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*City of Bend*  
*Comprehensive Annual Financial Report*  
*For the fiscal year ended June 30, 2006*





# **CITY OF BEND, OREGON**

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2006

Prepared by the City of Bend Finance Department

Margaret Echeveste, Finance Director

# CITY OF BEND, OREGON

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**CITY OF BEND, OREGON**

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Fiscal Year Ended June 30, 2006

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October 20, 2006



Honorable Mayor Bill Friedman  
Members of the City Council and  
Citizens of the City of Bend, Oregon

BILL FRIEDMAN  
*Mayor*

BRUCE ABERNETHY  
*Mayor Pro Tem*

JOHN HUMMEL  
*City Councilor*

JIM CLINTON  
*City Councilor*

R. DAVID MALKIN  
*City Councilor*

CHRIS TELFER  
*City Councilor*

LINDA S. JOHNSON  
*City Councilor*

HAROLD A. ANDERSON  
*City Manager*

MARGARET ECHEVESTE  
*Finance Director*

ANDREW JORDAN  
*Police Chief*

LARRY LANGSTON  
*Fire Chief*

The Comprehensive Annual Financial Report (CAFR) of the City of Bend, Oregon (City) for the fiscal year ended June 30, 2006, together with the unqualified opinion of our independent certified public accountants, Talbot, Korvola & Warwick LLP, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

### **The Report**

The CAFR is presented in four sections: Introductory, Financial, Statistical and Audit Comments and Government Auditing Standards. The Introductory Section includes this transmittal letter, organization chart, a list of principal officials, and the Certificate of Achievement for Excellence in Financial Reporting for the year ended June 30, 2005. The Financial Section includes the basic financial statements and notes, supplementary schedules, and other financial schedules as well as the auditor's report on the financial statements and schedules.

The City prepares its CAFR using the financial reporting requirements as prescribed by GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. GASB Statement No. 34 requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

The Statistical Section includes selected financial and demographic information, generally presented on a multi-year basis. Finally, the Audit Comments and Government Auditing Standards Section contains the disclosures required under Oregon Minimum Standards for Audits of Municipal Corporations, the Schedule of Expenditures of Federal Awards and the auditor's reports on compliance and internal controls.



## **City Profile**

The City is located in Central Oregon, just east of the Cascade mountain range and encompasses an area of 32.5 square miles. Originally a small mill town in the early 20<sup>th</sup> century, Bend is now the largest city in Central Oregon with a July 1, 2005 population estimate of 70,330, and is one of the State's fastest growing economies. Bend serves as the hub of economic activity in a three-county region including Deschutes, Jefferson and Crook counties.

The City was founded in 1904 and incorporated in 1905. It is organized under a council/manager form of government and is served by a seven member Council. Councilors are elected to four-year terms and select a mayor and mayor pro-tem from among themselves, each for a term of two years. A full-time City Manager administers the affairs of the City for the Council and supervises a staff of approximately 500 employees including 10 department heads.

The City provides a full range of municipal services which include police, fire protection and suppression and emergency medical services, municipal court, land use planning, building permit and inspection activities, water, wastewater and stormwater operations, construction and maintenance of streets, sidewalks and other public facilities. The City also operates an airport, a transit system, a cemetery and downtown parking.

In addition to the above general government activities, the City has an Urban Renewal Agency which is responsible for redevelopment of an area of downtown Bend known as the Central Bend Development Program Area consisting mainly of the City's downtown business district and also development of an area approximately 700 acres in size in northeast Bend known as Juniper Ridge.

## **Economic Conditions and Outlook**

The economy in Deschutes County continued to expand in fiscal year 2005-06, driven by population growth and housing starts. Total population in Deschutes County was 143,490 in 2005 compared to 122,050 in 2001, an 18% increase. In that same period, the City of Bend's population grew by 33% from 52,800 to 70,330. The US Census Bureau ranked the City of Bend as the 6<sup>th</sup> fastest growing Metropolitan Statistical Area (MSA) in the nation based upon statistics from the year 2000. The leading reasons people are flocking to the region are the sunny climate, year-round outdoor recreational activities including world class golf courses and destination resorts, and a thriving community with four-star restaurants, well established retail and community events such as the Cascade Festival of Music bringing world renowned musicians and the Cascade Cycling Classic which draws North America's top cyclists. Bend has been ranked among the most desirable places to live by national magazines such as Money, Men's Journal and Golf Digest. Future trends predict that Central Oregon will continue to experience population growth over the next 20 years.

The housing market in Bend continued to be robust in FY 2005-06 with over 2,000 residential housing permits issued for 3 consecutive years in a row (2,485 permits issued in FY2005-06; 2,465 in FY2004-05; 2,003 in FY2003-04). The demand for housing and the rise in oil prices experienced in FY2005-06 caused the median home price in Bend to soar from \$168,950 in 2001 to \$327,500 in 2006 (a 94% increase). With median home prices at a record high and a build up of housing inventory, residential housing starts could slow down in FY 2006-07 but is expected to remain strong as population growth is projected to continue.

Employment in the region is dominated by several large employers such as St. Charles Medical Center and Bright Wood Corporation and a mix of small innovative companies, many with fewer than 30 employees. Primary industries in the County include tourism, health & social assistance, professional, scientific and technical services and wood product manufacturing. High technology and aerospace are growing industry clusters with companies producing niche-market products

from semi-conductors to medical instruments and kit planes. Diversification and economic restructuring have been the ongoing focus of elected leaders and the business community for the past decade and a half. These efforts have proven successful in transforming the region's industry and employment from forest products, agriculture and tourism to manufacturing, high technology, services, and specialty manufacturing. The June 2006 unemployment rate for Bend was 4.2% compared to 5.4% in the State and 4.6% for the U.S.

To serve the growing population and building activities, the City has been working swiftly to provide basic services and expand infrastructure. Staffing in Community Development, which handles building and planning, rose from 35.8 FTEs in 2001 to 74.5 FTEs in 2006 (108% increase) to meet the demands for plan reviews, building inspections and land use matters. Staffing in public safety rose from 159.5 FTEs in 2001 to 187.5 FTEs in 2006 (an 18% increase) to meet increases in calls for services. The City also created an Economic Development department to handle airport and urban renewal developments and other economic development needs. Street, water, wastewater and facility infrastructure expansions and modernizations have averaged \$15-\$20 million each year for the last 5 years. The City's recent major accomplishments and initiatives during FY2005-06 are discussed below.

### **Recent Major Accomplishments and Major Initiatives**

***Bend Vision 2030*** – In August 2005, the Bend City Council began a year-long community visioning process called Bend 2030 - Our Community Vision. This community based process will provide a mechanism for citizens to describe what is desirable for the Bend of the future. The vision will also inform City departments about community priorities in the areas of land use planning, public safety, environmental, transportation, human services, and other areas to guide the budgetary, operational, and programmatic activities of city government.

A Bend 2030 Vision Task Force consisting of several dozen residents representing the diversity of Bend's urban and rural citizenry was created. A separate Stakeholder Advisory Committee made up of public schools, the City and County, arts and culture organizations, neighborhood associations and other interests was also created to provide additional input.

Phase I of the visioning process, the vision document itself, was completed in FY 2005-06. This document summarized the citizen's vision into 6 focus areas: A well-planned City; a vibrant economy; a quality environment; safe, healthy people; a strong community; a creative, learning culture. Phase II of the visioning process, which started in FY2006-07, will be to develop an action plan over the next 5 years.

***Bridge Construction***– During FY2005-06, the City completed expansion and modernization of the Mt Washington Bridge (a \$2.9 million project) and started modernization of the Newport Bridge (expected to total over \$6 million). The Newport Bridge is funded in part by a \$4.7 million grant from the Oregon Department of Transportation. In FY2003-04, the City also constructed the \$7.7 million Bill Healy Bridge. These bridges provide better connectivity for East-West traffic flow.

***Wastewater System*** – To provide additional treatment capacity and system expansions, the City recently completed a Solids Handling Master plan through 2023 and is working on a Sewer Master Plan. Capital improvements over the next 5 years are expected to exceed \$40 million. During FY2005-06, the City issued \$7.6 million in advance refunding bonds to refund the 1997 and 2000 sewer bonds.

***Water Conservation*** – The City has made considerable efforts towards water management and conservation. The City completed metering all unmetered water customers in FY2004-05. During FY2005-06, the City developed its Waterwise program and focused on water resource planning.

Letter of Transmittal, Continued

**Utility Franchise Fee** – A 3% water and wastewater utility franchise fee was implemented during FY2005-06. This fee is expected to generate approximately \$600,000 and will be used in funding transportation construction needs.

**Airport Developments** – The City completed work on the airport eastside expansion and started runway improvements in FY2005-06. Federal Aviation Administration grants will fund over \$4 million of improvements in the following year.

**Residential Land Study** – The City's completed Phase II of a residential land study in FY2005-06 which focused on revising the Bend Area General Plan and updating local housing policies to meet statewide planning goals. Phase I of the study was completed in the previous year to update Bend's inventory of buildable land for housing.

**Transit** – The City expanded its transit system to a fixed route system during FY2005-06 with 7 routes. Federal Transit Administration grants will provide the majority of the funding for operation of the expanded system.

**Facilities** – During FY2005-06, the City issued \$4.8 million in full faith & credit obligations to purchase a 3 acre piece of land for future City facilities. Facility planning will be a major initiative to provide additional City offices as the City continues to grow.

**Centennial Parking Plaza** – The Bend Urban Renewal Agency completed construction of the 5 story downtown parking garage in FY2005-06. This project totaled \$13.6 million and was funded primarily by tax increment financing.

**Juniper Ridge Urban Renewal Area** – On August 29, 2005 City Council adopted the Juniper Ridge Urban Renewal Plan and formed the related urban renewal district to develop an area approximately 1500 acres in size in northeast Bend. The vision for Juniper Ridge is mixed use development with light industrial, residential and commercial developments to accommodate economic growth in the region. Future phases will also include a 4 year college campus. The City selected a master developer to act as a partner in refining the master plan, addressing infrastructure needs, and undertaking development activity. During FY 2005-06, the City worked on a Memorandum of Understanding (MOU) with the master developer. Phase 1 development activity is expected to begin during 2007 with major public facility improvements such as construction of streets and extension of water and wastewater services anticipated to cost approximately \$66 million in the coming years. Major influences on development at Juniper Ridge include the Oregon Department of Transportation's US-97/20 Refinement Plan which, upon completion in Fall 2006, will identify improvements required at the intersection of US-97 and Cooley Road to provide access to the Juniper Ridge area. Currently, the City's consultants are designing improvements to Cooley Rd from east of US-97 to 18<sup>th</sup> St.

Juniper Ridge developments will be financed using a combination of revenue sources. These include:

- Tax increment revenues;
- Advances, loans and grants from the Federal, State or local governments or other public body;
- Loans, grants, dedications or contributions from private developers.

Under the MOU, the developer will contribute up to \$30 million for on-site infrastructure and the City will contribute up to \$40 million for off-site infrastructure. The City is expected to issue full faith and credit bonds and tax increment bonds to finance the off-site infrastructure. The maximum amount of indebtedness that may be issued or incurred under the Juniper Ridge Urban Renewal Plan is \$41,250,000.

Letter of Transmittal, Continued

**Moody's Rating Upgrade** - During FY2005-06, Moody's Investors Service upgraded the City general obligation bond rating from an A1 to an Aa3 and also upgraded the City's full faith and credit rating and water revenue bond rating from an A2 to an A1. The City currently has no general obligation bonds outstanding and has \$46.1 million of full faith and credit obligations outstanding. The upgrade reflects the general credit strength of the City, favorable economic profile and growing tax base.

### **Other Financial Information**

Management of the City is responsible for establishing and maintaining internal controls designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America.

The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

**Compliance with the "Single Audit Act Amendments of 1996"** - As a recipient of Federal, State and County financial assistance, the City is responsible for implementing internal controls to ensure compliance with applicable laws, regulations, contracts and grants related to those programs. To meet the requirements, management has established control procedures related to compliance and periodically evaluates the internal controls of the City.

Reports related specifically to single audit compliance are required for the fiscal year ended June 30, 2006. Expenditures of federal funds exceeded the dollar threshold for which such additional reporting is required. Therefore, in conjunction with the audit of the City's financial statements, the City's independent accountants have performed an audit in compliance with the "Single Audit Act Amendments of 1996". Expenditures of federal funds during the year totaled \$2.7 million. The City did not have any material weaknesses in its controls or compliance issues as relates to the Single Audit Act.

**Budgetary Controls** - The objective of budgeting controls is to ensure compliance with legal provisions embodied in the City's annual appropriated budget. The City's budget is prepared substantially on the modified accrual basis of accounting. Please refer to Note 1 of the basic financial statements for further discussion of the City's appropriations and budgetary controls.

The City maintains an automated on-line accounting system that includes encumbrance accounting and an automated purchasing system to assist management in maintaining budgetary control. For the year ended June 30, 2006, the City was not in compliance with budgetary requirements expenditures in the Urban Renewal Construction Fund which exceeded appropriations by \$12,426 due to unanticipated additional construction payments made.

**Cash Management** - During the year, cash was invested in obligations of the U.S. Treasury and agencies, state obligations, investment grade corporate bonds, commercial paper and the State of Oregon Local Government Investment Pool (LGIP). The weighted yield to maturity on investments held as of June 30, 2006 was approximately 3.85%. Net investment income was \$2.6 million for the year ended June 30, 2006. The City complied with requirements of its investment policy which directs that investments be made in a manner that protects principal, and minimizes credit and market risks while maintaining a competitive yield on its portfolio. Bank deposits were insured up to \$100,000 by federal depository insurance and collateral on deposits in excess of \$100,000 was maintained in accordance with Oregon Revised Statutes during the fiscal year ended June 30, 2006.

Letter of Transmittal, Continued

**Risk Management** - The City is responsible for the protection of its capital assets, property and employees. The City annually reviews its insurance needs to maintain adequate protection at the least possible cost.

The City maintains an internal risk management program that emphasizes risk control techniques, maintenance of a safe workplace for both the public and employees, and risk prevention training to minimize accident related losses and potential liability claims. The City utilizes a risk management division to account for the cost sharing among the various City operations. During fiscal year 2005-06 the City had comprehensive liability and property coverage and auto liability coverage with City County Insurance Services and commercial insurance carriers. Additionally, the City maintained its workers compensation insurance with the City County Insurance Services and its health insurance program coverage with PacificSource.

**Independent Audit** - State statutes require an annual audit by an independent certified public accountant. The accounting firm of Talbot Korvola & Warwick LLP, selected by the City Council, performed the City's annual audit for the fiscal year ended June 30, 2006. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the federal Single Audit Act Amendments of 1996 and revised OMB Circular A-133. The auditor's report on the financial statements and required supplementary information is included in the Financial Section of this report. The auditor's reports related specifically to the single audit are included in the Audit Comments and Government Auditing Standards Section.

**Certificate of Achievement** - The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Bend for its comprehensive annual financial report for the fiscal year ended June 30, 2005. The Certificate of Achievement is a prestigious national award that is an important recognition of conformance with the highest standards for preparation of state and local government financial reports and the City has received the certificate from GFOA for 13 consecutive years since June 30, 1993. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe 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** - This report was prepared on a timely basis by the dedicated efforts of the City's finance department staff. Each member of the finance department has my sincere appreciation for the contributions made in the preparation of this report. Special thanks go to Sonia Andrews, Assistant Finance Director for the high level of professional expertise that was provided to the preparation of this report. I would also like to express my gratitude to the City Council, Budget Committee and the City Manager for their interest and support in managing the financial affairs of the City in a responsible and progressive manner.

