	<u>\$ 1,469,417</u>	<u>\$ 753,417</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 - STREET FUND
YEAR ENDED JUNE 30, 2006

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 700	\$ 700	\$ 631	\$ (69)
Licenses and permits	12,200	12,200	216,122	203,922
Intergovernmental	2,531,000	2,531,000	1,673,671	(857,329)
Miscellaneous	218,600	218,600	325,229	106,629
<i>Total Revenues</i>	<u>2,762,500</u>	<u>2,762,500</u>	<u>2,215,653</u>	<u>(546,847)</u>
EXPENDITURES				
Personal services	260,700	260,700	240,854	19,846
Materials and services	693,300	686,900	483,482	203,418
Capital outlay	5,412,800	5,162,800	2,273,860	2,888,940
Debt service	-	30,000	28,955	1,045
Contingency	-	224,420	-	224,420
<i>Total Expenditures</i>	<u>6,366,800</u>	<u>6,364,820</u>	<u>3,027,151</u>	<u>3,337,669</u>
REVENUES OVER (UNDER) EXPENDITURES	(3,604,300)	(3,602,320)	(811,498)	2,790,822
OTHER FINANCING SOURCES (USES)				
Issuance of debt	1,950,000	1,950,000	1,738,000	(212,000)
Transfers out	-	(1,980)	(1,980)	-
<i>Total Other Financing Sources (Uses)</i>	<u>1,950,000</u>	<u>1,948,020</u>	<u>1,736,020</u>	<u>(212,000)</u>
NET CHANGE IN FUND BALANCE	(1,654,300)	(1,654,300)	924,522	2,578,822
FUND BALANCE, Beginning of year	<u>1,833,400</u>	<u>1,833,400</u>	<u>1,902,889</u>	<u>69,489</u>
FUND BALANCE, End of year	<u>\$ 179,100</u>	<u>\$ 179,100</u>	<u>\$ 2,827,411</u>	<u>\$ 2,648,311</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, 2006

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 9,151	\$ 9,151
Miscellaneous	1,800	1,800	4,939	3,139
<i>Total Revenues</i>	1,800	1,800	14,090	12,290
EXPENDITURES				
	-	-	-	-
NET CHANGE IN FUND BALANCE				
	1,800	1,800	14,090	12,290
FUND BALANCE, Beginning of year	110,000	110,000	121,114	11,114
FUND BALANCE, End of year	\$ 111,800	\$ 111,800	\$ 135,204	\$ 23,404

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, 2006

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 37,200	\$ 37,200	\$ 66,090	\$ 28,890
EXPENDITURES				
Personal services	234,600	239,600	237,497	2,103
Materials and services	154,600	204,600	199,500	5,100
Capital outlay	3,452,300	3,772,300	1,995,397	1,776,903
Contingency	-	622,800	-	622,800
<i>Total Expenditures</i>	<u>3,841,500</u>	<u>4,839,300</u>	<u>2,432,394</u>	<u>2,406,906</u>
REVENUES OVER (UNDER) EXPENDITURES	(3,804,300)	(4,802,100)	(2,366,304)	2,435,796
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	1,000,000	1,000,000	-
Transfers in	-	-	1,126,953	1,126,953
Transfers out	-	(2,200)	-	2,200
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>997,800</u>	<u>2,126,953</u>	<u>1,129,153</u>
NET CHANGE IN FUND BALANCE	(3,804,300)	(3,804,300)	(239,351)	3,564,949
FUND BALANCE, Beginning of year	<u>4,056,400</u>	<u>4,056,400</u>	<u>1,712,800</u>	<u>(2,343,600)</u>
FUND BALANCE, End of year	<u>\$ 252,100</u>	<u>\$ 252,100</u>	<u>\$ 1,473,449</u>	<u>\$ 1,221,349</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, 2006**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 3,939,600	\$ 3,939,600	\$ 3,975,235	\$ 35,635
Miscellaneous	33,500	33,500	51,982	18,482
<i>Total Revenues</i>	<u>3,973,100</u>	<u>3,973,100</u>	<u>4,027,217</u>	<u>54,117</u>
EXPENDITURES				
Debt service	933,400	3,718,600	3,644,887	73,713
Contingency	3,882,000	96,800	-	96,800
<i>Total Expenditures</i>	<u>4,815,400</u>	<u>3,815,400</u>	<u>3,644,887</u>	<u>170,513</u>
REVENUES OVER (UNDER) EXPENDITURES	(842,300)	157,700	382,330	224,630
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(1,000,000)	(1,000,000)	-
NET CHANGE IN FUND BALANCE	(842,300)	(842,300)	(617,670)	224,630
FUND BALANCE, Beginning of year	<u>842,300</u>	<u>842,300</u>	<u>996,575</u>	<u>154,275</u>
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 378,905</u>	<u>\$ 378,905</u>

The budgetary basis of accounting and GAAP are the same.

OTHER SUPPLEMENTARY INFORMATION

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CITY OF KEIZER, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - KEIZER STATION LID FUND
YEAR ENDED JUNE 30, 2006**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 1,200,000	\$ 1,200,000	\$ 1,187,644	\$ (12,356)
EXPENDITURES				
Materials and services	30,230	30,230	10,049	20,181
Capital outlay	18,029,770	24,489,770	19,760,517	4,729,253
Debt service	400,000	400,000	378,601	21,399
<i>Total Expenditures</i>	<u>18,460,000</u>	<u>24,920,000</u>	<u>20,149,167</u>	<u>4,770,833</u>
REVENUES OVER (UNDER) EXPENDITURES	(17,260,000)	(23,720,000)	(18,961,523)	4,758,477
OTHER FINANCING SOURCES (USES)				
Issuance of debt	17,220,000	23,720,000	19,570,000	(4,150,000)
Transfers in	40,000	-	-	-
Transfers out	-	-	(1,126,953)	(1,126,953)
<i>Total Other Financing Sources (Uses)</i>	<u>17,260,000</u>	<u>23,720,000</u>	<u>18,443,047</u>	<u>(5,276,953)</u>
NET CHANGE IN FUND BALANCE	-	-	(518,476)	(518,476)
FUND BALANCE, Beginning of year	-	-	-	-
FUND BALANCE (DEFICIT), End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (518,476)</u>	<u>\$ (518,476)</u>

The budgetary basis of accounting and GAAP are the same.

