

COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the year ended June 30, 2010

City of Keizer
Marion County, Oregon

***CITY OF KEIZER
MARION COUNTY, OREGON
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
Year Ended June 30, 2010***

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

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CITY OF KEIZER, OREGON

JUNE 30, 2010

MAYOR

Lore Christopher
6598 Stone Mason Lane NE
Keizer, Oregon 97303

Term Expires

January 2011

CITY COUNCIL

Mark Caillier
1388 Marigold Street NE
Keizer, Oregon 97303

January 2013

Richard Walsh
5945 Shoreview Lane N.
Keizer, Oregon 97303

January 2011

James Taylor
1986 Meadowlark Drive NE
Keizer, Oregon 97303

January 2011

David McKane
674 Fall Creek Drive N
Keizer, Oregon 97303

January 2013

Brandon Smith
1716 Brian Ct NE
Keizer, Oregon 97303

January 2013

Cathy Clark
715 Ventura Street N.
Keizer, Oregon 97303

January 2011

930 Chemawa Road NE
Keizer, Oregon 97303

STAFF

CITY MANAGER
Chris Eppley

HUMAN RESOURCES DIRECTOR
Machell DePina

CHIEF OF POLICE
Marc Adams

COMMUNITY DEVELOPMENT DIRECTOR
Nathan Brown

CITY RECORDER
Tracy Davis

PUBLIC WORKS DIRECTOR
Rob Kissler

FINANCE DIRECTOR
Susan Gahlsdorf

ASSISTANT TO THE CITY MANAGER
Kevin Watson

CITY ATTORNEY

E. Shannon Johnson



City of Keizer

Phone: (503) 390-3700 • Fax: (503) 393-9437
930 Chemawa Rd. N.E. • P.O. Box 21000 • Keizer, OR 97307-1000

December 23, 2010

Citizens of Keizer
The Honorable Mayor Lore Christopher
Members of the City Council
Christopher Eppley, City Manager
930 Chemawa Road NE
Keizer, Oregon 97303

INTRODUCTION

The City of Keizer Finance Department is pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Keizer, Oregon for the fiscal year ended June 30, 2010. The financial statements present the activities and financial positions of all City funds. This report is published in fulfillment of the requests of the Oregon Revised Statutes, which require that every general-purpose local government publish a complete set of audited financial statements within six months of the close of the fiscal year.

Responsibility for the completeness and reliability of the information contained in this report rests with the City's management and is based on an internal control structure designed for this purpose. The internal control structure is designed to provide reasonable, rather than absolute, assurance that these objectives are met because the cost of the internal control should not exceed the related benefits.

The accounting firm of Grove, Mueller & Swank P.C. performed an audit of our financial statements and other information using generally accepted auditing standards. Their unqualified opinion is included in the Financial Section of the report.

The CAFR is presented in four sections: Introductory, Financial, Statistical, and Reports Required by Statutes. The Financial Section, which is prepared in accordance with generally accepted accounting principles in the United States of America, includes the Management's Discussion and Analysis (MD&A).

The MD&A immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. It provides additional information to this letter and this letter should be read in conjunction with it.

THE CITY

The City of Keizer, Oregon (City) is a financially independent entity located in Marion County in the center of the Willamette Valley. The City is bordered on the western edge by the Willamette River, southern edge by the city of Salem, eastern edge by Interstate 5, and the northern edge by rural portions of Marion County. The City was incorporated in 1982 and operates under a charter that was adopted and has been periodically updated by the voters. The City of Keizer is the 14th largest city by population in the state of Oregon.

The City operates under a council-manager form of government. The council-manager form of government separates the legislative policy function from the professional administrative functions. The City Council consists of a Mayor and six Councilors, all of which are volunteers. The Mayor is the formal representative of the City, and is elected to a two-year term by the voters at-large on a non-partisan ballot. The City Council is composed of six non-partisan members elected to four-year terms, with half the council elected every two years. These seven

"Pride, Spirit and Volunteerism"

officers comprise the Council who make the policy decisions for municipal activity and pass its ordinances and resolutions.

The Council appoints a City Manager who is responsible for the administration and execution of the City's policies and ordinances. Presently there are 94 city employees working in seven departments: Administration, Finance, Human Resources, Public Works, Community Development, City Recorder, Legal Services and Police Services. The City is subject to collective bargaining agreements with the Keizer Police Association and the Municipal Utility Workers' Local 320.

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. The District is a blended component unit of the City and is therefore an integral part of the City's reporting entity.

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 2010, the City's assessed value increased 3.8% overall which included an 8.9% increase in excess assessed value within the Urban Renewal District.

ECONOMIC CONDITION AND OUTLOOK

The City's economic condition is significantly influenced by the economic conditions of the neighboring cities, since the majority of the workforce that resides within the City commutes to Salem or the Portland Metro area for employment. During the year the City, consistent with the state and nation, experienced an economic slowdown as the result of the financial and housing market meltdown. This resulted in a dramatic increase in the area's unemployment rate. The City's economy is supported by jobs in the service, technology/manufacturing, retail and government sector all of which have been impacted by the economic slowdown.

When the City was incorporated, the City limits were aligned adjacent to the urban growth boundaries leaving little opportunity for annexation. In fact, the City's area has increased less than one-hundredth of one square mile since it was incorporated. This geographic constraint will result in new residential and commercial construction slowing over time as infill is completed. Despite the geographic constraint and the economic slowdown the City's real market value significantly exceeds the assessed value.

During fiscal 2010 the City completed the construction of the Civic Center which houses all of the administrative functions of the City, including the Police Department as well as several community meeting rooms. In addition during fiscal 2010 the City purchased two pieces of land adjacent to Keizer Rapids Park.

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 also be modified by the use of appropriation transfers between the cost categories. Such transfers require approval by the City Council.

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 seven 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.

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, 2009. This was the eleventh consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

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.

ACKNOWLEDGMENTS

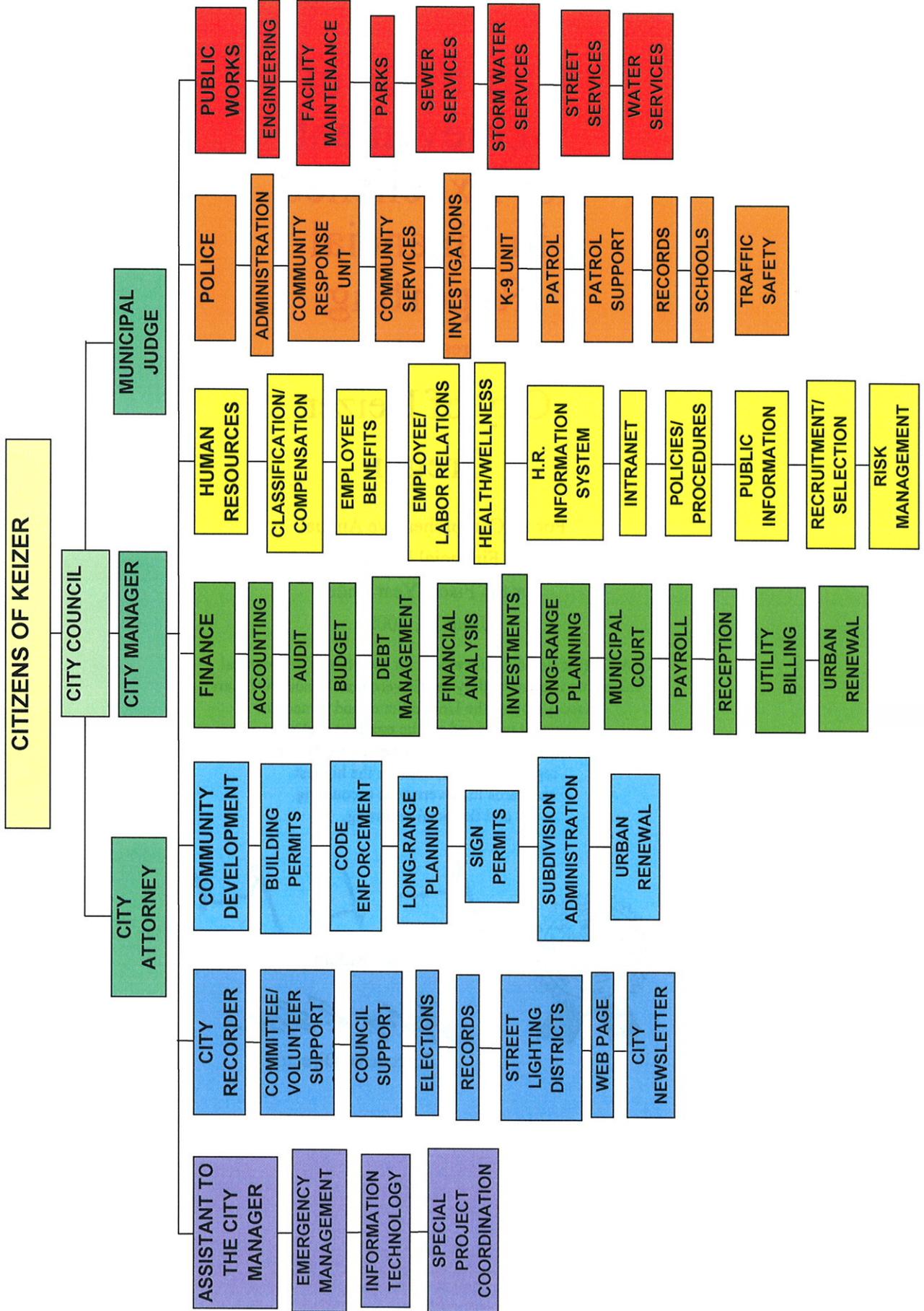
Special recognition is given to the City's Finance staff whose hard work and dedication during the annual audit ensures the preparation of the Comprehensive Annual Financial Report on a timely basis. I also recognize and thank all other Departments within the City who provided supporting information 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,



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, 2009

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 "Jeffrey R. Emer".

President

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

Executive Director



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT

The Honorable Lore Christopher, Mayor
and Members of the City Council
City of Keizer
930 Chemawa Road NE
Keizer, Oregon 97303

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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Keizer, Oregon as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

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

By: 

Charles A. Swank, A Shareholder
December 30, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2010

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, 2010. Please read it in conjunction with the accompanying transmittal letter (beginning on page ii), the basic financial statements (beginning on page 14), and the accompanying notes to those basic financial statements (beginning on page 29).

THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Keizer (the City) and its component unit using the integrated approach as prescribed by GASB Statement No. 34. The *government-wide financial statements* (pages 14-16) 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 17-28) 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, state shared revenues, user fees, interest income, franchise fees, and state and federal grants finance these activities.

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

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

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

FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE

Government-wide Financial Statements

Statement of Net Assets

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

Table 1
Statements of Net Assets
As of June 30, 2010 and 2009

| | Governmental Activities | | Business-type Activities | | Totals | |
|--|----------------------------|----------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Cash and investments | \$ 8,030,976 | \$ 10,767,416 | \$ 2,939,284 | \$ 3,822,630 | \$ 10,970,260 | \$ 14,590,046 |
| Other assets | 26,767,048 | 27,533,676 | 1,250,041 | 1,257,671 | 28,017,089 | 28,791,347 |
| Capital assets | 68,744,700 | 69,108,849 | 9,865,911 | 9,413,995 | 78,610,611 | 78,522,844 |
| Total assets | 103,542,724 | 107,409,941 | 14,055,236 | 14,494,296 | 117,597,960 | 121,904,237 |
| Other liabilities | 1,860,789 | 2,333,556 | 842,027 | 1,052,862 | 2,702,816 | 3,386,418 |
| Long-term debt | 30,982,000 | 35,945,000 | 2,045,000 | 2,190,000 | 33,027,000 | 38,135,000 |
| Total liabilities | 32,842,789 | 38,278,556 | 2,887,027 | 3,242,862 | 35,729,816 | 41,521,418 |
| Net assets | | | | | | |
| Investment in capital assets, net of debt | 62,122,700 | 59,973,849 | 7,820,911 | 7,223,995 | 69,943,611 | 67,197,844 |
| Restricted | 7,537,733 | 6,899,977 | 1,967,905 | 2,640,776 | 9,505,638 | 9,540,753 |
| Unrestricted | 1,039,502 | 2,257,559 | 1,379,393 | 1,386,663 | 2,418,895 | 3,644,222 |
| Total net assets | \$ 70,699,935 | \$ 69,131,385 | \$ 11,168,209 | \$ 11,251,434 | \$ 81,868,144 | \$ 80,382,819 |

Governmental Activities

The City's net assets from governmental activities increased 2.3% from \$69.1 million to \$70.7 million. This increase is the change in net assets reflected in the condensed Statement of Activities, and explained below:

- Cash and investments decreased \$2.7 million primarily due to making scheduled long-term debt payments.
- Other assets decreased \$0.8 million, as a result of the ongoing collection of the assessment associated with the Keizer Station local improvement district.
- Capital assets decreased \$0.4 million, primarily as a result of
 - \$2.6 million for acquisition of capital assets (primarily for the completion of the Civic Center construction project and several property acquisitions) offset by
 - \$2.9 million of depreciation expense
- Other liabilities decreased \$0.5 million, as a result of a decrease in accounts payable in the Urban Renewal Project Fund. The decrease is attributed to completing the construction of the Civic Center during the first part of fiscal 2010.
- Long-term debt outstanding decreased \$5.0 million, as the result of paying down the debt associated with the Keizer Station Local Improvement District bond and the Urban Renewal Agency credit facility.

Business-type Activities

The City's net assets from business-type activities decreased 1%, from \$11.3 million to \$11.2 million. This decrease is the change in net assets reflected in the Statement of Activities, and explained below:

- Cash and investments decreased \$0.9 million.
- Capital assets increased \$0.5 million, as a result of \$1.3 million investment in water and sewer systems and equipment and vehicles offset by \$0.8 million of depreciation expense.
- Other liabilities decreased \$0.2 million, primarily as a result of a decrease in accounts payable.
- Long-term debt outstanding decreased \$140 thousand as a result of the normal retirement.

Statement of Activities

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

Table 2
Statements of Activities
For the years ending June 30, 2010 and 2009

| | Governmental | | Business-type | | Totals | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | Activities | | Activities | | | |
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Program Revenues | | | | | | |
| Fees, fines, & charges for services | \$ 1,016,210 | \$ 842,105 | \$ 8,398,612 | \$ 8,139,647 | \$ 9,414,822 | \$ 8,981,752 |
| Operating grants and contributions | 1,880,643 | 1,875,598 | - | - | 1,880,643 | 1,875,598 |
| Capital grants and contributions | 247,068 | 223,477 | 49,265 | 35,006 | 296,333 | 258,483 |
| Total program revenues | 3,143,921 | 2,941,180 | 8,447,877 | 8,174,653 | 11,591,798 | 11,115,833 |
| General Revenues | | | | | | |
| Taxes and assessments | 7,625,782 | 7,348,334 | - | - | 7,625,782 | 7,348,334 |
| Franchise taxes | 2,371,341 | 2,398,389 | - | - | 2,371,341 | 2,398,389 |
| Intergovernmental | 894,860 | 920,506 | - | - | 894,860 | 920,506 |
| Miscellaneous | 1,698,151 | 1,868,577 | 24,790 | 53,817 | 1,722,941 | 1,922,394 |
| Total general revenues | 12,590,134 | 12,535,806 | 24,790 | 53,817 | 12,614,924 | 12,589,623 |
| Total Revenues | 15,734,055 | 15,476,986 | 8,472,667 | 8,228,470 | 24,206,722 | 23,705,456 |
| Expenses | | | | | | |
| Programs | 13,995,564 | 14,679,366 | 8,725,833 | 8,311,164 | 22,721,397 | 22,990,530 |
| Increase in net assets before transfers | 1,738,491 | 797,620 | (253,166) | (82,694) | 1,485,325 | 714,926 |
| Transfers | (169,941) | (132,847) | 169,941 | 132,847 | - | - |
| Change in net assets | 1,568,550 | 664,773 | (83,225) | 50,153 | 1,485,325 | 714,926 |
| Beginning net assets | 69,131,385 | 68,466,612 | 11,251,434 | 11,201,281 | 80,382,819 | 79,667,893 |
| Ending net assets | <u>\$ 70,699,935</u> | <u>\$ 69,131,385</u> | <u>\$ 11,168,209</u> | <u>\$ 11,251,434</u> | <u>\$ 81,868,144</u> | <u>\$ 80,382,819</u> |

Governmental Activities

The City's change in net assets from governmental activities increased by \$0.9 million to \$1.6 million in the current year as compared to \$0.7 million in the previous year. This increase in the changes in net assets primarily reflects:

- Fees, fines and charges for services - These revenues increased by approximately \$0.2 million as the result of the collection of one time asset forfeiture proceeds from the Department of Justice associated with several cases in which the Keizer Police Department provided investigative support.
- Taxes and assessments – These are revenues arising from property taxes, street lighting district assessments, local improvement district assessments and urban renewal tax increment revenues. Taxes and assessments increased by \$0.3 million primarily as a result of a 3% increase in the assessed value of existing properties on the tax rolls as provided for by Measure 50.

- Miscellaneous – Revenues primarily consist of interest earnings on funds held for working capital needs and interest earned on assessments financed over an extended period of time. Miscellaneous revenues decreased \$0.2 million as the result of lower interest rates on funds held at the Oregon State Treasury.
- 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, 2010 and 2009

| Programs | June 30, 2010 | | June 30, 2009 | | Compared to Prior Year | |
|------------------------------|----------------------|---------------|----------------------|---------------|-----------------------------------|--------------|
| | Amount | % | Amount | % | Change | % |
| General government | \$ 1,206,448 | 8.6% | \$ 1,348,120 | 9.2% | \$ (141,672) | -10.5% |
| Community and youth services | 18,041 | 0.1% | 38,009 | 0.3% | (19,968) | -52.5% |
| Community development | 2,980,764 | 21.3% | 2,945,798 | 20.1% | 34,966 | 1.2% |
| Parks | 355,892 | 2.5% | 427,843 | 2.9% | (71,951) | -16.8% |
| Public safety | 6,404,239 | 45.8% | 6,885,994 | 46.9% | (481,755) | -7.0% |
| Public works | 1,480,993 | 10.6% | 1,483,813 | 10.1% | (2,820) | -0.2% |
| Interest on long-term debt | 1,549,187 | 11.1% | 1,549,789 | 10.6% | (602) | 0.0% |
| Total expenses | \$ 13,995,564 | 100.0% | \$ 14,679,366 | 100.0% | \$ (683,802) | -4.7% |

Program expenses decreased by \$0.7 million from \$14.7 million in the prior year to \$14.0 million in the current year. The decrease is the result of cost reduction measures implemented part way through the year in response to lower than expected revenue. The reductions were primarily related to Police personnel and materials and services.

Business-type Activities

The City’s change in net assets from business-type activities decreased \$0.1 million from \$0.0 to (\$0.1) million.

This decrease in the change in net assets primarily reflects:

- A \$0.3 million increase in charges for services associated with sewer services. Sewer rates are set by the City of Salem who manages the City’s sewer system and facilities, offset by a decrease in program expenses.
- 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, 2010 and 2009

| Programs | June 30, 2010 | | June 30, 2009 | | Compared to Prior Year | |
|-----------------|---------------------|---------------|---------------------|---------------|---------------------------|-------------|
| | Amount | % | Amount | % | Change | % |
| Water | \$ 2,610,480 | 29.9% | \$ 2,689,164 | 32.4% | \$ (78,684) | -2.9% |
| Sewer | 5,117,610 | 58.6% | 4,729,024 | 56.9% | 388,586 | 8.2% |
| Storm Drain | 573,790 | 6.6% | 464,071 | 5.6% | 109,719 | 23.6% |
| Street Lighting | 423,953 | 4.9% | 428,905 | 5.2% | (4,952) | -1.2% |
| Total expenses | <u>\$ 8,725,833</u> | <u>100.0%</u> | <u>\$ 8,311,164</u> | <u>100.0%</u> | <u>\$ 414,669</u> | <u>5.0%</u> |

The Program expense increase of \$0.4 million primarily reflect:

- Water, sewer, storm drain and street lighting consist of operations and maintenance of water, wastewater and storm water collection systems and the City's lighting districts. Cost increases primarily reflect the increase in overall operating costs to provide and maintain existing service levels.
 - The increase in the Sewer fund is primarily related to increases in materials and services related to payments for sewer services remitted to the City of Salem per an interagency agreement,
 - The increase in the Storm Drain program related to an increase in depreciation expense associated with capital outlay acquired during the current year.

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, 2010 and 2009

| Major Funds | June 30, 2010 | | June 30, 2009 | | Compared to Prior Year | |
|--------------------------|---------------------|---------------|----------------------|---------------|---------------------------|---------------|
| | Amount | % | Amount | % | Change | % |
| General | \$ 1,514,530 | 18.2% | \$ 1,435,308 | 14.0% | \$ 79,222 | 5.5% |
| Streets | 1,295,084 | 15.6% | 1,010,729 | 9.8% | 284,355 | 28.1% |
| Urban Renewal Project | - | 0.0% | 240,702 | 2.3% | (240,702) | -100.0% |
| Urban Renewal Tax | 15,322 | 0.2% | 712,091 | 6.9% | (696,769) | -97.8% |
| Keizer Station LID | 2,720,399 | 32.7% | 4,246,857 | 41.4% | (1,526,458) | -35.9% |
| Other Governmental Funds | 2,780,310 | 33.4% | 2,620,837 | 25.5% | 159,473 | 6.1% |
| Total fund balances | <u>\$ 8,325,645</u> | <u>100.0%</u> | <u>\$ 10,266,524</u> | <u>100.0%</u> | <u>\$ (1,940,879)</u> | <u>-18.9%</u> |

At June 30, 2010, the City's governmental funds reported combined fund balances of \$8.3 million, which is a decrease of \$1.9 million or 18.9% compared with last year.