Respectfully submitted,

Margaret Echeveste  
Finance Director



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Bend  
Oregon

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2005

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

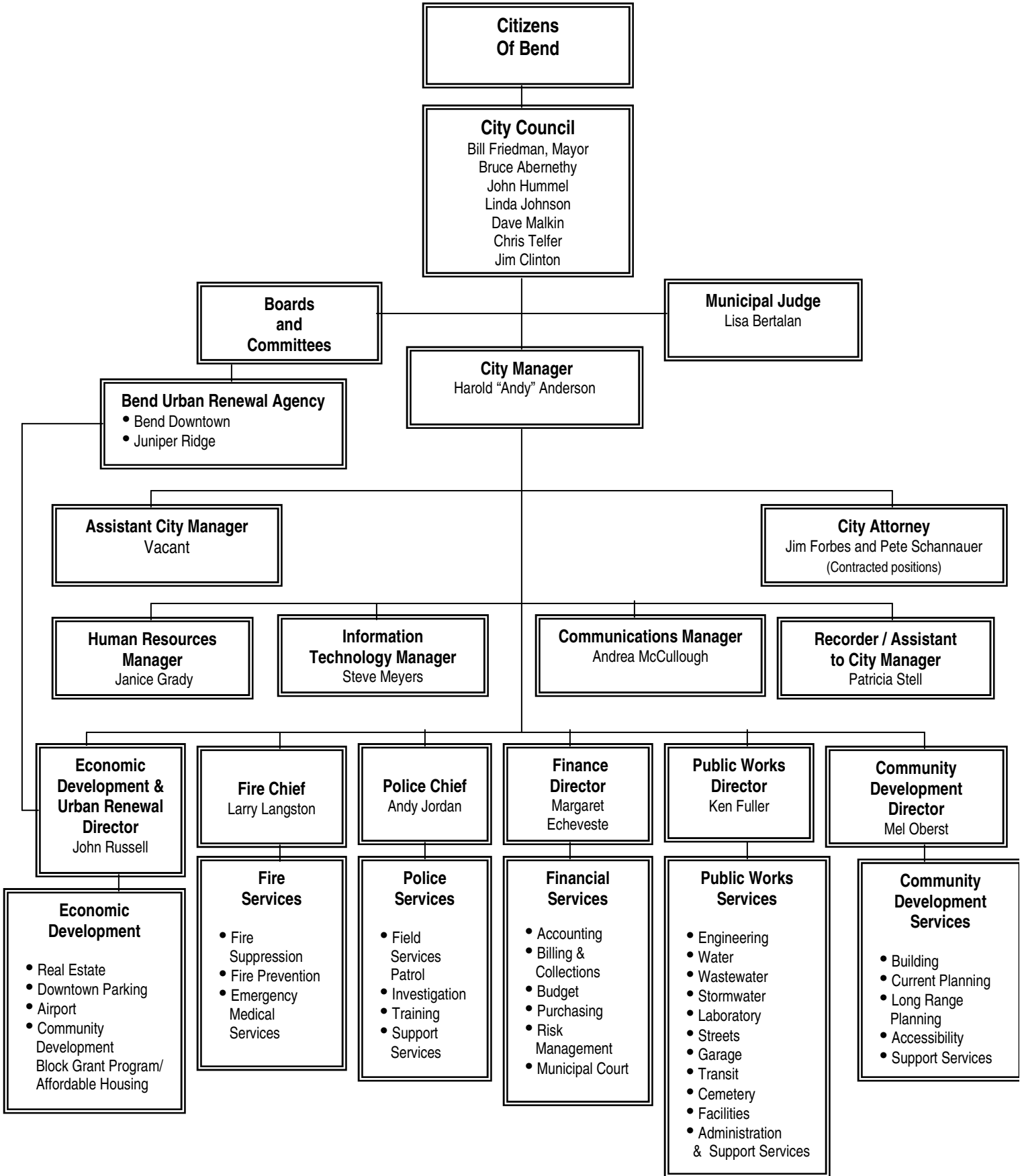


President

Executive Director

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# CITY OF BEND ORGANIZATION CHART



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**THE CITY OF BEND, OREGON**

**City Officials as of June 30, 2006**

***Mayor***

Bill Friedman

***Mayor Pro-Tem***

Bruce Abernethy

***Council Members***

Chris Telfer  
John Hummel  
Jim Clinton

R. David Malkin  
Linda S. Johnson

**City Manager**

Harold A. Anderson

**Finance Director**

Margaret Echeveste

**Bend City Hall**  
710 NW Wall Street  
Bend, OR 97701



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*Talbot, Korvola & Warwick* LLP  
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## **INDEPENDENT AUDITOR'S REPORT**

October 20, 2006

Honorable Mayor and City Council  
City of Bend  
Bend, Oregon

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bend, Oregon (the City), as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2006, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an

## INDEPENDENT AUDITOR'S REPORT (Continued)

Honorable Mayor and City Council  
City of Bend  
Bend, Oregon  
Page 2

audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 16, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this required supplementary information. However, we did not audit the information and express no opinion on it.

The Required Supplementary Information (budgetary comparison information for major funds) on pages 49 through 54, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. This budgetary comparison information for the major funds has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and other schedules on pages 55 through 122, as listed in the Table of Contents as Supplementary Information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The aforementioned information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying Introductory and Statistical sections, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

**TALBOT, KORVOLA & WARWICK, LLP**  
Certified Public Accountants

By   
Roger A. Korvola, Partner

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Fiscal Year Ended June 30, 2006

This Management's Discussion and Analysis (MD&A) is presented to facilitate financial analysis and provide an overview of the financial activities of the City of Bend (the City) for the fiscal year ended June 30, 2006. Information in the MD&A is based on currently known facts, decisions and conditions. Please read it in conjunction with the transmittal letter, the basic financial statements and the accompanying notes to those financial statements.

### FINANCIAL HIGHLIGHTS

- The City's assets totaled \$535.6 million at June 30, 2006 consisting of \$449.9 million in capital assets, \$59.4 million in unrestricted cash and investments and \$26.3 million in deposits and other assets. Total assets increased by \$53.2 million due mainly to investments in capital assets.
- The City's liabilities totaled \$106.7 million at June 30, 2006 consisting of \$80.7 million in long-term debt and \$26.0 million in accounts payable and other liabilities. Total liabilities increased by \$8.5 million from the prior year due mainly to a \$9.5 million liability accrued as a result of a litigation judgment.
- The assets of the City exceeded its liabilities by \$428.9 million at the close of fiscal year 2005-06. Unrestricted net assets totaled \$41.9 million with the remainder of the City's net assets invested in capital assets net of related debt (\$381.7 million) and restricted for debt service (\$5.2 million).
- For its governmental activities, the City generated \$20.4 million in charges for services and received \$31.5 million in grants and contributions. Direct expenses for governmental activities were \$56.5 million for the year, of which \$51.9 million was funded by charges for services and grants and contributions and the remaining \$4.6 million funded by general revenues.
- The City received general revenues of \$30.2 million for the year consisting of \$21.7 million in taxes, \$5.2 million in franchise fees and \$3.3 million in other revenues.
- Unreserved fund balance in the General Fund was \$9.0 million at June 30, 2006, up by \$1.8 million from June 30, 2005.
- For its business-type activities, the City generated \$20.1 million in charges for services and received \$17.9 million in grants and contributions to fund direct expenses of \$18.9 million.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The City's Comprehensive Annual Financial Report (CAFR) is organized as follows:

- I. Introductory Section
- II. Financial Section
  - a. *Basic Financial Statements* – government-wide and fund financial statements, including notes to basic financial statements.
  - b. *Required Supplementary Information* – budget and actual schedules for the general fund and major special revenue funds.
  - c. *Other Supplementary Information* – budget and actual schedules for other major funds and nonmajor funds and includes internal service fund financials.
  - d. *Other Financial Schedules* – schedules of property tax and long-term debt transactions.

## Management's Discussion and Analysis, Continued

### III. Statistical Section

### IV. Audit Comments and Government Auditing Standards Section

The Basic Financial Statements and supplementary information are presented using the integrated approach as prescribed by GASB Statement No. 34. The Basic Financial Statements are comprised of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

The Basic Financial Statements present financial information about the City as a whole and about its activities. Following the Basic Financial Statements are Required Supplementary Information and Other Supplementary Information, which provide budgetary comparisons for each fund. Finally, completing the document is a series of other financial and statistical schedules, and the reports by the independent certified public accountants, as required by statute.

#### 1. Government-wide Financial Statements

The government-wide financial statements are designed to present the financial picture of the City in a manner similar to a private-sector business, i.e. from the economic resources measurement focus using the accrual basis of accounting.

The Statement of Net Assets includes all assets of the City (including infrastructure) as well as all liabilities (including long-term debt). 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 may be an indicator of whether its financial health is improving or deteriorating.

The Statement of Activities reports all revenues when earned and expenses when incurred regardless of the timing of related cash flows. The focus of the Statement of Activities is to present the major program costs, matching major resources with each. To the extent a program's costs are not recovered by grants and direct charges, it is paid from general taxes and other general revenues. This Statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

The government-wide financial statements distinguish programs/functions of the City that are governmental (principally supported by taxes and intergovernmental revenues) from those that are business-type (intended to recover all or a significant portion of their costs through user fees and charges).

Governmental activities of the City are categorized as follows:

- General government – includes centralized services such as garage, facility management, public works administration, information technology, administration and financial services, economic development administration and other general functions not separately identified as a program.
- Public safety – includes police, fire and emergency medical services.
- Public ways and facilities – includes the City's street maintenance operations, street and local improvement construction and the City's engineering activities.
- Community and economic development – includes the City's community development, building inspection, planning, community development block grant program and tourist promotion / economic development functions.
- Urban renewal – consists of the activities of the Bend Urban Renewal Agency.
- Transit – consists of the City's bus operation.



## Management's Discussion and Analysis, Continued

Business-type activities include the following:

- Airport
- Water
- Wastewater (previously Sewer)
- Other – includes Cemetery, Downtown Parking and Stormwater operations

### 2. Fund Financial Statements

Following the government-wide statements is a section containing fund financial statements. The fund financial statements include statements for governmental funds and proprietary funds. Funds are used to segregate resources for specific activities or objectives.

**Governmental Funds.** The governmental fund statements emphasize available financial resources rather than net income. They are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The following reconciliations are provided to facilitate a comparison between governmental funds as reported in the fund financial statements and governmental activities as reported in the government-wide financial statements:

- A reconciliation of the fund balance reported in the governmental funds Balance Sheet to the net assets reported on the government-wide Statement of Net Assets and
- A reconciliation of the change in fund balances reported in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances to the change in net assets reported in the government-wide Statement of Activities.

The City has 17 governmental funds. The governmental fund statements present six major funds separately: General Fund, Transportation Operations Fund, Fire/Emergency Medical Services Fund, Transportation System Development Charges Fund, Community Development Fund and Urban Renewal Construction Fund. The other 11 nonmajor funds are combined and presented in a single column as nonmajor governmental funds

**Proprietary Funds.** Proprietary funds are used to account for activities supported by user charges and where the emphasis is on net income. There are two types of proprietary funds – enterprise funds and internal service fund.

The City uses enterprise funds to account for its airport, water, wastewater, cemetery, downtown parking and stormwater operations. The airport, water and wastewater funds are presented separately as major funds in the proprietary fund financial statements while the cemetery, downtown parking and stormwater funds are combined and presented in a single column as nonmajor enterprise funds.

Internal service funds are generally used to accumulate and allocate internally the costs of the City's central services. The City has established an internal service fund with the following divisions- garage, information technology, facility management, engineering, public works administration, risk management, administration and financial services and economic development administration. Because the internal service fund activities predominately benefit governmental rather than business-type functions, their assets and liabilities have been included with governmental activities in the government-wide financial statements.

### 3. Notes to the Basic Financial Statements

The notes provide information that is essential for a full understanding of the data presented in the government-wide and fund financial statements (the basic financial statements). Information such as significant accounting policies and detail of certain assets and liabilities are included in the notes which should be read in conjunction with the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

This section discusses and analyzes significant changes from the prior year in the government-wide financials.

Analysis of Net Assets

The City's assets exceeded liabilities by \$428.9 million at June 30, 2006. A majority of the net assets (89%) is invested in capital assets (ie. land, buildings, infrastructure etc), less any related outstanding debt used to acquire those assets. The following is a condensed statement of net assets and an analysis of the change in the City's financial position from the previous year.

	<b>Governmental Activities</b>		
	<b>June 30, 2006</b>	<b>June 30, 2005</b>	<b>Change</b>
Capital assets, net	\$ 274,956,982	\$ 240,067,512	\$ 34,889,470
Current and other assets	59,603,953	69,654,139	(10,050,186)
Total assets	<u>334,560,935</u>	<u>309,721,651</u>	<u>24,839,284</u>
Long-term debt	61,002,600	59,138,300	1,864,300
Other liabilities	12,424,212	14,982,151	(2,557,939)
Total liabilities	<u>73,426,812</u>	<u>74,120,451</u>	<u>(693,639)</u>
Net assets			
Invested in capital, net of related debt	228,481,410	201,948,506	26,532,904
Restricted	4,404,983	4,030,980	374,003
Unrestricted	28,247,730	29,621,714	(1,373,984)
Total net assets	<u>\$ 261,134,123</u>	<u>\$ 235,601,200</u>	<u>\$ 25,532,923</u>

	<b>Business-Type Activities</b>		
	<b>June 30, 2006</b>	<b>June 30, 2005</b>	<b>Change</b>
Capital assets, net	\$ 174,914,180	\$ 150,720,252	\$ 24,193,928
Current and other assets	26,123,622	21,961,479	4,162,143
Total assets	<u>201,037,802</u>	<u>172,681,731</u>	<u>28,356,071</u>
Long-term debt	19,745,401	20,039,328	(293,927)
Other liabilities	13,529,848	4,004,552	9,525,296
Total liabilities	<u>33,275,249</u>	<u>24,043,880</u>	<u>9,231,369</u>
Net assets			
Invested in capital, net of related debt	155,014,091	131,030,863	23,983,228
Restricted	843,980	1,206,588	(362,608)
Unrestricted	11,904,482	16,400,400	(4,495,918)
Total net assets	<u>\$ 167,762,553</u>	<u>\$ 148,637,851</u>	<u>\$ 19,124,702</u>

	<b>Total City Net Assets</b>		
	<b>June 30, 2006</b>	<b>June 30, 2005</b>	<b>Change</b>
Capital assets, net	\$ 449,871,162	\$ 390,787,764	\$ 59,083,398
Current and other assets	85,727,575	91,615,618	(5,888,043)
Total assets	<u>535,598,737</u>	<u>482,403,382</u>	<u>53,195,355</u>
Long-term debt	80,748,001	79,177,628	1,570,373
Other liabilities	25,954,060	18,986,703	6,967,357
Total liabilities	<u>106,702,061</u>	<u>98,164,331</u>	<u>8,537,730</u>
Net assets			
Invested in capital, net of related debt	383,495,501	332,979,369	50,516,132
Restricted	5,248,963	5,237,568	11,395
Unrestricted	40,152,212	46,022,114	(5,869,902)
Total net assets	<u>\$ 428,896,676</u>	<u>\$ 384,239,051</u>	<u>\$ 44,657,625</u>

Management's Discussion and Analysis, Continued

As mentioned earlier, net assets may be an indicator of the City's financial position. At the end of the current year, the City's net asset balance increased by \$44.7 million from the prior year due mainly to an increase in the City's capital assets. Capital assets, net of depreciation, increased by \$59.1 million as the City acquired land and constructed various transportation, water and sewer infrastructure and completed its \$13.6 million Centennial Bend Parking Garage.

Other assets decreased by \$5.9 million mainly due to cash and investments which decreased by \$4.9 million. In the prior year, the City received \$4.7 million in grant funds for construction of the Newport bridge, of which \$4.4 million was unspent at the end of the prior year and only \$831,174 remained unspent at the end of the current year. Loans and notes receivable decreased by \$1.7 million due mainly to a \$1 million parking improvement fee note that matured and was collected in the current year.

Long-term debt increased by \$1.6 million. The City reduced its debt by \$10.8 million through scheduled debt service and an advance refunding in the current year. New debt issuance totaled \$12.4 million (\$4.8 million in full faith & credit obligations for purchase of land and \$7.6 million in sewer refunding bonds). Other liabilities increased by \$7.0 million due mainly to a \$9.5 million liability accrued as a result of the Juniper Utility lawsuit judgment (see note 13 of the basic financial statements for further detail on the Juniper Utility lawsuit).