CITY OF KEIZER, OREGON
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

	<i>Special Revenue</i>		
	<i>Revenue Sharing</i>	<i>Local Law Enforcement Grant</i>	<i>911 Fund</i>
ASSETS			
Cash and investments	\$ 8,188	\$ -	\$ -
Accounts receivable	53,953	-	44,183
Due to / from other funds	-	-	(64,854)
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	<u>\$ 62,141</u>	<u>\$ -</u>	<u>\$ (20,671)</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 1,720	\$ 2,730	\$ 2,290
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	1,720	2,730	2,290
Fund Balances			
Unreserved (deficit), reported in:			
Special revenue funds	60,421	(2,730)	(22,961)
	<hr/>	<hr/>	<hr/>
<i>Total Fund Balances</i>	60,421	(2,730)	(22,961)
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 62,141</u>	<u>\$ -</u>	<u>\$ (20,671)</u>

<i>Public Education Government</i>	<i>Transportation Improvement</i>	<i>City Hall Facility</i>	<i>Park Improvement</i>	<i>Totals</i>
\$ 31,492	\$ 789,153	\$ 253	\$ 619,095	\$ 1,448,181
-	-	-	-	98,136
-	64,854	-	-	-
<u>\$ 31,492</u>	<u>\$ 854,007</u>	<u>\$ 253</u>	<u>\$ 619,095</u>	<u>\$ 1,546,317</u>
\$ -	\$ -	\$ -	\$ 7,156	\$ 13,896
-	-	-	7,156	13,896
<u>31,492</u>	<u>854,007</u>	<u>253</u>	<u>611,939</u>	<u>1,532,421</u>
<u>31,492</u>	<u>854,007</u>	<u>253</u>	<u>611,939</u>	<u>1,532,421</u>
<u>\$ 31,492</u>	<u>\$ 854,007</u>	<u>\$ 253</u>	<u>\$ 619,095</u>	<u>\$ 1,546,317</u>

CITY OF KEIZER, OREGON**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006**

	<i>Special Revenue</i>		
	<i>Revenue Sharing</i>	<i>Local Law Enforcement Grant</i>	<i>911 Fund</i>
REVENUES			
Licenses and permits	\$ -	\$ -	\$ -
Intergovernmental	226,044	88,566	110,044
Miscellaneous	1,143	-	-
<i>Total Revenues</i>	<u>227,187</u>	<u>88,566</u>	<u>110,044</u>
EXPENDITURES			
Current operating:			
General government	-	-	-
Parks	-	-	-
Public safety	-	8,514	215,885
Capital outlay	266,613	82,782	-
<i>Total Expenditures</i>	<u>266,613</u>	<u>91,296</u>	<u>215,885</u>
REVENUES OVER (UNDER) EXPENDITURES	(39,426)	(2,730)	(105,841)
OTHER FINANCING SOURCES (USES)			
Transfers in	41,300	-	50,000
NET CHANGE IN FUND BALANCES	1,874	(2,730)	(55,841)
FUND BALANCES, Beginning of year	<u>58,547</u>	<u>-</u>	<u>32,880</u>
FUND BALANCES (DEFICIT), End of year	<u>\$ 60,421</u>	<u>\$ (2,730)</u>	<u>\$ (22,961)</u>

<i>Public Education Government</i>	<i>Transporation Improvement</i>	<i>City Hall Facility</i>	<i>Park Improvement</i>	<i>Totals</i>
\$ 85,731	\$ 715,168	\$ -	\$ -	\$ 800,899
-	-	-	750,000	1,174,654
179	21,829	117	147,608	170,876
85,910	736,997	117	897,608	2,146,429
61,320	-	-	-	61,320
-	-	-	20,141	20,141
-	-	-	-	224,399
16,323	-	128,664	1,200,925	1,695,307
77,643	-	128,664	1,221,066	2,001,167
8,267	736,997	(128,547)	(323,458)	145,262
2,700	-	128,800	-	222,800
10,967	736,997	253	(323,458)	368,062
20,525	117,010	-	935,397	1,164,359
<u>\$ 31,492</u>	<u>\$ 854,007</u>	<u>\$ 253</u>	<u>\$ 611,939</u>	<u>\$ 1,532,421</u>

CITY OF KEIZER, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - REVENUE SHARING FUND
YEAR ENDED JUNE 30, 2006**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 197,300	\$ 197,300	\$ 226,044	\$ 28,744
Miscellaneous	-	-	1,143	1,143
<i>Total Revenues</i>	197,300	197,300	227,187	29,887
EXPENDITURES				
Capital outlay	273,500	272,100	266,613	5,487
REVENUES OVER (UNDER) EXPENDITURES	(76,200)	(74,800)	(39,426)	35,374
OTHER FINANCING SOURCES (USES)				
Transfers in	42,700	41,300	41,300	-
NET CHANGE IN FUND BALANCE	(33,500)	(33,500)	1,874	35,374
FUND BALANCE, Beginning of year	33,500	33,500	58,547	25,047
FUND BALANCE, End of year	\$ -	\$ -	\$ 60,421	\$ 60,421

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 - LOCAL LAW ENFORCEMENT GRANT FUND
YEAR ENDED JUNE 30, 2006**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 160,000	\$ 160,000	\$ 88,566	\$ (71,434)
<i>Total Revenues</i>	160,000	160,000	88,566	(71,434)
EXPENDITURES				
Materials and services	25,000	25,000	8,514	16,486
Capital outlay	135,000	135,000	82,782	52,218
<i>Total Expenditures</i>	160,000	160,000	91,296	68,704
NET CHANGE IN FUND BALANCE	-	-	(2,730)	(2,730)
FUND BALANCE, Beginning of year	-	-	-	-
FUND BALANCE (DEFICIT), End of year	\$ -	\$ -	\$ (2,730)	\$ (2,730)

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 - 911 FUND
YEAR ENDED JUNE 30, 2006**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 166,600	\$ 166,600	\$ 110,044	\$ (56,556)
Miscellaneous	300	300	-	(300)
<i>Total Revenues</i>	166,900	166,900	110,044	(56,856)
EXPENDITURES				
Materials and services	217,300	232,300	215,885	16,415
REVENUES OVER (UNDER) EXPENDITURES				
	(50,400)	(65,400)	(105,841)	(40,441)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	50,000	50,000
Transfers out	(15,000)	-	-	-
<i>Total Other Financing Sources (Uses)</i>	(15,000)	-	50,000	50,000
NET CHANGE IN FUND BALANCE	(65,400)	(65,400)	(55,841)	9,559
FUND BALANCE, Beginning of year	65,800	65,800	32,880	(32,920)
FUND BALANCE, End of year	\$ 400	\$ 400	\$ (22,961)	\$ (23,361)

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 - PUBLIC EDUCATION GOVERNMENT FUND
YEAR ENDED JUNE 30, 2006**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 82,300	\$ 82,300	\$ 85,731	\$ 3,431
Miscellaneous	200	200	179	(21)
<i>Total Revenues</i>	82,500	82,500	85,910	3,410
EXPENDITURES				
Materials and services	60,000	61,370	61,320	50
Capital outlay	15,000	16,330	16,323	7
<i>Total Expenditures</i>	75,000	77,700	77,643	57
REVENUES OVER (UNDER) EXPENDITURES				
	7,500	4,800	8,267	3,467
OTHER FINANCING SOURCES (USES)				
Transfers in	-	2,700	2,700	-
NET CHANGE IN FUND BALANCE				
	7,500	7,500	10,967	3,467
FUND BALANCE, Beginning of year				
	19,200	19,200	20,525	1,325
FUND BALANCE, End of year				
	\$ 26,700	\$ 26,700	\$ 31,492	\$ 4,792

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 - TRANSPORTATION IMPROVEMENT FUND
YEAR ENDED JUNE 30, 2006**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 150,000	\$ 150,000	\$ 715,168	\$ 565,168
Miscellaneous	2,200	2,200	21,829	19,629
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total Revenues</i>	152,200	152,200	736,997	584,797
EXPENDITURES				
Contingency	262,000	262,000	-	262,000
	<hr/>	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCE	(109,800)	(109,800)	736,997	846,797
FUND BALANCE, Beginning of year	109,800	109,800	117,010	7,210
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCE, End of year	\$ -	\$ -	\$ 854,007	\$ 854,007
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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 - CITY HALL FACILITY FUND
YEAR ENDED JUNE 30, 2006