General

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

The General fund revenues remained consistent with the prior year at \$7.6 million during fiscal 2010 compared to \$7.5 million in fiscal 2009.

The General fund expenditures decreased from \$7.4 million in fiscal 2009 compared to \$7.2 million during fiscal 2010. The decrease is due to cost reduction measures implemented during the year in response to lower than anticipated revenues. The majority of the cost reductions impacted the Police Department.

Street Fund

The Street Fund accounts for the use of gas tax revenue received. Expenditures are restricted to street and bike-path-related projects and costs, plus debt service on street-related debt.

Urban Renewal Project Fund

The Urban Renewal Project fund accounts 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. The primary source of revenue is proceeds from the issuance of debt.

The Urban Renewal Project expenditures decreased \$9.7 million, from \$12.2 million to \$2.6 million. The decrease is due to the majority of the cost of constructing the Civic Center being incurred during fiscal 2009.

The Urban Renewal Project's other financing sources decreased \$9.0 million due to the issuance of short-term debt during the prior year that did not recur during the current year.

Urban Renewal Tax Increment Fund

The Urban Renewal Tax Increment Fund accounts for tax increment revenues and debt related payments for the Urban Renewal District.

Revenues increased 7%, primarily from a \$0.3 million increase in tax increment revenues.

Expenditures increased \$1.2 million over the previous year due to the payment of short-term debt issued by the Urban Renewal Project Fund.

Keizer Station LID Fund

The Keizer Station LID Fund accounts for the improvements to the Keizer Station Development project. In fiscal year 2007 a line-of-credit was used to finance the construction phase of the project. The development was completed in fiscal year 2008 and the City paid off the line-of-credit by issuing long-term debt. The cost of the improvements have been assessed to the property owners who directly benefit from the project. The assessment payments will be used to pay off the long-term debt.

The Keizer Station LID fund revenues remained consistent with the prior year at \$2.3 million.

The Keizer Station LID fund expenditures remained consistent with the prior year at \$1.4 million.

Other Governmental Funds

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

Fund Financial Statements - 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, 2010 and 2009

| Major Funds | June 30, 2010 | | June 30, 2009 | | Compared to Prior Year | |
|--------------------|----------------------|---------------|----------------------|---------------|-----------------------------------|--------------|
| | Amount | % | Amount | % | Change | % |
| Sewer | \$ 2,758,425 | 24.7% | \$ 2,309,340 | 20.5% | \$ 449,085 | 19.4% |
| Water | 436,279 | 3.9% | 382,252 | 3.4% | 54,027 | 14.1% |
| Water Facility | 6,755,158 | 60.5% | 6,825,336 | 60.7% | (70,178) | -1.0% |
| Other Funds | 1,218,347 | 10.9% | 1,734,506 | 15.4% | (516,159) | -29.8% |
| Total net assets | <u>\$ 11,168,209</u> | <u>100.0%</u> | <u>\$ 11,251,434</u> | <u>100.0%</u> | <u>\$ (83,225)</u> | <u>-0.7%</u> |

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 funds revenues decreased from \$2.6 million to \$2.5 million. This decrease primarily reflects a decrease in water sales.

The Water and Water Facility funds expenses decreased a combined 13%, from \$2.7 million to \$2.6. The decrease is primary attributed to lower personal services expense during the current year as compared to the prior year.

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 City of Keizer contracts with the City of Salem to provide sewer services to Keizer residences. Much of the activity in the fund is "passed through"; it is collected from the customer and paid to the City of Salem for sewer services. A portion of each billing receipt is retained in the fund to pay the cost of administering the bill.

The Sewer fund revenues increased \$0.2 million from \$4.6 million in fiscal 2009 to \$4.8 million in fiscal 2010. The increase is due to sewer rate increases set by the City of Salem.

The Sewer fund expenses increased \$0.3 million from \$4.8 million in fiscal 2009 to \$5.1 million in fiscal 2010. This increase primarily reflects an increase in materials and services costs for payments to the City of Salem for sewer services.

Storm Drain Fund

The Storm Drain fund reflects a newly established program in fiscal year 2008 designed to meet the Federal Clean Water Act. The primary sources of revenues are user fees, system development charges and gas tax revenues (transferred from the City's Street fund).

The Storm Drain fund revenues remained consistent at \$0.5 million for both fiscal 2010 and 2009.

The Storm Drain fund expenses increased from \$0.5 million to \$0.6 million. This increase is primarily due to an increase in depreciation expense associated with capital outlay incurred during fiscal 2010.

Street Lighting District Fund

This fund accounts for assessments to property owners to pay for street lighting. Street Lighting District fund revenues remained consistent at \$0.5 million for both the current and prior year. Expenses also remained consistent at \$0.4 million.

Budgetary Highlights

The General Fund budgeted revenue was increased by \$51,700 during the year to account for the receipt of a grant that had not been anticipated when the budget was originally adopted. The General Fund expenditure budget was adjusted to account for the allocation of internal service charges. As the result of lower than expected revenues the City implemented a spending freeze which resulted in expenditures being under budget by approximately \$0.7 million.

Capital Assets

As of June 30, 2010, the City had invested \$78.6 million in capital assets as reflected in the following table, which represents a net increase (additions, deductions, and depreciation) of \$0.1 million, when compared to the previous fiscal year.

Table 7
Capital Assets at June 30, 2010 and 2009
(net of depreciation)

| | Governmental | | Business-type | | Totals | |
|---------------------------|----------------------|----------------------|----------------------|---------------------|----------------------|----------------------|
| | Activities | | Activities | | | |
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Land | \$ 10,832,951 | \$ 10,114,507 | \$ 371,759 | \$ 371,759 | \$ 11,204,710 | \$ 10,486,266 |
| Building and improvements | 41,742,769 | 39,943,871 | 1,065,730 | 1,065,730 | 42,808,499 | 41,009,601 |
| Equipment and vehicles | 1,109,996 | 1,059,946 | 593,669 | 573,676 | 1,703,665 | 1,633,622 |
| Infrastructure | 37,683,446 | 37,670,066 | 19,590,637 | 18,355,403 | 57,274,083 | 56,025,469 |
| Accumulated depreciation | (22,624,462) | (19,679,541) | (11,755,884) | (10,952,573) | (34,380,346) | (30,632,114) |
| Net capital assets | <u>\$ 68,744,700</u> | <u>\$ 69,108,849</u> | <u>\$ 9,865,911</u> | <u>\$ 9,413,995</u> | <u>\$ 78,610,611</u> | <u>\$ 78,522,844</u> |

For more detailed information see the Notes to Basic Financial Statements (pages 38-39).

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, 2010

| | Governmental | Business-type | Total |
|--------------------|----------------------|----------------------|----------------------|
| | Activities | Activities | |
| Beginning balance | \$ 69,108,849 | \$ 9,413,995 | \$ 78,522,844 |
| Additions | 2,580,772 | 1,255,227 | 3,835,999 |
| Retirements | - | - | - |
| Depreciation | <u>(2,944,921)</u> | <u>(803,311)</u> | <u>(3,748,232)</u> |
| Net capital assets | <u>\$ 68,744,700</u> | <u>\$ 9,865,911</u> | <u>\$ 78,610,611</u> |

The City depreciates all its capital assets except for land.

Debt Outstanding

As of June 30, 2010 the City had \$33,027,000 in debt (bonds, notes, etc.) outstanding compared to the \$38,135,000 last year, a 13.4% net decrease.

Table 9
Outstanding Debt at Year End
June 30, 2010 and 2009

| | Totals | |
|---------------------------------|----------------------|----------------------|
| | 2010 | 2009 |
| <i>Governmental Activities</i> | | |
| Gas Tax Revenue Bonds 2005 | \$ 1,122,000 | \$ 1,285,000 |
| Keizer Station LID Bonds 2008 | 24,360,000 | 26,810,000 |
| URA Credit Facility | <u>5,500,000</u> | <u>7,850,000</u> |
| Total Governmental | 30,982,000 | 35,945,000 |
| <i>Business-type Activities</i> | | |
| Water Revenue Loan | <u>2,045,000</u> | <u>2,190,000</u> |
| Total | <u>\$ 33,027,000</u> | <u>\$ 38,135,000</u> |

For more detailed information see the Notes to Basic Financial Statements (pages 40-41).

ECONOMIC FACTORS

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

FINANCIAL CONTACT

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

BASIC FINANCIAL STATEMENTS

CITY OF KEIZER, OREGON
STATEMENT OF NET ASSETS
JUNE 30, 2010

| | Governmental Activities | Business-type Activities | Totals |
|--|------------------------------------|-------------------------------------|----------------------|
| ASSETS | | | |
| Cash and investments | \$ 8,030,976 | \$ 2,939,284 | \$ 10,970,260 |
| Accounts receivable | 643,177 | 1,159,402 | 1,802,579 |
| Property taxes receivable | 604,747 | - | 604,747 |
| Assessment liens receivable | 25,405,402 | 9,822 | 25,415,224 |
| Loans receivable | 113,722 | - | 113,722 |
| Inventories | - | 80,817 | 80,817 |
| Nondepreciable capital assets | 10,832,951 | 371,759 | 11,204,710 |
| Other capital assets, net of depreciation | 57,911,749 | 9,494,152 | 67,405,901 |
| <i>Total Assets</i> | 103,542,724 | 14,055,236 | 117,597,960 |
| LIABILITIES | | | |
| Accounts payable | 491,152 | 545,334 | 1,036,486 |
| Deposits | 11,439 | 143,025 | 154,464 |
| Accrued interest payable | 155,690 | 27,949 | 183,639 |
| Noncurrent liabilities: | | | |
| Due within one year: | | | |
| Bonds and notes payable | 169,000 | 150,000 | 319,000 |
| Accrued compensated absences | 219,082 | 44,001 | 263,083 |
| Due in more than one year: | | | |
| Bonds and notes payable | 30,813,000 | 1,895,000 | 32,708,000 |
| Accrued compensated absences | 406,867 | 81,718 | 488,585 |
| Other post-employment benefits | 576,559 | - | 576,559 |
| <i>Total Liabilities</i> | 32,842,789 | 2,887,027 | 35,729,816 |
| NET ASSETS | | | |
| Investment in capital assets (net of related debt) | 62,122,700 | 7,820,911 | 69,943,611 |
| Restricted for: | | | |
| Debt service | 3,765,801 | - | 3,765,801 |
| Construction | 3,638,329 | 1,681,071 | 5,319,400 |
| Other | 133,603 | 286,834 | 420,437 |
| Unrestricted | 1,039,502 | 1,379,393 | 2,418,895 |
| <i>Total Net Assets</i> | <u>\$ 70,699,935</u> | <u>\$ 11,168,209</u> | <u>\$ 81,868,144</u> |

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

CITY OF KEIZER, OREGON
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

| | <i>Expenses</i> | <i>Program Revenues</i> | | |
|---------------------------------------|----------------------|---|---|---|
| | | <i>Fees, Fines and Charges for Services</i> | <i>Operating Grants and Contributions</i> | <i>Capital Grants and Contributions</i> |
| FUNCTIONS/PROGRAMS | | | | |
| Governmental Activities: | | | | |
| General government | \$ 1,206,448 | \$ 181,547 | \$ 240,241 | \$ 118,061 |
| Community and youth services | 18,041 | - | - | - |
| Community development | 2,980,764 | 57,006 | 3,890 | - |
| Parks | 355,892 | 2,587 | 23,653 | 125,900 |
| Public safety | 6,404,239 | 731,465 | 104,145 | - |
| Public works | 1,480,993 | 1,215 | 1,508,714 | 3,107 |
| Stadium operations | - | 42,390 | - | - |
| Interest on long-term debt | 1,549,187 | - | - | - |
| <i>Total Governmental Activities</i> | 13,995,564 | 1,016,210 | 1,880,643 | 247,068 |
| Business-type Activities: | | | | |
| Water | 2,610,480 | 2,480,006 | - | 49,265 |
| Sewer | 5,117,610 | 4,914,615 | - | - |
| Storm drain | 573,790 | 549,058 | - | - |
| Street lighting | 423,953 | 454,933 | - | - |
| <i>Total Business-type Activities</i> | 8,725,833 | 8,398,612 | - | 49,265 |
| <i>Total Activities</i> | <u>\$ 22,721,397</u> | <u>\$ 9,414,822</u> | <u>\$ 1,880,643</u> | <u>\$ 296,333</u> |

General Revenues:

Property taxes
Franchise taxes
Intergovernmental - unrestricted
Miscellaneous

Total General Revenues

Transfers

Change in Net Assets

Net Assets, July 1, 2009

Net Assets, June 30, 2010

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

| <i>Governmental Activities</i> | <i>Business-type Activities</i> | <i>Totals</i> |
|---|--|----------------------|
| \$ (666,599) | \$ - | \$ (666,599) |
| (18,041) | - | (18,041) |
| (2,919,868) | - | (2,919,868) |
| (203,752) | - | (203,752) |
| (5,568,629) | - | (5,568,629) |
| 32,043 | - | 32,043 |
| 42,390 | - | 42,390 |
| (1,549,187) | - | (1,549,187) |
| (10,851,643) | - | (10,851,643) |
| - | (81,209) | (81,209) |
| - | (202,995) | (202,995) |
| - | (24,732) | (24,732) |
| - | 30,980 | 30,980 |
| - | (277,956) | (277,956) |
| (10,851,643) | (277,956) | (11,129,599) |
| 7,625,782 | - | 7,625,782 |
| 2,371,341 | - | 2,371,341 |
| 894,860 | - | 894,860 |
| 1,698,151 | 24,790 | 1,722,941 |
| 12,590,134 | 24,790 | 12,614,924 |
| (169,941) | 169,941 | - |
| 1,568,550 | (83,225) | 1,485,325 |
| 69,131,385 | 11,251,434 | 80,382,819 |
| <u>\$ 70,699,935</u> | <u>\$ 11,168,209</u> | <u>\$ 81,868,144</u> |

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

CITY OF KEIZER, OREGON
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010

| | <u>General</u> | <u>Street</u> | <u>Urban Renewal Project</u> |
|--|---------------------|---------------------|--------------------------------------|
| ASSETS | | | |
| Cash and investments | \$ 1,187,050 | \$ 1,213,733 | \$ 126,285 |
| Accounts receivable | 387,657 | 126,459 | - |
| Loans receivable | - | - | - |
| Property taxes receivable | 264,325 | - | - |
| Assessment liens receivable | - | - | - |
| Due from other funds | 117,547 | - | - |
| | <hr/> | <hr/> | <hr/> |
| <i>Total Assets</i> | <u>\$ 1,956,579</u> | <u>\$ 1,340,192</u> | <u>\$ 126,285</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities | | | |
| Accounts payable | \$ 82,199 | \$ 44,458 | \$ 126,285 |
| Accrued expenses payable | 145,608 | - | - |
| Deposits | 10,789 | 650 | - |
| Due to other funds | - | - | - |
| Deferred revenue | 203,453 | - | - |
| | <hr/> | <hr/> | <hr/> |
| <i>Total Liabilities</i> | 442,049 | 45,108 | 126,285 |
| Fund Balances | | | |
| Unreserved, reported in: | | | |
| General fund | 1,514,530 | - | - |
| Special revenue funds | - | 1,295,084 | - |
| Debt service fund | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| <i>Total Fund Balances</i> | <u>1,514,530</u> | <u>1,295,084</u> | <u>-</u> |
| | <hr/> | <hr/> | <hr/> |
| <i>Total Liabilities and Fund Balances</i> | <u>\$ 1,956,579</u> | <u>\$ 1,340,192</u> | <u>\$ 126,285</u> |

| <i>Urban Renewal Tax Increment</i> | <i>Keizer Station LID</i> | <i>Other Governmental Funds</i> | <i>Totals</i> |
|--|-------------------------------|---|----------------------|
| \$ - | \$ 2,720,399 | \$ 2,754,145 | \$ 8,001,612 |
| - | - | 129,061 | 643,177 |
| - | - | 113,722 | 113,722 |
| 340,422 | - | - | 604,747 |
| - | 25,405,402 | - | 25,405,402 |
| - | - | - | 117,547 |
| <u>\$ 340,422</u> | <u>\$ 28,125,801</u> | <u>\$ 2,996,928</u> | <u>\$ 34,886,207</u> |
| \$ - | \$ - | \$ 36,736 | \$ 289,678 |
| - | - | - | 145,608 |
| - | - | - | 11,439 |
| 51,387 | - | 66,160 | 117,547 |
| 273,713 | 25,405,402 | 113,722 | 25,996,290 |
| 325,100 | 25,405,402 | 216,618 | 26,560,562 |
| - | - | - | 1,514,530 |
| 15,322 | - | 2,780,310 | 4,090,716 |
| - | 2,720,399 | - | 2,720,399 |
| <u>15,322</u> | <u>2,720,399</u> | <u>2,780,310</u> | <u>8,325,645</u> |
| <u>\$ 340,422</u> | <u>\$ 28,125,801</u> | <u>\$ 2,996,928</u> | <u>\$ 34,886,207</u> |

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

CITY OF KEIZER, OREGON

**RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010**

RECONCILIATION TO THE STATEMENT OF NET ASSETS

| | |
|--|----------------------|
| <i>Fund Balances</i> | \$ 8,325,645 |
| 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. | 25,996,290 |
| Capital assets are not financial resources in governmental funds, but are reported in the Statement of Net Assets at their net depreciable value. | |
| Costs of capital assets | 91,369,162 |
| Accumulated depreciation | (22,624,462) |
| 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 | (30,982,000) |
| Accrued interest payable | (155,690) |
| Accrued compensated absences | (625,949) |
| Other post-employment benefits | (576,559) |
| An internal service fund is used to charge the cost of technology, communications, administrative services and risk management to the individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the the statement of net assets. | <u>(26,502)</u> |
| Net assets of governmental activities | <u>\$ 70,699,935</u> |

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

CITY OF KEIZER, OREGON**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010**

| | <u>General</u> | <u>Street</u> | <u>Urban Renewal Project</u> |
|---|----------------|---------------|--------------------------------------|
| REVENUES | | | |
| Taxes and assessments | \$ 3,531,180 | \$ - | \$ - |
| Licenses and permits | 2,458,990 | 7,285 | - |
| Intergovernmental | 694,951 | 1,502,644 | - |
| Fines and forfeitures | 731,465 | - | - |
| Miscellaneous | 152,721 | 39,168 | 2,477 |
| | <hr/> | <hr/> | <hr/> |
| <i>Total Revenues</i> | 7,569,307 | 1,549,097 | 2,477 |
| EXPENDITURES | | | |
| Current operating: | | | |
| General government | 1,296,902 | - | - |
| Community and youth services | 17,877 | - | - |
| Community development | 396,904 | - | 389,567 |
| Parks | 259,921 | - | - |
| Public safety | 5,194,492 | - | - |
| Public works | - | 749,442 | - |
| Capital outlay | 73,089 | 135,182 | 2,200,779 |
| Debt service | | | |
| Principal | - | 163,000 | - |
| Interest | - | 47,177 | - |
| | <hr/> | <hr/> | <hr/> |
| <i>Total Expenditures</i> | 7,239,185 | 1,094,801 | 2,590,346 |
| REVENUES OVER (UNDER) EXPENDITURES | | | |
| | 330,122 | 454,296 | (2,587,869) |
| OTHER FINANCING SOURCES (USES) | | | |
| Issuance of debt | - | - | 650,000 |
| Transfers in | - | - | 1,697,167 |
| Transfers out | (250,900) | (169,941) | - |
| | <hr/> | <hr/> | <hr/> |
| Total Other Financing Sources (Uses) | (250,900) | (169,941) | 2,347,167 |
| NET CHANGE IN FUND BALANCES | | | |
| | 79,222 | 284,355 | (240,702) |
| FUND BALANCES, Beginning of year | | | |
| | <hr/> | <hr/> | <hr/> |
| | 1,435,308 | 1,010,729 | 240,702 |
| FUND BALANCES, End of year | | | |
| | <hr/> | <hr/> | <hr/> |
| | \$ 1,514,530 | \$ 1,295,084 | \$ - |

| <i>Urban Renewal Tax Increment</i> | <i>Keizer Station LID</i> | <i>Other Governmental Funds</i> | <i>Totals</i> |
|--|-------------------------------|---|---------------|
| \$ 4,123,304 | \$ 2,217,286 | \$ - | \$ 9,871,770 |
| - | - | 325,202 | 2,791,477 |
| - | - | 529,778 | 2,727,373 |
| - | - | - | 731,465 |
| 9,187 | 52,556 | 59,130 | 315,239 |
| 4,132,491 | 2,269,842 | 914,110 | 16,437,324 |
| - | - | 89,336 | 1,386,238 |
| - | - | - | 17,877 |
| - | - | - | 786,471 |
| - | - | 4,092 | 264,013 |
| - | - | 434,442 | 5,628,934 |
| - | 2,880 | - | 752,322 |
| - | - | 477,667 | 2,886,717 |
| 3,000,000 | 2,450,000 | - | 5,613,000 |
| 132,093 | 1,343,420 | - | 1,522,690 |
| 3,132,093 | 3,796,300 | 1,005,537 | 18,858,262 |
| 1,000,398 | (1,526,458) | (91,427) | (2,420,938) |
| - | - | - | 650,000 |
| - | - | 250,900 | 1,948,067 |
| (1,697,167) | - | - | (2,118,008) |
| (1,697,167) | - | 250,900 | 480,059 |
| (696,769) | (1,526,458) | 159,473 | (1,940,879) |
| 712,091 | 4,246,857 | 2,620,837 | 10,266,524 |
| \$ 15,322 | \$ 2,720,399 | \$ 2,780,310 | \$ 8,325,645 |