Analysis of Changes in Net Assets

	<b>Governmental Activities</b>		
	<b>2006</b>	<b>2005</b>	<b>Change</b>
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 20,438,274	\$ 17,572,346	\$ 2,865,928
Operating grants and contributions	8,965,519	8,019,110	946,409
Capital grants and contributions	22,513,457	19,178,459	3,334,998
General revenues:			
Taxes	21,670,435	19,499,947	2,170,488
Franchise fees	5,018,472	4,282,802	735,670
Investment earnings	1,798,724	1,169,185	629,539
Other revenues	687,636	107,372	580,264
Total revenues	<u>81,092,517</u>	<u>69,829,221</u>	<u>11,263,296</u>
<b>Expenses</b>			
General government	12,176,814	10,706,346	1,470,468
Public safety	22,447,070	20,007,081	2,439,989
Public ways and facilities	9,030,077	7,624,382	1,405,695
Community and economic development	7,854,119	6,526,720	1,327,399
Urban renewal	639,726	577,798	61,928
Transit	1,513,048	1,622,362	(109,314)
Interest on long-term debt	2,864,400	2,874,570	(10,170)
Total expenses	<u>56,525,254</u>	<u>49,939,259</u>	<u>6,585,995</u>
Revenues over expenses	24,567,263	19,889,962	4,677,301
Transfers	965,660	(45,000)	1,010,660
Increase in net assets	<u>25,532,923</u>	<u>19,844,962</u>	<u>5,687,961</u>
Net assets, beginning	235,601,200	215,756,238	19,844,962
Net assets, ending	<u>\$ 261,134,123</u>	<u>\$ 235,601,200</u>	<u>\$ 25,532,923</u>

Total revenues from governmental activities increased by \$11.3 million due mainly to increases in charges for services, capital contributions and taxes. Charges for services increased by \$2.9 million mostly as a result of increases in planning fees and the strong building activity in fiscal year 2005-06. Because of population growth, transactions processed by planning and other departments throughout the City increased. Capital contributions increased by \$3.3 million as the City recognized \$3.6 million of the Newport bridge grant funds received. Taxes increased by \$2.2 million due to new construction and increases in assessed values.

Expenses increased by \$6.6 million mainly due to increases in personnel costs.

Management's Discussion and Analysis, Continued

	<b>Business-Type Activities</b>		
	<b>2006</b>	<b>2005</b>	<b>Change</b>
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 20,099,504	\$ 17,536,747	\$ 2,562,757
Capital grants and contributions	17,866,544	20,757,707	(2,891,163)
General revenues:			
Franchise fees	175,420	-	175,420
Investment earnings	810,506	367,980	442,526
Total revenues	<u>38,951,974</u>	<u>38,662,434</u>	<u>289,540</u>
<b>Expenses</b>			
Airport	675,344	515,724	159,620
Water	8,959,466	8,082,026	877,440
Wastewater	8,379,833	7,580,111	799,722
Other business activities	846,969	488,133	358,836
Total expenses	<u>18,861,612</u>	<u>16,665,994</u>	<u>2,195,618</u>
Revenues over expenses	20,090,362	21,996,440	(1,906,078)
Transfers	(965,660)	45,000	(1,010,660)
Increase in net assets	<u>19,124,702</u>	<u>22,041,440</u>	<u>(2,916,738)</u>
Net assets, beginning	148,637,851	126,596,411	22,041,440
Net assets, ending	<u>\$ 167,762,553</u>	<u>\$ 148,637,851</u>	<u>\$ 19,124,702</u>

Total revenues from business-type activities increased by \$289,540 over the prior year. Charges for services increased by \$2.6 million due to growth in water and wastewater customers and rate increases, while capital grants and contributions decreased by \$2.9 million as infrastructure contributed by developers was greater in the prior year compared to the current year. See further analysis of revenues and expense from business-type activities below.

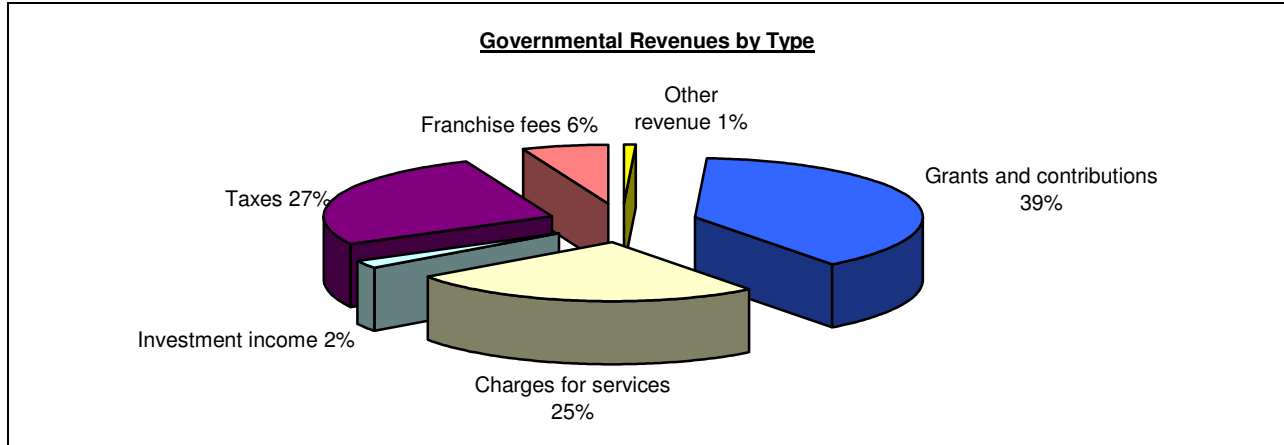
	<b>Total City Net Assets</b>		
	<b>2006</b>	<b>2005</b>	<b>Change</b>
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 40,537,778	\$ 35,109,093	\$ 5,428,685
Operating grants and contributions	8,965,519	8,019,110	946,409
Capital grants and contributions	40,380,001	39,936,166	443,835
General revenues:			
Taxes	21,670,435	19,499,947	2,170,488
Franchise fees	5,193,892	4,282,802	911,090
Investment earnings	2,609,230	1,537,165	1,072,065
Other revenues	687,636	107,372	580,264
Total revenues	<u>120,044,491</u>	<u>108,491,655</u>	<u>11,552,836</u>
<b>Expenses</b>			
General government	12,176,814	10,706,346	1,470,468
Public safety	22,447,070	20,007,081	2,439,989
Public ways and facilities	9,030,077	7,624,382	1,405,695
Community and economic development	7,854,119	6,526,720	1,327,399
Urban renewal	639,726	577,798	61,928
Transit	1,513,048	1,622,362	(109,314)
Interest on long-term debt	2,864,400	2,874,570	(10,170)
Airport	675,344	515,724	159,620
Water	8,959,466	8,082,026	877,440
Wastewater	8,379,833	7,580,111	799,722
Other business activities	846,969	488,133	358,836
Total expenses	<u>75,386,866</u>	<u>66,605,253</u>	<u>8,781,613</u>
Change in net assets	<u>44,657,625</u>	<u>41,886,402</u>	<u>2,771,223</u>
Net assets, beginning	384,239,051	342,352,649	41,886,402
Net assets, ending	<u>\$ 428,896,676</u>	<u>\$ 384,239,051</u>	<u>\$ 44,657,625</u>

Management's Discussion and Analysis, Continued

Overall net assets increased by \$44.7 million with governmental activities accounting for 57% of the total growth and business-type activities accounting for 43%. The growth in net assets is explained below as well as significant changes in revenues and expenses from the previous year.

**Governmental Activities**

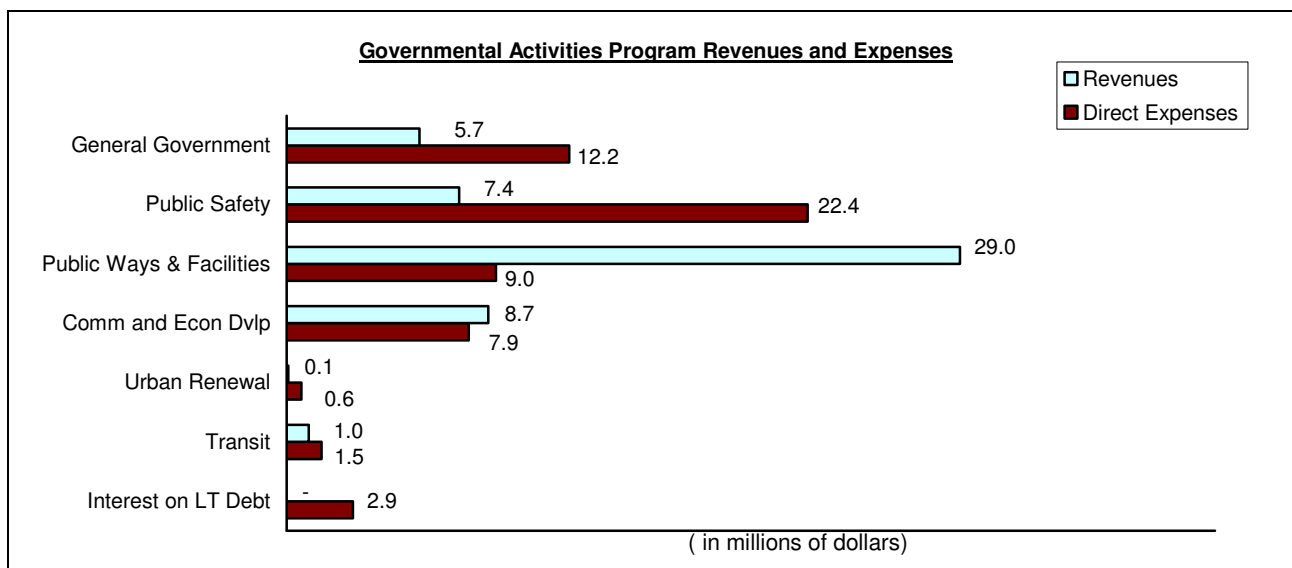
Governmental activities increased the City's net assets by \$25.5 million with revenues totaling \$81.1 million and expenses totaling \$56.5 million. Revenues consisted primarily of taxes of \$21.7 million, charges for services of \$20.4 million and operating and capital grants and contributions of \$31.5 million.



Taxes increased by \$2.2 million (11%) from the prior year with new construction and growth in property tax assessed values accounting for that increase. Charges for services increased by \$2.9 million (16%) from the prior year due mainly to growth in license and permit fees, planning fees and engineering fees generated from the continued increase in building activity. The City also raised its planning fees in the current year. Capital grants and contributions increased by \$3.3 million (17%) from the prior year mainly due to recognition of the Newport bridge grant. In the prior year, the City received \$4.7million from the Oregon Department of Transportation for the construction of the Newport bridge. At the end of the prior year, \$300,000 of that grant was recognized and the remaining \$4.4 million was unspent and reported on the Statement of Net Assets as unearned revenues. In FY 2005-06, the City spent and recognized \$3.6 million of the grant in the Statement of Activities.

As discussed earlier, the City's governmental activities are categorized into the following programs: public safety; public ways and facilities; community and economic development; urban renewal and transit. General government activities are activities not categorized in any of the programs and include central services such as garage, information technology, facility management, engineering, public works administration, risk management, administration and financial services and economic development administration.

All governmental programs utilize general revenues to support their functions. Some programs such as public safety are dependent on general revenues to fund operations. The chart on the following page compares the revenues and expenditures for each of the City's programs and shows the extent of each program's dependence on general revenues for support in the current year.

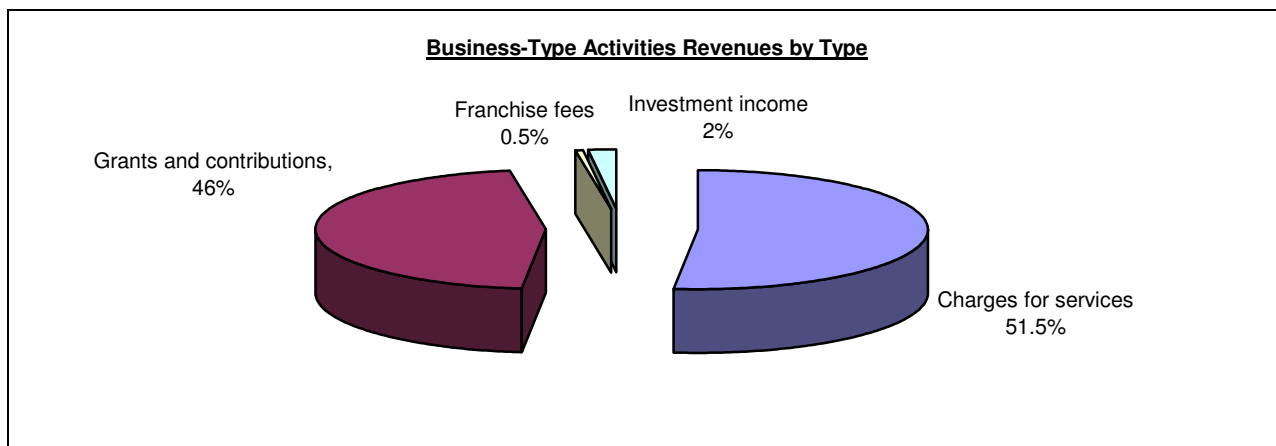


Program revenues generated by public ways and facilities include system development charges of \$7.3 million and developer donated transportation infrastructure of \$11.2 million. Expenses for public ways and facilities increased by \$1.4 million (18%) because of construction of the Newport bridge and other transportation facilities.

Public safety and community and economic development expenses increased by \$2.4 million (12%) and \$1.3 million (20%) respectively due to increases in personnel costs. In addition to raises and increases in benefits, public safety increased full time equivalents (FTEs) authorized by 15.5 while community development increased authorized FTEs by 17.

### Business-Type Activities

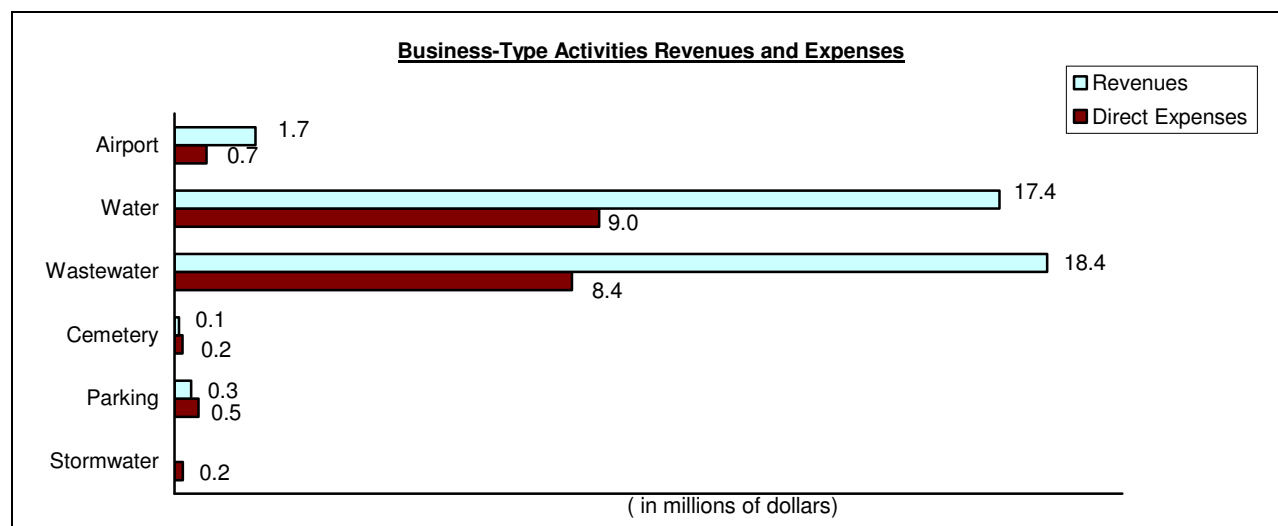
Business-type activities increased the City's net assets by \$19.1 million with revenues totaling \$38.9 million and expenses totaling \$18.9 million. Revenues consisted primarily of charges for services of \$20.1 million and capital grants and contributions of \$17.9 million.



Charges for services comprised mainly of water and wastewater service charges which increased by \$2.6 million (15%) due to growth in customer base combined with a 4.6% increase in water rates and a 2.9% increase in wastewater rates. Capital grants and contributions which totaled \$17.9 million consisted primarily of water and wastewater system development charges of \$6.7 million and developer donated infrastructure of \$10.0 million. Capital grants and contributions decreased by \$2.9 million (14%) because developer constructed water and wastewater infrastructure decreased by \$2.5 million from the previous year.