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 117	\$ 117
EXPENDITURES				
Capital outlay	100,000	128,800	128,664	136
<i>Total Expenditures</i>	100,000	128,800	128,664	136
REVENUES OVER (UNDER) EXPENDITURES	(100,000)	(128,800)	(128,547)	253
OTHER FINANCING SOURCES (USES)				
Transfers in	100,000	128,800	128,800	-
NET CHANGE IN FUND BALANCE	-	-	253	253
FUND BALANCE, Beginning of year	-	-	-	-
FUND BALANCE, End of year	\$ -	\$ -	\$ 253	\$ 253

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 - PARK IMPROVEMENT FUND
YEAR ENDED JUNE 30, 2006**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ -	\$ 1,627,000	\$ 750,000	\$ (877,000)
Miscellaneous	110,000	110,000	147,608	37,608
<i>Total Revenues</i>	110,000	1,737,000	897,608	(839,392)
EXPENDITURES				
Materials and services	-	25,000	20,141	4,859
Capital outlay	363,500	1,995,500	1,200,925	794,575
Contingency	300,000	270,000	-	270,000
<i>Total Expenditures</i>	663,500	2,290,500	1,221,066	1,069,434
NET CHANGE IN FUND BALANCE	(553,500)	(553,500)	(323,458)	230,042
FUND BALANCE, Beginning of year	941,700	941,700	935,397	(6,303)
FUND BALANCE, End of year	\$ 388,200	\$ 388,200	\$ 611,939	\$ 223,739

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 - SEWER FUND
YEAR ENDED JUNE 30, 2006**

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 1,000	\$ 1,000	\$ 1,407	\$ 1,407
Charges for services	3,989,500	3,989,500	3,912,371	3,904,647
Miscellaneous	-	-	6,215	6,215
<i>Total Revenues</i>	<u>3,990,500</u>	<u>3,990,500</u>	<u>3,919,993</u>	<u>3,912,269</u>
EXPENDITURES				
Personal services	173,900	173,900	172,688	173,383
Materials and services	3,808,600	3,808,600	3,725,977	3,730,460
Capital outlay/depreciation	7,700	7,700	4,653	155,617
Contingency	13,400	10,760	-	-
<i>Total Expenditures</i>	<u>4,003,600</u>	<u>4,000,960</u>	<u>3,903,318</u>	<u>4,059,460</u>
REVENUES OVER (UNDER) EXPENSES	(13,100)	(10,460)	16,675	(147,191)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	119,152
Transfers out	-	(2,640)	(2,640)	(2,640)
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>(2,640)</u>	<u>(2,640)</u>	<u>116,512</u>
NET CHANGE IN FUND BALANCE	(13,100)	(13,100)	14,035	(30,679)
FUND BALANCE, Beginning of year	<u>48,600</u>	<u>48,600</u>	<u>124,732</u>	<u>2,258,390</u>
FUND BALANCE, End of year	<u>\$ 35,500</u>	<u>\$ 35,500</u>	<u>\$ 138,767</u>	<u>\$ 2,227,711</u>

CITY OF KEIZER, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WATER FUND
YEAR ENDED JUNE 30, 2006**

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 5,000	\$ 5,000	\$ 46,767	\$ 46,767
Charges for services	2,215,200	2,215,200	2,104,523	2,126,659
Miscellaneous	24,000	24,000	94,266	94,266
<i>Total Revenues</i>	<u>2,244,200</u>	<u>2,244,200</u>	<u>2,245,556</u>	<u>2,267,692</u>
EXPENDITURES				
Personal services	951,400	951,400	946,413	951,194
Materials and services	841,400	841,400	784,830	752,247
Capital outlay/depreciation	364,500	364,500	189,073	340,257
Debt service	135,700	135,700	44,713	44,713
Contingency	67,600	63,420	-	-
<i>Total Expenditures</i>	<u>2,360,600</u>	<u>2,356,420</u>	<u>1,965,029</u>	<u>2,088,411</u>
REVENUES OVER (UNDER) EXPENSES	(116,400)	(112,220)	280,527	179,281
OTHER FINANCING SOURCES (USES)				
Transfers out	(348,900)	(353,080)	(353,080)	(353,080)
NET CHANGE IN FUND BALANCE	(465,300)	(465,300)	(72,553)	(173,799)
FUND BALANCE, Beginning of year	<u>840,800</u>	<u>840,800</u>	<u>1,234,614</u>	<u>4,188,621</u>
FUND BALANCE, End of year	<u>\$ 375,500</u>	<u>\$ 375,500</u>	<u>\$ 1,162,061</u>	<u>\$ 4,014,822</u>

CITY OF KEIZER, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SEWER RESERVE FUND
YEAR ENDED JUNE 30, 2006**

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 614,600	\$ 614,600	\$ 302,792	\$ 298,449
Charges for services	-	-	1,748	1,748
Miscellaneous	2,300	2,300	1,560	1,560
<i>Total Revenues</i>	<u>616,900</u>	<u>616,900</u>	<u>306,100</u>	<u>301,757</u>
EXPENDITURES				
Materials and services	5,000	35,000	47,372	47,372
Capital outlay/depreciation	375,000	375,000	119,152	-
Contingency	70,000	40,000	-	-
<i>Total Expenditures</i>	<u>450,000</u>	<u>450,000</u>	<u>166,524</u>	<u>47,372</u>
REVENUES OVER (UNDER) EXPENSES	166,900	166,900	139,576	254,385
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	(119,152)
NET CHANGE IN FUND BALANCE	166,900	166,900	139,576	135,233
FUND BALANCE, Beginning of year	<u>629,600</u>	<u>629,600</u>	<u>679,117</u>	<u>711,092</u>
FUND BALANCE, End of year	<u>\$ 796,500</u>	<u>\$ 796,500</u>	<u>\$ 818,693</u>	<u>\$ 846,325</u>

CITY OF KEIZER, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL - LIGHTING DISTRICTS FUND

YEAR ENDED JUNE 30, 2006

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 505,700	\$ 505,700	\$ 471,488	\$ 470,218
Miscellaneous	-	-	19	19
<i>Total Revenues</i>	505,700	505,700	471,507	470,237
EXPENDITURES				
Personal services	44,700	44,700	44,482	45,262
Materials and services	344,300	363,300	351,043	352,510
Capital outlay/depreciation	1,600	1,600	1,467	-
Contingency	19,500	90	-	-
<i>Total Expenditures</i>	410,100	409,690	396,992	397,772
REVENUES OVER (UNDER) EXPENSES	95,600	96,010	74,515	72,465
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(410)	(410)	(410)
NET CHANGE IN FUND BALANCE	95,600	95,600	74,105	72,055
FUND BALANCE, Beginning of year	65,100	65,100	129,651	155,577
FUND BALANCE, End of year	\$ 160,700	\$ 160,700	\$ 203,756	\$ 227,632