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

CITY OF KEIZER, OREGON

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010**

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

Net change in fund balances - total governmental funds \$ (1,940,879)

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. (703,271)

Governmental funds do not report expenditures for unpaid compensated absences
and other post employment benefits since they do not require the use of current
financial resources. However, the Statement of Activities reports such expenses
when incurred, regardless of when payment ultimately occurs. (333,152)

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 | 2,580,772 |
| Depreciation | (2,944,921) |

Proceeds from the issuance of long-term debt provide current financial resources to
governmental funds and are reported as revenues. In the same way, repayment 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 | (650,000) |
| Debt principal payments | 5,613,000 |
| Accrued interest payable | (26,497) |

An internal service fund is used to charge technology, communications, administrative
services and risk management to the individual funds. The net revenue of certain
activities of the internal service fund is reported with governmental activities. (26,502)

Change in net assets of governmental activities \$ 1,568,550

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

CITY OF KEIZER, OREGON
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2010

| | <i>Business-type Activities - Enterprise Funds</i> | | |
|---|---|---------------------|----------------------------------|
| | <i>Sewer</i> | <i>Water</i> | <i>Water Facility</i> |
| ASSETS | | | |
| <i>Current Assets</i> | | | |
| Cash and investments | \$ 168,056 | \$ 505,689 | \$ 1,575,893 |
| Accounts receivable | 744,237 | 298,133 | - |
| Assessment liens receivable | - | 2,538 | 4,611 |
| Inventories | - | 80,817 | - |
| <i>Total Current Assets</i> | 912,293 | 887,177 | 1,580,504 |
| <i>Noncurrent Assets</i> | | | |
| Nondepreciable capital assets | - | 371,759 | - |
| Other capital assets, net of depreciation | 2,226,627 | 1,404,301 | 5,386,177 |
| <i>Total noncurrent Assets</i> | 2,226,627 | 1,776,060 | 5,386,177 |
| <i>Total Assets</i> | 3,138,920 | 2,663,237 | 6,966,681 |
| LIABILITIES | | | |
| <i>Current Liabilities</i> | | | |
| Accounts payable | 367,782 | 67,932 | 68,929 |
| Deposits | - | 431 | 142,594 |
| Accrued interest payable | - | 27,949 | - |
| Bonds payable - due within one year | - | 150,000 | - |
| <i>Total Current Liabilities</i> | 367,782 | 246,312 | 211,523 |
| <i>Noncurrent Liabilities</i> | | | |
| Bonds payable | - | 1,895,000 | - |
| Accrued compensated absences | 12,713 | 85,646 | - |
| <i>Total Noncurrent Liabilities</i> | 12,713 | 1,980,646 | - |
| <i>Total Liabilities</i> | 380,495 | 2,226,958 | 211,523 |
| NET ASSETS | | | |
| Investment in capital assets (net of related debt) | 2,226,627 | (268,940) | 5,386,177 |
| Restricted | - | - | 1,368,981 |
| Unrestricted | 531,798 | 705,219 | - |
| <i>Total Net Assets</i> | \$ 2,758,425 | \$ 436,279 | \$ 6,755,158 |

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

| <i>Other Proprietary Funds</i> | <i>Totals</i> | <i>Governmental Activities Internal Service Fund</i> |
|--|---------------|--|
| \$ 689,646 | \$ 2,939,284 | \$ 29,364 |
| 117,032 | 1,159,402 | - |
| 2,673 | 9,822 | - |
| - | 80,817 | - |
| 809,351 | 4,189,325 | 29,364 |
| - | 371,759 | - |
| 477,047 | 9,494,152 | - |
| 477,047 | 9,865,911 | - |
| 1,286,398 | 14,055,236 | 29,364 |
| 40,691 | 545,334 | 55,866 |
| - | 143,025 | - |
| - | 27,949 | - |
| - | 150,000 | - |
| 40,691 | 866,308 | 55,866 |
| - | 1,895,000 | - |
| 27,360 | 125,719 | - |
| 27,360 | 2,020,719 | - |
| 68,051 | 2,887,027 | 55,866 |
| 477,047 | 7,820,911 | - |
| 598,924 | 1,967,905 | - |
| 142,376 | 1,379,393 | (26,502) |
| 1,218,347 | \$ 11,168,209 | \$ (26,502) |

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, 2010**

| | <i>Business-type Activities - Enterprise Funds</i> | | |
|---|--|--------------|-----------------------|
| | <i>Sewer</i> | <i>Water</i> | <i>Water Facility</i> |
| OPERATING REVENUES | | | |
| Taxes and assessments | \$ - | \$ - | \$ 324 |
| Licenses and permits | - | 615 | - |
| Charges for services | 4,786,067 | 2,426,862 | - |
| Miscellaneous | 5,370 | 52,205 | - |
| <i>Total Operating Revenues</i> | 4,791,437 | 2,479,682 | 324 |
| OPERATING EXPENSES | | | |
| Personal services | 132,678 | 965,086 | - |
| Materials and services | 4,794,048 | 945,049 | 66,755 |
| Depreciation | 190,884 | 331,029 | 219,632 |
| <i>Total Expenditures</i> | 5,117,610 | 2,241,164 | 286,387 |
| OPERATING INCOME (LOSS) | (326,173) | 238,518 | (286,063) |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Capital contribution | - | - | 49,265 |
| Investment revenue | 1,879 | 5,237 | 11,260 |
| Interest expense | - | (82,929) | - |
| <i>Total Other Financing Sources (Uses)</i> | 1,879 | (77,692) | 60,525 |
| INCOME (LOSS) BEFORE TRANSFERS | (324,294) | 160,826 | (225,538) |
| Transfers in | 773,379 | - | 155,360 |
| Transfers out | - | (155,360) | - |
| <i>Total Transfers</i> | 773,379 | (155,360) | 155,360 |
| CHANGE IN NET ASSETS | 449,085 | 5,466 | (70,178) |
| NET ASSETS, Beginning of year | 2,309,340 | 430,813 | 6,825,336 |
| NET ASSETS, End of year | \$ 2,758,425 | \$ 436,279 | \$ 6,755,158 |

| <i>Other Proprietary Funds</i> | <i>Totals</i> | <i>Governmental Activities Internal Service Fund</i> |
|--|---------------|--|
| \$ - | \$ 324 | \$ - |
| 1,080 | 1,695 | - |
| 998,403 | 8,211,332 | 1,956,687 |
| 127,686 | 185,261 | 321 |
| 1,127,169 | 8,398,612 | 1,957,008 |
| 370,115 | 1,467,879 | 1,344,471 |
| 565,862 | 6,371,714 | 639,039 |
| 61,766 | 803,311 | - |
| 997,743 | 8,642,904 | 1,983,510 |
| 129,426 | (244,292) | (26,502) |
| - | 49,265 | - |
| 6,414 | 24,790 | - |
| - | (82,929) | - |
| 6,414 | (8,874) | - |
| 135,840 | (253,166) | (26,502) |
| 169,941 | 1,098,680 | - |
| (773,379) | (928,739) | - |
| (603,438) | 169,941 | - |
| (467,598) | (83,225) | (26,502) |
| 1,685,945 | 11,251,434 | - |
| \$ 1,218,347 | \$ 11,168,209 | \$ (26,502) |

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, 2010

| | <u>Sewer</u> | <u>Water</u> | <u>Water Facility</u> |
|---|---------------------|-------------------|---------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash received from customers | \$ 4,737,578 | \$ 2,527,094 | \$ 16,907 |
| Cash paid for employee services and benefits | (131,515) | (957,674) | - |
| Cash paid to suppliers for goods and services | (4,776,173) | (927,408) | (154,662) |
| <i>Net Cash Provided by (Used in) Operating Activities</i> | (170,110) | 642,012 | (137,755) |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | |
| Transfers in | 773,379 | - | 155,360 |
| Transfers out | - | (155,360) | - |
| <i>Net Cash Provided by (Used in) Non-Capital Financing Activities</i> | 773,379 | (155,360) | 155,360 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisition of capital assets | (764,161) | (10,316) | (208,494) |
| Principal paid on contracts/bonds payable | - | (145,000) | - |
| Contribution of capital | - | - | 49,265 |
| Interest paid | - | (86,823) | - |
| <i>Net Cash Used in Capital Related Financing Activities</i> | (764,161) | (242,139) | (159,229) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest on investment | 1,879 | 5,237 | 11,260 |
| <i>Increase (Decrease) in Cash and Investments</i> | (159,013) | 249,750 | (130,364) |
| CASH AND INVESTMENTS, Beginning of year | 327,069 | 255,939 | 1,706,257 |
| CASH AND INVESTMENTS, End of year | <u>\$ 168,056</u> | <u>\$ 505,689</u> | <u>\$ 1,575,893</u> |
| RECONCILIATION OF CASH PROVIDED BY OPERATING ACTIVITIES TO OPERATING INCOME (LOSS) | | | |
| Operating income (loss) | \$ (326,173) | \$ 238,518 | \$ (286,063) |
| Depreciation | 190,884 | 331,029 | 219,632 |
| <i>Change in assets and liabilities</i> | | | |
| Accounts receivable | (53,859) | 47,391 | 10,848 |
| Inventory | - | 16,973 | - |
| Accounts payable and accrued liabilities | 17,875 | 668 | (87,907) |
| Compensated absences payable | 1,163 | 7,412 | - |
| Deposits payable | - | 21 | 5,735 |
| <i>Net Cash Provided by (Used in) Operating Activities</i> | <u>\$ (170,110)</u> | <u>\$ 642,012</u> | <u>\$ (137,755)</u> |

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

| <i>Other Proprietary Funds</i> | <i>Totals</i> | <i>Governmental Activities Internal Service Fund</i> |
|--|---------------------|--|
| \$ 1,113,446 | \$ 8,395,025 | \$ 1,957,008 |
| (367,579) | (1,456,768) | (1,344,471) |
| (720,306) | (6,578,549) | (639,039) |
| 25,561 | 359,708 | (26,502) |
| 169,941 | 1,098,680 | - |
| (773,379) | (928,739) | - |
| (603,438) | 169,941 | - |
| (272,256) | (1,255,227) | - |
| - | (145,000) | - |
| - | 49,265 | 98,530 |
| - | (86,823) | - |
| (272,256) | (1,437,785) | 98,530 |
| 6,414 | 24,790 | - |
| (843,719) | (883,346) | 72,028 |
| 1,533,365 | 3,822,630 | - |
| <u>\$ 689,646</u> | <u>\$ 2,939,284</u> | <u>\$ 72,028</u> |
| \$ 129,426 | \$ (244,292) | \$ (26,502) |
| 61,766 | 803,311 | - |
| (13,723) | (9,343) | - |
| - | 16,973 | - |
| (154,444) | (223,808) | 55,866 |
| 2,536 | 11,111 | - |
| - | 5,756 | - |
| <u>\$ 25,561</u> | <u>\$ 359,708</u> | <u>\$ 29,364</u> |

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Keizer, Oregon (the "City") was established in November 1982 and is a municipal corporation governed by an elected mayor and six-member council. The council appoints a City Manager to act as the administrative head of operations.

As required 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 issues separate financial statements. They are available from the City of Keizer Finance Department.

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 services.

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. Exceptions to this general rule are interfund services provided and used. Elimination of these charges would distort the direct costs and program revenues of the various functions concerned.

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*.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic Financial Statements (Continued)

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.

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

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

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.

Debt Service Fund

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

The City reports the following nonmajor governmental funds:

Special Revenue Funds

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

CITY OF KEIZER, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2010

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Special Revenue Funds (Continued)

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

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

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

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

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

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

Community Center Fund - This fund accounts for revenues from the use of the Community Center and related costs.

Amphitheater Fund - This fund accounts for revenues from the use of the Keizer Rotary Amphitheater and related costs.

Internal Service Fund - This fund accounts for activities and services performed primarily for other funds within the City. Charges are based on recovering costs from the benefitted City funds.

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.

Storm Drain Fund – this fund accounts for the operation of the City's storm drain system.

CITY OF KEIZER, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2010

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Transfers between funds are to facilitate operations.

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

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, 2010. Actual results may differ from such estimates.

CITY OF KEIZER, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2010

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The City's investment policy is in compliance with the statutes.

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

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

Receivables and Deferred Revenues

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

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

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

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

Interest earned on assessments in the governmental fund types is accrued when due and 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

Normal maintenance and repairs are charged to operations as incurred. Major additions, improvements and replacements are capitalized. Gains or losses from sales or retirements of 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 \$5,000 or more used in operations that have initial useful lives extending beyond one year. 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. The estimated useful lives of the various categories of assets are as follows:

| | |
|-----------------------------------|-------------|
| Buildings | 20-50 years |
| Improvements other than buildings | 20 years |
| Infrastructure | 20-75 years |
| Equipment | 5 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Debt

Long-term debt directly related and expected to be paid from the enterprise funds is recorded in these funds. All other unmatured long-term debt is recorded on the Statement of Net Assets. Urban Renewal Agency bonds and the credit facility line of credit are payable from the Urban Renewal funds. Gas revenue bonds are payable from the Street Fund. Water revenue loan is payable from water sales and system development fees. Keizer Station LID bonds are payable from property owner assessments.

Compensated Absences

Compensated absences are 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 with no maximum accrual balance. 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.

Restricted Assets

Amounts reported on the Statement of Net Assets as restricted for special purposes represent net assets which are subject to restrictions that are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation.

When expenditures are paid for purposes in which both restricted and unrestricted net assets are available, the City deems restricted net assets to be spent first.

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, 2010

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, 2010 the carrying value of cash and investments and fair value are approximately equal. Cash and investments are comprised of the following at June 30, 2010:

Cash

| | | |
|--------------------------------------|----|-----------|
| Cash on hand | \$ | 1,790 |
| Deposits with financial institutions | | 1,333,781 |
| Money Market | | 259,728 |

Investments

| | | |
|----------------------------------|--|------------------|
| Local Government Investment Pool | | <u>9,374,961</u> |
|----------------------------------|--|------------------|

| | | |
|-----------------------------------|----|--------------------------|
| <i>Total Cash and Investments</i> | \$ | <u><u>10,970,260</u></u> |
|-----------------------------------|----|--------------------------|

Deposits

At year end, the book balance of the City's bank deposits (checking and money market accounts) was \$1,593,509 and the bank balance was \$1,691,321. The difference is due to transactions in process. Deposits are secured to legal limits by federal deposit insurance. The remaining amount is secured in accordance with Oregon Revised Statutes 295 under a collateral program administered by the Oregon State Treasurer.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the City's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City's deposits with financial institutions up to \$250,000 each for the aggregate of all non-interest bearing accounts and the aggregate of all interest bearing accounts at each institution. Deposits in excess of FDIC coverage are with institutions participating in the Oregon Public Funds Collateralization Program. The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities. As of June 30, 2010, \$9,728 of the City's bank balances were exposed to custodial credit risk as they were collateralized under PFCP.

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

CITY OF KEIZER, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2010

CASH AND INVESTMENTS (Continued)

Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. At June 30, 2010, 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.

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.

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. The investment in the Oregon Short-term Fund is not subject to classification. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP. Separate financial statements for the Oregon Short-term Fund are available from the Oregon State Treasurer. The LGIP is not rated for risk quality.

RECEIVABLES

| <i>Fund</i> | <i>Accounts</i> | <i>Loans</i> | <i>Property Taxes</i> | <i>Assessments</i> |
|---------------------------|---------------------|-------------------|---------------------------|----------------------|
| General | \$ 387,657 | \$ - | \$ 264,325 | \$ - |
| Street | 126,459 | - | - | - |
| Urban Renewal Tax | - | - | 340,422 | - |
| Keizer Station LID | - | - | - | 25,405,402 |
| Other governmental funds | 129,061 | 113,722 | - | - |
| Sewer | 744,237 | - | - | - |
| Water | 298,133 | - | - | 2,538 |
| Water Facility | - | - | - | 4,611 |
| Other business-type funds | 117,032 | - | - | 2,673 |
| | <u>\$ 1,802,579</u> | <u>\$ 113,722</u> | <u>\$ 604,747</u> | <u>\$ 25,415,224</u> |

CITY OF KEIZER, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2010

CAPITAL ASSETS

The summary of capital assets for the business-type activities for the year ended June 30, 2010 is as follows:

| | Balances July 1, 2009 | Additions | Deletions | Balances June 30, 2010 |
|---|--------------------------------------|-------------------|------------------|---------------------------------------|
| NON-DEPRECIABLE | | | | |
| Land | \$ 371,759 | \$ - | \$ - | \$ 371,759 |
| DEPRECIABLE | | | | |
| Buildings and improvements | 1,065,730 | - | - | 1,065,730 |
| Water and sewer systems | 18,355,403 | 1,235,228 | - | 19,590,631 |
| Equipment and vehicles | 573,676 | 19,999 | - | 593,675 |
| Total depreciable | 19,994,809 | 1,255,227 | - | 21,250,036 |
| ACCUMULATED DEPRECIATION | | | | |
| Buildings | 671,416 | 53,286 | - | 724,702 |
| Water and sewer systems | 9,992,099 | 653,021 | - | 10,645,120 |
| Equipment and vehicles | 289,058 | 97,004 | - | 386,062 |
| <i>Total accumulated depreciation</i> | 10,952,573 | 803,311 | - | 11,755,884 |
| <i>Business-type activities capital assets, net</i> | <u>\$ 9,413,995</u> | <u>\$ 451,916</u> | <u>\$ -</u> | <u>\$ 9,865,911</u> |

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

| | |
|--|-------------------|
| Water | \$ 550,661 |
| Sewer | 190,884 |
| Storm Drain | <u>61,766</u> |
| <i>Total depreciation expense for business-type activities</i> | <u>\$ 803,311</u> |

CITY OF KEIZER, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2010

CAPITAL ASSETS (continued)

The changes in the capital assets for governmental activities for the year ended June 30, 2010 are as follows:

| | Balances July 1, 2009 | Additions | Deletions | Balances June 30, 2010 |
|---|--------------------------------------|---------------------|------------------|---------------------------------------|
| NON-DEPRECIABLE | | | | |
| Land | \$ 10,114,507 | \$ 718,444 | \$ - | \$ 10,832,951 |
| DEPRECIABLE | | | | |
| Buildings and improvements | 39,943,871 | 1,798,898 | - | 41,742,769 |
| Equipment and vehicles | 1,059,946 | 50,050 | - | 1,109,996 |
| Infrastructure | 37,670,066 | 13,380 | - | 37,683,446 |
| Total depreciable | 78,673,883 | 1,862,328 | - | 80,536,211 |
| ACCUMULATED DEPRECIATION | | | | |
| Buildings | 11,373,668 | 1,617,787 | - | 12,991,455 |
| Equipment and vehicles | 847,706 | 75,080 | - | 922,786 |
| Infrastructure | 7,458,167 | 1,252,054 | - | 8,710,221 |
| Total accumulated depreciation | 19,679,541 | 2,944,921 | - | 22,624,462 |
| Governmental activities capital assets, net | <u>\$ 69,108,849</u> | <u>\$ (364,149)</u> | <u>\$ -</u> | <u>\$ 68,744,700</u> |

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

| | |
|--|---------------------|
| Public safety | \$ 43,895 |
| Public works | 682,586 |
| Community development | 2,142,089 |
| Parks | 76,351 |
| Total depreciation expense for governmental activities | <u>\$ 2,944,921</u> |

CITY OF KEIZER, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2010

LONG-TERM OBLIGATIONS

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

| | <i>Outstanding July 1, 2009</i> | <i>Issued</i> | <i>Matured/ Redeemed During Year</i> | <i>Outstanding June 30, 2010</i> | <i>Due in One Year</i> |
|---|---|-------------------|--|--|----------------------------|
| Governmental Activities | | | | | |
| Gas Tax Revenue Bonds 2005 Initial issue \$1,738,000, interest at 3.92% | \$ 1,285,000 | \$ - | \$ (163,000) | \$ 1,122,000 | \$ 169,000 |
| Keizer Station LID Bonds 2008 Initial issue \$26,810,000, interest only at 5.20% | 26,810,000 | - | (2,450,000) | 24,360,000 | - |
| URA Credit Facility, Series 2008 Initial issue \$11,350,000, interest only at 3.25% | 7,850,000 | 650,000 | (3,000,000) | 5,500,000 | - |
| | <u>\$ 35,945,000</u> | <u>\$ 650,000</u> | <u>\$ (5,613,000)</u> | <u>\$ 30,982,000</u> | <u>\$ 169,000</u> |
| Accrued compensated absences | <u>\$ 594,113</u> | <u>\$ 498,541</u> | <u>\$ (466,705)</u> | <u>\$ 625,949</u> | <u>\$ 219,082</u> |
| Business-type Activities | | | | | |
| 2005 Water Revenue Loan Initial issue \$2,600,000, interest at 4.10% | <u>\$ 2,190,000</u> | <u>\$ -</u> | <u>\$ (145,000)</u> | <u>\$ 2,045,000</u> | <u>\$ 150,000</u> |
| Accrued compensated absences | <u>\$ 114,607</u> | <u>\$ 90,954</u> | <u>\$ (79,842)</u> | <u>\$ 125,719</u> | <u>\$ 44,001</u> |

The Gas Tax Revenue bonds require a reserve of \$173,800, which is included in the Street fund. The Keizer Station LID bonds require a reserve of \$2,681,000 which was included in the Keizer Station LID fund.