## Management's Discussion and Analysis, Continued

Business-type activities are self supporting where revenues are expected to cover expenses. The following chart shows the sufficiency of revenues generated to cover expenses for each type of business activity.



Revenues for water and wastewater operations are significantly higher than the respective direct expenses because developer contributed assets and system development charges are recognized as contribution revenues. Acquisitions of capital assets and principal payments on long-term debt are not reported as direct expenses but are reported as additions to assets and reductions to liabilities respectively on the Statement of Net Assets. Cemetery and parking revenues are equivalent to the related direct expenses as there are minimal capital improvements and no debt service for these two operations. Stormwater start-up operations are currently funded by general revenues of the City. A stormwater fee will be enacted in future years to support the City's stormwater operations.

Expenses for the business-type programs increased due to increases in personnel costs and various operating expenses as the City's customer base grows.

## FUND ANALYSIS

The City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

### Governmental Funds

The focus of the governmental funds is to provide information on near-term inflows, outflows and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds.

At the end of the current year, the City's governmental funds had combined ending fund balances of \$28.0 million, a decrease of \$6.0 million (18%) from the prior year's fund balances of \$34.0 million. The fund balance decreased primarily due to construction of the parking garage which used up \$9.6 million of cash and other financing sources. The parking garage expenditures are reflected as capital outlay in the Urban Renewal Construction Fund which had an overall net decrease in fund balance of \$7.1 million.

Of the combined ending fund balance of \$28.0 million, \$4.4 million was reserved to fund debt service and \$23.6 million was unreserved and available for spending by the City within the purposes specified for the City's funds.

The General Fund is the primary operating fund of the City. At the end of the fiscal year, the unreserved fund balance of the General Fund was \$9.0 million, up \$1.8 million (25%) from the previous year. Unreserved fund balance represents 63% of total General Fund expenditures.



## Management's Discussion and Analysis, Continued

Other major governmental funds include the Transportation Operations Fund, Fire/Emergency Medical Services (EMS) Fund, Transportation System Development Charges (SDC) Fund, Community Development Fund and the Urban Renewal Construction Fund.

Fund balance decreased by \$7.1 million in the Urban Renewal Construction Fund due to spending on the parking garage as discussed above. Fund balance decreased in the Transportation Operations Fund by \$847,707 and in the Transportation SDC Fund by \$863,225 due mainly to capital outlay expenditures exceeding current year revenues and other financing sources as planned. Fund balance increased by \$226,460 in the Fire/EMS Fund and \$370,181 in the Community Development Fund.

### Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements where the focus is on net income.

Unrestricted net assets of the Water Fund and Wastewater Fund at the end of the year amounted to \$4.2 million and \$7.3 million respectively. The growth in net assets of the Water Fund and the Wastewater Fund was \$8.8 million and \$10.1 million respectively and is consistent with prior year's growth in net assets. Similar to the prior year, system development charges generated \$3.5 million and developer contributed infrastructure recognized as contribution revenue totaled \$3.5 million in the Water Fund. In the Wastewater Fund, system development charges generated of \$3.1 million and developer contributed infrastructure totaled \$6.6 million.

Other factors concerning the finances of the proprietary funds can be found in the previous discussion of the City's business-type activities.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original budget and the final amended budget of the General Fund netted to an increase in appropriations of \$680,000. Contingency decreased by \$942,000 and police appropriations decreased by \$50,000 to support additional nondepartmental expenditures and municipal court. Nondepartmental appropriations increased by \$1,650,000 to fund short-term loans to other funds and additional general government expenditures.

### **CAPITAL ASSETS**

As of June 30, 2006 the City had invested \$449.9 million in capital assets, net of depreciation as reflected in the following table, which represents a net increase (additions, deductions and depreciation) of \$59.1 million. Governmental capital assets totaled \$275.0 million while business-type capital assets totaled \$174.9 million.

	<b>Governmental Activities</b>		
	<b>June 30, 2006</b>	<b>June 30, 2005</b>	<b>Change</b>
Land including right-of-way	\$ 150,686,209	\$ 143,712,278	\$ 6,973,931
Artwork	695,615	517,615	178,000
Building and building improvements	37,182,571	23,793,211	13,389,360
Infrastructure	71,569,694	56,459,036	15,110,658
Vehicles and equipment	6,776,585	6,948,599	(172,014)
Construction in progress	8,046,308	8,636,773	(590,465)
	<u>\$ 274,956,982</u>	<u>\$ 240,067,512</u>	<u>\$ 34,889,470</u>

Management's Discussion and Analysis, Continued

	<b>Business-Type Activities</b>		
	<b>June 30, 2006</b>	<b>June 30, 2005</b>	<b>Change</b>
Land including right-of-way	\$ 5,190,609	\$ 5,190,609	\$ -
Building and building improvements	4,759,615	5,252,175	(492,560)
Infrastructure	155,279,677	133,891,315	21,388,362
Vehicles and equipment	1,844,661	2,313,643	(468,982)
Construction in progress	7,839,618	4,072,510	3,767,108
	<u>\$ 174,914,180</u>	<u>\$ 150,720,252</u>	<u>\$ 24,193,928</u>
	<b>Total</b>		
	<b>June 30, 2006</b>	<b>June 30, 2005</b>	<b>Change</b>
Land including right-of-way	\$ 155,876,818	\$ 148,902,887	\$ 6,973,931
Artwork	695,615	517,615	178,000
Building and building improvements	41,942,186	29,045,386	12,896,800
Infrastructure	226,849,371	190,350,351	36,499,020
Vehicles and equipment	8,621,246	9,262,242	(640,996)
Construction in progress	15,885,926	12,709,283	3,176,643
	<u>\$ 449,871,162</u>	<u>\$ 390,787,764</u>	<u>\$ 59,083,398</u>

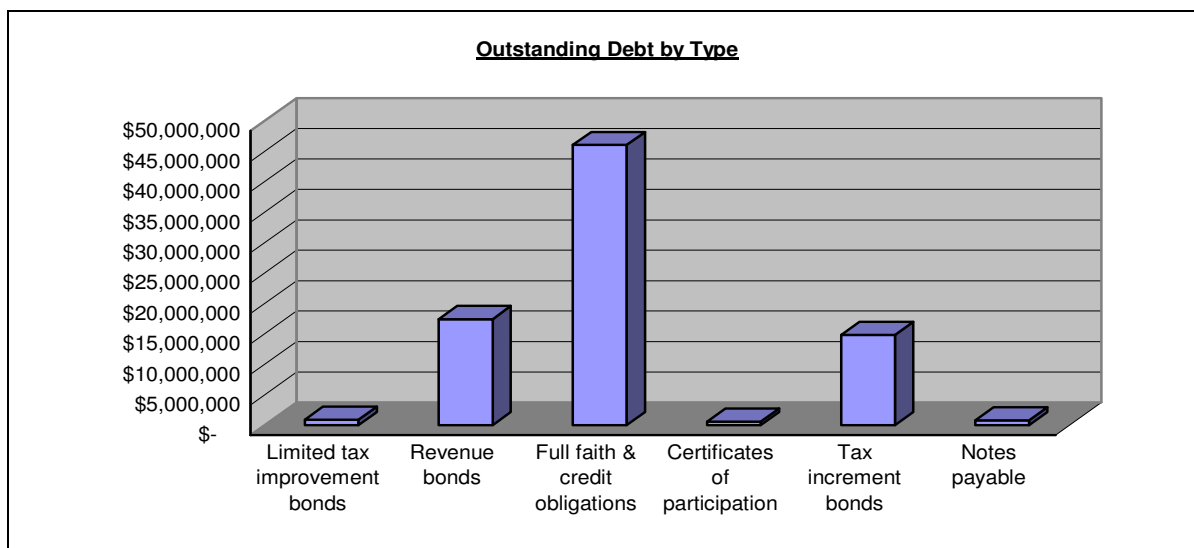
Major construction projects affecting capital assets for fiscal year 2005-06 are as follows:

- Street Construction - Construction of various street improvements added \$12.3 million to capital assets. Major projects in various stages included the 15<sup>th</sup> street extension, Boyd Acres and Empire intersection improvements and the Newport and Mt Washington Bridges. Developer constructed infrastructure totaled \$11.0 million.
- Airport Improvements – The City spent approximately \$1.2 million on runway improvements at the airport during fiscal year 2005-06. These projects were funded primarily by grants.
- Water Improvements - Improvements to the City's water system added \$5 million to capital assets. Major projects included the Mt Washington transmission mains and the Outback reservoir. Developer constructed infrastructure contributed to the City totaled \$3.5 million in the current year. The City also accrued a \$5.6 million liability in the Water Fund for the Juniper Utility judgment. This \$5.6 million was capitalized to capital assets as the acquisition cost of the utility.
- Wastewater Improvements - Improvements to the wastewater system added \$2 million to capital assets. Developer constructed infrastructure totaled \$6.6 million. Major projects undertaken by the City included equipment for the Solids Handling building. The City also accrued a \$3.9 million liability in the wastewater fund for the Juniper Utility judgment. This \$3.9 million was capitalized to capital assets as the acquisition cost of the utility.
- Parking Structure – The City continued construction of the 5-story downtown parking structure, incurring \$9.5 million in the current year. The parking structure project totaled over \$13.0 million.

Please refer to Note 4 of the basic financial statements for further detailed information on capital assets.

## DEBT ADMINISTRATION

As of year-end, the City had \$80.7 million in long-term debt outstanding compared to \$79.2 million in the previous year. During fiscal year 2005-06, the City issued \$4.8 million in full faith and credit obligations to purchase land for city facilities and also issued \$7.6 million in sewer advance refunding bonds. Principal payments and reduction in debt from the advance refunding totaled \$10.8 million. Debt outstanding by type at year-end is comprised of the following:



Change in debt outstanding is as follows:

	<b>Governmental Activities</b>		
	<b>June 30, 2006</b>	<b>June 30, 2005</b>	<b>Change</b>
Limited tax improvement bonds	\$ 904,000	\$ 1,413,000	\$ (509,000)
Full faith & credit obligations	44,608,600	41,110,300	3,498,300
Certificates of participation	625,000	925,000	(300,000)
Tax increment bonds	14,865,000	15,690,000	(825,000)
	<u>\$ 61,002,600</u>	<u>\$ 59,138,300</u>	<u>\$ 1,864,300</u>
	<b>Business-Type Activities</b>		
	<b>June 30, 2006</b>	<b>June 30, 2005</b>	<b>Change</b>
Revenue bonds	\$ 17,475,000	\$ 17,655,000	\$ (180,000)
Full faith & credit obligations	1,461,400	1,539,700	(78,300)
Notes payable	809,001	844,628	(35,627)
	<u>\$ 19,745,401</u>	<u>\$ 20,039,328</u>	<u>\$ (293,927)</u>
	<b>Total</b>		
	<b>June 30, 2006</b>	<b>June 30, 2005</b>	<b>Change</b>
Limited tax improvement bonds	\$ 904,000	\$ 1,413,000	\$ (509,000)
Revenue bonds	17,475,000	17,655,000	(180,000)
Full faith & credit obligations	46,070,000	42,650,000	3,420,000
Certificates of participation	625,000	925,000	(300,000)
Tax increment bonds	14,865,000	15,690,000	(825,000)
Notes payable	809,001	844,628	(35,627)
	<u>\$ 80,748,001</u>	<u>\$ 79,177,628</u>	<u>\$ 1,570,373</u>

The City has \$46.1 million of full faith & credit obligations outstanding for airport improvements (\$1.5 million), land acquired (\$4.8 million), street improvements (\$15.1 million), fire and police stations (\$10.0 million), equipment (\$1.0 million) and pension obligation (\$13.7 million). The airport improvement bonds are repaid from airport lease revenues, street improvement bonds are serviced by transportation system development charges while fire and police station bonds are serviced by property tax revenues and the equipment bonds are repaid from other tax revenues. The pension obligation bonds are serviced by property taxes and other revenues of the City.

Revenue bonds outstanding total \$17.5 million and are for water infrastructure (\$3.3 million) and sewer infrastructure (\$14.2 million). These bonds are repaid from water and wastewater service charges and system development charges.

The City has \$904,000 of limited tax improvement bonds outstanding at year-end. These bonds are secured by the full faith and credit of the City and were issued for public improvements that benefit private properties. While these bonds are backed by the City's full faith and credit, their repayment source is derived from assessments to the benefited property owners.

The City has \$14.9 million in urban renewal tax increment bonds outstanding that are repaid from tax increment revenues generated from the City's urban renewal district. The remainder of the City's debt, totaling \$1.4 million consists of certificates of participation and notes payable issued for various equipment and facility improvement projects.

#### Debt Limitation and Ratings

Oregon Revised Statutes provides a limit on non-self-supporting general obligation debt of 3% of the real market value of all taxable property within the City. Based on the fiscal year 2005-06 value, the City's debt limitation is \$277,564,817. The City is well within its debt limitation with an amount of outstanding debt subject to this limitation of \$45,943,267.

The City's general obligation debt rating is Aa3, its full faith and credit obligation and water revenue bond ratings are A1. Sewer revenue bonds are rated A2 and urban renewal tax increment bonds have an underlying rating of A3.

Please refer to Note 10 of the basic financial statements for further detailed information on long-term debt.

### **ECONOMIC FACTORS, NEXT YEAR'S BUDGET AND RATES**

The City of Bend continued to experience strong growth in population and construction activity during fiscal year 2005-06. The population of the City of Bend as of July 1, 2005, was 70,330, which is 49% of Deschutes County's population of 143,490. Between July 1, 2001 and July 1, 2005, the non-annexation population increase was 33%. With the growth in population, the City experienced significant building activity in both residential and commercial developments. The United States Census Bureau recently ranked Bend as the 6<sup>th</sup> fastest growing Metropolitan Statistical Area in the nation.

The City is dependent on property taxes, charges for services and grants and contributions to support its operations. Property taxes make up approximately 13% of the City's total revenue sources. In May 1997, voters approved Measure 50 which rolled back property assessed values to 90 percent of 1995-96 levels, established permanent tax rates and limited assessed value growth for individual properties to 3% per year plus new construction. The current permanent tax rate for the City of Bend is \$2.8035 per \$1,000 of assessed value which is one of the lowest in Oregon. The strong economy in Bend and significant building activities have helped mitigate the effects of Measure 50 on property tax revenues and are anticipated to continue doing so.

With the growth in Bend, demands for City services continue to increase. With rising personnel and insurance costs, the City implemented cost constraints at all levels of the organization in order to decrease nonessential expenditures thereby increasing revenues available for core priority programs such as public safety, transportation, economic development and providing water and wastewater services to its citizens.

Highlights for the fiscal year 2006-07 budget are as follows:

1. Resources total \$206.2 million (revenues of \$157.9 million and working capital carryover of \$48.3 million) and appropriations total \$198.4 million with \$7.8 million of unappropriated fund balance.
2. Property and transient room taxes are anticipated to be \$24.2 million, franchise fees expected to be \$5.5 million and revenues from license and permits and charges for services are anticipated to total \$35.8 million. Intergovernmental revenues are expected to generate \$16.1 million and system development charges are expected to total \$14.6 million.
3. Debt issuance included in the fiscal year 2006-07 budget totals \$12.6 million to finance Juniper Ridge infrastructure projects, ambulances and police building expansion projects.

## Management's Discussion and Analysis, Continued

4. The capital outlay budget is \$49.7 million which includes \$12.1 million budgeted for transportation projects, \$3.4 million for Juniper Ridge infrastructure, \$7.7 million for water system improvements, \$11.0 million for wastewater system improvements, \$3.8 million for airport improvements, \$5.6 million for various facility improvements and the remainder for vehicles and equipment.

### **REQUEST FOR INFORMATION**

The City's financial statements are designed to present users with a general overview of the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to Margaret Echeveste, City of Bend Finance Director at 710 NW Wall Street, Bend, Oregon 97701. The City's telephone number is 541-388-5514.