CITY OF KEIZER, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WATER FACILITY FUND
YEAR ENDED JUNE 30, 2006**

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 112,000	\$ 112,000	\$ 142,466	\$ 142,466
Miscellaneous	12,300	12,300	101,843	101,843
<i>Total Revenues</i>	124,300	124,300	244,309	244,309
EXPENDITURES				
Materials and services	200	200	-	4,745
Capital outlay/depreciation	3,325,000	3,325,000	1,397,109	99,674
Contingency	300,000	300,000	-	-
<i>Total Expenditures</i>	3,625,200	3,625,200	1,397,109	104,419
REVENUES OVER (UNDER) EXPENSES				
	(3,500,900)	(3,500,900)	(1,152,800)	139,890
OTHER FINANCING SOURCES (USES)				
Issuance of debt	3,447,500	3,447,500	2,600,000	-
Transfers in	348,900	348,900	348,900	348,900
<i>Total Other Financing Sources (Uses)</i>	3,796,400	3,796,400	2,948,900	348,900
NET CHANGE IN FUND BALANCE	295,500	295,500	1,796,100	488,790
FUND BALANCE, Beginning of year	1,163,300	1,163,300	580,257	1,830,457
FUND BALANCE, End of year	\$ 1,458,800	\$ 1,458,800	\$ 2,376,357	\$ 2,319,247

CITY OF KEIZER, OREGON
PROPERTY TAX TRANSACTIONS
YEAR ENDED JUNE 30, 2006

<i>Tax Year</i>	<i>2005-2006 Levy</i>	<i>Uncollected Balance July 1, 2005</i>	<i>Added To Rolls</i>	<i>Discounts & Adjustments</i>	<i>Turnovers</i>	<i>Uncollected Balance June 30, 2006</i>
2005-2006	\$ 7,445,639	\$ -	\$ 2,834	\$ 200,213	\$ 7,013,071	\$ 235,189
2004-2005	-	266,440	-	3,918	169,922	92,600
2003-2004	-	95,672	-	14,620	33,870	47,182
2002-2003	-	52,610	-	15,728	16,184	20,698
2001-2002	-	24,251	-	751	18,706	4,794
2000-2001	-	5,888	-	222	1,968	3,698
1999-2000	-	3,109	-	106	1,285	1,718
Prior Years	-	5,288	-	85	633	4,570
Total	\$ 7,445,639	\$ 453,258	\$ 2,834	\$ 235,643	\$ 7,255,639	\$ 410,449

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CITY OF KEIZER, OREGON
SCHEDULE OF BOND TRANSACTIONS
YEAR ENDED JUNE 30, 2006

	<u><i>Interest Rates</i></u>	<u><i>Date of Issue</i></u>	<u><i>Fiscal Year of Maturity</i></u>
<i>BOND PRINCIPAL TRANSACTIONS</i>			
General Obligation Bonds			
2001 URA, Series A	5.00%	2001	2012-13
2001 URA, Series B	4.75-5.25%	2001	2006-07
Gas Tax Revenue Bonds 2005	3.92%	2005	2015-16
2005 Water Revenue Loan	4.10%	2005	2020-2021
			<i>Unmatured Interest Outstanding</i>
	<u><i>Interest Rates</i></u>	<u><i>Date of Issue</i></u>	<u><i>July 1, 2005</i></u>
<i>BOND INTEREST TRANSACTIONS</i>			
General Obligation Bonds			
2001 URA, Series A	5.00%	2001	\$ 505,625
2001 URA, Series B	4.75-5.25%	2001	48,725
Gas Tax Revenue Bonds 2005	3.92%	2005	-
2005 Water Revenue Loan	4.10%	2005	-
			<u>\$ 554,350</u>

<i>Outstanding</i>	<i>2005</i>	<i>July 1,</i>	<i>\$</i>	<i>2,505,000</i>	<i>940,000</i>	<i>-</i>	<i>-</i>	<i>\$</i>	<i>391,359</i>	<i>921,088</i>	<i>\$</i>	<i>1,312,447</i>
<i>Bonds</i>	<i>Issued</i>	<i>\$</i>	<i>-</i>	<i>1,738,000</i>	<i>2,600,000</i>	<i>4,338,000</i>	<i>\$</i>	<i>(505,625)</i>	<i>(48,725)</i>	<i>(28,955)</i>	<i>(44,713)</i>	<i>(628,018)</i>
<i>Bonds</i>	<i>Paid</i>	<i>\$</i>	<i>(2,505,000)</i>	<i>(940,000)</i>	<i>-</i>	<i>(3,445,000)</i>	<i>\$</i>	<i>-</i>	<i>362,404</i>	<i>876,375</i>	<i>\$</i>	<i>1,238,779</i>
<i>Outstanding</i>	<i>June 30,</i>	<i>2006</i>	<i>\$</i>	<i>4,338,000</i>	<i>2,600,000</i>	<i>4,338,000</i>	<i>\$</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>

CITY OF KEIZER, OREGON
SCHEDULE OF FUTURE DEBT REQUIREMENTS BY ISSUE
YEAR ENDED JUNE 30, 2006

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>Gas Tax Revenue Bonds 2005</i>			<i>2005 Water Revenue Loan</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2007	\$ 145,000	\$ 65,288	\$ 210,288	\$ 135,000	\$ 103,833	\$ 238,833
2008	151,000	59,486	210,486	135,000	98,297	233,297
2009	157,000	53,449	210,449	140,000	92,660	232,660
2010	163,000	47,177	210,177	145,000	86,817	231,817
2011	169,000	40,670	209,670	150,000	80,770	230,770
2012	176,000	33,908	209,908	155,000	74,518	229,518
2013	183,000	26,872	209,872	165,000	67,958	232,958
2014	190,000	19,561	209,561	170,000	61,090	231,090
2015	198,000	11,956	209,956	180,000	53,915	233,915
2016	206,000	4,037	210,037	185,000	46,432	231,432
2017	-	-	-	190,000	38,745	228,745
2018	-	-	-	200,000	30,750	230,750
2019	-	-	-	210,000	22,345	232,345
2020	-	-	-	215,000	13,633	228,633
2021	-	-	-	225,000	4,612	229,612
	<u>\$ 1,738,000</u>	<u>\$ 362,404</u>	<u>\$ 2,100,404</u>	<u>\$ 2,600,000</u>	<u>\$ 876,375</u>	<u>\$ 3,476,375</u>

<i>Totals</i>		
<i>Principal</i>	<i>Interest</i>	<i>Total</i>
\$ 280,000	\$ 169,121	\$ 449,121
286,000	157,783	443,783
297,000	146,109	443,109
308,000	133,994	441,994
319,000	121,440	440,440
331,000	108,426	439,426
348,000	94,830	442,830
360,000	80,651	440,651
378,000	65,871	443,871
391,000	50,469	441,469
190,000	38,745	228,745
200,000	30,750	230,750
210,000	22,345	232,345
215,000	13,633	228,633
225,000	4,612	229,612
\$ 4,338,000	\$ 1,238,779	\$ 5,576,779

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STATISTICAL SECTION

CITY OF KEIZER, OREGON
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2006

STATISTICAL SECTION

The Statistical Section of the comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the overall financial health of the City of Keizer.