The URA Credit Facility debt is serviced through the use of revenues generated from property tax levies. The assessed values of these properties have been found to be stable within the City and management feels that there will not be significant changes to this trend in the future. Therefore, management feels it is reasonable to estimate that this debt instrument will be paid back in full by the end of fiscal year ended June 30, 2013, with estimated interest costs to the City of approximately \$1,500,000.

CITY OF KEIZER, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2010

LONG-TERM OBLIGATIONS (Continued)

The future maturities of obligations outstanding as of June 30, 2010:

| <i>Fiscal Year Ending June 30,</i> | <i>Principal</i> | <i>Interest</i> | <i>Total</i> |
|--|----------------------|----------------------|----------------------|
| 2011 | \$ 169,000 | \$ 1,537,790 | \$ 1,706,790 |
| 2012 | 176,000 | 1,531,028 | 1,707,028 |
| 2013 | 183,000 | 1,523,992 | 1,706,992 |
| 2014 | 190,000 | 1,516,681 | 1,706,681 |
| 2015 | 198,000 | 1,509,076 | 1,707,076 |
| 2016-2020 | 5,706,000 | 6,452,837 | 12,158,837 |
| 2020-2025 | - | 6,333,600 | 6,333,600 |
| 2026-2030 | - | 6,333,600 | 6,333,600 |
| 2031 | 24,360,000 | 1,266,720 | 25,626,720 |
| | <u>\$ 30,982,000</u> | <u>\$ 28,005,324</u> | <u>\$ 58,987,324</u> |

Business-type Activities

| <i>Fiscal Year Ending June 30,</i> | <i>Principal</i> | <i>Interest</i> | <i>Total</i> |
|--|---------------------|-------------------|---------------------|
| 2011 | \$ 150,000 | \$ 80,770 | \$ 230,770 |
| 2012 | 155,000 | 74,518 | 229,518 |
| 2013 | 165,000 | 67,958 | 232,958 |
| 2014 | 170,000 | 61,090 | 231,090 |
| 2015 | 180,000 | 53,915 | 233,915 |
| 2016-2020 | 1,000,000 | 151,905 | 1,151,905 |
| 2021 | 225,000 | 4,611 | 229,611 |
| | <u>\$ 2,045,000</u> | <u>\$ 494,767</u> | <u>\$ 2,539,767</u> |

Compensated Absences

Compensated absences are liabilities of the fund in which the related payroll costs are accrued.

CITY OF KEIZER, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2010

PENSION PLANS

Plan Description

The City is a participating employer in the Oregon Public Employees Retirement System ("PERS"), a cost-sharing multiple-employer public employee retirement system established under Oregon Revised Statutes 238.600 that acts as a common investment and administrative agent for public employers in the State of Oregon. PERS is a defined benefit pension plan that provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Benefits are established by state statute. As an independent employer, the City of Keizer is considered to be participating in an agent-multiple employer plan for purposes of the Tier 1/Tier 2 pension liabilities and a cost sharing plan for purposes of their OPSRP pension liabilities.

In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for PERS. The Oregon Public Service Retirement Plan ("OPSRP") is effective for all new employees hired on or after August 29, 2003. The new plan consists of a defined benefit program (the "Pension Program") and a defined contribution portion (the Individual Account Program or "IAP"). The Pension Program portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service and a factor that varies based on type of service (general versus police or fire).

Beginning January 1, 2004, all PERS member contributions go into the IAP portion of OPSRP. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account. Those employees who had established a PERS membership prior to creation of OPSRP will be members of both the PERS and OPSRP system as long as they remain in covered employment.

Both PERS and OPSRP are administered by the Oregon Public Employees Retirement Board ("OPERB"). The comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700, by calling (503) 598-7377, or by accessing the PERS web site at www.oregon.gov/PERS.

Funding Policy

Employer contributions are required by state statute and made at actuarially determined rates as adopted by the OPERB. Covered employees are required by state statute to contribute 6.0% of their annual salary to the system, but the employer is allowed to pay any or all of the employees' contribution in addition to the required employers' contribution. The City has elected to contribute the 6.0% "pick-up."

In addition to the 6.0% "pick-up," the City contributed 7.16% of Tier1/Tier2 subject payroll, 0.63% of OPSRP general service subject payroll, and 3.34% of OPSRP police and fire subject payroll for the fiscal year ended June 30, 2010. This contribution rate was determined as part of the December 31, 2007 actuarial evaluation. Subject salary for the year was \$4,626,607 and the City's total payroll was \$6,097,130.

| <u>Year Ended</u> <u>June 30,</u> | <u>Amount</u> | <u>% of Required</u> <u>Contribution</u> |
|--------------------------------------|---------------|---|
| 2010 | \$ 544,428 | 100% |
| 2009 | 625,827 | 100% |
| 2008 | 587,910 | 100% |

CITY OF KEIZER, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2010

PENSION PLANS (Continued)

Funding Policy (Continued)

The City's pension liability and the annual required contribution rate were determined using the entry age cost method. The unfunded actuarial liability ("UAL") created by this method, including gains and losses, is amortized as a level percentage of salary over a period commencing on the valuation date (2001, 2003, 2005, and 2007) and ending on December 31, 2027 using closed amortization. Beginning in 2007, each valuation's UAL will be amortized over 20 years, again using closed amortization. The actuarial assumptions include an investment return of 8% per year, projected salary increase of 3.75%, health cost inflation graded from 8.0% in 2008 to 5% in 2013, and a consumer price inflation component of 2.75%.

The OPERB utilizes a technique called asset smoothing to determine the actuarial value of assets. The actuarial value of assets are reported at fair market value, less a reserve equal to a pro-rata portion of the investment gains (losses) over the four-year period ending on the valuation date. Investment gains (losses), effective from January 1, 2000, are recognized at the rate of 25% per year. The actuarial value of assets is limited to a 10% corridor above and below the fair market value.

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). Consequently, each employer reports the contractually required contributions. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2009 through June 30, 2011 is calculated and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

| | <i>Payroll</i> | | |
|-------------------------------|----------------------|-------------------------|------------------------|
| | <i>Tier 1/Tier 2</i> | <i>OPSRP</i> | |
| | | <i>General Services</i> | <i>Police and Fire</i> |
| July 1, 2007 to June 30, 2009 | 0.37% | 0.26% | 0.26% |
| July 1, 2009 to June 30, 2011 | 0.29% | 0.19% | 0.19% |

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. The City Council has the authority to amend the plan provisions and contribution requirements. 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, 2010, amounted to \$141,624. 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.

CITY OF KEIZER, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2010

OTHER POST EMPLOYMENT BENEFITS

The City implemented GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension* prospectively beginning in fiscal year June 30, 2009. GASB 45 is applicable to the City due only to the implicit rate subsidy. The City qualifies under the alternative measuring method and therefore is not required to obtain a formal actuarial valuation.

Funding Policy

The City funds the single employer plan only to the extent of current year insurance premium requirement on a pay-as-you-go basis. At June 30, 2010, the City had 94 active employees and only one retiree participating in the program with all insurance premium costs paid in full by the individual. The City has not established an irrevocable trust to accumulate assets to fund the cost of the OPEB obligation that arises from the implicit subsidy.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other post employment benefit cost is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the fiscal year ending June 30, 2010, the amount actually contributed to the plans, and changes in the City's net OPEB obligation:

| | | |
|---|----|----------------|
| Normal cost at year end | \$ | 248,027 |
| Amortization of UAAL | | <u>62,585</u> |
| Annual required contribution | | 310,612 |
| Implicit benefit payments | | (9,296) |
| Increase in net OPEB obligation | | 301,316 |
| Net OPEB obligation - beginning of year | | <u>275,243</u> |
| Net OPEB obligation - end of year | \$ | <u>576,559</u> |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2010 was as follows:

| <u>Fiscal</u> <u>Year End</u> | | <u>Annual</u> <u>OPEB Cost</u> | <u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contribution</u> | | <u>Net OPEB</u> <u>Obligation</u> |
|----------------------------------|----|-----------------------------------|--|----|--------------------------------------|
| 06/30/10 | \$ | 310,612 | 3% | \$ | 576,559 |
| 06/30/09 | | 275,243 | 0% | | 275,243 |

Valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

CITY OF KEIZER, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2010

OTHER POST EMPLOYMENT BENEFITS (Continued)

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in accrued liabilities and the value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2010 valuation, the entry age normal actuarial cost method was used. The assumptions included a 5.5% investment rate of return (net of administrative expenses) and an annual healthcare cost rate of between 5.6% and 7%. The UAAL is being amortized over an initial period of 30 years.

| Valuation Date | Value of Assets (a) | Accrued Liability (AAL) - Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a / b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b - a) / c) |
|----------------|---------------------|---|---------------------------|----------------------|---------------------|---|
| 06/30/2010 | \$ - | \$ 1,752,385 | \$ 1,752,385 | 0% | \$ 6,097,130 | 28.7% |
| 06/30/2009 | - | 1,877,555 | 1,877,555 | 0% | 8,161,999 | 23.0% |

TRANSFERS

| | Transfer In | Transfer Out |
|----------------------------|-------------------|-------------------|
| General | \$ - | \$ 250,900 |
| Street | - | 169,941 |
| Nonmajor governmental fund | 250,900 | - |
| Sewer | 9,218 | - |
| Water | - | 155,360 |
| Water Facility | 155,360 | - |
| Other business-type funds | 169,941 | 9,218 |
| | <u>\$ 585,419</u> | <u>\$ 585,419</u> |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF KEIZER, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2010

NEGATIVE ENDING FUND BALANCE

At June 30, 2010 the following funds had negative ending fund balances:

| | |
|-----------------------|----------|
| Law Enforcement Grant | \$153 |
| Internal Service | \$26,502 |

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.

GASB PRONOUNCEMENTS ISSUED, NOT YET IN EFFECT

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have future effective dates that may impact future financial presentations. Management has determined that GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions", issued February 2009 will be effective for the City beginning with its fiscal year ending June 30, 2011. The Statement establishes new classifications for fund equity and new definitions for governmental fund types. Management has not determined the impact implementation will have on the financial statements of the City.

SUBSEQUENT EVENTS

The City adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 165, "Subsequent Events" (ASC 855). ASC 855 establishes new accounting and disclosure requirements for subsequent events. Management has evaluated subsequent events through December 20, 2010, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KEIZER, OREGON
SCHEDULE OF FUNDING PROGRESS - PUBLIC EMPLOYEES RETIREMENT SYSTEM
JUNE 30, 2010

| <i>Actuarial Valuation Date</i> | <i>Actuarial Value of Assets (a)</i> | <i>Actuarial Accrued Liability (AAL) (b)</i> | <i>Unfunded AAL (b-a)</i> | <i>Funded Ratio (a+b)</i> | <i>Covered Payroll (c)</i> | <i>UAAL as a Percentage of Covered Payroll ((b-a)/c)</i> |
|---|--|--|-----------------------------------|-----------------------------------|------------------------------------|--|
| 12/31/2003 | \$ 7,782,349 | \$ 8,406,202 | \$ 623,853 | 93% | \$ 2,304,166 | 27% |
| 12/31/2004 | 9,435,000 | 9,681,880 | 246,880 | 97% | 2,614,758 | 9% |
| 12/31/2005 | 11,272,923 | 10,435,031 | (837,892) | 108% | 2,632,588 | -32% |
| 12/31/2006 | 13,123,262 | 10,273,073 | (2,850,189) | 128% | 2,729,005 | -104% |
| 12/31/2007 | 14,469,554 | 11,359,526 | (3,110,028) | 127% | 3,071,890 | -11% |
| 12/31/2008 | 11,704,780 | 12,202,765 | 497,985 | 96% | 3,318,225 | 15% |
| 12/31/2009 | 13,407,773 | 13,634,579 | 226,806 | 98% | 3,677,284 | 6% |

CITY OF KEIZER, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -****BUDGET AND ACTUAL - GENERAL FUND**

YEAR ENDED JUNE 30, 2010

| | <i>Budgeted Amounts</i> | | <i>Actual</i> | <i>Variance</i> |
|--|-------------------------|--------------|---------------|-----------------|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Taxes and assessments | \$ 3,505,400 | \$ 3,505,400 | \$ 3,531,180 | \$ 25,780 |
| Licenses and permits | 2,434,400 | 2,434,400 | 2,458,990 | 24,590 |
| Intergovernmental | 1,045,200 | 1,051,000 | 694,951 | (356,049) |
| Fines and forfeitures | 571,600 | 571,600 | 731,465 | 159,865 |
| Miscellaneous | 182,100 | 228,000 | 152,721 | (75,279) |
| <i>Total Revenues</i> | 7,738,700 | 7,790,400 | 7,569,307 | (221,093) |
| EXPENDITURES | | | | |
| Administration | 126,800 | 1,204,200 | 1,080,455 | 123,745 |
| Parks | 337,200 | 383,100 | 333,010 | 50,090 |
| Community development | 572,600 | 573,300 | 396,904 | 176,396 |
| Police | 5,554,400 | 5,562,800 | 5,194,492 | 368,308 |
| Municipal court | 245,100 | 243,300 | 234,324 | 8,976 |
| Contingency | 48,000 | 100 | - | 100 |
| <i>Total Expenditures</i> | 6,884,100 | 7,966,800 | 7,239,185 | 727,615 |
| REVENUES OVER (UNDER) | 854,600 | (176,400) | 330,122 | 506,522 |
| EXPENDITURES | | | | |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (1,345,100) | (269,900) | (250,900) | 19,000 |
| NET CHANGE IN FUND BALANCE | (490,500) | (446,300) | 79,222 | 525,522 |
| FUND BALANCE, Beginning of year | 1,551,200 | 1,559,900 | 1,435,308 | (124,592) |
| FUND BALANCE, End of year | \$ 1,060,700 | \$ 1,113,600 | \$ 1,514,530 | \$ 400,930 |

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, 2010

| | <i>Budgeted Amounts</i> | | <i>Actual</i> | <i>Variance</i> |
|--|-------------------------|--------------|---------------|-----------------|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Licenses and permits | \$ 5,400 | \$ 5,400 | \$ 7,285 | \$ 1,885 |
| Intergovernmental | 1,381,900 | 1,381,900 | 1,502,644 | 120,744 |
| Miscellaneous | 34,200 | 43,800 | 39,168 | (4,632) |
| <i>Total Revenues</i> | 1,421,500 | 1,431,100 | 1,549,097 | 117,997 |
| EXPENDITURES | | | | |
| Personal services | 240,500 | 240,500 | 234,379 | 6,121 |
| Materials and services | 464,300 | 596,100 | 515,063 | 81,037 |
| Capital outlay | 629,000 | 629,000 | 135,182 | 493,818 |
| Contingency | 69,000 | 48,200 | - | 48,200 |
| Debt service | | | | - |
| Principal | 163,000 | 163,000 | 163,000 | - |
| Interest | 47,200 | 47,200 | 47,177 | 23 |
| <i>Total Expenditures</i> | 1,613,000 | 1,724,000 | 1,094,801 | 629,199 |
| REVENUES OVER (UNDER) | | | | |
| EXPENDITURES | (191,500) | (292,900) | 454,296 | 747,196 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (360,700) | (260,600) | (169,941) | 90,659 |
| NET CHANGE IN FUND BALANCE | (552,200) | (553,500) | 284,355 | 837,855 |
| FUND BALANCE, Beginning of year | 1,127,000 | 1,127,000 | 1,010,729 | (116,271) |
| FUND BALANCE, End of year | \$ 574,800 | \$ 573,500 | \$ 1,295,084 | \$ 721,584 |

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, 2010**

| | <i>Budgeted Amounts</i> | | <i>Actual</i> | <i>Variance</i> |
|---|-------------------------|------------------|------------------|--------------------|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Miscellaneous | \$ 5,000 | \$ 10,400 | \$ 2,477 | \$ (7,923) |
| EXPENDITURES | | | | |
| Personal services | 93,900 | 93,900 | 92,797 | 1,103 |
| Materials and services | 9,100 | 298,400 | 296,770 | 1,630 |
| Capital outlay | 952,700 | 2,243,800 | 2,200,779 | 43,021 |
| Contingency | 38,400 | 30,200 | - | 30,200 |
| <i>Total Expenditures</i> | <u>1,094,100</u> | <u>2,666,300</u> | <u>2,590,346</u> | <u>75,954</u> |
| REVENUES OVER (UNDER) EXPENDITURES | (1,089,100) | (2,655,900) | (2,587,869) | 68,031 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Issuance of debt | <u>850,000</u> | <u>2,494,500</u> | <u>2,347,167</u> | <u>(147,333)</u> |
| NET CHANGE IN FUND BALANCES | (239,100) | (161,400) | (240,702) | (79,302) |
| FUND BALANCE, Beginning of year | <u>602,700</u> | <u>248,300</u> | <u>240,702</u> | <u>(7,598)</u> |
| FUND BALANCE, End of year | <u>\$ 363,600</u> | <u>\$ 86,900</u> | <u>\$ -</u> | <u>\$ (86,900)</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, 2010**

| | <i>Budgeted Amounts</i> | | <i>Actual</i> | <i>Variance</i> |
|---|-------------------------|--------------|---------------|-----------------|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Taxes and assessments | \$ 3,937,800 | \$ 4,074,300 | \$ 4,123,304 | \$ 49,004 |
| Miscellaneous | 16,600 | 16,600 | 9,187 | (7,413) |
| <i>Total Revenues</i> | 3,954,400 | 4,090,900 | 4,132,491 | 41,591 |
| EXPENDITURES | | | | |
| Debt service | | | | |
| Principal | 4,500,000 | 4,538,300 | 4,697,167 | (158,867) |
| Interest | 150,000 | 242,800 | 132,093 | 110,707 |
| <i>Total Expenditures</i> | 4,650,000 | 4,781,100 | 4,829,260 | (48,160) |
| REVENUES OVER (UNDER) EXPENDITURES | | | | |
| | (695,600) | (690,200) | (696,769) | (6,569) |
| FUND BALANCE, Beginning of year | 717,400 | 712,000 | 712,091 | 91 |
| FUND BALANCE, End of year | \$ 21,800 | \$ 21,800 | \$ 15,322 | \$ (6,478) |

The budgetary basis of accounting and GAAP are the same.

*over-expenditure not in violation of local budget law under ORS 294.326(6)d

OTHER SUPPLEMENTARY INFORMATION

CITY OF KEIZER, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - KEIZER STATION LID FUND
YEAR ENDED JUNE 30, 2010

| | <i>Budgeted Amounts</i> | | <i>Actual</i> | <i>Variance</i> |
|--|-------------------------|--------------|---------------|-----------------|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Taxes and assessments | \$ 2,217,300 | \$ 2,217,300 | \$ 2,217,286 | \$ (14) |
| Miscellaneous | 57,300 | 57,300 | 52,556 | (4,744) |
| <i>Total Revenues</i> | 2,274,600 | 2,274,600 | 2,269,842 | (4,758) |
| EXPENDITURES | | | | |
| Materials and services | 2,000 | 4,600 | 2,880 | 1,720 |
| Debt service | | | | |
| Principal | 925,000 | 2,475,000 | 2,450,000 | 25,000 |
| Interest | 1,339,000 | 1,339,000 | 1,343,420 | (4,420) |
| <i>Total Expenditures</i> | 2,266,000 | 3,818,600 | 3,796,300 | 22,300 |
| REVENUES OVER (UNDER) | | | | |
| EXPENDITURES | 8,600 | (1,544,000) | (1,526,458) | 17,542 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (2,600) | - | - | - |
| NET CHANGE IN FUND BALANCES | 6,000 | (1,544,000) | (1,526,458) | 17,542 |
| FUND BALANCE, Beginning of year | 3,423,900 | 4,243,900 | 4,246,857 | 2,957 |
| FUND BALANCE, End of year | \$ 3,429,900 | \$ 2,699,900 | \$ 2,720,399 | \$ 20,499 |

The budgetary basis of accounting and GAAP are the same.