City of Bend, Oregon  
**Statement of Net Assets**  
June 30, 2006

	<b>Governmental</b>	<b>Business-Type</b>	<b>Total</b>
	<b>Activities</b>	<b>Activities</b>	
<b><u>Assets</u></b>			
Pooled cash and investments	\$ 38,358,939	\$ 20,991,208	\$ 59,350,147
Receivables, net	3,672,621	2,513,613	6,186,234
Internal balances	190,000	(190,000)	-
Due from other governments	781,372	511,309	1,292,681
Restricted cash and investments	2,374,538	843,980	3,218,518
Other assets	45,500	68,780	114,280
Prepaid pension obligation	11,957,917	-	11,957,917
Assessments receivable	832,810	-	832,810
Loans and notes receivable	588,228	392,420	980,648
Bond issue costs, net	802,028	992,312	1,794,340
Non-depreciable capital assets	159,428,132	13,030,227	172,458,359
Depreciable capital assets, net	115,528,850	161,883,953	277,412,803
<b>Total Assets</b>	<b>334,560,935</b>	<b>201,037,802</b>	<b>535,598,737</b>
<b><u>Liabilities</u></b>			
Accounts payable	2,722,103	1,627,232	4,349,335
Note payable	-	947,000	947,000
Accrued liabilities	4,229,844	10,082,827	14,312,671
Due to developers	2,608,966	576,358	3,185,324
Deposits	1,782,126	296,431	2,078,557
Unearned revenue	1,081,173	-	1,081,173
Long-term debt			
Portion due or payable within one year	3,029,200	997,657	4,026,857
Portion due or payable after one year	57,973,400	18,747,744	76,721,144
<b>Total Liabilities</b>	<b>73,426,812</b>	<b>33,275,249</b>	<b>106,702,061</b>
<b><u>Net Assets</u></b>			
Invested in capital assets, net of related debt	228,481,410	155,014,091	383,495,501
Restricted for:			
Debt service	4,404,983	843,980	5,248,963
Unrestricted	28,247,730	11,904,482	40,152,212
<b>Total Net Assets</b>	<b>\$ 261,134,123</b>	<b>\$ 167,762,553</b>	<b>\$ 428,896,676</b>

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

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City of Bend, Oregon  
**Statement of Activities**

For the fiscal year ended June 30, 2006

Functions/ Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets		
	Direct Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
<b>Governmental Activities:</b>							
General government	\$ 12,176,814	\$ 5,677,785	\$ 45,626	\$ -	\$ (6,453,403)	\$ -	\$ (6,453,403)
Public safety	22,447,070	3,265,531	4,178,156	-	(15,003,383)	-	(15,003,383)
Public ways and facilities	9,030,077	3,203,882	3,294,494	22,513,457	19,981,756	-	19,981,756
Community and economic development	7,854,119	8,110,317	589,149	-	845,347	-	845,347
Urban renewal	639,726	70,824	-	-	(568,902)	-	(568,902)
Transit	1,513,048	109,935	858,094	-	(545,019)	-	(545,019)
Interest on long-term debt	2,864,400	-	-	-	(2,864,400)	-	(2,864,400)
<b>Total Governmental Activities</b>	<b>56,525,254</b>	<b>20,438,274</b>	<b>8,965,519</b>	<b>22,513,457</b>	<b>(4,608,004)</b>	<b>-</b>	<b>(4,608,004)</b>
<b>Business-Type Activities:</b>							
Airport	675,344	556,708	-	1,145,328	-	1,026,692	1,026,692
Water	8,959,466	10,404,774	-	7,003,940	-	8,449,248	8,449,248
Wastewater	8,379,833	8,717,942	-	9,695,776	-	10,033,885	10,033,885
Other business activities	846,969	420,080	-	21,500	-	(405,389)	(405,389)
<b>Total Business-Type Activities</b>	<b>18,861,612</b>	<b>20,099,504</b>	<b>-</b>	<b>17,866,544</b>	<b>-</b>	<b>19,104,436</b>	<b>19,104,436</b>
<b>Total Activities</b>	<b>\$ 75,386,866</b>	<b>\$ 40,537,778</b>	<b>\$ 8,965,519</b>	<b>\$ 40,380,001</b>	<b>(4,608,004)</b>	<b>19,104,436</b>	<b>14,496,432</b>
<b>General Revenues:</b>							
Taxes:							
Property taxes, levied for general purposes					16,394,535	-	16,394,535
Property taxes, levied for debt service					2,168,528	-	2,168,528
Transient room taxes					3,107,372	-	3,107,372
Franchise fees					5,018,472	175,420	5,193,892
Unrestricted investment income					1,798,724	810,506	2,609,230
Gain on sale of capital assets					687,636	-	687,636
Transfers					965,660	(965,660)	-
<b>Total General Revenues and Transfers</b>					<b>30,140,927</b>	<b>20,266</b>	<b>30,161,193</b>
Change in Net Assets					25,532,923	19,124,702	44,657,625
Net Assets, July 1, 2005					235,601,200	148,637,851	384,239,051
<b>Net Assets, June 30, 2006</b>					<b>\$ 261,134,123</b>	<b>\$ 167,762,553</b>	<b>\$ 428,896,676</b>

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

City of Bend, Oregon  
**Balance Sheet**  
 Governmental Funds  
 June 30, 2006

	Fire / Transportation								
	Transportation		Emergency	System	Community	Urban	Nonmajor	Total	
	General	Operations	Medical	Development		Renewal	Governmental		Governmental
			Services	Charges	Development	Construction	Funds	Funds	
<b>Assets</b>									
Pooled cash and investments	\$ 6,963,318	\$ 1,012,175	\$ 508,191	\$ 11,166,594	\$ 5,128,836	\$ 1,694,273	\$ 4,365,901	\$ 30,839,288	
Restricted cash and investments	-	-	-	831,174	3,286	-	1,431,918	2,266,378	
Receivables:									
Property taxes	713,582	-	-	-	-	-	96,350	809,932	
Accounts, net	1,619,395	41,427	611,606	3,605	-	-	117,197	2,393,230	
Assessments	-	-	-	44,519	-	-	888,291	932,810	
Loans and notes, net	100,000	-	-	70,961	-	48,971	368,296	588,228	
Interest	405,415	-	-	-	-	-	-	405,415	
Due from other governments	301,662	290,779	10,971	-	-	-	177,960	781,372	
Due from other funds	983,000	-	-	-	-	-	-	983,000	
<b>Total Assets</b>	<b>\$ 11,086,372</b>	<b>\$ 1,344,381</b>	<b>\$ 1,130,768</b>	<b>\$ 12,116,853</b>	<b>\$ 5,132,122</b>	<b>\$ 1,743,244</b>	<b>\$ 7,445,913</b>	<b>\$ 39,999,653</b>	
<b>Liabilities and Fund Balances</b>									
Liabilities:									
Accounts payable	\$ 121,993	\$ 180,534	\$ 194,302	\$ 1,143,404	\$ 16,300	\$ 280,455	\$ 233,004	\$ 2,169,992	
Salaries and benefits payable	120,026	24,272	95,955	-	40,518	488	22,089	303,348	
Retainage payable	-	-	-	315,330	-	520,172	-	835,502	
Due to developers	-	-	-	2,608,966	-	-	-	2,608,966	
Other accrued liabilities	769,189	-	-	-	-	-	-	769,189	
Deposits	-	-	-	182,625	263,445	52,175	27,191	525,436	
Deferred revenues	1,062,683	195	405,887	1,196,654	-	-	1,333,193	3,998,612	
Due to other funds	-	-	-	-	-	-	805,148	805,148	
<b>Total Liabilities</b>	<b>2,073,891</b>	<b>205,001</b>	<b>696,144</b>	<b>5,446,979</b>	<b>320,263</b>	<b>853,290</b>	<b>2,420,625</b>	<b>12,016,193</b>	
Fund Balances (Deficit):									
Reserved for:									
Loans and notes receivable	-	-	-	-	-	48,971	-	48,971	
Debt service	-	-	-	-	-	-	4,404,983	4,404,983	
Unreserved	9,012,481	-	-	-	-	-	-	9,012,481	
Unreserved reported in:									
Special revenue funds	-	1,139,380	434,624	6,669,874	4,811,859	-	1,157,669	14,213,406	
Capital projects funds	-	-	-	-	-	840,983	(537,364)	303,619	
<b>Total Fund Balances</b>	<b>9,012,481</b>	<b>1,139,380</b>	<b>434,624</b>	<b>6,669,874</b>	<b>4,811,859</b>	<b>889,954</b>	<b>5,025,288</b>	<b>27,983,460</b>	
<b>Total Liabilities and Fund Balances</b>	<b>\$ 11,086,372</b>	<b>\$ 1,344,381</b>	<b>\$ 1,130,768</b>	<b>\$ 12,116,853</b>	<b>\$ 5,132,122</b>	<b>\$ 1,743,244</b>	<b>\$ 7,445,913</b>	<b>\$ 39,999,653</b>	

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

**Reconciliation of the Governmental Funds Balance Sheet to  
the Statement of Net Assets**

June 30, 2006

<b>Total Fund Balances</b>		\$ 27,983,460
Interest income is reported in governmental funds when received but is accrued in the Statement of Net Assets when earned.		58,750
Capital assets are not financial resources and thus not reported in governmental funds, but are reported in the Statement of Net Assets at their net depreciable value.		
Cost	279,144,258	
Accumulated depreciation	<u>(19,191,349)</u>	259,952,909
Bond issuance costs are not financial resources in governmental funds, but are reported in the the Statement of Net Assets at their net unamortized value.		653,965
Prepaid pension obligations and the related cash held in trust for debt service of the pension obligations are not financial resources in governmental funds, but are reported in the Statement of Net Assets at their net unamortized value.		12,066,077
All liabilities are reported in the Statement of Net Assets whereas in governmental funds, liabilities not due and payable in the current period are not reported.		
Interest payable		(283,781)
Accrued compensated absences		(1,505,943)
Long-term debt		(50,099,600)
Property taxes collected after year end but not available soon enough to pay for current obligations are deferred in governmental funds but are recognized as revenue in the Statement of Activities.		522,436
Other revenues collected after year end but not available soon enough to pay for current obligations are deferred in governmental funds but are recognized as revenue in the Statement of Activities.		908,800
Assessment and other loans not available to pay for current obligations are deferred in governmental funds but are recognized as revenue in the Statement of Activities when the loan receivable is recorded.		1,486,203
Allowance for uncollectible assessments not recorded in governmental funds are recorded as a reduction in the loan receivable in the Statement of Net Assets.		(100,000)
Internal service funds are used by management to charge costs of certain activities such as garage services, information technology support, engineering services and administration and financial services to individual funds. The net assets of the internal service fund are reported with governmental activities.		<u>9,490,847</u>
<b>Total Net Assets</b>		<u><u>\$ 261,134,123</u></u>

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

City of Bend, Oregon  
**Statement of Revenues, Expenditures,  
and Changes in Fund Balances**

Governmental Funds  
For the fiscal year ended June 30, 2006

			Fire / Transportation						
	General	Transportation Operations	Emergency Medical Services	System Development Charges	Community Development	Urban Renewal Construction	Nonmajor Governmental Funds	Total Governmental Funds	
<b>Revenues</b>									
Taxes	\$ 18,672,046	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,058,955	\$ 21,731,001	
Franchise fees	4,566,561	433,559	-	18,352	-	-	-	5,018,472	
Intergovernmental	1,614,887	3,841,569	2,265,458	3,851,673	-	-	1,607,821	13,181,408	
Assessments	-	-	-	-	-	-	576,039	576,039	
License and permits	112,858	226,935	-	-	5,161,339	-	-	5,501,132	
Charges for services	153,072	217,300	1,965,283	-	89,167	68,397	3,765,386	6,258,605	
System development charges	-	-	-	7,310,883	-	-	-	7,310,883	
Contributions	-	-	-	30,962	-	-	-	30,962	
Fines and forfeitures	917,343	-	-	-	-	-	-	917,343	
Loan repayments	-	-	-	-	-	-	38,626	38,626	
Investment income	339,185	39,506	1,066	571,220	231,289	231,603	195,983	1,609,852	
Issuance of short-term debt	-	-	-	-	-	1,042,809	-	1,042,809	
Miscellaneous	38,893	33,302	2,688	42,071	1,318	2,427	6,341	127,040	
<b>Total Revenues</b>	<b>26,414,845</b>	<b>4,792,171</b>	<b>4,234,495</b>	<b>11,825,161</b>	<b>5,483,113</b>	<b>1,345,236</b>	<b>9,249,151</b>	<b>63,344,172</b>	
<b>Expenditures</b>									
Current operating:									
General government	888,770	-	-	-	-	-	-	888,770	
Public safety	13,035,453	-	11,093,341	-	-	-	3,800	24,132,594	
Public ways and facilities	-	5,500,609	-	1,262,059	-	-	50,400	6,813,068	
Community and economic development	-	-	-	-	5,006,381	-	3,983,418	8,989,799	
Urban renewal	-	-	-	-	-	327,582	377,776	705,358	
Transit	-	-	-	-	-	-	1,892,865	1,892,865	
Debt service:									
Principal	-	242,900	379,800	675,000	-	-	2,486,809	3,784,509	
Interest	-	20,393	83,180	653,147	-	-	1,612,536	2,369,256	
Capital outlay	312,018	1,538,976	65,414	10,326,980	106,551	9,583,895	122,520	22,056,354	
<b>Total Expenditures</b>	<b>14,236,241</b>	<b>7,302,878</b>	<b>11,621,735</b>	<b>12,917,186</b>	<b>5,112,932</b>	<b>9,911,477</b>	<b>10,530,124</b>	<b>71,632,573</b>	
<b>Excess (deficiency) of revenues over expenditures</b>	<b>12,178,604</b>	<b>(2,510,707)</b>	<b>(7,387,240)</b>	<b>(1,092,025)</b>	<b>370,181</b>	<b>(8,566,241)</b>	<b>(1,280,973)</b>	<b>(8,288,401)</b>	
<b>Other Financing Sources (Uses)</b>									
Proceeds from sale of assets	591,795	9,000	-	86,841	-	543,750	-	1,231,386	
Transfers in	-	1,654,000	7,617,500	141,959	-	953,834	1,672,700	12,039,993	
Transfers out	(10,969,500)	-	(3,800)	-	-	-	-	(10,973,300)	
<b>Total Other Financing Sources (Uses)</b>	<b>(10,377,705)</b>	<b>1,663,000</b>	<b>7,613,700</b>	<b>228,800</b>	<b>-</b>	<b>1,497,584</b>	<b>1,672,700</b>	<b>2,298,079</b>	
Net change in fund balances	1,800,899	(847,707)	226,460	(863,225)	370,181	(7,068,657)	391,727	(5,990,322)	
Fund balances, July 1, 2005	7,211,582	1,987,087	208,164	7,533,099	4,441,678	7,958,611	4,633,561	33,973,782	
<b>Fund balances, June 30, 2006</b>	<b>\$ 9,012,481</b>	<b>\$ 1,139,380</b>	<b>\$ 434,624</b>	<b>\$ 6,669,874</b>	<b>\$ 4,811,859</b>	<b>\$ 889,954</b>	<b>\$ 5,025,288</b>	<b>\$ 27,983,460</b>	

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

City of Bend, Oregon

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities**

For the fiscal year ended June 30, 2006

**Net Change in Fund Balances** \$ (5,990,322)

The change in net assets reported in the Statement of Activities is different because:

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

Capital assets additions	22,937,290	
Depreciation	<u>(3,914,425)</u>	19,022,865

Donated capital assets are not a current financial resource and are not reported as revenue in the governmental funds. In the Statement of Activities, such assets are reported as contribution revenue. 11,156,404

Proceeds from the sale of capital assets are reported in governmental funds when collected. In the Statement of Activities, the sale or disposal of capital assets is reported as a reduction in capital assets and any resulting gains and losses are reported when earned or incurred. (548,020)

Property taxes and other revenues that do not meet the measurable and available criteria do not provide current financial resources and are recorded as deferred revenue in governmental funds. In the Statement of Activities, these revenues are recognized as revenue when they are earned (or levied in the case of property taxes). 47,526

Assessment and other loan repayments collected are reported as revenue in the governmental funds when they are collected. In the Statement of Activities, revenues are recognized when the loan receivables are recorded and principle repayments collected reduce the loan receivable balance. (741,307)

Interest income is recorded when available in governmental funds. In the Statement of Activities, interest is accrued. (28,497)