FINANCIAL TRENDS

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

REVENUE CAPACITY

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

DEBT CAPACITY

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

DEMOGRAPHIC AND ECONOMIC INFORMATION

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

OPERATING INFORMATION

These schedules contain service and infrastructure data to help the reader understand how the information in the financial report relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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STATISTICAL SECTION

FINANCIAL TRENDS

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CITY OF KEIZER, OREGON
SCHEDULE OF NET ASSETS BY COMPONENT
LAST FOUR FISCAL YEARS - UNAUDITED

	Fiscal Year			
	2006	2005	2004	2003
Governmental activities:				
Invested in capital assets, net of related debt	\$ 27,955,845	\$ 23,224,084	\$ 16,394,836	\$ 15,241,660
Reserved for special purposes	3,197,412	3,281,549	9,563,822	8,145,459
Unrestricted	4,272,316	4,093,466	1,391,744	971,777
<i>Total governmental activities net assets</i>	35,425,573	30,599,099	27,350,402	24,358,896
			-	
Business-type activities:				
Invested in capital assets, net of related debt	5,281,178	6,064,309	6,598,348	6,756,074
Reserved for special purposes	-	-	-	-
Unrestricted	4,354,559	3,079,828	2,459,079	1,721,609
<i>Total business-type activities nets assets</i>	9,635,737	9,144,137	9,057,427	8,477,683
Total government:				
Invested in capital assets, net of related debt	33,237,023	29,288,393	22,993,184	21,997,734
Reserved for special purposes	3,197,412	3,281,549	9,563,822	8,145,459
Unrestricted	8,626,875	7,173,294	3,850,823	2,693,386
<i>Total government net assets</i>	<u>\$ 45,061,310</u>	<u>\$ 39,743,236</u>	<u>\$ 36,407,829</u>	<u>\$ 32,836,579</u>

Financial trend schedule: Net assets by component is intended to provide the user with summary data to analyze changes in the components of net assets.

Accompanying schedule: Changes in net assets provides the user with additional detail for analytical purposes.

This schedule normally requires presentation of ten years of data. Governmental Accounting Standards Board (GASB) Statement No. 44 permits the City to retroactively present data beginning with the implementation of GASB Statement No. 34, which occurred June 30, 2003.

CITY OF KEIZER, OREGON
CHANGES IN NET ASSETS
LAST FOUR FISCAL YEARS - UNAUDITED

	Fiscal Year			
	2006	2005	2004	2003
Expenses:				
Governmental activities:				
General government	\$ 1,444,215	\$ 2,263,474	\$ 2,156,572	\$ 1,790,961
Community and youth services	5,104	4,400	441	1,296
Community development	712,006	1,553,543	799,064	870,278
Parks	164,291	175,029	110,806	107,900
Public safety	5,445,602	5,181,421	4,512,031	4,592,191
Public works	886,920	726,596	739,176	682,003
Stadium operations	40,515	40,610	38,343	36,300
Interest on long-term debt	607,443	190,224	224,631	-
Unallocated depreciation	2,084,153	-	-	-
<i>Total governmental activities expenses</i>	<u>11,390,249</u>	<u>10,135,297</u>	<u>8,581,064</u>	<u>8,080,929</u>
Business-type activities:				
Water	2,192,830	2,041,226	1,836,951	1,767,710
Sewer and storm drain	4,106,832	4,074,941	3,961,489	3,587,126
Street lighting	397,772	399,682	379,419	380,140
<i>Total business-type activities expenses</i>	<u>6,697,434</u>	<u>6,515,849</u>	<u>6,177,859</u>	<u>5,734,976</u>
<i>Total government expenses</i>	<u>\$ 18,087,683</u>	<u>\$ 16,651,146</u>	<u>\$ 14,758,923</u>	<u>\$ 13,815,905</u>
Program Revenues:				
Governmental activities:				
Fees, fines and charges for services:				
General government	\$ 156,286	\$ 147,149	\$ 128,098	\$ 118,111
Community and youth services	-	-	-	-
Community development	125,927	57,207	77,946	64,099
Parks	2,780	2,350	194,560	196,385
Public safety	723,302	473,327	372,964	443,464
Public works	193,562	82,025	20,080	11,938
Stadium operations	56,798	53,053	65,847	44,667
Operating grants and contributions	2,783,622	1,904,784	1,769,053	1,595,022
Capital grants and contributions	1,647,944	617,998	68,733	34,396
<i>Total governmental activities program revenues</i>	<u>5,690,221</u>	<u>3,337,893</u>	<u>2,697,281</u>	<u>2,508,082</u>
Business-type activities:				
Fees, fines and charges for services:				
Water	2,169,811	1,997,748	2,234,050	1,859,555
Sewer and storm drain	3,906,054	3,905,878	4,030,082	3,500,601
Street lighting	470,218	467,401	454,536	387,954
Operating grants and contributions	23,913	2,934	11,668	18,917
Capital grants and contributions	442,663	378,485	-	-
<i>Total business-type activities program revenues</i>	<u>7,012,659</u>	<u>6,752,446</u>	<u>6,730,336</u>	<u>5,767,027</u>
<i>Total government program revenues</i>	<u>\$ 12,702,880</u>	<u>\$ 10,090,339</u>	<u>\$ 9,427,617</u>	<u>\$ 8,275,109</u>

Financial trend schedule: Changes in net assets is intended to provide the user with detailed information related to net asset activities and changes in those activities.

This schedule normally requires presentation of ten years of data. Governmental Accounting Standards Board (GASB) Statement No. 44 permits the City to retroactively present data beginning with the implementation of GASB Statement No. 34, which occurred June 30, 2003.

Fiscal Year			
2006	2005	2004	2003
Net (Expense)/Revenue			
Governmental activities	\$ (5,699,309)	\$ (6,797,404)	\$ (5,883,783)
Business-type activities	333,515	236,597	552,477
<i>Total government activities</i>	(5,365,794)	(6,560,807)	(5,331,306)
General Revenues and Other Changes in Net Assets			
Governmental activities:			
Taxes and assessments	6,782,351	6,332,711	6,053,862
Licenses and permits	2,156,426	1,947,010	1,961,642
Intergovernmental	750,630	771,629	744,190
Miscellaneous	829,146	260,848	209,733
Gain (loss) on sale of capital assets	-	733,908	(94,140)
Transfers	7,230	-	-
<i>Total governmental activities</i>	10,525,783	10,046,106	8,875,287
Business-type activities:			
Miscellaneous	165,315	50,115	27,270
Gain (loss) on sale of capital assets	-	(200,000)	-
Transfers	(7,230)	-	-
<i>Total business-type activities</i>	158,085	(149,885)	27,270
<i>Total government revenues</i>	10,683,868	9,896,221	8,902,557
Changes in Net Assets			
Governmental activities			
Governmental activities	4,826,474	3,248,702	2,991,504
Business-type activities	491,600	86,712	579,747
Net Assets, July 1	5,318,074	3,335,414	3,571,251
Governmental activities			
Governmental activities	30,599,099	27,350,400	24,358,896
Business-type activities	9,144,137	9,057,430	8,477,683
<i>Total Government</i>	39,743,236	36,407,830	32,836,579
Business-type activities - change in capitalization policy			
	-	-	-
<i>Total Government</i>	39,743,236	36,407,830	32,836,579
Net Assets, June 30			
Governmental activities	35,425,573	30,599,099	27,350,400
Business-type activities	9,635,737	9,144,137	9,057,430
<i>Total Government</i>	\$ 45,061,310	\$ 39,743,236	\$ 36,407,830
Net (Expense)/Revenue			
Governmental activities	\$ (5,572,847)	\$ (6,797,404)	\$ (5,883,783)
Business-type activities	32,051	236,597	552,477
<i>Total government activities</i>	(5,540,796)	(6,560,807)	(5,331,306)
General Revenues and Other Changes in Net Assets			
Governmental activities:			
Taxes and assessments	5,770,276	6,332,711	6,053,862
Licenses and permits	1,793,520	1,947,010	1,961,642
Intergovernmental	701,662	771,629	744,190
Miscellaneous	198,299	260,848	209,733
Gain (loss) on sale of capital assets	-	733,908	(94,140)
Transfers	-	-	-
<i>Total governmental activities</i>	8,463,757	10,046,106	8,875,287
Business-type activities:			
Miscellaneous	23,403	50,115	27,270
Gain (loss) on sale of capital assets	-	(200,000)	-
Transfers	(7,230)	-	-
<i>Total business-type activities</i>	158,085	(149,885)	27,270
<i>Total government revenues</i>	10,683,868	9,896,221	8,902,557
Changes in Net Assets			
Governmental activities			
Governmental activities	4,826,474	3,248,702	2,991,504
Business-type activities	491,600	86,712	579,747
Net Assets, July 1	5,318,074	3,335,414	3,571,251
Governmental activities			
Governmental activities	30,599,099	27,350,400	24,358,896
Business-type activities	9,144,137	9,057,430	8,477,683
<i>Total Government</i>	39,743,236	36,407,830	32,836,579
Business-type activities - change in capitalization policy			
	-	-	-
<i>Total Government</i>	39,743,236	36,407,830	32,836,579
Net Assets, June 30			
Governmental activities	35,425,573	30,599,099	27,350,400
Business-type activities	9,635,737	9,144,137	9,057,430
<i>Total Government</i>	\$ 45,061,310	\$ 39,743,236	\$ 36,407,830