CITY OF KEIZER, OREGON
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

| | <u>Revenue Sharing</u> | <u>Law Enforcement Grant</u> | <u>911 Fund</u> | <u>Public Education Government</u> |
|--|----------------------------|--------------------------------------|------------------|--|
| ASSETS | | | | |
| Cash and investments | \$ - | \$ 286 | \$ - | \$ 104,877 |
| Accounts receivable | 52,852 | 5,365 | 42,118 | 28,726 |
| Due from other funds | - | - | - | - |
| Loans receivable | - | - | - | - |
| <i>Total Assets</i> | <u>\$ 52,852</u> | <u>\$ 5,651</u> | <u>\$ 42,118</u> | <u>\$ 133,603</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 780 | \$ 5,804 | \$ 16,749 | \$ - |
| Due to other funds | 40,827 | - | 25,333 | - |
| Deferred revenue | - | - | - | - |
| <i>Total Liabilities</i> | 41,607 | 5,804 | 42,082 | - |
| Fund Balances | | | | |
| Unreserved, reported in: | | | | |
| Special revenue funds | 11,245 | (153) | 36 | 133,603 |
| <i>Total Liabilities and Fund Balances</i> | <u>\$ 52,852</u> | <u>\$ 5,651</u> | <u>\$ 42,118</u> | <u>\$ 133,603</u> |

| <i>Transportation Improvement</i> | <i>Park Improvement</i> | <i>Housing Services</i> | <i>Community Center</i> | <i>Amphitheater</i> | <i>Totals</i> |
|---------------------------------------|-----------------------------|-----------------------------|-----------------------------|---------------------|---------------------|
| \$ 1,674,059 | \$ 679,408 | \$ 281,229 | \$ 10,219 | \$ 4,067 | \$ 2,754,145 |
| - | - | - | - | - | 129,061 |
| - | - | - | - | - | - |
| - | - | 113,722 | - | - | 113,722 |
| <u>\$ 1,674,059</u> | <u>\$ 679,408</u> | <u>\$ 394,951</u> | <u>\$ 10,219</u> | <u>\$ 4,067</u> | <u>\$ 2,996,928</u> |
| \$ - | \$ 10,222 | \$ - | \$ 3,181 | \$ - | \$ 36,736 |
| - | - | - | - | - | 66,160 |
| - | - | 113,722 | - | - | 113,722 |
| - | 10,222 | 113,722 | 3,181 | - | 216,618 |
| <u>1,674,059</u> | <u>669,186</u> | <u>281,229</u> | <u>7,038</u> | <u>4,067</u> | <u>2,780,310</u> |
| <u>\$ 1,674,059</u> | <u>\$ 679,408</u> | <u>\$ 394,951</u> | <u>\$ 10,219</u> | <u>\$ 4,067</u> | <u>\$ 2,996,928</u> |

CITY OF KEIZER, OREGON**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010**

| | <u>Revenue Sharing</u> | <u>Law Enforcement Grant</u> | <u>911 Fund</u> | <u>Public Education Government</u> |
|---|----------------------------|--------------------------------------|-----------------|--|
| REVENUES | | | | |
| Licenses and permits | \$ - | \$ - | \$ - | \$ 109,769 |
| Intergovernmental | 234,497 | 49,020 | 182,665 | - |
| Miscellaneous | - | - | - | 589 |
| <i>Total Revenues</i> | <u>234,497</u> | <u>49,020</u> | <u>182,665</u> | <u>110,358</u> |
| EXPENDITURES | | | | |
| Current operating: | | | | |
| General government | - | - | - | 61,054 |
| Parks | - | - | - | - |
| Public safety | - | 913 | 433,529 | - |
| Capital outlay | 253,062 | 48,260 | - | 3,050 |
| Debt service | - | - | - | - |
| <i>Total Expenditures</i> | <u>253,062</u> | <u>49,173</u> | <u>433,529</u> | <u>64,104</u> |
| REVENUES OVER (UNDER) EXPENDITURES | (18,565) | (153) | (250,864) | 46,254 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | 250,900 | - |
| Transfers out | - | - | - | - |
| <i>Total Other Financing Sources (Uses)</i> | <u>-</u> | <u>-</u> | <u>250,900</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCES | (18,565) | (153) | 36 | 46,254 |
| FUND BALANCES, Beginning of year | <u>29,810</u> | <u>-</u> | <u>-</u> | <u>87,349</u> |
| FUND BALANCES, End of year | <u>\$ 11,245</u> | <u>\$ (153)</u> | <u>\$ 36</u> | <u>\$ 133,603</u> |

| <u>Transportation Improvement</u> | <u>Park Improvement</u> | <u>Housing Services</u> | <u>Community Center</u> | <u>Amphitheater</u> | <u>Totals</u> |
|---------------------------------------|-----------------------------|-----------------------------|-----------------------------|---------------------|---------------------|
| \$ 118,061 | \$ 97,372 | \$ - | \$ - | \$ - | \$ 325,202 |
| - | 50,076 | 13,520 | - | - | 529,778 |
| 11,029 | 4,635 | 1,921 | 35,556 | 5,400 | 59,130 |
| 129,090 | 152,083 | 15,441 | 35,556 | 5,400 | 914,110 |
| - | - | 164 | 26,460 | 1,658 | 89,336 |
| - | 4,092 | - | - | - | 4,092 |
| - | - | - | - | - | 434,442 |
| - | 171,237 | - | 2,058 | - | 477,667 |
| - | - | - | - | - | - |
| - | 175,329 | 164 | 28,518 | 1,658 | 1,005,537 |
| 129,090 | (23,246) | 15,277 | 7,038 | 3,742 | (91,427) |
| - | - | - | - | - | 250,900 |
| 129,090 | (23,246) | 15,277 | 7,038 | 3,742 | 159,473 |
| 1,544,969 | 692,432 | 265,952 | - | 325 | 2,620,837 |
| <u>\$ 1,674,059</u> | <u>\$ 669,186</u> | <u>\$ 281,229</u> | <u>\$ 7,038</u> | <u>\$ 4,067</u> | <u>\$ 2,780,310</u> |

CITY OF KEIZER, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - REVENUE SHARING FUND
YEAR ENDED JUNE 30, 2010**

| | <i>Budgeted Amounts</i> | | <i>Actual</i> | <i>Variance</i> |
|---|-------------------------|--------------|---------------|-----------------|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Intergovernmental | \$ 317,800 | \$ 317,800 | \$ 234,497 | \$ (83,303) |
| EXPENDITURES | | | | |
| Capital outlay | 331,200 | 346,200 | 253,062 | 93,138 |
| REVENUES OVER (UNDER) EXPENDITURES | (13,400) | (28,400) | (18,565) | (176,441) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | 15,000 | - | (15,000) |
| NET CHANGE IN FUND BALANCE | (13,400) | (13,400) | (18,565) | (5,165) |
| FUND BALANCE, Beginning of year | 13,400 | 13,400 | 29,810 | 16,410 |
| FUND BALANCE, End of year | \$ - | \$ - | \$ 11,245 | \$ 11,245 |

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 - LAW ENFORCEMENT GRANT FUND
YEAR ENDED JUNE 30, 2010**

| | <i>Budgeted Amounts</i> | | <i>Actual</i> | <i>Variance</i> |
|---|-------------------------|---------------|-----------------|-----------------|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Intergovernmental | \$ 50,000 | \$ 90,000 | \$ 49,020 | \$ (40,980) |
| EXPENDITURES | | | | |
| Materials and services | 25,000 | 35,000 | 913 | 34,087 |
| Capital outlay | 25,000 | 55,000 | 48,260 | 6,740 |
| <i>Total Expenditures</i> | <u>50,000</u> | <u>90,000</u> | <u>49,173</u> | <u>40,827</u> |
| REVENUES OVER (UNDER) EXPENDITURES | - | - | (153) | (153) |
| FUND BALANCE, Beginning of year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCE, End of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (153)</u> | <u>\$ (153)</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 - 911 FUND
YEAR ENDED JUNE 30, 2010

| | <i>Budgeted Amounts</i> | | <i>Actual</i> | <i>Variance</i> |
|--|-------------------------|--------------|---------------|-----------------|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Intergovernmental | \$ 190,300 | \$ 190,300 | \$ 182,665 | \$ (7,635) |
| EXPENDITURES | | | | |
| Materials and services | 435,200 | 435,200 | 433,529 | 1,671 |
| REVENUES OVER (UNDER) | | | | |
| EXPENDITURES | (244,900) | (244,900) | (250,864) | (5,964) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 244,900 | 244,900 | 250,900 | 6,000 |
| NET CHANGE IN FUND BALANCES | - | - | 36 | 36 |
| FUND BALANCE, Beginning of year | - | - | - | - |
| FUND BALANCE, End of year | \$ - | \$ - | \$ 36 | \$ 36 |

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, 2010**

| | <i>Budgeted Amounts</i> | | <i>Actual</i> | <i>Variance</i> |
|---|-------------------------|--------------|---------------|-----------------|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Licenses and permits | \$ 101,200 | \$ 101,200 | \$ 109,769 | \$ 8,569 |
| Miscellaneous | 100 | 100 | 589 | 489 |
| <i>Total Revenues</i> | 101,300 | 101,300 | 110,358 | 9,058 |
| EXPENDITURES | | | | |
| Materials and services | 61,800 | 63,000 | 61,054 | 1,946 |
| Capital outlay | - | 3,100 | 3,050 | 50 |
| Contingency | 60,000 | 56,900 | - | 56,900 |
| <i>Total Expenditures</i> | 121,800 | 123,000 | 64,104 | 58,896 |
| REVENUES OVER (UNDER) EXPENDITURES | | | | |
| | (20,500) | (21,700) | 46,254 | 67,954 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (1,200) | - | - | - |
| NET CHANGE IN FUND BALANCE | | | | |
| | (21,700) | (21,700) | 46,254 | 67,954 |
| FUND BALANCE, Beginning of year | | | | |
| | 87,500 | 87,500 | 87,349 | (151) |
| FUND BALANCE, End of year | | | | |
| | \$ 65,800 | \$ 65,800 | \$ 133,603 | \$ 67,803 |

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, 2010**

| | <i>Budgeted Amounts</i> | | <i>Actual</i> | <i>Variance</i> |
|---|-------------------------|--------------|---------------|-----------------|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Licenses and permits | \$ 27,300 | \$ 27,300 | \$ 118,061 | \$ 90,761 |
| Miscellaneous | 30,200 | 30,200 | 11,029 | (19,171) |
| <i>Total Revenues</i> | 57,500 | 57,500 | 129,090 | 71,590 |
| EXPENDITURES | | | | |
| Materials and services | 440,000 | 440,200 | - | 440,200 |
| Contingency | 950,000 | 755,500 | - | 755,500 |
| <i>Total Expenditures</i> | 1,390,000 | 1,195,700 | - | 1,195,700 |
| REVENUES OVER (UNDER) EXPENDITURES | | | | |
| | (1,332,500) | (1,138,200) | 129,090 | 1,267,290 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 128,200 | 93,600 | - | (93,600) |
| Transfers out | (200) | (194,500) | - | 194,500 |
| <i>Total Other Financing Sources (Uses)</i> | 128,000 | (100,900) | - | 100,900 |
| NET CHANGE IN FUND BALANCES | (1,204,500) | (1,239,100) | 129,090 | 1,368,190 |
| FUND BALANCE, Beginning of year | 1,262,500 | 1,262,500 | 1,544,969 | 282,469 |
| FUND BALANCE, End of year | \$ 58,000 | \$ 23,400 | \$ 1,674,059 | \$ 1,650,659 |

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, 2010**

| | <i>Budgeted Amounts</i> | | <i>Actual</i> | <i>Variance</i> |
|---|-------------------------|--------------|---------------|-----------------|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Licenses and permits | \$ 24,600 | \$ 24,600 | \$ 97,372 | \$ 72,772 |
| Intergovernmental | - | - | 50,076 | 50,076 |
| Miscellaneous | 16,400 | 16,400 | 4,635 | (11,765) |
| <i>Total Revenues</i> | 41,000 | 41,000 | 152,083 | 111,083 |
| EXPENDITURES | | | | |
| Materials and services | 2,400 | 23,300 | 4,092 | 19,208 |
| Capital outlay | 199,800 | 259,800 | 171,237 | 88,563 |
| Contingency | 445,000 | 385,000 | - | 385,000 |
| <i>Total Expenditures</i> | 647,200 | 668,100 | 175,329 | 492,771 |
| REVENUES OVER (UNDER) EXPENDITURES | | | | |
| | (606,200) | (627,100) | (23,246) | 603,854 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (20,900) | - | - | - |
| NET CHANGE IN FUND BALANCE | (627,100) | (627,100) | (23,246) | 603,854 |
| FUND BALANCE, Beginning of year | 732,300 | 732,300 | 692,432 | (39,868) |
| FUND BALANCE, End of year | \$ 105,200 | \$ 105,200 | \$ 669,186 | \$ 563,986 |

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, 2010**

| | <i>Budgeted Amounts</i> | | <i>Actual</i> | <i>Variance</i> |
|---|-------------------------|--------------|---------------|-----------------|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Intergovernmental | \$ 30,000 | \$ 30,000 | \$ 13,520 | \$ (16,480) |
| Miscellaneous | 5,100 | 5,100 | 1,921 | (3,179) |
| <i>Total Revenues</i> | 35,100 | 35,100 | 15,441 | (19,659) |
| EXPENDITURES | | | | |
| Materials and services | 260,500 | 260,500 | 164 | 260,336 |
| REVENUES OVER (UNDER) EXPENDITURES | (225,400) | (225,400) | 15,277 | 240,677 |
| FUND BALANCE, Beginning of year | 225,400 | 225,400 | 265,952 | 40,552 |
| FUND BALANCE, End of year | \$ - | \$ - | \$ 281,229 | \$ 281,229 |

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 - COMMUNITY CENTER FUND
YEAR ENDED JUNE 30, 2010**

| | <i>Budgeted Amounts</i> | | <i>Actual</i> | <i>Variance</i> |
|---|-------------------------|--------------|---------------|-----------------|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Charges for services | \$ 42,000 | \$ 8,500 | \$ 25,556 | \$ 17,056 |
| Miscellaneous | 10,000 | 10,000 | 10,000 | - |
| <i>Total Revenues</i> | 52,000 | 18,500 | 35,556 | 17,056 |
| EXPENDITURES | | | | |
| Personal services | - | 6,500 | 3,331 | 3,169 |
| Materials and services | 14,400 | 23,300 | 23,129 | 171 |
| Capital outlay | - | 3,000 | 2,058 | 942 |
| Debt service | - | 3,000 | - | 3,000 |
| <i>Total Expenditures</i> | 14,400 | 35,800 | 28,518 | 7,282 |
| REVENUES OVER (UNDER) EXPENDITURES | | | | |
| | 37,600 | (17,300) | 7,038 | 24,338 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | 17,300 | - | (17,300) |
| Transfers out | (37,600) | - | - | - |
| <i>Total Other Financing Sources (Uses)</i> | (37,600) | 17,300 | - | (17,300) |
| NET CHANGE IN FUND BALANCES | | | | |
| | - | - | 7,038 | 7,038 |
| FUND BALANCE, Beginning of year | | | | |
| | - | - | - | - |
| FUND BALANCE, End of year | | | | |
| | \$ - | \$ - | \$ 7,038 | \$ 7,038 |

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 - AMPHITHEATER FUND
YEAR ENDED JUNE 30, 2010

| | <i>Budgeted Amounts</i> | | <i>Actual</i> | <i>Variance</i> |
|--|-------------------------|--------------|-----------------|-----------------|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Charges for services | \$ 6,000 | \$ 6,000 | \$ 5,400 | \$ (600) |
| EXPENDITURES | | | | |
| Materials and services | 5,000 | 5,000 | 1,658 | 3,342 |
| Capital outlay | 1,000 | 1,000 | - | 1,000 |
| <i>Total Expenditures</i> | <u>6,000</u> | <u>6,000</u> | <u>1,658</u> | <u>4,342</u> |
| REVENUES OVER (UNDER) | | | | |
| EXPENDITURES | - | - | 3,742 | 3,742 |
| FUND BALANCE, Beginning of year | <u>-</u> | <u>-</u> | <u>325</u> | <u>325</u> |
| FUND BALANCE, End of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,067</u> | <u>\$ 4,067</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 – INTERNAL SERVICES FUND
YEAR ENDED JUNE 30, 2010**

| | <i>Budgeted Amounts</i> | | <i>Actual</i> | <i>Variance</i> |
|---|-------------------------|-----------------|--------------------|--------------------|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Charges for services | \$ 2,052,500 | \$ 2,135,400 | \$ 1,956,687 | \$ (178,713) |
| Miscellaneous | - | - | 321 | 321 |
| <i>Total Revenues</i> | 2,052,500 | 2,135,400 | 1,957,008 | (178,392) |
| EXPENDITURES | | | | |
| Personal services | 1,355,600 | 1,355,600 | 1,344,471 | 11,129 |
| Materials and services | 568,000 | 693,300 | 595,299 | 98,001 |
| Capital outlay | 52,300 | 80,500 | 43,740 | 36,760 |
| <i>Total Expenditures</i> | 1,975,900 | 2,129,400 | 1,983,510 | 145,890 |
| REVENUES OVER (UNDER) EXPENDITURES | 76,600 | 6,000 | (26,502) | (32,502) |
| FUND BALANCE, Beginning of year | - | - | - | - |
| FUND BALANCE, End of year | <u>\$ 76,600</u> | <u>\$ 6,000</u> | <u>\$ (26,502)</u> | <u>\$ (32,502)</u> |

The Internal Services Fund uses the modified accrual basis of accounting for budgetary purposes and the full accrual basis of accounting for GAAP purposes.

CITY OF KEIZER, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET ASSETS -
BUDGET AND ACTUAL - SEWER FUND
YEAR ENDED JUNE 30, 2010**

| | <i>Budgeted Amounts</i> | | <i>Budget Basis</i> | <i>GAAP Basis</i> |
|---|-------------------------|--------------|---------------------|-------------------|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Licenses and permits | \$ 200 | \$ 200 | \$ - | \$ - |
| Charges for services | 4,616,500 | 4,896,500 | 4,771,645 | 4,786,067 |
| Miscellaneous | 5,000 | 5,000 | 7,249 | 7,249 |
| <i>Total Revenues</i> | 4,621,700 | 4,901,700 | 4,778,894 | 4,793,316 |
| EXPENDITURES | | | | |
| Personal services | 137,200 | 137,200 | 131,515 | 132,678 |
| Materials and services | 4,360,700 | 4,779,600 | 4,794,048 | 4,794,048 |
| Capital outlay/depreciation | - | - | - | 190,884 |
| Contingency | 16,900 | 15,100 | - | - |
| <i>Total Expenditures</i> | 4,514,800 | 4,931,900 | 4,925,563 | 5,117,610 |
| REVENUES OVER (UNDER) EXPENDITURES | 106,900 | (30,200) | (146,669) | (324,294) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | 9,218 | 773,379 |
| Transfers out | (137,100) | - | - | - |
| <i>Total Other Financing Sources (Uses)</i> | (137,100) | - | 9,218 | 773,379 |
| NET CHANGE IN NET ASSETS | (30,200) | (30,200) | (137,451) | 449,085 |
| NET ASSETS, Beginning of year | 476,500 | 476,500 | 445,379 | 2,309,340 |
| NET ASSETS, End of year | \$ 446,300 | \$ 446,300 | \$ 307,928 | \$ 2,758,425 |

CITY OF KEIZER, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS -
BUDGET AND ACTUAL - WATER FUND
YEAR ENDED JUNE 30, 2010**

| | <i>Budgeted Amounts</i> | | <i>Budget Basis</i> | <i>GAAP Basis</i> |
|---|-------------------------|--------------|-------------------------|-----------------------|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Taxes and assessments | \$ 700 | \$ 700 | \$ 705 | \$ - |
| Licenses and permits | 200 | 200 | 615 | 615 |
| Charges for services | 2,503,400 | 2,503,400 | 2,460,366 | 2,426,862 |
| Miscellaneous | 48,700 | 48,700 | 57,463 | 57,442 |
| <i>Total Revenues</i> | 2,553,000 | 2,553,000 | 2,519,149 | 2,484,919 |
| EXPENDITURES | | | | |
| Personal services | 997,900 | 997,900 | 957,674 | 965,086 |
| Materials and services | 742,700 | 1,076,000 | 922,035 | 945,049 |
| Capital outlay/depreciation | 26,300 | 26,300 | 16,362 | 331,029 |
| Debt service | 231,900 | 231,900 | 231,818 | 82,929 |
| Contingency | 88,700 | 43,700 | - | - |
| <i>Total Expenditures</i> | 2,087,500 | 2,375,800 | 2,127,889 | 2,324,093 |
| REVENUES OVER (UNDER) EXPENDITURES | 465,500 | 177,200 | 391,260 | 160,826 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (431,300) | (150,000) | (155,360) | (155,360) |
| NET CHANGE IN NET ASSETS | 34,200 | 27,200 | 235,900 | 5,466 |
| NET ASSETS, Beginning of year | 347,600 | 347,600 | 393,594 | 430,813 |
| NET ASSETS, End of year | \$ 381,800 | \$ 374,800 | \$ 629,494 | \$ 436,279 |

CITY OF KEIZER, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS -
BUDGET AND ACTUAL - WATER FACILITY FUND
YEAR ENDED JUNE 30, 2010

| | <i>Budgeted Amounts</i> | | <i>Budget Basis</i> | <i>GAAP Basis</i> |
|---|-------------------------|--------------|---------------------|-------------------|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Taxes and assessments | \$ 1,500 | \$ 1,500 | \$ 11,172 | \$ 324 |
| Licenses and permits | 18,700 | 18,700 | 49,265 | 49,265 |
| Miscellaneous | 23,500 | 23,500 | 11,260 | 11,260 |
| <i>Total Revenues</i> | 43,700 | 43,700 | 71,697 | 60,849 |
| EXPENDITURES | | | | |
| Materials and services | - | - | - | 66,755 |
| Capital outlay/depreciation | 460,000 | 460,000 | 275,249 | 219,632 |
| Contingency | 100,000 | 100,000 | - | - |
| <i>Total Expenditures</i> | 560,000 | 560,000 | 275,249 | 286,387 |
| REVENUES OVER (UNDER) EXPENDITURES | | | | |
| | (516,300) | (516,300) | (203,552) | (225,538) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 150,000 | 150,000 | 155,360 | 155,360 |
| NET CHANGE IN NET ASSETS | (366,300) | (366,300) | (48,192) | (70,178) |
| NET ASSETS, Beginning of year | 1,428,200 | 1,428,200 | 1,412,562 | 6,825,336 |
| NET ASSETS, End of year | \$ 1,061,900 | \$ 1,061,900 | \$ 1,364,370 | \$ 6,755,158 |