Interest expenditures are recorded when due in governmental funds, whereas in the Statement of Activities, interest is accrued. (93,046)

Issuance of short-term debt is reported as revenues in governmental funds, but is reported as an increase in liabilities in the Statement of Net Assets. (1,042,809)

Repayments of bond principal are reported as expenditures in governmental funds, whereas they are reported as changes in bonds payable in the Statement of Net Assets. 3,784,509

Bond issuance costs, premiums and discounts incurred are reported by governmental funds as expenditures and/or netted with bond proceeds when the debt is first issued. These amounts are deferred and amortized in the Statement of Activities. (49,763)

Prepaid pension obligations are not reported in governmental funds but are deferred and amortized in the Statement of Activities. (545,103)

Unpaid compensated absences are not reported in governmental funds as they do not require the use of current financial resources. However the Statement of Activities reports such expenses when incurred regardless of when settlement ultimately occurs. (156,995)

Internal service funds are used by management to charge costs of certain activities such as garage services, information technology, engineering, administration and financial services to individual funds. The net revenues and expenses of the internal service fund are reported with governmental activities. 717,481

**Change in Net Assets** \$ 25,532,923

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

City of Bend, Oregon  
**Statement of Net Assets**  
Proprietary Funds  
June 30, 2006

	Business-Type Activities					Governmental
	Enterprise Funds					Activities
	Airport	Water	Wastewater	Nonmajor Enterprise Funds	Total	Internal Service Fund
<b>Assets</b>						
Current assets:						
Pooled cash and investments	\$ 65,197	\$ 9,922,587	\$ 9,934,287	\$ 1,069,137	\$ 20,991,208	\$ 7,519,651
Receivables:						
Accounts, net	13,805	1,416,146	1,063,580	10,804	2,504,335	5,294
Interest	-	443	8,835	-	9,278	-
Due from other governments	511,309	-	-	-	511,309	-
Due from other funds	-	-	210,000	-	210,000	12,148
Inventories	-	8,238	-	-	8,238	19,101
Prepays and deposits	-	16,741	11,493	32,308	60,542	26,399
Bond issue costs, net	3,031	6,057	69,201	-	78,289	16,979
<b>Total Current Assets</b>	<b>593,342</b>	<b>11,370,212</b>	<b>11,297,396</b>	<b>1,112,249</b>	<b>24,373,199</b>	<b>7,599,572</b>
Noncurrent assets:						
Restricted cash and investments	-	322,725	521,255	-	843,980	-
Loans and notes receivable	-	60,631	331,789	-	392,420	-
Capital assets, net	8,774,875	68,510,930	97,398,419	229,956	174,914,180	15,004,073
Bond issue costs, net	36,914	80,335	796,774	-	914,023	131,084
<b>Total Noncurrent Assets</b>	<b>8,811,789</b>	<b>68,974,621</b>	<b>99,048,237</b>	<b>229,956</b>	<b>177,064,603</b>	<b>15,135,157</b>
<b>Total Assets</b>	<b>9,405,131</b>	<b>80,344,833</b>	<b>110,345,633</b>	<b>1,342,205</b>	<b>201,437,802</b>	<b>22,734,729</b>
<b>Liabilities</b>						
Current liabilities:						
Accounts payable	8,321	895,437	683,047	40,427	1,627,232	552,111
Salaries and benefits payable	1,370	22,275	19,306	2,173	45,124	92,491
Retainage payable	12,016	122,913	41,331	-	176,260	-
Notes payable	947,000	-	-	-	947,000	-
Due to developers	-	294,857	281,501	-	576,358	-
Other accrued liabilities:						
Compensated absences	1,454	109,254	63,023	8,158	181,889	333,267
Interest	32,572	42,681	104,301	-	179,554	37,329
Insurance claims	-	-	-	-	-	68,994
Other	-	5,616,300	3,883,700	-	9,500,000	-
Deposits	121,405	175,026	-	-	296,431	1,256,690
Due to other funds	400,000	-	-	-	400,000	-
Current portion of long-term debt	102,657	155,000	740,000	-	997,657	181,000
<b>Total Current Liabilities</b>	<b>1,626,795</b>	<b>7,433,743</b>	<b>5,816,209</b>	<b>50,758</b>	<b>14,927,505</b>	<b>2,521,882</b>
Noncurrent liabilities:						
Long-term debt, net	1,914,869	3,170,000	13,662,875	-	18,747,744	10,722,000
<b>Total Noncurrent Liabilities</b>	<b>1,914,869</b>	<b>3,170,000</b>	<b>13,662,875</b>	<b>-</b>	<b>18,747,744</b>	<b>10,722,000</b>
<b>Total Liabilities</b>	<b>3,541,664</b>	<b>10,603,743</b>	<b>19,479,084</b>	<b>50,758</b>	<b>33,675,249</b>	<b>13,243,882</b>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	5,650,294	65,272,322	83,861,519	229,956	155,014,091	4,249,136
Restricted for:						
Debt service	-	322,725	521,255	-	843,980	-
Unrestricted	213,173	4,146,043	6,483,775	1,061,491	11,904,482	5,241,711
<b>Total Net Assets</b>	<b>\$ 5,863,467</b>	<b>\$ 69,741,090</b>	<b>\$ 90,866,549</b>	<b>\$ 1,291,447</b>	<b>\$ 167,762,553</b>	<b>\$ 9,490,847</b>

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

City of Bend, Oregon

**Statement of Revenues, Expenses and Changes in Net Assets**

Proprietary Funds

For the fiscal year ended June 30, 2006

	Business-Type Activities					Governmental
	Enterprise Funds					Activities
	Airport	Water	Wastewater	Nonmajor Enterprise Funds	Total	Internal Service Fund
<b><u>Operating Revenues</u></b>						
Franchise fees	\$ -	90,372	\$ 85,048	\$ -	\$ 175,420	\$ -
License and permits	-	-	-	-	-	95,930
Charges for services	507,640	10,084,701	8,427,142	401,077	19,420,560	22,824,251
Miscellaneous	49,068	320,073	290,800	94	660,035	43,468
<b>Total Operating Revenues</b>	<b>556,708</b>	<b>10,495,146</b>	<b>8,802,990</b>	<b>401,171</b>	<b>20,256,015</b>	<b>22,963,649</b>
<b><u>Operating Expenses</u></b>						
Salaries and benefits	117,936	2,100,313	1,840,167	197,016	4,255,432	8,490,967
Materials and supplies	114,313	2,903,239	2,186,769	312,290	5,516,611	3,945,264
Internal services	104,500	2,025,992	1,647,854	221,322	3,999,668	1,862,164
Insurance premiums and claims	-	-	-	-	-	7,078,069
Depreciation	217,317	1,751,515	2,196,218	15,341	4,180,391	570,625
<b>Total Operating Expenses</b>	<b>554,066</b>	<b>8,781,059</b>	<b>7,871,008</b>	<b>745,969</b>	<b>17,952,102</b>	<b>21,947,089</b>
<b>Operating income (loss)</b>	<b>2,642</b>	<b>1,714,087</b>	<b>931,982</b>	<b>(344,798)</b>	<b>2,303,913</b>	<b>1,016,560</b>
<b><u>Nonoperating Revenues (Expenses)</u></b>						
Investment income	(11,883)	369,588	358,434	94,367	810,506	217,369
Interest expense	(118,247)	(172,350)	(455,171)	-	(745,768)	(402,098)
Capital grants and contributions	1,145,328	-	-	-	1,145,328	-
System development charges	-	3,530,299	3,139,225	-	6,669,524	-
Parking improvement fees	-	-	-	21,500	21,500	-
Write-off of parking improvement fees	-	-	-	(101,000)	(101,000)	-
Permanent maintenance fees	-	-	-	18,909	18,909	-
Amortization of bond issue costs	(3,031)	(6,057)	(53,654)	-	(62,742)	(13,317)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>1,012,167</b>	<b>3,721,480</b>	<b>2,988,834</b>	<b>33,776</b>	<b>7,756,257</b>	<b>(198,046)</b>
<b>Income (loss) before contributions and transfers</b>	<b>1,014,809</b>	<b>5,435,567</b>	<b>3,920,816</b>	<b>(311,022)</b>	<b>10,060,170</b>	<b>818,514</b>
<b><u>Contributions and transfers</u></b>						
Capital contributions	-	3,473,641	6,556,551	-	10,030,192	-
Transfers in	90,000	-	-	346,000	436,000	742,000
Transfers out	-	(70,798)	(377,028)	(953,834)	(1,401,660)	(843,033)
<b>Total Contributions and Transfers</b>	<b>90,000</b>	<b>3,402,843</b>	<b>6,179,523</b>	<b>(607,834)</b>	<b>9,064,532</b>	<b>(101,033)</b>
Change in net assets	1,104,809	8,838,410	10,100,339	(918,856)	19,124,702	717,481
Net Assets, July 1, 2005	4,758,658	60,902,680	80,766,210	2,210,303	148,637,851	8,773,366
<b>Net Assets, June 30, 2006</b>	<b>\$ 5,863,467</b>	<b>69,741,090</b>	<b>\$ 90,866,549</b>	<b>\$ 1,291,447</b>	<b>\$ 167,762,553</b>	<b>\$ 9,490,847</b>

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



City of Bend, Oregon  
**Statement of Cash Flows**  
 Proprietary Funds  
 For the fiscal year ended June 30, 2006

	Business-Type Activities					Governmental
	Enterprise Funds					Activities
	Airport	Water	Wastewater	Nonmajor Enterprise Funds	Total	Internal Service Fund
<b><u>Cash Flows from Operating Activities</u></b>						
Cash received from customers	\$ 638,708	\$ 10,297,919	\$ 8,633,818	\$ 405,477	\$ 19,975,922	\$ 3,836,564
Cash received from interfund services provided	-	-	-	-	-	19,940,776
Cash paid to employees for services	(117,129)	(2,086,902)	(1,827,251)	(190,325)	(4,221,607)	(8,412,875)
Cash paid to suppliers for goods and services	(126,585)	(2,713,395)	(2,227,479)	(318,961)	(5,386,420)	(10,896,291)
Cash paid for interfund services used	(104,500)	(2,025,992)	(1,647,854)	(221,322)	(3,999,668)	(1,862,164)
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>290,494</b>	<b>3,471,630</b>	<b>2,931,234</b>	<b>(325,131)</b>	<b>6,368,227</b>	<b>2,606,010</b>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>						
Advances to other funds	-	-	(210,000)	-	(210,000)	-
Interfund loan repayments	-	-	389,000	-	389,000	-
Transfers from other funds	90,000	-	-	346,000	436,000	742,000
Transfers to other funds	-	(70,798)	(377,028)	(953,834)	(1,401,660)	(843,033)
<b>Net Cash Provided By (Used For) Noncapital Financing Activities</b>	<b>90,000</b>	<b>(70,798)</b>	<b>(198,028)</b>	<b>(607,834)</b>	<b>(786,660)</b>	<b>(101,033)</b>
<b><u>Cash Flow from Capital and Related Financing Activities</u></b>						
Issuance of debt	600,000	-	149,900	-	749,900	4,751,081
Payment of bond issue costs	-	-	(68,449)	-	(68,449)	(26,703)
Payment to refunded bond escrow agent	-	-	(191,567)	-	(191,567)	-
Principal payments on notes, bonds and certificates	(702,066)	(145,000)	(641,861)	-	(1,488,927)	(174,000)
Interest payments on notes, bonds and certificates	(108,682)	(173,981)	(530,301)	-	(812,964)	(389,135)
Capital grants and contributions	1,033,512	-	-	-	1,033,512	-
System development charges	-	3,429,900	3,216,962	-	6,646,862	-
Permanent maintenance fees	-	-	-	18,909	18,909	-
Parking improvement fees	-	-	-	930,046	930,046	-
Acquisition and construction of capital assets	(1,247,183)	(5,317,530)	(2,031,337)	(32,079)	(8,628,129)	(5,325,334)
<b>Net Cash Provided By (Used For) Capital and Related Financing Activities</b>	<b>(424,419)</b>	<b>(2,206,611)</b>	<b>(96,653)</b>	<b>916,876</b>	<b>(1,810,807)</b>	<b>(1,164,091)</b>
<b><u>Cash Flows from Investing Activities</u></b>						
Investment income	(11,883)	369,588	358,434	94,367	810,506	217,369
<b>Net change in pooled cash and investments</b>	<b>(55,808)</b>	<b>1,563,809</b>	<b>2,994,987</b>	<b>78,278</b>	<b>4,581,266</b>	<b>1,558,255</b>
Pooled Cash and Investments, July 1, 2005	121,005	8,681,503	7,460,555	990,859	17,253,922	5,961,396
<b>Pooled Cash and Investments, June 30, 2006</b>	<b>\$ 65,197</b>	<b>\$ 10,245,312</b>	<b>\$ 10,455,542</b>	<b>\$ 1,069,137</b>	<b>\$ 21,835,188</b>	<b>\$ 7,519,651</b>
<b><u>Reconciliation to Statement of Net Assets</u></b>						
Pooled cash and investments	\$ 65,197	\$ 9,922,587	\$ 9,934,287	\$ 1,069,137	\$ 20,991,208	\$ 7,519,651
Restricted cash and investments	-	322,725	521,255	-	843,980	-
<b>Pooled Cash and Investments, June 30, 2006</b>	<b>\$ 65,197</b>	<b>\$ 10,245,312</b>	<b>\$ 10,455,542</b>	<b>\$ 1,069,137</b>	<b>\$ 21,835,188</b>	<b>\$ 7,519,651</b>

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

City of Bend, Oregon  
**Statement of Cash Flows (Continued)**  
 Proprietary Funds  
 For the fiscal year ended June 30, 2006

	Business-Type Activities					Governmental
	Enterprise Funds					Activities
	Airport	Water	Wastewater	Nonmajor Enterprise Funds	Total	Internal Service Fund
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>						
Operating income (loss)	\$ 2,642	\$ 1,714,087	\$ 931,982	\$ (344,798)	\$ 2,303,913	\$ 1,016,560
Adjustments to reconcile operating income (loss) to net cash provided by operating activities						
Depreciation	217,317	1,751,515	2,196,218	15,341	4,180,391	570,625
Loss on disposal of capital assets	-	-	-	-	-	13,441
Change in:						
Accounts receivable	383	(211,951)	(121,948)	4,306	(329,210)	1,314
Loans and notes receivable	-	(2,176)	(47,224)	-	(49,400)	-
Due from other funds	-	-	-	-	-	(12,148)
Inventories	-	-	-	-	-	4,896
Prepays and deposits	-	(2,573)	(1,743)	(32,308)	(36,624)	(14,580)
Accounts payable	(12,272)	192,417	(38,967)	25,637	166,815	147,268
Salaries and benefits payable	713	1,903	1,007	1,490	5,113	8,538
Compensated absences payable	94	11,508	11,909	5,201	28,712	69,554
Insurance premiums and claims payable	-	-	-	-	-	(23,983)
Prepays and deposits payable	81,617	16,900	-	-	98,517	824,525
<b>Net Cash Provided By (Used in) Operating Activities</b>	<b>\$ 290,494</b>	<b>\$ 3,471,630</b>	<b>\$ 2,931,234</b>	<b>\$ (325,131)</b>	<b>\$ 6,368,227</b>	<b>\$ 2,606,010</b>

Noncash Capital and Related Financing Activities

The City received donated water and wastewater infrastructure totaling \$3,473,641 and \$6,556,551 respectively in the current year.

Acquisition of capital assets financed through accounts payable for the current year totaled \$15,562 in the Airport Fund, \$653,878 in the Water Fund, \$466,094 in the Wastewater Fund and \$98,954 in the Internal Service Fund.

Loans receivable totaling \$101,000 were written off in the Downtown Parking Fund in the current year.

The City issued sewer advanced refunding bonds in September 2005. Noncash transactions included payment of bond issuance costs of \$143,810, payment to the refunding escrow agent totaling \$7,482,857 and reduction of bonds payable of \$6,990,000.