CITY OF KEIZER, OREGON
FUND BALANCES - GOVERNMENTAL FUNDS
LAST FOUR FISCAL YEARS - UNAUDITED

	Fiscal Year			
	2006	2005	2004	2003
General fund, unreserved	\$ 1,469,417	\$ 1,243,622	\$ 1,537,345	\$ 1,093,153
All other governmental funds				
Unreserved, reported in:				
Special revenue funds	\$ 6,347,390	\$ 4,962,340	\$ 8,197,162	\$ 6,951,770
Capital project funds	(518,476)	935,397	908,703	683,897
<i>Total all other governmental funds</i>	<u>\$ 5,828,914</u>	<u>\$ 5,897,737</u>	<u>\$ 9,105,865</u>	<u>\$ 7,635,667</u>

This schedule normally requires presentation of ten years of data. Governmental Accounting Standards Board (GASB) Statement No. 44 permits the City to retroactively present data beginning with the implementation of GASB Statement No. 34, which occurred June 30, 2003.

STATISTICAL SECTION

REVENUE CAPACITY

CITY OF KEIZER, OREGON
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS - UNAUDITED (in thousands of dollars)

	<u>Residential Property</u>	<u>Farm Property</u>	<u>Commercial Property</u>	<u>Industrial Property</u>	<u>Personal Property</u>
1996-97	NA	NA	NA	NA	NA
1997-98	NA	NA	NA	NA	NA
1998-99	\$ 901,707	\$ 2,823	\$ 174,330	\$ 4,197	\$ 18,251
1999-00	974,782	2,534	191,059	4,138	17,176
2000-01	1,044,951	2,182	202,542	4,009	18,243
2001-02	1,105,734	1,866	213,152	3,770	19,463
2002-03	1,158,236	2,412	221,825	3,698	19,827
2003-04	1,214,867	2,346	229,931	3,796	19,087
2004-05	1,276,334	2,428	239,725	3,976	17,959
2005-06	1,337,968	2,121	252,686	4,034	20,589

Source: Marion County Tax Assessor's Office

NA = not available

Utility Property	Total Measure 50 Assessed Value	Real Market Value	Ratio of Total Assessed Value to Real Market Value
NA	\$ 1,150,879	\$ 1,150,879	100.0%
NA	1,063,316	NA	NA
\$ 22,268	1,123,576	1,369,769	82.0
24,490	1,214,179	1,480,930	82.0
26,395	1,298,322	1,618,359	80.2
29,519	1,373,504	1,722,643	79.7
31,314	1,437,312	1,814,135	79.2
31,459	1,501,486	1,891,624	79.4
35,555	1,575,977	2,031,390	77.6
32,769	1,650,167	2,220,579	74.3

CITY OF KEIZER, OREGON
DIRECT AND OVERLAPPING PROPERTY TAXES
LAST TEN FISCAL YEARS - UNAUDITED (rate per \$1,000 of assessed value)

	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>
City of Keizer	\$ 2.08	\$ 2.08	\$ 2.08	\$ 2.08	\$ 2.08
<i>Overlapping Governments:</i>					
Marion County	3.02	3.02	3.02	3.02	3.02
Keizer Fire District	1.87	1.88	1.87	1.54	1.55
Marion County Fire District	2.34	2.35	2.37	2.42	2.44
Marion County Soil & Water	0.05	0.05	0.05	0.05	0.05
School District	6.61	7.11	6.89	6.88	6.98
Willamette Regional ESD	0.30	0.30	0.30	0.28	0.28
Community College	0.96	0.96	0.77	0.76	0.76
Regional Library	0.08	0.08	0.08	0.08	0.08
Transit District	0.76	0.76	0.76	0.76	0.76
Total	<u>\$ 18.07</u>	<u>\$ 18.59</u>	<u>\$ 18.19</u>	<u>\$ 17.87</u>	<u>\$ 18.00</u>

Source: Marion County Summary of Tax Roll

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

CITY OF KEIZER, OREGON
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND SEVEN YEARS AGO* - UNAUDITED

			2006	
<u>Private Enterprise</u>	<u>Industry</u>	<u>Rank</u>	<u>Assessed Valuation</u>	<u>Percent of Total Assessed Value</u>
Northwest National LLC	Real estate	1	\$ 10,550,180	0.44%
Lowe's HIW INC	Retail	2	10,525,098	0.44%
Keizer Campus LLC	Retirement Center	3	8,439,140	0.35%
Target Corporation	Retail	4	7,786,760	0.33%
Keizer Road Apartments LLC	Real estate	5	7,376,250	0.31%
Keizer Schoolhouse LLC	Real estate	6	6,469,550	0.27%
Senior Management Co LTD	Real estate	7	6,073,590	0.25%
Hidden Creek Loop Apartments LLC	Real estate	8	5,176,670	0.22%
Poplar Chemawa LLC	Real estate	9	4,888,480	0.21%
Century Apartments LLC	Real estate	10	4,459,755	0.19%
Team Management	Real estate	-	-	-
ASA Properties, Inc	Real estate	-	-	-
Staats Lake, LLC	Real estate	-	-	-
Safeway, Inc	Grocery store	-	-	-
Tran Co., An Oregon Corp.	Railroad	-	-	-
Public Utilities				
Northwest Natural Gas Co	Natural gas	1	12,343,200	0.52%
Portland General Electric Co	Electricity	2	10,564,000	0.44%
Qwest Corporation***	Telephone	3	6,960,200	0.29%
Government				
City of Keizer**	Municipal		4,605,950	0.19%
All other taxpayers			<u>2,276,438,371</u>	<u>95.54%</u>
Total			<u><u>\$ 2,382,657,194</u></u>	<u><u>100.00%</u></u>