CITY OF KEIZER, OREGON
COMBINING STATEMENT OF NET ASSETS - NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

| | <i>Sewer Reserve</i> | <i>Storm Drain</i> | <i>Lighting District</i> | <i>Totals</i> |
|---|--------------------------|------------------------|------------------------------|---------------------|
| ASSETS | | | | |
| Current Assets | | | | |
| Cash and investments | \$ 333,613 | \$ 93,154 | \$ 262,879 | \$ 689,646 |
| Accounts receivable | - | 86,448 | 30,584 | 117,032 |
| Assessment liens receivable | 2,673 | - | - | 2,673 |
| <i>Total Current Assets</i> | 336,286 | 179,602 | 293,463 | 809,351 |
| Noncurrent Assets | | | | |
| Other capital assets, net of depreciation | - | 477,047 | - | 477,047 |
| <i>Total Assets</i> | 336,286 | 656,649 | 293,463 | 1,286,398 |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Accounts payable | 24,196 | 12,999 | 3,496 | 40,691 |
| Noncurrent Liabilities | | | | |
| Accrued compensated absences | - | 24,227 | 3,133 | 27,360 |
| <i>Total Liabilities</i> | 24,196 | 37,226 | 6,629 | 68,051 |
| NET ASSETS | | | | |
| Investment in capital assets (net of related debt) | - | 477,047 | - | 477,047 |
| Restricted | 312,090 | - | 286,834 | 598,924 |
| Unrestricted | - | 142,376 | - | 142,376 |
| <i>Total Net Assets</i> | <u>\$ 312,090</u> | <u>\$ 619,423</u> | <u>\$ 286,834</u> | <u>\$ 1,218,347</u> |

CITY OF KEIZER, OREGON**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010**

| | <u>Sewer Reserve</u> | <u>Storm Drain</u> | <u>Lighting District</u> | <u>Totals</u> |
|---|--------------------------|------------------------|------------------------------|---------------|
| OPERATING REVENUES | | | | |
| Licenses and permits | \$ 465 | \$ 615 | \$ - | \$ 1,080 |
| Charges for services | - | 543,470 | 454,933 | 998,403 |
| Miscellaneous | 122,713 | 4,973 | - | 127,686 |
| <i>Total Operating Revenues</i> | 123,178 | 549,058 | 454,933 | 1,127,169 |
| OPERATING EXPENSES | | | | |
| Personal services | - | 351,090 | 19,025 | 370,115 |
| Materials and services | - | 160,934 | 404,928 | 565,862 |
| Depreciation | - | 61,766 | - | 61,766 |
| <i>Total Operating Expenses</i> | - | 573,790 | 423,953 | 997,743 |
| OPERATING INCOME (LOSS) | 123,178 | (24,732) | 30,980 | 129,426 |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Investment revenue | 3,622 | 1,024 | 1,768 | 6,414 |
| INCOME (LOSS) BEFORE TRANSFERS | 126,800 | (23,708) | 32,748 | 135,840 |
| Transfers in | - | 169,941 | - | 169,941 |
| Transfers out | (773,379) | - | - | (773,379) |
| <i>Total Transfers</i> | (773,379) | 169,941 | - | (603,438) |
| CHANGE IN NET ASSETS | (646,579) | 146,233 | 32,748 | (467,598) |
| NET ASSETS, Beginning of year | 958,669 | 473,190 | 254,086 | 1,685,945 |
| NET ASSETS, End of year | \$ 312,090 | \$ 619,423 | \$ 286,834 | \$ 1,218,347 |

CITY OF KEIZER, OREGON
COMBINING STATEMENT OF CASH FLOWS - NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

| | <u>Sewer Reserve</u> | <u>Storm Drain</u> | <u>Lighting District</u> | <u>Totals</u> |
|---|--------------------------|------------------------|------------------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash received from customers | \$ 123,843 | \$ 533,875 | \$ 455,728 | \$ 1,113,446 |
| Cash paid to employees for services | - | (348,803) | (18,776) | (367,579) |
| Cash paid to suppliers for goods and services | (132,808) | (176,419) | (411,079) | (720,306) |
| <i>Net Cash Provided by (Used in) Operating Activities</i> | (8,965) | 8,653 | 25,873 | 25,561 |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | | |
| Transfers in | - | 169,941 | - | 169,941 |
| Transfers out | (773,379) | - | - | (773,379) |
| <i>Net Cash Provided by (Used in) Non-Capital Financing Activities</i> | (773,379) | 169,941 | - | (603,438) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Acquisition of capital assets | - | (272,256) | - | (272,256) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest on investment | 3,622 | 1,024 | 1,768 | 6,414 |
| <i>Increase (Decrease) in Cash and Investments</i> | (778,722) | (92,638) | 27,641 | (843,719) |
| CASH AND INVESTMENTS, Beginning of year | <u>1,112,335</u> | <u>185,792</u> | <u>235,238</u> | <u>1,533,365</u> |
| CASH AND INVESTMENTS, End of year | <u>\$ 333,613</u> | <u>\$ 93,154</u> | <u>\$ 262,879</u> | <u>\$ 689,646</u> |
| RECONCILIATION OF CASH PROVIDED BY OPERATING ACTIVITIES TO OPERATING INCOME (LOSS) | | | | |
| Operating income (loss) | \$ 123,178 | \$ (24,732) | \$ 30,980 | \$ 129,426 |
| Depreciation | - | 61,766 | - | 61,766 |
| <i>Change in assets and liabilities</i> | | | | |
| Accounts receivable | 665 | (15,183) | 795 | (13,723) |
| Accounts payable and accrued liabilities | (132,808) | (15,485) | (6,151) | (154,444) |
| Compensated absences payable | - | 2,287 | 249 | 2,536 |
| <i>Net Cash Provided by (Used in) Operating Activities</i> | <u>\$ (8,965)</u> | <u>\$ 8,653</u> | <u>\$ 25,873</u> | <u>\$ 25,561</u> |

CITY OF KEIZER, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS -
BUDGET AND ACTUAL - SEWER RESERVE FUND
YEAR ENDED JUNE 30, 2010

| | <i>Budgeted Amounts</i> | | <i>Budget Basis</i> | <i>GAAP Basis</i> |
|---------------------------------------|-------------------------|--------------|---------------------|-------------------|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Licenses and permits | \$ - | \$ - | \$ 1,130 | \$ 465 |
| Miscellaneous | 7,800 | 7,800 | 126,335 | 126,335 |
| <i>Total Revenues</i> | 7,800 | 7,800 | 127,465 | 126,800 |
| EXPENDITURES | | | | |
| Capital outlay/depreciation | 816,000 | 816,000 | 764,161 | - |
| Contingency | 216,900 | 207,600 | - | - |
| <i>Total Expenditures</i> | 1,032,900 | 1,023,600 | 764,161 | - |
| REVENUES OVER (UNDER) | | | | |
| EXPENDITURES | (1,025,100) | (1,015,800) | (636,696) | 126,800 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | - | (9,300) | (9,218) | (773,379) |
| NET CHANGE IN NET ASSETS | (1,025,100) | (1,025,100) | (645,914) | (646,579) |
| NET ASSETS, Beginning of year | 1,025,100 | 1,025,100 | 955,331 | 958,669 |
| NET ASSETS, End of year | \$ - | \$ - | \$ 309,417 | \$ 312,090 |

CITY OF KEIZER, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS -
BUDGET AND ACTUAL - LIGHTING DISTRICTS FUND
YEAR ENDED JUNE 30, 2010**

| | <u>Budgeted Amounts</u> | | <u>Budget Basis</u> | <u>GAAP Basis</u> |
|---|-------------------------|-------------------|-------------------------|-----------------------|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Charges for services | \$ 441,700 | \$ 441,700 | \$ 455,707 | \$ 454,933 |
| Miscellaneous | - | - | 1,768 | 1,768 |
| <i>Total Revenues</i> | 441,700 | 441,700 | 457,475 | 456,701 |
| EXPENDITURES | | | | |
| Personal services | 19,900 | 19,900 | 18,777 | 19,025 |
| Materials and services | 366,000 | 421,700 | 404,928 | 404,928 |
| Contingency | 21,100 | 500 | - | - |
| <i>Total Expenditures</i> | 407,000 | 442,100 | 423,705 | 423,953 |
| REVENUES OVER (UNDER) EXPENDITURES | | | | |
| | 34,700 | (400) | 33,770 | 32,748 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (35,100) | - | - | - |
| NET CHANGE IN NET ASSETS | (400) | (400) | 33,770 | 32,748 |
| NET ASSETS, Beginning of year | 226,500 | 226,500 | 225,591 | 254,086 |
| NET ASSETS, End of year | <u>\$ 226,100</u> | <u>\$ 226,100</u> | <u>\$ 259,361</u> | <u>\$ 286,834</u> |

CITY OF KEIZER, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS -
BUDGET AND ACTUAL – STORM DRAIN FUND
YEAR ENDED JUNE 30, 2010

| | <i>Budgeted Amounts</i> | | <i>Budget Basis</i> | <i>GAAP Basis</i> |
|---|-------------------------|--------------|---------------------|-------------------|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Licenses and permits | \$ 2,000 | \$ 2,000 | \$ 615 | \$ 615 |
| Charges for services | 528,000 | 528,000 | 531,226 | 543,470 |
| Miscellaneous | 1,000 | 1,000 | 5,997 | 5,997 |
| <i>Total Revenues</i> | 531,000 | 531,000 | 537,838 | 550,082 |
| EXPENDITURES | | | | |
| Personal services | 336,600 | 359,200 | 348,803 | 351,090 |
| Materials and services | 131,100 | 198,200 | 160,934 | 160,934 |
| Capital outlay/depreciation | 86,500 | 334,100 | 272,257 | 61,766 |
| Contingency | 50,000 | - | - | - |
| <i>Total Expenditures</i> | 604,200 | 891,500 | 781,994 | 573,790 |
| REVENUES OVER (UNDER) EXPENDITURES | | | | |
| | (73,200) | (360,500) | (244,156) | (23,708) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 151,500 | 364,500 | 169,941 | 169,941 |
| Transfers out | (74,300) | - | - | - |
| <i>Total Other Financing Sources (Uses)</i> | 77,200 | 364,500 | 169,941 | 169,941 |
| NET CHANGE IN NET ASSETS | 4,000 | 4,000 | (74,215) | 146,233 |
| NET ASSETS, Beginning of year | 249,700 | 249,700 | 205,694 | 473,190 |
| NET ASSETS, End of year | \$ 253,700 | \$ 253,700 | \$ 131,479 | \$ 619,423 |

CITY OF KEIZER, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS
YEAR ENDED JUNE 30, 2010

| <i>Tax Year</i> | <i>Uncollected Balances July 1, 2009</i> | <i>2009-2010 Levy</i> | <i>Added To Rolls</i> | <i>Interest, Discounts & Adjustments</i> | <i>Turnovers</i> | <i>Uncollected Balances June 30, 2010</i> |
|-----------------|--|---------------------------|---------------------------|--|-----------------------|---|
| 2009-2010 | \$ - | \$ 7,767,287 | \$ 3,245 | \$ (220,931) | \$ (7,257,947) | \$ 291,654 |
| 2008-2009 | 319,442 | - | - | (6,943) | (168,590) | 143,909 |
| 2007-2008 | 102,432 | - | - | (2,371) | (39,861) | 60,200 |
| 2006-2007 | 42,368 | - | - | (1,844) | (20,819) | 19,705 |
| 2005-2006 | 17,142 | - | - | (2,275) | (9,214) | 5,653 |
| 2004-2005 | 5,426 | - | - | (1,795) | (138) | 3,493 |
| 2003-2004 | 4,046 | - | - | (1,639) | (36) | 2,371 |
| Prior Years | 12,106 | - | - | (2,941) | (677) | 8,488 |
| Total | \$ 502,962 | \$ 7,767,287 | \$ 3,245 | \$ (240,739) | \$ (7,497,282) | 535,473 |
| | | | | Undistributed taxes with County | | 69,274 |
| | | | | | | \$ 604,747 |

CITY OF KEIZER, OREGON
SCHEDULE OF LONG-TERM DEBT TRANSACTIONS
YEAR ENDED JUNE 30, 2010

| | <u>Interest Rates</u> | <u>Date of Issue</u> | <u>Fiscal Year of Maturity</u> |
|-------------------------------|----------------------------------|---------------------------------|---|
| PRINCIPAL TRANSACTIONS | | | |
| Gas Tax Revenue Bonds 2005 | 3.92% | 2005 | 2015-2016 |
| 2005 Water Revenue Loan | 4.10% | 2005 | 2020-2021 |
| URA Credit Facility | variable | 2009 | 2015-2016 |
| Keizer Station LID Bonds 2008 | 5.20% | 2008 | 2030-2031 |

| | <u>Interest Rates</u> | <u>Date of Issue</u> | <u>Unmatured Interest Outstanding July 1, 2009</u> |
|-------------------------------|----------------------------------|---------------------------------|---|
| INTEREST TRANSACTIONS | | | |
| Gas Tax Revenue Bonds 2005 | 3.92% | 2005 | \$ 184,181 |
| 2005 Water Revenue Loan | 4.10% | 2005 | 581,584 |
| URA Credit Facility | variable | 2009 | 2,277,600 |
| Keizer Station LID Bonds 2008 | 5.20% | 2008 | <u>30,670,640</u> |
| | | | <u><u>\$ 33,714,005</u></u> |

| Outstanding July 1, 2009 | Issued | Paid | Outstanding June 30, 2010 |
|---|-------------------|-----------------------|--|
| \$ 1,285,000 | \$ - | \$ (163,000) | \$ 1,122,000 |
| 2,190,000 | - | (145,000) | 2,045,000 |
| 7,850,000 | 650,000 | (3,000,000) | 5,500,000 |
| 26,810,000 | - | (2,450,000) | 24,360,000 |
| <u>\$ 38,135,000</u> | <u>\$ 650,000</u> | <u>\$ (5,758,000)</u> | <u>\$ 33,027,000</u> |

| New Issues | Interest Paid | Adjustments | Unmatured Interest June 30, 2010 |
|-----------------------|--------------------------|-----------------------|---|
| \$ - | \$ (47,177) | \$ - | \$ 137,004 |
| - | (86,817) | - | 494,767 |
| - | (105,505) | (904,895) | 1,267,200 |
| - | (1,343,420) | (2,726,100) | 26,601,120 |
| <u>\$ -</u> | <u>\$ (1,582,919)</u> | <u>\$ (3,630,995)</u> | <u>\$ 28,500,091</u> |

CITY OF KEIZER, OREGON
SCHEDULE OF FUTURE DEBT REQUIREMENTS BY ISSUE
JUNE 30, 2010

| <i>Fiscal Year Ending 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> |
| 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 | 4,611 | 229,611 |
| 2022 | - | - | - | - | - | - |
| 2023 | - | - | - | - | - | - |
| 2024 | - | - | - | - | - | - |
| 2025 | - | - | - | - | - | - |
| 2026 | - | - | - | - | - | - |
| 2027 | - | - | - | - | - | - |
| 2028 | - | - | - | - | - | - |
| 2029 | - | - | - | - | - | - |
| 2030 | - | - | - | - | - | - |
| 2031 | - | - | - | - | - | - |
| | <u>\$ 1,122,000</u> | <u>\$ 137,004</u> | <u>\$ 1,259,004</u> | <u>\$ 2,045,000</u> | <u>\$ 494,767</u> | <u>\$ 2,539,767</u> |

CITY OF KEIZER, OREGON
SCHEDULE OF FUTURE DEBT REQUIREMENTS BY ISSUE (Continued)
JUNE 30, 2010

| Fiscal Year Ending June 30, | Totals | | |
|--|----------------------|----------------------|----------------------|
| | Principal | Interest | Total |
| 2011 | \$ 319,000 | \$ 1,618,560 | \$ 1,937,560 |
| 2012 | 331,000 | 1,605,546 | 1,936,546 |
| 2013 | 348,000 | 1,591,950 | 1,939,950 |
| 2014 | 360,000 | 1,577,771 | 1,937,771 |
| 2015 | 378,000 | 1,562,991 | 1,940,991 |
| 2016 | 5,891,000 | 1,432,389 | 7,323,389 |
| 2017 | 190,000 | 1,305,465 | 1,495,465 |
| 2018 | 200,000 | 1,297,470 | 1,497,470 |
| 2019 | 210,000 | 1,289,065 | 1,499,065 |
| 2020 | 215,000 | 1,280,353 | 1,495,353 |
| 2021 | 225,000 | 1,271,331 | 1,496,331 |
| 2022 | - | 1,266,720 | 1,266,720 |
| 2023 | - | 1,266,720 | 1,266,720 |
| 2024 | - | 1,266,720 | 1,266,720 |
| 2025 | - | 1,266,720 | 1,266,720 |
| 2026 | - | 1,266,720 | 1,266,720 |
| 2027 | - | 1,266,720 | 1,266,720 |
| 2028 | - | 1,266,720 | 1,266,720 |
| 2029 | - | 1,266,720 | 1,266,720 |
| 2030 | - | 1,266,720 | 1,266,720 |
| 2031 | 24,360,000 | 1,266,720 | 25,626,720 |
| | <u>\$ 33,027,000</u> | <u>\$ 28,500,091</u> | <u>\$ 61,527,091</u> |

STATISTICAL SECTION

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.

STATISTICAL SECTION

FINANCIAL TRENDS

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

| | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|---|----------------------|----------------------|----------------------|
| Governmental activities: | | | |
| Invested in capital assets, net of related debt | \$ 62,122,700 | \$ 33,163,849 | \$ 30,392,428 |
| Restricted for special purposes | 7,537,733 | 33,709,977 | 34,612,171 |
| Unrestricted | <u>1,039,502</u> | <u>2,257,559</u> | <u>3,462,013</u> |
| Total governmental activities net assets | 70,699,935 | 69,131,385 | 68,466,612 |
| Business-type activities: | | | |
| Invested in capital assets, net of related debt | 7,820,911 | 7,223,995 | 6,247,552 |
| Restricted for special purposes | 1,967,905 | 2,640,776 | 2,569,911 |
| Unrestricted | <u>1,379,393</u> | <u>1,386,663</u> | <u>2,383,818</u> |
| Total business-type activities net assets | 11,168,209 | 11,251,434 | 11,201,281 |
| Total government | | | |
| Invested in capital assets, net of related debt | 69,943,611 | 40,387,844 | 36,639,980 |
| Restricted for special purposes | 9,505,638 | 36,350,753 | 37,182,082 |
| Unrestricted | <u>2,418,895</u> | <u>3,644,222</u> | <u>5,845,831</u> |
| Total government net assets | <u>\$ 81,868,144</u> | <u>\$ 80,382,819</u> | <u>\$ 79,667,893</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.

Fiscal Year

| <i>2007</i> | <i>2006</i> | <i>2005</i> | <i>2004</i> | <i>2003</i> |
|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 28,189,116 | \$ 27,955,845 | \$ 23,224,084 | \$ 16,394,836 | \$ 15,241,660 |
| 7,064,192 | 4,336,275 | 4,192,611 | 3,848,710 | 5,731,314 |
| 2,491,374 | 3,133,453 | 3,182,409 | 7,106,856 | 3,385,922 |
| 37,744,682 | 35,425,573 | 30,599,104 | 27,350,402 | 24,358,896 |
| 5,883,166 | 5,281,178 | 5,692,550 | 6,598,348 | 6,756,074 |
| 3,111,776 | 3,193,748 | 1,446,926 | 1,138,347 | 768,777 |
| 1,782,778 | 1,160,811 | 2,004,662 | 1,320,732 | - |
| 10,777,720 | 9,635,737 | 9,144,138 | 9,057,427 | 7,524,851 |
| 34,072,282 | 33,237,023 | 28,916,634 | 22,993,184 | 21,997,734 |
| 10,175,968 | 7,530,023 | 5,639,537 | 4,987,057 | 6,500,091 |
| 4,274,152 | 4,294,264 | 5,187,071 | 8,427,588 | 3,385,922 |
| <u>\$ 48,522,402</u> | <u>\$ 45,061,310</u> | <u>\$ 39,743,242</u> | <u>\$ 36,407,829</u> | <u>\$ 31,883,747</u> |