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

City of Bend, Oregon

**Statement of Fiduciary Assets and Liabilities**

Fiduciary Fund

June 30, 2006

	<b><u>Agency Fund</u></b>
<b><u>Assets</u></b>	
Cash and investments	\$ 731,250
Accounts receivable, net	105
<b>Total Assets</b>	<b>731,355</b>
<b><u>Liabilities</u></b>	
Amounts held for others	731,355
<b>Total Liabilities</b>	<b>731,355</b>
<b>Net Assets</b>	<b>\$ -</b>

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

# CITY OF BEND, OREGON

## Notes to Basic Financial Statements

Fiscal Year Ended June 30, 2006

### **Note 1 - Summary of Significant Accounting Policies**

The accounting and reporting policies of the City of Bend (the City) and its component unit included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

The significant accounting policies of the City are described below.

#### The Financial Reporting Entity

As required by GAAP, the financial reporting entity consists of the primary government, as well as its component unit, which is a legally separate organization for which the elected officials of the primary government are financially accountable or a legally separate organization that raises and holds economic resources for the direct benefit of the primary government. 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 accompanying financial statements present the City of Bend, Oregon (the primary government) and its component unit, the Bend Urban Renewal Agency. The component unit discussed in the next paragraph is blended and reported as if it is part of the City.

*Blended Component Unit* - The Bend Urban Renewal Agency (the Agency), is a legally separate public body corporate and politic, created by ordinance of the City. The Agency's board consists exclusively of members of the City Council. The City can impose its will on the Agency through its ability to modify and approve the Agency's budget and govern the overall policies of the Agency. The services of the Agency are exclusively for the benefit of the City, and the assets, liabilities, revenues and expenses related to the Agency are reported in the government-wide financial statements. The Agency has a June 30 year-end and unless otherwise noted in this report, the accounting policies of this component unit are consistent with those described for the primary government.

The Agency receives funds through tax increment financing pursuant to Oregon Revised Statutes (ORS) 457.420 through 457.450. Separate financial statements for the Agency can be obtained from the finance department of the City of Bend, 710 NW Wall Street, Bend, OR 97701.

#### Organization

The City of Bend, Oregon is a municipal corporation governed by an elected council of seven members. The City (located in Deschutes County) was organized in 1904 and incorporated in 1905 under Article XI of the State of Oregon Constitution. On May 16, 1995, City voters approved the City of Bend Charter of 1995, replacing the previously approved City Charter of 1960. The Bend Charter of 1995 modernizes language utilized and reflects changes in conditions, provides for councilors to be elected to terms of four years rather than two or four years and establishes terms of two years for the mayor and mayor pro-tem. The City continues to operate under a council/manager form of government and provides the following services as authorized by its charter: police, fire, ambulance, municipal court, community development, planning, street construction and maintenance, transportation facilities including limited bus service and airport, cemetery, public works, water, wastewater and stormwater utilities.

CITY OF BEND, OREGON

Notes to Basic Financial Statements (Continued)

Fiscal Year Ended June 30, 2006

**Note 1 - Summary of Significant Accounting Policies (Continued)**

Financial Statement Presentation, Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities report information on all activities of the primary government and its blended component unit. Governmental activities, which are supported by taxes, intergovernmental revenues and charges for services, are reported separately from business-type activities, which rely on fees charged to external parties for services. The City's Agency fund has been excluded from the government-wide financial statements.

The Statement of Activities presents the direct expenses of a given function/program or business-type activity and the related program revenues categorized into charges for services, operating grants and contributions and capital grants and contributions. Direct expenses are those that are clearly identifiable with a specific function or program. Indirect expenses are those costs, usually administrative in nature, that support all City functions and enable direct services to be provided. Program revenues include 1) fees, fines and charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, investment income and other items not included among program revenues are reported as general revenues.

The government-wide financial statements are accounted for using an economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Nonexchange transactions, in which the City receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the year for which the taxes are levied. Revenues from grants, entitlements and donations are recognized when all eligibility requirements have been satisfied. The effect of interfund activity such as transfers, advances and loans is eliminated.

For purposes of the government-wide financial statements, the City has elected not to apply private-sector standards of accounting and financial reporting issued after November 30, 1989, unless specifically adopted by Governmental Accounting Standards Board pronouncements.

Fund Financial Statements

The City uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance, and to aid financial management by segregating transactions related to certain functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate funds. Fund financial statements are provided for governmental, proprietary and fiduciary funds.

Governmental funds are used to account for most of the City's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of capital assets (capital projects funds), and the servicing of general long-term debt (debt service funds).

The governmental fund financial statements are accounted for using a current financial resources measurement focus whereby only current assets and liabilities generally are included in the Balance Sheet, and the Statement of Revenues, Expenditures and Changes in Fund Balance presents increases and decreases in those current net assets. Governmental funds use the modified accrual basis of accounting where revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount

CITY OF BEND, OREGON

Notes to Basic Financial Statements (Continued)

Fiscal Year Ended June 30, 2006

**Note 1 - Summary of Significant Accounting Policies (Continued)**

can be determined and "available" means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period. 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.

The City considers property taxes available and susceptible to accrual if they are collected within sixty days after year-end.

Intergovernmental revenues are recognized when all eligibility requirements are met. Eligibility requirements for intergovernmental revenues received on a reimbursement basis (i.e. where monies must be expended on specific projects or for a specific purpose before any amounts are paid to the City) are determined to be met when the underlying expenditures are recorded. Eligibility requirements for intergovernmental revenues which are unrestricted as to purpose of the expenditure and are usually revocable only for failure to comply with prescribed requirements are considered to be met at the time of receipt or when susceptible to accrual.

Special assessments and loan repayments collected within 60 days after year end are considered measurable and available and are recognized as revenues.

Licenses and permits, charges for services and miscellaneous revenues are recognized as revenues when received because they are generally not measurable until actually received.

The following are the City's major governmental funds:

**General Fund** – The General Fund accounts for the City's police and municipal court operations and general services not accounted for within another fund. The principal sources of revenue include property taxes, franchise fees, intergovernmental revenue, transient room taxes and fines. Primary expenditures are for police, municipal court operations and transfers to other funds needing general fund support.

**Transportation Operations Fund** - This fund accounts for the City's transportation operations, including street repair, maintenance and lighting. Resources consist primarily of state highway fund apportionment and support from the general fund.

**Fire / Emergency Medical Services (EMS) Fund** - This fund accounts for the City's fire protection and emergency medical services. Revenues include general fund support, fire protection contracts, charges for emergency medical services and Firemed memberships.

**Transportation System Development Charges (SDC) Fund** - This fund is used to account for construction of streets, intersections, trails and other transportation infrastructure. Financing is provided by system development charges and developer contributions. Expenditures are used for transportation modernization and expansion projects including right-of-way acquisitions.

**Community Development Fund** – The Community Development Fund is used to account for the City's building inspection, building compliance, and permitting activities. The principal sources of revenue are permit fees, plan check fees and other charges for services provided.

**Urban Renewal Construction Fund** – This fund accounts for the cost of construction activities of the Bend Urban Renewal Agency other than costs related to Juniper Ridge. The principal source of revenue is loan proceeds used to relieve urban blight and renovate the downtown area.

CITY OF BEND, OREGON

Notes to Basic Financial Statements (Continued)

Fiscal Year Ended June 30, 2006

**Note 1 - Summary of Significant Accounting Policies (Continued)**

Proprietary Funds

Proprietary funds are used to account for activities similar to those found in the private sector where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments of the City (internal service fund). Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the funds' on-going operations. The principle operating revenues are charges to customers. Operating expenses include cost of sales, personnel costs, administration expenses and depreciation.

All proprietary funds are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. The accrual basis of accounting is utilized by proprietary fund types where revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The following are the City's major enterprise funds:

**Airport Fund** – The Airport fund accounts for the operation of the City's municipal airport. The principal sources of revenue are hangar, ground and operator leases and Federal and State grants. Expenses are for maintenance and improvement of airport facilities.

**Water Fund** - This fund accounts for the maintenance, operation and construction of the City's water intake, purification and delivery systems. Principal sources of revenue are user fees and system development charges.

**Wastewater Fund (previously Sewer Fund)**- This fund accounts for the maintenance, operation and construction of the City's wastewater collection and treatment system. The principal sources of revenue are user fees and system development charges.

Additionally, the City reports the following fund types:

**Internal Service Fund** - The Internal Service Fund accounts for those activities and services furnished internally to other departments within the City on a cost reimbursement basis. Charges are made to the various departments to support these activities. The City has one internal service fund comprised of the following divisions: Garage, Information Technology, Facility Management, Engineering, Public Works Administration, Risk Management, Administration and Financial Services and Economic Development Administration. The Engineering division performs construction plan reviews for other City departments and external customers, thus revenues of the Engineering division include fees charged to other departments and external customers. The aggregate of all these divisions is reflected as the Internal Service Fund in the fund financial statements.

Fiduciary Fund

Assets held in a trustee capacity for others and not used to support the City's own programs qualify as fiduciary. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City has the following fiduciary fund:

**Agency Fund** - The agency fund accounts primarily for the assets and liabilities of various monies received on behalf of the Bend Metro Parks and Recreation District. Agency activity is custodial in nature and does not involve the measurement of results of operations.



CITY OF BEND, OREGON

Notes to Basic Financial Statements (Continued)

Fiscal Year Ended June 30, 2006

**Note 1 - Summary of Significant Accounting Policies (Continued)**

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

Accounting Pronouncements

The City adopted Governmental Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, which establishes accounting and financial reporting standards for impairment of capital assets. There is no financial impact to the City for the fiscal year ended June 30, 2006 as a result of the implementation of this statement.

The City also adopted GASB Statement No. 47, *Accounting for Termination Benefits*, which provides guidance on how employers should account for benefits associated with either voluntary or involuntary terminations. There is no financial impact to the City for the fiscal year ended June 30, 2006 as a result of the implementation of this statement.

Pooled Cash and Investments

The City maintains a common cash and investment pool for all City funds. Investments in the State Treasurer's Local Government Investment Pool (LGIP) are considered short-term and highly liquid where the remaining maturity at the time of purchase is one year or less, and thus are stated at amortized cost, which approximates fair value. The LGIP is governed by the Oregon Short Term Fund Board and audited by the Secretary of State, Audits Division. The fair value of the City's position in the LGIP is the same as the value of the pool shares.

All other investments are stated at fair value. Fair value is determined as the quoted market price if available, otherwise the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties. Earnings on pooled cash and investments are credited to each fund monthly based on the average daily balance of each participating fund. Pooled cash and investments have the general characteristics of a demand deposit account in that any participating fund may deposit additional cash at any time and may also withdraw cash at any time without prior notice or penalty.

Restricted Cash and Investments

Restricted cash and investments are those whose use is restricted to specific purposes by state statute, bond indenture or otherwise. At June 30, 2006, the City had \$2,384,058 of cash and investments restricted for debt service, \$831,174 restricted for construction and \$3,286 of cash restricted by contracts and agreements.

Receivables

Property taxes are assessed on a July 1 - June 30 fiscal year basis. The taxes are levied July 1 and property owners have the option of paying the full amount by November 15 or prior to February 15 and receiving a discount or paying in three installments, November 15, February 15 and May 15. Property taxes attach as an enforceable lien July 1 and are considered delinquent if not paid by the following May 15. The County Treasurer is the tax collection agent for all taxing entities within the County. Tax revenue is considered received when in the hands of the County as the intermediary collection agency. In the governmental funds, tax revenue is recognized when collected and available to the City. Taxes receivable at June 30, less tax collections received within sixty days subsequent to year end, are recorded as deferred revenue. Management has determined that an allowance for uncollectible accounts is not required for property taxes.

CITY OF BEND, OREGON

Notes to Basic Financial Statements (Continued)

Fiscal Year Ended June 30, 2006

**Note 1 - Summary of Significant Accounting Policies (Continued)**

Prepaid Pension Obligation

In May 2004, the City issued limited tax pension obligation bonds to make a supplemental lump-sum payment to the Oregon Public Employees Retirement System (PERS). The intent was to prepay a portion of the City's share of the PERS unfunded actuarial liability. Amortization of this supplemental lump-sum payment is recognized as pension expense over the life of the bonds using the straight-line method.

Inventory

Inventories of materials and supplies are valued at cost or average cost on the first-in, first-out method. Inventory is capitalized and charged to operations when consumed.

Capital Assets

Capital assets are stated at historical cost, or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the fair market value of such assets at the date of donation. As permitted by GASB Statement No. 34, the City has limited the capitalization of infrastructure to only those assets which were constructed or acquired after July 1, 2002. The City has elected to phase-in the capitalization of its infrastructure assets constructed or acquired prior to July 1, 2002. The phase-in is required to be complete by fiscal year ending June 30, 2007. Capital assets include land, right-of-way, buildings, improvements, infrastructure and equipment costing over \$5,000 with an estimated life of one year or more. Maintenance and repairs that do not add to the value of the assets or extend the assets' lives are charged to expense as incurred and are not capitalized.

Depreciation is computed using the straight-line method over the estimated useful lives of the related capital assets, except for land, right-of ways and works of art which are considered inexhaustible in nature and are not depreciated. The estimated useful lives of the various categories of assets are as follows:

Buildings and improvements	20 to 75 years
Infrastructure	60 to 75 years
Vehicles and equipment	3 to 12 years

Upon disposal of capital assets, the accounts are relieved of the related historical costs and accumulated depreciation, and if appropriate, resulting gains or losses are recognized.

Capitalized Interest

Capital assets of the proprietary funds constructed with tax-exempt borrowing include capitalized interest as part of the costs of the assets. All interest costs of the borrowing less any interest earned on investments acquired with the proceeds of the borrowing are capitalized from the date of the borrowing until the assets are ready for their intended use. There was no capitalized interest for the fiscal year ended June 30, 2006.

Compensated Absences

Liabilities for vacation pay are recorded in the Statement of Net Assets and proprietary fund financial statements when vested or earned by employees. Compensated absences liability accrued at the end of each year is used within one year and is reported with other accrued liabilities.

In governmental funds, compensated absences are reported only if they have matured, ie. a governmental fund liability and expenditure is recognized only as payments come due each period when relevant events such as employee resignations and retirements occur. Sick leave pay does not vest and is recorded as leave is taken.

Long-term Debt and Bond Issuance Costs

Long-term debt is reported as a liability in the Statement of Net Assets and proprietary fund financial statements. The **Note 1 - Summary of Significant Accounting Policies (Continued)**

## CITY OF BEND, OREGON

### Notes to Basic Financial Statements (Continued)

Fiscal Year Ended June 30, 2006

#### Long-term Debt and Bond Issuance Costs (continued)

related bond discounts, premiums and issuance costs are deferred and amortized over the term of the bonds using the straight-line method. In the governmental fund financial statements, the bond discounts, premiums and issuance costs are recognized when incurred and not deferred. The face amount of the debt issued and premiums received are reported as other financing sources while discounts are reported as other financing uses. Bond issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures in the governmental fund financial statements.

#### Fund Balances

In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted to outside parties for use for specific purposes. When both restricted and unrestricted resources are available for appropriation, the City's policy is to use restricted resources first.

Unreserved fund balance may be designated by management for specific purposes. At June 30, 2006, unreserved fund balances were designated as follows:

- \$1,139,380 – designated for street and right-of-way maintenance
- 434,624 – designated for fire protection and emergency medical service operations
- 6,669,874 – designated for construction of transportation infrastructure
- 303,619 – designated for other construction activities
- 4,811,859 – designated for building inspection activities
- 1,157,669 – designated for transit and community and economic development activities

At June 30, 2006 the following funds had deficit fund balances:

- the Community Development Block Grant Fund had a deficit fund balance of \$5,438,
- the Improvement District Construction Fund had a deficit fund balance of \$156,313 and
- the Juniper Ridge Construction Fund had a deficit fund balance of \$381,051.

#### Appropriation and Budgetary Controls

The City is subject to provisions of the Oregon Revised Statutes which set forth local budget procedures. A resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Appropriations are established by program or activity.

The City Council may, however, approve additional appropriations for necessary expenditures which could not be reasonably estimated at the time the budget was adopted. Additionally, budgets may be modified during the fiscal year by the use of appropriation transfers between legal categories or appropriation transfers from one fund to another.

Such transfers must be authorized by official resolution or ordinance of the City Council. The resolution or ordinance must state the need for the transfer, the purpose of the authorized expenditures and the amount of the appropriation transferred.