* Information prior to 1999 is not available

** Private Activity for Salem/Keizer Volcanoes Baseball stadium

*** Operated as US West Communications, Inc. in 1999

Source: Marion County Summary of Tax Roll

1999		
Rank	Assessed Valuation	Percent of Total Assessed Value
-	\$ -	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
5	4,163,970	0.39%
-	-	-
-	-	-
1	10,866,660	1.02%
2	5,021,930	0.47%
3	4,575,370	0.43%
4	4,178,870	0.39%
6	3,605,360	0.34%
1	8,507,200	0.80%
3	6,506,000	0.61%
2	6,980,242	0.66%
	3,452,840	0.32%
	<u>1,005,457,404</u>	<u>94.56%</u>
	<u>\$ 1,063,315,846</u>	<u>100.00%</u>

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

Fiscal Year Ended June 30,	Taxes Levied by Assessor	Current Tax Collections	Current Tax Collections as Percent of Current Levy	Delinquent Tax Collections
1997	\$ 1,842,472	\$ 1,728,166	93.80%	\$ 113,117
1998	1,933,439	1,811,217	93.68%	121,509
1999	2,025,233	1,874,161	92.54%	150,597
2000	2,173,946	2,029,249	93.34%	143,930
2001	2,312,503	2,145,681	92.79%	165,179
2002	2,437,208	2,261,174	92.78%	173,963
2003	2,541,447	2,360,526	92.88%	172,043
2004	2,648,896	2,475,397	93.45%	154,844
2005	2,772,455	2,582,450	93.15%	154,798
2006	2,894,613	2,803,179	96.84%	-

Source: City of Keizer Finance Department
Marion County Tax Assessor's Office

<u>Total Tax Collections</u>	<u>Total Tax Collections as Percent of Current Levy</u>	<u>Uncollected Taxes</u>	<u>Uncollected Taxes as Percent of Current Levy</u>
\$ 1,841,283	99.94%	\$ 1,189	0.06%
1,932,726	99.96%	713	0.04%
2,024,758	99.98%	475	0.02%
2,173,179	99.96%	767	0.04%
2,310,860	99.93%	1,643	0.07%
2,435,137	99.92%	2,071	0.08%
2,532,569	99.65%	8,878	0.35%
2,630,241	99.30%	18,655	0.70%
2,737,248	98.73%	35,207	1.27%
2,803,179	96.84%	91,434	3.16%

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STATISTICAL SECTION

DEBT CAPACITY

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CITY OF KEIZER, OREGON

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

Fiscal Year	Population	Real market value (in thousands)	Gross bonded debt*	Ratio of bonded direct debt per capita	Ratio of bonded direct debt to market value	Bonded debt per capita to personal income
1996-97	27,692	\$ 1,150,879	\$ 8,215,000	296.66	0.71%	1.40%
1997-98	29,235	1,063,316	7,980,000	272.96	0.75%	1.26%
1998-99	30,260	1,123,576	7,470,000	246.86	0.66%	1.09%
1999-00	31,220	1,214,180	6,970,000	223.25	0.57%	0.94%
2000-01	32,203	1,618,359	6,395,000	198.58	0.40%	0.81%
2001-02	32,950	1,722,643	5,660,000	171.78	0.33%	0.49%
2002-03	33,100	1,814,135	4,935,000	149.09	0.27%	0.58%
2003-04	34,010	1,891,624	4,195,000	123.35	0.22%	0.47%
2004-05	34,380	2,031,390	3,445,000	100.20	0.17%	0.37%
2005-06	34,737	2,220,579	1,738,000	50.03	0.08%	0.18%

All outstanding general obligation debt was called in fiscal year 2006

* Does not include Water Revenue Bonds or Gas Tax Loan

Soures: Marion County, Oregon
City of Keizer Finance Department
Portland State University

CITY OF KEIZER, OREGON
DIRECT AND OVERLAPPING DEBT
AS OF JUNE 30, 2006 - UNAUDITED

<u>Governmental unit</u>	<u>Real market Value (In Thousands)</u>	<u>Gross Property-tax backed debt</u>	<u>Percent overlapping</u>	<u>Net Property-tax backed debt</u>
City of Keizer	\$ 2,220,579	\$ 1,738,000	100.0000%	\$ 1,738,000
Marion County	26,500,539	6,125,200	10.1382%	620,985
Keizer Fire District	2,020,575	1,745,560	98.3414%	1,716,608
Marion County Fire District	3,312,422	234,452	8.4184%	19,737
Salem-Keizer School District 24J	16,882,810	51,954,162	13.1865%	6,850,936
Chemeketa Community College	26,500,538	5,041,334	6.9843%	352,102
Willamette ESD	26,152,214	<u>1,464,805</u>	6.3942%	<u>93,663</u>
Total direct and overlapping debt		<u>\$ 68,303,513</u>		<u>\$ 11,392,030</u>

Note: Overlapping taxing jurisdictions are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Keizer.

CITY OF KEIZER, OREGON
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS - UNAUDITED

Real Market Value	<u><u>\$ 2,220,579,000</u></u>
Debt limit at three (3) percent of real market value	\$ 66,617,370
Amount of bonded debt applicable to limit: Total bonded debt outstanding	1,738,000
Legal debt margin*	<u><u>\$ 64,879,370</u></u>
Total debt applicable to the limit as a percentage of debt limit	<u><u>2.61%</u></u>

<u>Fiscal Year</u>	<u>Debt Limit</u>	<u>Total Debt Applicable to Limit</u>	<u>Legal Debt Margin</u>	<u>Total Net Debt Applicable</u>
1996-97	\$ 34,526,370	\$ 8,215,000	\$ 26,311,370	23.79%
1997-98	31,899,480	7,980,000	23,919,480	25.02%
1998-99	33,707,280	7,470,000	26,237,280	22.16%
1999-00	36,425,400	6,970,000	29,455,400	19.13%
2000-01	48,550,763	6,395,000	42,155,763	13.17%
2001-02	51,679,290	5,660,000	46,019,290	10.95%
2002-03	54,424,050	4,935,000	49,489,050	9.07%
2003-04	56,748,720	4,195,000	52,553,720	7.39%
2004-05	60,941,700	3,445,000	57,496,700	5.65%
2005-06	66,617,370	-	66,617,370	0.00%

ORS 287.004 provides a debt limit of 3% of the true cash value (market) of all taxable property within the City boundaries.