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

| | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|---|-------------------|-------------------|-------------------|
| Expenses: | | | |
| Governmental activities: | | | |
| General government | \$ 1,206,448 | \$ 1,348,120 | \$ 1,031,186 |
| Community and youth services | 18,041 | 38,009 | 54,396 |
| Community development | 2,980,764 | 2,945,798 | 1,860,120 |
| Parks | 355,892 | 427,843 | 282,921 |
| Public safety | 6,404,239 | 6,885,994 | 6,208,351 |
| Public works | 1,480,993 | 1,483,813 | 2,468,103 |
| Stadium operations | - | - | - |
| Interest on long-term debt | 1,549,187 | 1,549,789 | 1,289,655 |
| Total governmental activities expense | <u>13,995,564</u> | <u>14,679,366</u> | <u>13,194,732</u> |
| Business-type activities: | | | |
| Water | 2,610,480 | 2,689,164 | 2,714,457 |
| Sewer | 5,117,610 | 4,729,024 | 4,500,964 |
| Street lighting | 423,953 | 428,905 | 202,530 |
| Storm drain | 573,790 | 464,071 | 416,783 |
| Total business-type activities expense | <u>8,725,833</u> | <u>8,311,164</u> | <u>7,834,734</u> |
| Total City expenses | 22,721,397 | 22,990,530 | 21,029,466 |
| Program Revenues: | | | |
| Governmental activities: | | | |
| Fees, fines, and charges for services: | | | |
| General government | 181,547 | 131,297 | 159,604 |
| Community development | 57,006 | 28,097 | 47,762 |
| Parks | 2,587 | 2,844 | 2,350 |
| Public safety | 731,465 | 618,027 | 652,000 |
| Public works | 1,215 | 14,565 | 16,067 |
| Stadium operations | 42,390 | 47,275 | 61,812 |
| Operating grants and contributions | 1,880,643 | 1,875,598 | 2,142,073 |
| Capital grants and contributions | 247,068 | 223,477 | 27,454,887 |
| Total governmental activities program revenues | <u>3,143,921</u> | <u>2,941,180</u> | <u>30,536,555</u> |
| Business-type activities: | | | |
| Fees, fines, and charges for services: | | | |
| Water | 2,480,006 | 2,587,519 | 2,506,207 |
| Sewer and storm drain | 5,463,673 | 5,100,487 | 4,757,838 |
| Street lighting | 454,933 | 451,641 | 423,013 |
| Operating grants and contributions | - | - | 72,364 |
| Capital grants and contributions | 49,265 | 35,006 | 208,741 |
| Total business-type activities program revenues | <u>8,447,877</u> | <u>8,174,653</u> | <u>7,968,163</u> |
| Total City program revenues | <u>11,591,798</u> | <u>11,115,833</u> | <u>38,504,718</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

| <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> |
|-------------------|-------------------|-------------------|------------------|------------------|
| \$ 1,105,397 | \$ 1,482,804 | \$ 2,263,474 | \$ 2,156,572 | \$ 1,790,961 |
| 5,891 | 5,104 | 4,400 | 441 | 1,296 |
| 2,477,616 | 2,169,848 | 1,553,543 | 799,064 | 870,278 |
| 182,179 | 177,860 | 175,029 | 110,806 | 107,900 |
| 5,779,195 | 5,426,593 | 5,181,421 | 4,512,031 | 4,592,191 |
| 1,477,995 | 1,498,709 | 726,596 | 739,176 | 682,003 |
| - | 40,515 | 40,610 | 38,343 | 36,300 |
| 984,239 | 607,443 | 190,224 | 224,631 | - |
| <u>12,012,512</u> | <u>11,408,876</u> | <u>10,135,297</u> | <u>8,581,064</u> | <u>8,080,929</u> |
| 2,253,494 | 2,192,830 | 2,041,226 | 1,836,951 | 1,767,710 |
| 4,335,363 | 4,106,832 | 4,074,941 | 3,961,489 | 3,587,126 |
| 406,052 | 397,772 | 399,682 | 379,419 | 380,140 |
| - | - | - | - | - |
| <u>6,994,909</u> | <u>6,697,434</u> | <u>6,515,849</u> | <u>6,177,859</u> | <u>5,734,976</u> |
| 19,007,421 | 18,106,310 | 16,651,146 | 14,758,923 | 13,815,905 |
| 147,399 | 156,286 | 147,149 | 128,098 | 118,111 |
| 67,114 | 125,927 | 57,207 | 77,946 | 64,099 |
| 3,201 | 2,780 | 2,350 | 194,560 | 196,385 |
| 654,136 | 723,302 | 473,327 | 372,964 | 443,464 |
| 60,448 | 212,908 | 82,025 | 20,080 | 11,938 |
| 57,425 | 56,798 | 53,053 | 65,847 | 44,667 |
| 2,127,964 | 2,783,622 | 1,904,784 | 1,769,053 | 1,595,022 |
| 440,321 | 1,647,944 | 617,998 | 68,733 | 34,396 |
| <u>3,558,008</u> | <u>5,709,567</u> | <u>3,337,893</u> | <u>2,697,281</u> | <u>2,508,082</u> |
| 2,832,074 | 2,188,101 | 1,997,748 | 2,234,050 | 1,859,555 |
| 4,418,375 | 3,906,054 | 3,905,878 | 4,030,082 | 3,500,601 |
| 404,918 | 470,218 | 467,401 | 454,536 | 387,954 |
| 27,783 | 23,913 | 2,934 | 11,668 | 18,917 |
| 276,365 | 442,663 | 378,485 | - | - |
| <u>7,959,515</u> | <u>7,030,949</u> | <u>6,752,446</u> | <u>6,730,336</u> | <u>5,767,027</u> |
| <u>11,517,523</u> | <u>12,740,516</u> | <u>10,090,339</u> | <u>9,427,617</u> | <u>8,275,109</u> |

CITY OF KEIZER, OREGON
CHANGES IN NET ASSETS (Continued)
LAST EIGHT FISCAL YEARS - UNAUDITED

| | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|--|----------------------|----------------------|----------------------|
| Net (Expense) Revenue | | | |
| Governmental activities | \$ (10,851,643) | \$ (11,738,186) | \$ 17,341,823 |
| Business-type activities | <u>(277,956)</u> | <u>(136,511)</u> | <u>133,429</u> |
| Total City activities | (11,129,599) | (11,874,697) | 17,475,252 |
| General Revenues and Other Changes in Net Assets | | | |
| Governmental activities | | | |
| Taxes and assessments | 7,625,782 | 7,348,334 | 8,896,151 |
| Franchise taxes | 2,371,341 | 2,398,389 | 2,385,307 |
| Intergovernmental | 894,860 | 920,506 | 929,684 |
| Miscellaneous | 1,698,151 | 1,868,577 | 1,334,201 |
| Gain (loss) on sale of capital assets | - | - | (9,731) |
| Transfers | <u>(169,941)</u> | <u>(132,847)</u> | <u>(155,506)</u> |
| Total governmental activities | 12,420,193 | 12,402,959 | 13,380,106 |
| Business-type activities | | | |
| Miscellaneous | 24,790 | 53,817 | 134,627 |
| Gain (loss) on sale of capital assets | - | - | - |
| Transfers | <u>169,941</u> | <u>132,847</u> | <u>155,506</u> |
| Total business-type activities | 194,731 | 186,664 | 290,133 |
| Total City revenues | <u>12,614,924</u> | <u>12,589,623</u> | <u>13,670,239</u> |
| Change in Net Assets | | | |
| Governmental activities | 1,568,550 | 664,773 | 30,721,929 |
| Business-type activities | <u>(83,225)</u> | <u>50,153</u> | <u>423,562</u> |
| | 1,485,325 | 714,926 | 31,145,491 |
| Net Assets, July 1 | | | |
| Governmental activities | 69,131,385 | 68,466,612 | 37,744,683 |
| Business-type activities | <u>11,251,434</u> | <u>11,201,281</u> | <u>10,777,719</u> |
| | 80,382,819 | 79,667,893 | 48,522,402 |
| Business-type activities - change in capitalization policy | | | |
| Total Government | <u>80,382,819</u> | <u>79,667,893</u> | <u>48,522,402</u> |
| Net Assets, June 30 | | | |
| Governmental activities | 70,699,935 | 69,131,385 | 68,466,612 |
| Business-type activities | <u>11,168,209</u> | <u>11,251,434</u> | <u>11,201,281</u> |
| Total Government | <u>\$ 81,868,144</u> | <u>\$ 80,382,819</u> | <u>\$ 79,667,893</u> |

| <i>Fiscal Year</i> | | | | |
|----------------------|----------------------|----------------------|----------------------|-------------------------|
| <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> |
| \$ (8,454,504) | \$ (5,699,309) | \$ (6,797,404) | \$ (5,883,783) | \$ (5,572,847) |
| 964,606 | 333,515 | 236,597 | 552,477 | 32,051 |
| (7,489,898) | (5,365,794) | (6,560,807) | (5,331,306) | (5,540,796) |
| 6,062,528 | 6,782,351 | 6,332,711 | 6,053,862 | 5,770,274 |
| 2,283,966 | 2,156,426 | 1,947,010 | 1,961,642 | 1,793,520 |
| 891,629 | 750,630 | 771,629 | 744,190 | 701,662 |
| 1,524,730 | 829,146 | 260,848 | 209,733 | 198,299 |
| - | - | 733,908 | (94,140) | - |
| 10,760 | 7,230 | - | - | - |
| 10,773,613 | 10,525,783 | 10,046,106 | 8,875,287 | 8,463,755 |
| 188,137 | 165,315 | 50,115 | 27,270 | 23,397 |
| - | - | (200,000) | - | - |
| (10,760) | (7,230) | - | - | - |
| 177,377 | 158,085 | (149,885) | 27,270 | 23,397 |
| 10,950,990 | 10,683,868 | 9,896,221 | 8,902,557 | 8,487,152 |
| 2,319,109 | 4,826,474 | 3,248,702 | 2,991,504 | 2,890,908 |
| 1,141,983 | 491,600 | 86,712 | 579,747 | 55,448 |
| 3,461,092 | 5,318,074 | 3,335,414 | 3,571,251 | 2,946,356 |
| 35,425,574 | 30,599,100 | 27,350,398 | 24,358,894 | 21,467,986 |
| 9,635,736 | 9,144,136 | 9,057,424 | 8,477,677 | 8,877,447 |
| 45,061,310 | 39,743,236 | 36,407,822 | 32,836,571 | 30,345,433 |
| 45,061,310 | 39,743,236 | 36,407,822 | 32,836,571 | (455,218) 29,890,215 |
| 37,744,683 | 35,425,574 | 30,599,100 | 27,350,398 | 24,358,894 |
| 10,777,719 | 9,635,736 | 9,144,136 | 9,057,424 | 8,477,677 |
| <u>\$ 48,522,402</u> | <u>\$ 45,061,310</u> | <u>\$ 39,743,236</u> | <u>\$ 36,407,822</u> | <u>\$ 32,836,571</u> |

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

| | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|------------------------------------|---------------------|---------------------|---------------------|
| General fund, unreserved | \$ 1,514,530 | \$ 1,435,308 | \$ 2,291,258 |
| All Other Governmental Funds | | | |
| Unreserved, reported in: | | | |
| Special revenue funds | \$ 4,090,716 | \$ 4,584,359 | \$ 5,468,241 |
| Debt service funds | 2,720,399 | 4,246,857 | 2,854,800 |
| Capital project funds | - | - | 707,761 |
| Total all other governmental funds | <u>\$ 6,811,115</u> | <u>\$ 8,831,216</u> | <u>\$ 9,030,802</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.

Fiscal Year

| <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> |
|---------------------|---------------------|---------------------|---------------------|---------------------|
| <u>\$ 1,968,796</u> | <u>\$ 1,469,417</u> | <u>\$ 1,243,622</u> | <u>\$ 1,537,345</u> | <u>\$ 1,093,153</u> |
| \$ 8,070,211 | \$ 6,347,390 | \$ 4,962,340 | \$ 8,197,162 | \$ 6,951,770 |
| - | - | - | - | - |
| (581,180) | (518,476) | 935,397 | 908,703 | 683,897 |
| <u>\$ 7,489,031</u> | <u>\$ 5,828,914</u> | <u>\$ 5,897,737</u> | <u>\$ 9,105,865</u> | <u>\$ 7,635,667</u> |

CITY OF KEIZER, OREGON
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST EIGHT FISCAL YEARS - UNAUDITED

| | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|--|---------------------|----------------------|----------------------|
| Revenues | | | |
| Taxes and assessments | \$ 9,871,770 | \$ 9,488,164 | \$ 8,932,759 |
| Licenses and permits | 2,791,477 | 2,658,711 | 3,179,645 |
| Intergovernmental | 2,727,373 | 2,821,871 | 2,971,347 |
| Fines and forfeitures | 731,465 | 618,027 | 652,000 |
| Miscellaneous | 315,239 | 491,633 | 1,503,243 |
| | <hr/> | <hr/> | <hr/> |
| Total revenues | 16,437,324 | 16,078,406 | 17,238,994 |
| Expenditures | | | |
| Current operating: | | | |
| General government | 1,386,238 | 1,095,746 | 841,054 |
| Community and youth services | 17,877 | 17,019 | 54,396 |
| Community development | 786,471 | 1,285,094 | 1,166,860 |
| Parks | 264,013 | 279,770 | 249,751 |
| Public safety | 5,628,934 | 6,076,101 | 5,968,617 |
| Public works | 752,322 | 761,352 | 961,381 |
| Stadium operations | - | - | - |
| Capital outlay | 2,886,717 | 13,592,575 | 7,792,381 |
| Debt service | | | |
| Principal | 5,613,000 | 3,657,000 | 30,410,000 |
| Interest | 1,522,690 | 1,586,437 | 1,123,815 |
| | <hr/> | <hr/> | <hr/> |
| Total expenditures | 18,858,262 | 28,351,094 | 48,568,255 |
| | <hr/> | <hr/> | <hr/> |
| Revenues over (under) expenditures | (2,420,938) | (12,272,688) | (31,329,261) |
| Other financing sources (uses) | | | |
| Issuance of debt | 650,000 | 11,350,000 | 33,349,000 |
| Land sale proceeds | - | - | - |
| Transfers in | 1,948,067 | 1,151,282 | 51,540 |
| Transfers out | (2,118,008) | (1,284,129) | (207,046) |
| | <hr/> | <hr/> | <hr/> |
| Total other financing sources (uses) | 480,059 | 11,217,153 | 33,193,494 |
| | <hr/> | <hr/> | <hr/> |
| Net change in fund balances | (1,940,879) | (1,055,535) | 1,864,233 |
| | <hr/> | <hr/> | <hr/> |
| Fund balance, beginning of year | 10,266,524 | 11,322,059 | 9,457,826 |
| | <hr/> | <hr/> | <hr/> |
| Fund balance, end of year | <u>\$ 8,325,645</u> | <u>\$ 10,266,524</u> | <u>\$ 11,322,059</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.

Fiscal Year

| 2007 | 2006 | 2005 | 2004 | 2003 |
|---------------------|---------------------|---------------------|----------------------|---------------------|
| \$ 6,167,077 | \$ 6,885,664 | \$ 6,433,869 | \$ 6,071,753 | \$ 5,743,671 |
| 2,874,189 | 3,331,392 | 2,345,388 | 2,191,270 | 1,942,555 |
| 3,076,740 | 3,481,103 | 2,630,074 | 2,544,839 | 2,320,107 |
| 654,136 | 545,247 | 473,327 | 372,964 | 443,464 |
| 1,613,935 | 2,029,377 | 819,887 | 531,912 | 498,393 |
| 14,386,077 | 16,272,783 | 12,702,545 | 11,712,738 | 10,948,190 |
| 812,189 | 745,142 | 841,178 | 643,722 | 588,800 |
| 5,891 | 5,104 | 4,400 | 441 | 1,296 |
| 1,164,131 | 781,603 | 1,636,548 | 792,396 | 606,088 |
| 161,422 | 161,308 | 132,165 | 110,801 | 107,661 |
| 5,519,381 | 5,155,034 | 5,001,246 | 4,498,140 | 4,417,328 |
| 848,079 | 734,385 | 716,465 | 665,252 | 642,068 |
| - | 40,515 | 40,610 | 38,343 | 36,300 |
| 6,747,010 | 25,755,507 | 7,811,339 | 2,084,622 | 1,264,843 |
| 145,000 | 4,445,000 | 750,000 | 740,000 | 725,000 |
| 984,239 | 607,443 | 190,224 | 224,631 | 256,600 |
| 16,387,342 | 38,431,041 | 17,124,175 | 9,798,348 | 8,645,984 |
| (2,001,265) | (22,158,258) | (4,421,630) | 1,914,390 | 2,302,206 |
| 4,150,000 | 22,308,000 | - | - | - |
| - | - | 919,778 | - | - |
| 378,727 | 1,349,753 | 284,491 | 78,574 | 95,088 |
| (367,967) | (1,342,523) | (284,491) | (78,574) | (95,088) |
| 4,160,760 | 22,315,230 | 919,778 | - | - |
| 2,159,495 | 156,972 | (3,501,852) | 1,914,390 | 2,302,206 |
| 7,298,331 | 7,141,359 | 10,643,210 | 8,728,820 | 6,426,614 |
| <u>\$ 9,457,826</u> | <u>\$ 7,298,331</u> | <u>\$ 7,141,358</u> | <u>\$ 10,643,210</u> | <u>\$ 8,728,820</u> |
| 11.7% | 39.9% | 10.1% | 12.5% | 13.3% |

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>June 30,</u> | <u>Residential Property</u> | <u>Farm Property</u> | <u>Commercial Property</u> | <u>Industrial Property</u> |
|-----------------|---------------------------------|--------------------------|--------------------------------|--------------------------------|
| 2000-01 | \$ 1,044,951 | \$ 2,182 | \$ 202,542 | \$ 4,009 |
| 2001-02 | 1,105,734 | 1,866 | 213,152 | 3,770 |
| 2002-03 | 1,158,236 | 2,412 | 221,825 | 3,698 |
| 2003-04 | 1,214,867 | 2,346 | 229,931 | 3,796 |
| 2004-05 | 1,276,334 | 2,428 | 239,725 | 3,976 |
| 2005-06 | 1,337,968 | 2,121 | 252,686 | 4,034 |
| 2006-07 | 1,390,319 | 1,636 | 288,657 | 4,412 |
| 2007-08 | 1,444,166 | 2,082 | 329,014 | 5,022 |
| 2008-09 | 1,558,501 | 1,639 | 384,554 | 2,437 |
| 2009-10 | 1,559,261 | 2,289 | 382,763 | 2,800 |

* Per \$1,000 of assessed value

| <i>Personal Property</i> | <i>Utility Property</i> | <i>Total Measure 50 Assessed Value</i> | <i>Total Direct Tax Rate *</i> | <i>Real Market Value</i> |
|------------------------------|-----------------------------|--|------------------------------------|------------------------------|
| \$ 18,243 | \$ 26,395 | \$ 1,298,322 | \$ 2.08 | \$ 1,618,359 |
| 19,463 | 29,519 | 1,373,504 | 2.08 | 1,722,643 |
| 19,827 | 31,314 | 1,437,312 | 2.08 | 1,814,135 |
| 19,087 | 31,459 | 1,501,486 | 2.08 | 1,891,624 |
| 17,959 | 35,555 | 1,575,977 | 2.08 | 2,031,390 |
| 20,589 | 32,769 | 1,650,167 | 2.08 | 2,220,579 |
| 21,505 | 32,246 | 1,738,775 | 2.08 | 2,525,782 |
| 28,324 | 35,420 | 1,844,028 | 2.08 | 3,023,857 |
| 27,874 | 37,591 | 2,012,596 | 2.08 | 3,070,376 |
| 27,874 | 37,591 | 2,012,578 | 2.08 | 3,356,568 |

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

| | <u>2009-10</u> | <u>2008-09</u> | <u>2007-08</u> | <u>2006-07</u> | <u>2005-06</u> |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| City of Keizer | \$ 2.08 | \$ 2.08 | \$ 2.08 | \$ 2.08 | \$ 2.08 |
| Overlapping Governments: | | | | | |
| Marion County | 3.02 | 3.02 | 3.02 | 3.02 | 3.02 |
| Keizer Fire District | 1.85 | 1.50 | 1.85 | 1.85 | 1.87 |
| Marion County Fire District | 2.40 | 2.53 | 2.51 | 2.37 | 2.34 |
| Marion County Soil & Water | 0.05 | 0.05 | 0.05 | 0.05 | 0.05 |
| School District | 6.53 | 6.58 | 6.46 | 6.45 | 6.61 |
| Willamette Regional ESD | 0.30 | 0.30 | 0.30 | 0.30 | 0.30 |
| Community College | 0.89 | 0.71 | 0.70 | 0.94 | 0.96 |
| 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>\$ 17.96</u> | <u>\$ 17.61</u> | <u>\$ 17.81</u> | <u>\$ 17.90</u> | <u>\$ 18.07</u> |

| <u>2004-05</u> | <u>2003-04</u> | <u>2002-03</u> | <u>2001-02</u> | <u>2000-01</u> |
|-----------------|-----------------|-----------------|-----------------|-----------------|
| \$ 2.08 | \$ 2.08 | \$ 2.08 | \$ 2.08 | \$ 2.08 |
| 3.02 | 3.02 | 3.02 | 3.02 | 3.02 |
| 1.88 | 1.87 | 1.54 | 1.55 | 1.55 |
| 2.35 | 2.37 | 2.42 | 2.44 | 2.46 |
| 0.05 | 0.05 | 0.05 | 0.05 | - |
| 7.11 | 6.89 | 6.88 | 6.98 | 6.87 |
| 0.30 | 0.30 | 0.28 | 0.28 | 0.28 |
| 0.96 | 0.77 | 0.76 | 0.76 | 0.76 |
| 0.08 | 0.08 | 0.08 | 0.08 | 0.08 |
| 0.76 | 0.76 | 0.76 | 0.76 | 0.76 |
| <u>\$ 18.59</u> | <u>\$ 18.19</u> | <u>\$ 17.87</u> | <u>\$ 18.00</u> | <u>\$ 17.86</u> |

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

| Private Enterprise | Industry | Rank | 2010 | |
|---------------------------------------|-------------------|-------------|---------------------------|--|
| | | | Assessed Valuation | Percent of Total Assessed Value |
| Donahue Schriber Realty Group LP | Real Estate | 1 | \$ 54,306,900 | 1.89% |
| Lowe's HIW Inc | Retail | 2 | 11,577,219 | 0.40% |
| Target Corporation | Retail | 3 | 9,966,668 | 0.35% |
| Emerald Pointe LLC | Real Estate | 4 | 9,600,703 | 0.33% |
| Keizer Campus LLC | Retirement Center | 5 | 9,243,210 | 0.32% |
| Keizer Road Apartments LLC | Real Estate | 6 | 8,060,170 | 0.28% |
| Keizer Schoolhouse LLC | Real Estate | 7 | 7,625,980 | 0.27% |
| A Lee Sjothun Investments | Real Estate | 8 | 7,088,080 | 0.25% |
| Keizer Hospitality | Hotel | 9 | 6,259,035 | 0.22% |
| Hidden Creek Loop Apartments | Real Estate | 10 | 5,656,660 | 0.20% |
| Team Management Co., Ltd. | Real Estate | | | |
| Sandstrum, Matthew & Sandstrum Homes | Real Estate | | | |
| Lydon Family LTD & Lydon Construction | Real Estate | | | |
| Safeway, Inc. | Retail | | | |
| McNary Heights Apartments LLC | Real Estate | | | |
| Public Utilities | | | | |
| Northwest Natural Gas Co | Natural Gas | | 14,894,400 | 0.52% |
| Portland General Electric Co | Electricity | | 12,238,000 | 0.43% |
| Qwest Corporation | Telephone | | 5,906,400 | 0.21% |
| U.S. West Communications | Telephone | | | |
| Government | | | | |
| City of Keizer | Municipality | | 5,032,940 | 0.18% |
| All other taxpayers | | | <u>2,706,011,379</u> | <u>94.17%</u> |
| | | | <u>\$ 2,873,467,744</u> | <u>100.00%</u> |

Source: Marion County Assessor's Office

| 2001 | | |
|-------------|---------------------------|--|
| Rank | Assessed Valuation | Percent of Total Assessed Value |
| 7 | \$ 5,514,720 | 0.42% |
| 8 | 4,519,505 | 0.35% |
| 1 | 13,881,382 | 1.07% |
| 2 | 12,711,660 | 0.98% |
| 6 | 6,513,260 | 0.50% |
| 9 | 4,338,282 | 0.33% |
| 10 | 3,832,850 | 0.30% |
| 3 | 10,336,200 | 0.80% |
| 4 | 10,036,700 | 0.77% |
| 5 | 7,852,824 | 0.60% |
| | 1,298,322 | 0.10% |
| | <u>1,218,784,507</u> | <u>93.87%</u> |
| | <u>\$ 1,298,321,890</u> | <u>100.00%</u> |

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

| <i>Fiscal year ended June 30,</i> | <i>Taxes levied in the fiscal year</i> | | <i>Collected in fiscal year of levy</i> | | <i>Collections in subsequent years</i> | <i>Total Collections</i> | |
|-----------------------------------|--|------------------|---|------------------|--|--------------------------|------------------|
| | <i>Amount</i> | <i>% of Levy</i> | <i>Amount</i> | <i>% of Levy</i> | | <i>Amount</i> | <i>% of Levy</i> |
| 2000-01 | \$ 2,312,503 | | \$ 2,145,681 | 92.79% | \$ 165,552 | \$ 2,311,233 | 99.95% |
| 2001-02 | 2,437,208 | | 2,261,174 | 92.78% | 174,346 | 2,435,520 | 99.93% |
| 2002-03 | 2,541,447 | | 2,360,526 | 92.88% | 179,980 | 2,540,506 | 99.96% |
| 2003-04 | 2,648,896 | | 2,475,397 | 93.45% | 172,490 | 2,647,887 | 99.96% |
| 2004-05 | 2,772,455 | | 2,582,450 | 93.15% | 188,555 | 2,771,005 | 99.95% |
| 2005-06 | 2,894,613 | | 2,803,179 | 96.84% | 89,085 | 2,892,264 | 99.92% |
| 2006-07 | 3,140,075 | | 3,039,852 | 96.81% | 89,965 | 3,129,817 | 99.67% |
| 2007-08 | 3,225,446 | | 3,125,233 | 96.89% | 70,900 | 3,196,133 | 99.09% |
| 2008-09 | 3,488,040 | | 3,339,325 | 95.74% | 81,681 | 3,421,006 | 98.08% |
| 2009-10 | 3,533,537 | | 3,387,003 | 95.85% | - | 3,387,003 | 95.85% |

Source: Marion County Assessor's Office

STATISTICAL SECTION

DEBT CAPACITY

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

| <i>Fiscal Year</i> | <i>Population</i> | <i>Real market value (in thousands)</i> | <i>Gross bonded debt</i> | <i>Ratio of bonded direct debt per capita</i> | <i>Ratio of bonded direct debt to market value</i> |
|---------------------------|--------------------------|--|-------------------------------------|--|---|
| 2000-01 | 32,203 | \$ 1,618,359 | \$ 6,395,000 | \$ 198.58 | 0.40% |
| 2001-02 | 32,950 | 1,722,643 | 5,660,000 | 171.78 | 0.33% |
| 2002-03 | 33,100 | 1,814,135 | 4,935,000 | 149.09 | 0.27% |
| 2003-04 | 34,010 | 1,891,624 | 4,195,000 | 123.35 | 0.22% |
| 2004-05 | 34,380 | 2,031,390 | 3,445,000 | 100.20 | 0.17% |
| 2005-06 | 34,737 | 2,220,579 | 1,593,000 | 45.86 | 0.07% |
| 2006-07 | 34,880 | 2,525,782 | 1,593,000 | 45.67 | 0.06% |
| 2007-08 | 35,435 | 3,023,856 | 28,252,000 | 797.29 | 0.93% |
| 2008-09 | 36,150 | 3,070,376 | 28,095,000 | 777.18 | 0.92% |
| 2009-10 | 36,220 | 3,356,568 | 25,482,000 | 703.53 | 0.76% |

Source:
Marion County Assessor's Office
Portland State University, Population Research and Census Center
City of Keizer Finance Department

CITY OF KEIZER, OREGON
DIRECT AND OVERLAPPING DEBT
AS OF JUNE 30, 2010 - UNAUDITED

| <i>Governmental unit</i> | <i>Real Market Value (In Thousands)</i> | <i>Percent Overlapping</i> | <i>Overlapping</i> | |
|-----------------------------------|---|----------------------------|---------------------------------------|-------------------------------------|
| | | | <i>Gross Property-tax backed debt</i> | <i>Net Property-tax backed debt</i> |
| City of Keizer | \$ 3,070,376 | 100.0000% | \$ 24,360,000 | \$ - |
| Marion County | 28,389,478 | 10.1500% | 5,695,260 | - |
| Keizer Fire District | 2,601,667 | 98.4000% | 1,097,154 | 1,097,154 |
| Marion County Fire District | 3,739,589 | 8.5800% | 375,147 | 375,147 |
| Salem-Keizer School District 24J | 21,323,149 | 13.5100% | 69,141,193 | 69,141,193 |
| Gervais School District 1 | 626,505 | 0.0100% | 764 | 764 |
| Chemeketa Community College | 41,819,017 | 7.0830% | 7,833,870 | 4,502,502 |
| Willamette ESD | 45,727,268 | 6.3000% | 1,454,417 | 140,501 |
| Total direct and overlapping debt | | | <u>\$ 109,957,805</u> | <u>\$ 75,257,261</u> |

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

Source: Oregon State Treasury

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

| <i>Fiscal Year</i> | <i>Debt Limit</i> | <i>Total Debt Applicable to Limit</i> | <i>Legal Debt Margin *</i> | <i>Total Net Debt Applicable</i> |
|--------------------|-------------------|---|--------------------------------|--------------------------------------|
| 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% |
| 2006-07 | 74,773,453 | - | 74,773,453 | 0.00% |
| 2007-08 | 90,715,680 | 26,810,000 | 63,905,680 | 29.55% |
| 2008-09 | 96,874,770 | 26,810,000 | 70,064,770 | 27.67% |
| 2009-10 | 92,111,295 | 24,360,000 | 67,751,295 | 26.45% |

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

Source:
Marion County Tax Assessors Office
City of Keizer Finance Department

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

CITY OF KEIZER, OREGON
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS - UNAUDITED

| <i>Fiscal Year</i> | <i>Gross Revenues</i> | <i>Less Direct Operating Expenses</i> | <i>Net Revenues Available for Debt Service</i> | <i>Debt Service Requirements</i> | | | <i>Coverage</i> |
|-----------------------------------|---------------------------|---|--|----------------------------------|-----------------|--------------|-----------------|
| | | | | <i>Principal</i> | <i>Interest</i> | <i>Total</i> | |
| STREET FUND - GAS TAX LOAN | | | | | | | |
| 2000-01 | \$ 1,508,348 | \$ 1,197,998 | \$ 310,350 | \$ - | \$ - | \$ - | - |
| 2001-02 | 1,585,347 | 1,467,710 | 117,637 | - | - | - | - |
| 2002-03 | 1,405,803 | 1,002,617 | 403,186 | - | - | - | - |
| 2003-04 | 1,582,591 | 992,656 | 589,935 | - | - | - | - |
| 2004-05 | 1,798,471 | 1,846,774 | (48,303) | - | - | - | - |
| 2005-06 | 2,215,653 | 2,998,196 | (782,543) | - | 28,955 | 28,955 | (27.0) |
| 2006-07 | 1,942,638 | 2,426,546 | (483,908) | 145,000 | 65,288 | 210,288 | (2.3) |
| 2007-08 | 1,639,536 | 2,203,875 | (564,339) | 151,000 | 59,486 | 210,486 | (2.7) |
| 2008-09 | 1,533,741 | 1,574,016 | (40,275) | 157,000 | 53,449 | 210,449 | (0.2) |
| 2009-10 | 1,549,097 | 1,094,801 | 454,296 | 163,000 | 47,177 | 210,177 | 2.2 |
| WATER FUND LOAN | | | | | | | |
| 2000-01 | \$ 1,883,467 | \$ 1,370,100 | \$ 513,367 | \$ 360,000 | \$ 21,600 | \$ 381,600 | 1.3 |
| 2001-02 | 1,772,739 | 1,375,949 | 396,790 | - | - | - | - |
| 2002-03 | 1,890,154 | 1,416,303 | 473,851 | - | - | - | - |
| 2003-04 | 2,262,835 | 1,470,362 | 792,473 | - | - | - | - |
| 2004-05 | 2,178,271 | 1,698,641 | 479,630 | - | - | - | - |
| 2005-06 | 2,512,001 | 1,752,899 | 759,102 | - | 44,713 | 44,713 | 17.0 |
| 2006-07 | 2,864,857 | 1,796,905 | 1,067,952 | 135,000 | 103,833 | 238,833 | 4.5 |
| 2007-08 | 2,579,598 | 1,844,038 | 735,560 | 135,000 | 98,298 | 233,298 | 3.2 |
| 2008-09 | 2,669,862 | 2,098,179 | 571,683 | 140,000 | 92,660 | 232,660 | 2.5 |
| 2009-10 | 2,590,141 | 2,598,146 | (8,005) | 145,000 | 86,818 | 231,818 | (0.0) |

STATISTICAL SECTION

DEMOGRAPHIC AND ECONOMIC INFORMATION

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

| <i>Fiscal Year</i> | <i>Population at July 1</i> | <i>Area (square mile)</i> | <i>Average Density (persons/square mile)</i> | <i>Total Personal Income</i> | <i>Per Capita Personal Income</i> | <i>School Enrollment</i> | <i>Average Annual Unemployment</i> |
|--------------------|-----------------------------|---------------------------|--|------------------------------|-----------------------------------|--------------------------|------------------------------------|
| 2000-01 | 32,515 | 7.36 | 4,418 | \$ 794,829,175 | \$ 24,445 | 6,325 | 5.4% |
| 2001-02 | 32,950 | 7.36 | 4,477 | 814,556,950 | 24,721 | 7,831 | 6.3% |
| 2002-03 | 33,100 | 7.36 | 4,497 | 843,752,100 | 25,491 | 7,258 | 7.1% |
| 2003-04 | 34,010 | 7.36 | 4,621 | 902,149,260 | 26,526 | 7,445 | 7.8% |
| 2004-05 | 34,380 | 7.36 | 4,671 | 945,450,000 | 27,500 | 7,518 | 7.4% |
| 2005-06 | 34,735 | 7.36 | 4,719 | 996,095,595 | 28,677 | 7,772 | 6.3% |
| 2006-07 | 34,880 | 7.36 | 4,739 | 1,015,252,160 | 29,107 | 6,496 | 5.6% |
| 2007-08 | 35,435 | 7.36 | 4,815 | 1,074,530,940 | 30,324 | 7,887 | 5.4% |
| 2008-09 | 36,150 | 7.36 | 4,912 | 1,125,747,150 | 31,141 | 7,740 | 9.6% |
| 2009-10 | 36,220 | 7.36 | 4,921 | 1,159,619,520 | 32,016 | 7,664 | 10.8% |

Sources:
Portland State University, Population Research and Census Center
City of Keizer Community Development Department
Bureau of Economic Analysis
Salem Keizer School District

CITY OF KEIZER, OREGON
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO – UNAUDITED

| <i>Name</i> | <i>Industry</i> | <i>Number of employees</i> | |
|-------------------------------|--------------------------------------|----------------------------|-------------|
| | | <i>2010</i> | <i>2001</i> |
| Manufacturers: | | | |
| T-Mobile | Wireless Service | 600 | - |
| Norpac Foods, Incorporated | Food processor | 1,565 | 805 |
| Mitsubishi Silicon America | Silicon wafer | - | 1,032 |
| Non-manufacturers | | | |
| Salem Hospital | Healthcare | 4,000 | 2,800 |
| Walmart/Cub Foods | Grocery | - | 725 |
| Roth's IGA | Grocery | 950 | 700 |
| State Accident Insurance Fund | Insurance | 871 | 732 |
| Wal-Mart | Retail | 1,000 | - |
| Education | | | |
| Salem-Keizer School District | Primary and secondary public schools | 4,983 | 2,790 |
| Chemeketa Community College | State college of higher education | 700 | 1,170 |
| Government | | | |
| State of Oregon | State | 19,547 | 15,253 |
| U.S. Federal Agencies | Federal | 2,235 | 1,530 |
| City of Salem | Municipal | 1,479 | 1,396 |
| Marion County | County | 1,552 | 1,381 |

STATISTICAL SECTION

OPERATING INFORMATION

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

| | <u>2009-10</u> | <u>2008-09</u> | <u>2007-08</u> |
|--|----------------|----------------|----------------|
| GOVERNMENT ACTIVITIES: | | | |
| General Government: | | | |
| Number of municipal court citations processed | 3,235 | 2,987 | 3,093 |
| Number of land use applications processed | 19 | 21 | 25 |
| Number of building permits: | | | |
| Single family dwellings | 49 | 23 | 63 |
| Multi-family units | 33 | 2 | 20 |
| Valuation of permits issued (expressed in thousands) | \$ 17,300 | \$ 5,306 | \$ 14,027 |
| Public Safety: | | | |
| Number of arrests by patrol officers | 1,895 | 2,165 | 1,929 |
| Number of traffic violations cited | 3,483 | 4,580 | 5,360 |
| Number of offenses | 12,934 | 13,246 | 13,764 |
| BUSINESS-TYPE ACTIVITIES: | | | |
| Water: | | | |
| Number of meters | | | |
| Single-family residential | 9,456 | 9,422 | 9,365 |
| Multi-family residential | 256 | 257 | 250 |
| Commercial | 360 | 365 | 316 |
| Consumption (ccf) | | | |
| Single-family residential | 1,097,706 | 1,172,492 | 1,199,066 |
| Multi-family residential | 328,357 | 337,860 | 333,981 |
| Commercial | 161,689 | 173,914 | 164,417 |
| Number of private fire lines | 50 | 50 | 50 |
| Sewer | | | |
| Number of accounts | 10,139 | 10,094 | 10,403 |

Based on active meters at fiscal year end

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

Source: City of Keizer Community Development Department
City of Keizer Police Department

| <i>2006-07</i> | <i>2005-06</i> | <i>2004-05</i> | <i>2003-04</i> | <i>2002-03</i> | <i>2001-02</i> | <i>2000-01</i> |
|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| 3,314 | 3,222 | 3,722 | 2,885 | 3,163 | 2,378 | 4,228 |
| 53 | 42 | 46 | 48 | 44 | 69 | 68 |
| 50 | 75 | 72 | 162 | 151 | 100 | 267 |
| - | 200 | 22 | 28 | 96 | 3 | 52 |
| \$ 10,287 | \$ 32,936 | \$ 16,378 | \$ 33,181 | \$ 36,505 | \$ 13,094 | \$ 33,146 |
| 2,730 | 2,948 | 2,670 | 2,404 | 2,342 | 1,928 | 2,332 |
| 5,500 | 4,323 | 3,506 | 4,100 | 4,510 | 3,571 | 4,470 |
| 14,260 | 15,444 | 14,696 | 15,959 | 15,816 | 14,636 | 14,703 |
| 9,355 | 9,298 | 9,233 | 8,802 | 8,442 | N/A | N/A |
| 255 | 248 | 249 | 453 | 438 | N/A | N/A |
| 322 | 278 | 264 | 226 | 219 | N/A | N/A |
| 1,243,543 | 1,132,089 | 1,245,552 | 1,284,997 | 1,341,896 | N/A | N/A |
| 338,127 | 287,360 | 298,327 | 288,676 | 243,365 | N/A | N/A |
| 156,211 | 143,757 | 141,172 | 126,056 | 11,907 | N/A | N/A |
| 34 | 34 | 34 | 34 | 34 | N/A | N/A |
| 9,987 | 9,921 | 9,400 | 9,380 | 9,359 | 9,183 | 8,924 |

CITY OF KEIZER, OREGON
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS - UNAUDITED

| | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|---|-------------|-------------|-------------|-------------|
| GOVERNMENT ACTIVITIES: | | | | |
| General Government: | | | | |
| Number of City owned building facilities | 3 | 3 | 3 | 3 |
| Public Safety: | | | | |
| Number of jail facilities (holding cells) | 2 | 2 | 2 | 2 |
| Parks and Recreation: | | | | |
| Number of Parks and Acreage: | | | | |
| Neighborhood parks (15) | 65.5 | 65.5 | 65.5 | 65.5 |
| Community parks (2) | 27 | 27 | 27 | 27 |
| Regional park (1) | 120 | 120 | 120 | 120 |
| Landscape areas (1) | 0.5 | 0.5 | 0.5 | 0.5 |
| Historical areas (1) | 0.5 | 0.5 | 0.5 | 0.5 |
| Streets: | | | | |
| Miles of streets and alleys: | | | | |
| Streets - Lane Miles | 204 | 204 | 204 | 203.5 |
| Alleys | 2 | 2 | 2 | 2 |
| Number of street, pedestrian, and other bridges | 7 | 7 | 7 | 6 |
| Number of traffic signals | 20 | 20 | 20 | 20 |
| BUSINESS-TYPE ACTIVITIES: | | | | |
| Water System: | | | | |
| Number of reservoirs | 3 | 3 | 3 | 2 |
| Storage capacity (in millions of gallons) | 2.75 | 2.75 | 2.75 | 2.25 |
| Annual production (in millions of cubic feet) | 165 | 178 | 183 | 196 |
| Miles of water line | 106 | 106 | 106 | 105 |
| Number of pump stations | 15 | 15 | 15 | 14 |
| Number of public hydrants | 758 | 758 | 758 | 758 |
| Sewer System: | | | | |
| Miles of storm drains | 54 | 54 | 54 | 54 |
| Miles of sewer lines | 105 | 105 | 105 | 104 |
| Number of lift stations | 1 | 1 | 1 | 1 |

| 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
|-------|------|------|------|------|------|
| 3 | 3 | 3 | 3 | 3 | 3 |
| 2 | 0 | 0 | 0 | 0 | 0 |
| 65.5 | 65.5 | 65.5 | 65.5 | 65.5 | 65.5 |
| 27 | 27 | 27 | 27 | 27 | 27 |
| 120 | 0 | 0 | 0 | 0 | 0 |
| 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| 203.5 | 120 | 119 | 118 | 112 | 112 |
| 2 | 2 | 2 | 2 | 2 | 2 |
| 6 | 3 | 3 | 3 | 3 | 3 |
| 20 | 15 | 15 | 14 | 13 | 13 |
| 2 | 1 | 1 | 1 | 1 | 1 |
| 2.25 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 |
| 192 | 182 | 190 | 186 | 180 | 182 |
| 105 | 130 | 129 | 129 | 108 | 110 |
| 14 | 14 | 14 | 15 | 15 | 15 |
| 758 | 758 | 758 | 758 | NA | NA |
| 54 | 55 | 54 | 54 | 35 | 38 |
| 104 | 121 | 120 | 120 | 102 | 104 |
| 1 | 1 | 3 | 3 | 3 | 3 |

CITY OF KEIZER, OREGON

**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS - UNAUDITED**

| <i>Fiscal Year</i> | <i>Community Development</i> | <i>General Government</i> | <i>Parks</i> | <i>Public Safety</i> | <i>Public Works</i> | <i>Total</i> |
|------------------------|----------------------------------|-------------------------------|--------------|----------------------|---------------------|--------------|
| 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 |
| 2006-07 | 5.00 | 16.50 | 1.00 | 49.00 | 15.00 | 86.50 |
| 2007-08 | 5.00 | 17.00 | 2.00 | 49.00 | 20.00 | 93.00 |
| 2008-09 | 5.00 | 17.00 | 2.00 | 49.00 | 22.00 | 95.00 |
| 2009-10 | 5.00 | 19.00 | 2.00 | 48.00 | 20.00 | 94.00 |

Source: City of Keizer Finance Department

COMPLIANCE SECTION



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

The Honorable Lore Christopher, Mayor
and Members of the City Council
City of Keizer
930 Chemawa Road NE
Keizer, Oregon 97303

We have audited the basic financial statements of the City of Keizer, Oregon as of and for the year ended June 30, 2010, and have issued our report thereon dated December 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Highway revenues used for public highways, roads, and streets.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**
- **Accountability for collecting or receiving money by elected officials - no money was collected or received by elected officials.**

In connection with our testing nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except for negative fund balances as disclosed in the notes to the basic financial statements.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

This report is intended solely for the information and use of the City Council and management of the City of Keizer, Oregon and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

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

By: 

Charles A. Swank, A Shareholder
December 30, 2010

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