Source: Oregon State Treasury
City of Keizer Finance Department

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STATISTICAL SECTION

DEMOGRAPHIC AND ECONOMIC INFORMATION

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CITY OF KEIZER, OREGON
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS - UNAUDITED

<u>Calendar year</u>	<u>(1) Population</u>	<u>(2) Area (square mile)</u>	<u>(1) - (2) Average Density (persons/square mile)</u>	<u>(3) Per Capita Personal Income</u>	<u>(4) School Enrollment</u>	<u>(5) Average Annual Unemployment</u>
1997	27,692	7.36	3,763	21,695	NA	5.6%
1998	28,757	7.36	3,907	22,609	NA	5.8%
1999	29,235	7.36	3,972	23,695	NA	5.8%
2000	30,260	7.36	4,111	24,450	6,003	5.4%
2001	32,203	7.36	4,375	24,737	6,325	6.3%
2002	32,950	7.36	4,477	25,515	7,831	7.1%
2003	33,100	7.36	4,497	25,992	7,258	7.7%
2004	34,010	7.36	4,621	27,044	7,445	7.4%
2005	34,380	7.36	4,671	28,100	7,518	6.2%
2006	34,737	7.36	4,720	NA	7,772	NA

NA = Information not available

Sources: Portland State University, Population Research & Census Center
City of Keizer Community Department Department
Bureau of Economic Analysis
Salem/Keizer School District
US Department of Labor, Bureau of Labor Statistics

CITY OF KEIZER, OREGON
PRINCIPAL EMPLOYERS
CURRENT YEAR AND SEVEN YEARS AGO - UNAUDITED**

Name	Industry	Number of employees	
		2006	1999
Manufacturers:			
T-Mobile	Wireless service	1,100	-
Norpac Foods, Incorporated	Food processor	1,100	805
Truitt Brothers, Inc.	Food processor	919	-
Food Services of America	Food processor	450	-
Phillips/Sisson Industries, Inc.	Traffic control devices	503	-
Mitsubishi Silicon America	Silicon wafer	-	1,032
Agripac	Food processor	-	710
Rainsweet, Inc.	Food processor	-	600
United Foods/PictSweet	Mushroom farm	-	470
Kerr Concentrates	Juice concentrates	-	420
Non-Manufacturers:			
Salem Hospital*	Healthcare	3,500	2,800
State Accident Insurance Fund	Insurance	711	732
Kaiser Permanente	Health maintenance (HMO)	550	525
Wachovia	Financial	510	-
May Trucking Company	Transportation	406	-
Winco	Grocery	364	-
Statesman Journal	Newspaper	348	418
Oregon State Hospital	Healthcare	1,200	-
Fred Meyer, Incorporated	Retail	-	700
Roth's IGA	Grocery	-	700
State Farm Insurance	Insurance	-	646
HMO Permanente	Health maintenance (HMO)	-	450
Education:			
Salem-Keizer School District*	Primary and secondary public schools	4,000	2,790
Chemeketa Community College	State college of higher education	1,684	1,170
Willamette University	Private university	700	645
Government:			
State of Oregon	State	18,800	15,253
U.S. Federal Agencies	Federal	1,500	1,530
City of Salem	Municipal	1,213	1,396
Marion County	County	1,180	1,381
City of Keizer	Municipal	83	75

* Includes full and part-time positions

** 1996 comparative information is not available

Source: SEDCOR

STATISTICAL SECTION

OPERATING INFORMATION

CITY OF KEIZER, OREGON
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS - UNAUDITED

	<u>2006</u>	<u>2005</u>	<u>2004</u>
GOVERNMENT ACTIVITIES:			
General Government:			
Number of municipal court citations processed	2,742	3,323	2,810
Number of land use applications processed	42	46	48
Number of building permits:			
Single family dwellings	75	72	162
Multi-family units	200	22	28
Valuation*	\$ 32,936	\$ 16,378	\$ 33,181
Bank deposits*	165,701	112,854	158,773
Public Safety:			
Number of arrests by patrol officers	2,948	2,670	2,404
Number of traffic violations cited	4,323	3,506	4,100
Number of offenses	15,444	14,696	15,959
BUSINESS-TYPE ACTIVITIES:			
Water:			
Number of Meters			
Single-Family Residential*	9,298	9,233	8,802
Multi-Family Residential	248	249	453
Commercial	278	264	226
Consumption (100 ccf)			
Single-Family Residential*	1,132,089	1,245,552	1,284,997
Multi-Family Residential	287,360	298,327	288,676
Commercial	143,757	141,172	126,056
Number of Fire Hydrants			
Public	758	758	758
Private	34	34	34
Sewer:			
Number of accounts	9,921	9,400	9,380

NA = information not available

* Beginning in fiscal year 2005, duplexes were classified as single-family residential accounts. Previously, these customers were classified as multi-family residential.

** Statistics based on fiscal year

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

2003	2002	2001	2000	1999	1998	1997
2,359	2,378	4,228	3,983	4,672	2,588	4,861
44	69	68	68	73	68	86
151	100	267	237	305	269	299
96	3	52	-	230	110	34
\$ 36,505	\$ 13,094	\$ 33,146	\$ 34,811	\$ 48,281	\$ 37,932	\$ 44,213
151,312	101,635	119,105	129,048	106,839	138,879	124,612
2,342	1,928	2,332	1,861	1,371	1,238	1,392
4,510	3,571	4,470	4,969	3,208	4,599	7,403
15,816	14,636	14,703	13,398	13,754	13,612	15,078
8,442	NA	NA	NA	NA	NA	NA
438	NA	NA	NA	NA	NA	NA
219	NA	NA	NA	NA	NA	NA
1,341,896	NA	NA	NA	NA	NA	NA
243,365	NA	NA	NA	NA	NA	NA
11,907	NA	NA	NA	NA	NA	NA
758	NA	NA	NA	NA	NA	NA
34	NA	NA	NA	NA	NA	NA
9,359	9,183	8,924	NA	NA	NA	NA

<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
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3	3	3	3
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-	-	-	-
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<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
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112.0	112.0	112.0	112.0
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2	2	2	2
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3	3	3	2
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13	13	13	13
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<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
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1	1	1	1
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1.5	1.5	1.5	1.5
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180	182	182	180
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108	110	108	108
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15	15	15	15
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35	38	35	35
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102	104	102	102
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3	3	3	3
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CITY OF KEIZER, OREGON

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS - UNAUDITED

Fiscal Year	Community Development	General Government	Parks	Public Safety	Public Works	Total
1996-97	2.00	11.50	1.00	38.00	11.00	63.50
1997-98	3.00	11.00	1.00	38.00	11.00	64.00
1998-99	3.00	14.00	1.00	46.00	11.00	75.00
1999-00	3.50	15.00	1.00	47.00	11.00	77.50
2000-01	3.50	15.00	1.00	47.00	11.00	77.50
2001-02	3.50	15.00	1.00	47.00	11.00	77.50
2002-03	4.50	13.00	1.00	47.00	11.00	76.50
2003-04	4.50	15.00	1.00	47.00	13.00	80.50
2004-05	4.50	16.50	1.00	47.00	13.00	82.00
2005-06	5.00	16.50	1.00	47.00	15.00	84.50

Source: City of Keizer Finance Department

City of Keizer Budget Document



AUDITOR'S COMMENTS AND DISCLOSURES

CITY OF KEIZER, OREGON
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2006

CITY OF KEIZER, OREGON

AUDITOR'S COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

YEAR ENDED JUNE 30, 2006

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, 2006, and have issued our report thereon dated November 8, 2006. 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, 2006.

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, 2006.

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, 2006 and 2007, except as noted.

Insurance and Fidelity Bonds

We have reviewed the City's insurance and fidelity bond coverage at June 30, 2006. 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, 2006

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, 2006.

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

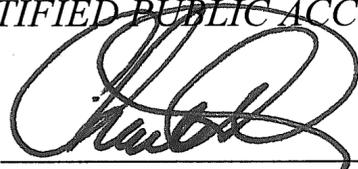
We have reviewed financial reports and other data relating to programs funded wholly or partially by other governmental agencies. This data, filed with other governmental agencies, is in agreement with and supported by the accounting records.

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 and use of the City Council and management of the City of Keizer and is not intended and should not be used by other than those specified parties.

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

By: 

Charles A. Swank, A Shareholder

November 8, 2006