Transfers of operating contingency appropriations which in aggregate during a fiscal year exceed 15% of the total appropriations of the fund may only be made after adoption of a supplemental budget prepared for that purpose. A supplemental budget less than 10% of the fund's original budget may be adopted at a regular meeting of the governing body. A supplemental budget greater than 10% of the fund's original budget requires public hearings, publication in newspapers and approval by the Council. Budget amounts shown in the financial statements include the original budget and final budget as modified by supplemental budgets and budget transfers. Supplemental appropriations were approved by the City Council for the 2005-06 fiscal year. All appropriations terminate on June 30.

CITY OF BEND, OREGON

Notes to Basic Financial Statements (Continued)

Fiscal Year Ended June 30, 2006

**Note 1 - Summary of Significant Accounting Policies (Continued)**

Expenditures in Excess of Appropriations

Oregon law requires disclosure of fund expenditures in excess of appropriations. For the fiscal year ended June 30, 2006, the Urban Renewal Construction Fund expenditures exceeded appropriations by \$12,426 due to unanticipated additional construction payments made.

**Note 2 – Cash and Investments**

The City maintains a common cash and investment pool for all City funds. The types of investments in which the City may invest are restricted by State of Oregon statutes and a Council adopted investment policy. Authorized investments include general obligations of the United States Government and its agencies, obligations of the States of Oregon, California, Idaho and Washington that have a rating of AA or better, A-1 rated commercial paper and banker's acceptances, Aa rated corporate bonds, time deposits, repurchase agreements and the State of Oregon Local Government Investment Pool. At June 30, 2006, the City's cash and investments are comprised of the following:

Cash on hand	\$ 4,810
Deposits with financial institutions	503,672
Investments:	
Money market account	3,078,465
State of Oregon Local Government Investment Pool	14,165,646
Commercial paper	3,238,041
U.S. and U.S. agency obligations	35,457,709
Obligations of the States of Oregon, California, Idaho and Washington	1,587,792
Corporate bonds	<u>5,263,780</u>
Total pooled cash and investments	<u>\$ 63,299,915</u>

Cash and investments are reflected on the basic financial statements as follows:

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	Agency <u>Fund</u>	<u>Total</u>
Pooled cash and investments	\$ 38,358,939	\$ 20,991,208	\$ 731,250	\$ 60,081,397
Restricted cash and investments	<u>2,374,538</u>	<u>843,980</u>	<u>-</u>	<u>3,218,518</u>
	<u>\$ 40,733,477</u>	<u>\$ 21,835,188</u>	<u>\$ 731,250</u>	<u>\$ 63,299,915</u>

Deposits with financial institutions

The City's deposits with financial institutions are insured up to \$100,000 by the Federal Depository Insurance Corporation (FDIC). To provide the additional security required by Oregon Revised Statutes, Chapter 295, the City obtains \$9,000,000 of collateral certificates through Bank of the Cascades using Federal Home Loan Bank of Seattle as pool manager. Securities in the City's name having a value of not less than 25% of the amount of the certificates are held by the custodian of the pooled collateral, who is considered to be the City's agent. The bank balance as of June 30, 2006 maintained by the City was \$3,816,665. Of this amount, \$100,000 was covered by FDIC, \$2,250,000 was collateralized by securities held by financial institutions acting as agents of the City and the remaining \$1,466,665 was uninsured and uncollateralized.

CITY OF BEND, OREGON

Notes to Basic Financial Statements (Continued)

Fiscal Year Ended June 30, 2006

**Note 2 – Cash and Investments (Continued)**

Interest Rate Risk

As a means to limit exposure to fair value loss arising from interest rates, the City's investment policy requires that at least half of the City's investments mature in less than one year. Investment maturity limitations and actual maturities for the City's investments are as follows:

<u>Maturity</u>	<u>Minimum Investment</u>	<u>Actual at June 30, 2006</u>
Less than 30 days	10%	34%
Less than 12 months	50%	88%
Less than 18 months	65%	100%
Less than 7 years	100%	100%

Credit Risk

The City's investment policy limits investments in commercial paper and corporate bonds to those rated at least A-1 and AA respectively by a nationally recognized rating agency. In addition, ownership of commercial paper and corporate bonds is limited to a combined total of 35% of the portfolio with no more than 5% of the portfolio held in any one issuer. At June 30, 2006, the City was in compliance with the above policy requirements with commercial paper and corporate bonds totaling less than 14% of the portfolio. Investments in obligations of the States of Oregon, California, Idaho and Washington must be rated AA or better and ownership of such obligations is limited to 25% of the portfolio with no more than 10% held in any one issuer. The City's investments in such obligations made up less than 3% of the portfolio at June 30, 2006.

The State of Oregon Local Government Pool and money market account are unrated. Commercial paper investments are rated A-1 and other investments held at June 30, 2006 are categorized by rating as follows:

<u>Rating by Moody's Investor Service</u>	<u>U.S. and U.S. Agency Obligations</u>	<u>State Obligations</u>	<u>Corporate Bonds</u>
Aaa	\$ 35,457,709	\$ 1,587,792	\$ -
Aa1	-	-	962,006
Aa2	-	-	1,064,573
Aa3	-	-	3,237,201
	<u>\$ 35,457,709</u>	<u>\$ 1,587,792</u>	<u>\$ 5,263,780</u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of failure of a counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City's policy is to have securities held in a segregated account for the City's benefit by a third party financial institution serving as safekeeping and custody agent. At June 30, 2006, the City does not have investments exposed to custodial credit risk.

**Note 3 – Assessments and Loans and Notes Receivable**

Assessments receivable consist of amounts levied against benefited property owners for the cost of public improvements and attach as an enforceable lien on the property until paid. All the City's assessment loans are made over a period of 10 years and bear interest ranging from 6.50% to 7.50%.

CITY OF BEND, OREGON

Notes to Basic Financial Statements (Continued)

Fiscal Year Ended June 30, 2006

**Note 3 – Assessments and Loans and Notes Receivable (Continued)**

Loans and notes receivable consisted of the following at June 30, 2006:

	Governmental Activities	Business-type Activities
Promissory notes receivable for system development charges and improvement fees, 1 to 10 year terms with 6% to 7% interest	\$ 70,961	\$ 239,162
Promissory notes receivable due from the Bend Community Center in 2008 with interest at 7%	100,000	-
Sewer connection charge assessments, 10 year terms with 5% to 7.25% interest	-	153,258
Community development block grant loans to qualified individuals or organizations, various terms with zero interest	368,296	-
Low interest deferred loans to downtown businesses for urban renewal	48,971	-
	<u>\$ 588,228</u>	<u>\$ 392,420</u>

**Note 4 – Capital Assets**

Capital asset activity for the year ended June 30, 2006 was as follows:

<u>Governmental activities</u>	<u>Balance July 1, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2006</u>
Capital assets not being depreciated:				
Land including right-of-way	\$ 143,712,278	\$ 6,973,931	\$ -	\$ 150,686,209
Artwork	517,615	178,000	-	695,615
Construction in progress	8,636,773	27,090,765	(27,681,230)	8,046,308
Total capital assets not being depreciated	<u>152,866,666</u>	<u>34,242,696</u>	<u>(27,681,230)</u>	<u>159,428,132</u>
Capital assets being depreciated:				
Buildings and building improvements	26,308,029	13,829,044	-	40,137,073
Infrastructure	65,413,115	17,843,733	-	83,256,848
Vehicles and equipment	14,524,818	1,154,217	(286,899)	15,392,136
Total capital assets being depreciated	<u>106,245,962</u>	<u>32,826,994</u>	<u>(286,899)</u>	<u>138,786,057</u>
Less accumulated depreciation for:				
Buildings and building improvements	2,514,818	439,684	-	2,954,502
Infrastructure	8,954,079	2,733,075	-	11,687,154
Vehicles and equipment	7,576,219	1,312,291	(272,959)	8,615,551
Total accumulated depreciation	<u>19,045,116</u>	<u>4,485,050</u>	<u>(272,959)</u>	<u>23,257,207</u>
Total capital assets being depreciated, net	<u>87,200,846</u>	<u>28,341,944</u>	<u>(13,940)</u>	<u>115,528,850</u>
Governmental activities capital assets, net	<u>\$ 240,067,512</u>	<u>\$ 62,584,640</u>	<u>\$ (27,695,170)</u>	<u>\$ 274,956,982</u>

CITY OF BEND, OREGON

Notes to Basic Financial Statements (Continued)

Fiscal Year Ended June 30, 2006

**Note 4 – Capital Assets (Continued)**

<u>Business-type activities</u>	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Capital assets not being depreciated:				
Land including right-of-way	\$ 5,190,609	\$ -	\$ -	\$ 5,190,609
Construction in progress	4,072,510	17,693,739	(13,926,631)	7,839,618
<b>Total capital assets not being depreciated</b>	<b>9,263,119</b>	<b>17,693,739</b>	<b>(13,926,631)</b>	<b>13,030,227</b>
Capital assets being depreciated:				
Buildings and building improvements	8,518,859	80,304	-	8,599,163
Vehicles and equipment	5,589,656	708,178	(183,746)	6,114,088
Water system infrastructure	63,195,297	12,220,277	(285,274)	75,130,300
Wastewater system infrastructure	105,268,443	11,111,043	-	116,379,486
Other infrastructure	2,066,863	522,346	-	2,589,209
<b>Total capital assets being depreciated</b>	<b>184,639,118</b>	<b>24,642,148</b>	<b>(469,020)</b>	<b>208,812,246</b>
Less accumulated depreciation for:				
Buildings and building improvements	3,266,684	572,864	-	3,839,548
Vehicles and equipment	3,276,013	1,142,224	(148,810)	4,269,427
Water system infrastructure	11,555,420	1,393,021	(140,993)	12,807,448
Wastewater system infrastructure	24,821,540	886,782	-	25,708,322
Other infrastructure	262,328	41,220	-	303,548
<b>Total accumulated depreciation</b>	<b>43,181,985</b>	<b>4,036,111</b>	<b>(289,803)</b>	<b>46,928,293</b>
<b>Total capital assets being depreciated, net</b>	<b>141,457,133</b>	<b>20,606,037</b>	<b>(179,217)</b>	<b>161,883,953</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 150,720,252</b>	<b>\$ 38,299,776</b>	<b>\$ (14,105,848)</b>	<b>\$ 174,914,180</b>

Depreciation expense was charged to activities as follows:

Governmental activities

General government	\$ 570,625
Public safety	603,545
Public ways and facilities	2,834,607
Community and economic development	72,003
Urban renewal	286,144
Transit	118,126
<b>Governmental activities depreciation expense</b>	<b>\$ 4,485,050</b>

Business-type activities

Airport	\$ 217,317
Water	1,607,235
Wastewater	2,196,218
Other business activities	15,341
<b>Business-type activities depreciation expense</b>	<b>\$ 4,036,111</b>

CITY OF BEND, OREGON

Notes to Basic Financial Statements (Continued)

Fiscal Year Ended June 30, 2006

**Note 5 – Operating Leases**

The City leases fire stations from the Deschutes County Rural Fire Protection District No. 2 under operating lease agreements expiring in June, 2050 with options to renew for five successive terms of ten years each. Lease payments are due semi-annually on December 1 and June 1 each year. Rental expense for the fiscal year ended June 30, 2006 totaled \$225,326. Minimum future lease payments not including annual consumer price index adjustments are \$232,086 each fiscal year from 2007 through 2050.

The City is the lessor of numerous ground and hangar leases associated with the municipal airport. Most of these leases carry 20 year terms with current leases expiring through 2020. In general, the leases call for monthly rent payments based on square footage as defined in each lease agreement. Total lease revenue included in the Airport Fund for the fiscal year ended June 30, 2006 is \$463,562. Cost of leased assets totaled \$1,912,663 at June 30, 2006 and current year depreciation on those leased assets was \$30,680.

**Note 6 – Interfund Transfers**

Transfers between funds provide support for various City programs in accordance with budgetary authorizations. During fiscal year 2006, the City made the following interfund transfers between its governmental activities and business-type activities:

<u>Amount</u>	<u>Description</u>
\$ 346,000	From the General Fund to the Stormwater Fund for general operations.
90,000	From the General Fund to the Airport Fund for general operations.
953,834	From the Downtown Parking Fund to the Urban Renewal Construction Fund for construction of the parking structure.
141,959	From the Water and Wastewater Funds to the Transportation SDC Fund for construction.
305,867	From the Wastewater Fund to the Improvement District Construction Fund for construction.

**Note 7 – Advances To / From Other Funds**

The City's Wastewater Fund advanced \$210,000 to the Improvement District Construction Fund (a nonmajor Capital Projects Fund) to provide interim financing on sewer local improvement projects. The General Fund advanced \$400,000 to the Airport Fund and \$550,000 to the Juniper Ridge Construction Fund (a nonmajor Capital Projects Fund) to provide interim financing for construction activities. The General Fund also advanced \$33,000 to the Tourism/Economic Development Fund (a nonmajor Special Revenue Fund) to provide for cash shortfalls. These advances are non-interest bearing and are repaid in the ensuing year.

**Note 8 – Short-Term Note Payable**

In May 2005, the City obtained interim financing in the amount of \$747,000 at 1.66% through an interim financing agreement with the Oregon Economic and Community Development Department to provide financing of airport construction projects. This interim financing will be replaced with a long-term 20 year note in the ensuing year.

During 2006, the City's Urban Renewal Agency obtained a short-term bank note in the amount of \$1,042,809 to finance capital improvements. The note was repaid in March 2006 with interest at 6.75%

On June 30, 2006 the City obtained an unsecured single pay bank loan in the amount of \$200,000 to provide interim financing for airport projects. The note carried an interest rate of 5.25%, had a maturity date of July 10, 2006 and was repaid on July 6, 2006.



CITY OF BEND, OREGON

Notes to Basic Financial Statements (Continued)

Fiscal Year Ended June 30, 2006

**Note 9 – Compensated Absences**

Change in compensated absences during the fiscal year ended June 30, 2006 was as follows:

	Liability at <u>July 1, 2005</u>	<u>Earned</u>	<u>Used</u>	Liability at <u>June 30 2006</u>
Governmental activities	\$ 1,612,662	\$ 2,213,746	\$ (1,987,198)	\$ 1,839,210
Business-type activities	153,177	225,248	(196,536)	181,889
	<u>\$ 1,765,839</u>	<u>\$ 2,438,994</u>	<u>\$ (2,183,734)</u>	<u>\$ 2,021,099</u>

The City's compensated absences liability is typically used within one year, thus the liability of \$2,021,099 at June 30, 2006 is reported with other accrued liabilities that will mature within one year. The governmental funds used to liquidate the liability include the General Fund, Special Revenue Funds and Capital Projects Funds.

**Note 10 - Long-Term Debt**

During the fiscal year ended June 30, 2006, the following long-term debt transactions occurred:

	Balance at <u>July 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>June 30, 2006</u>
<u>Governmental activities:</u>				
Limited tax improvement bonds	\$ 1,413,000	\$ -	\$ (509,000)	\$ 904,000
Full faith & credit obligations	41,110,300	4,780,000	(1,281,700)	44,608,600
Certificates of participation	925,000	-	(300,000)	625,000
Tax increment bonds	15,690,000	-	(825,000)	14,865,000
	<u>\$ 59,138,300</u>	<u>\$ 4,780,000</u>	<u>\$ (2,915,700)</u>	<u>\$ 61,002,600</u>
<u>Business-type activities:</u>				
Full faith & credit obligations	1,539,700	-	(78,300)	1,461,400
Revenue bonds	17,655,000	7,585,000	(7,765,000)	17,475,000
Notes payable	844,628	-	(35,627)	809,001
	<u>20,039,328</u>	<u>7,585,000</u>	<u>(7,878,927)</u>	<u>19,745,401</u>
Total long-term debt	<u>\$ 79,177,628</u>	<u>\$ 12,365,000</u>	<u>\$ (10,794,627)</u>	<u>\$ 80,748,001</u>

Limited Tax Improvement Bonds

The City issued limited tax improvement bonds under the Oregon Bancroft Bonding Act to finance public improvements that benefited private parties. Limited tax improvement bonds are secured by the benefited properties and are repaid in installments from property owners. Additionally the outstanding improvement bonds are general obligations of the City and the full faith and credit of the City has been pledged for the payment of principal and interest on the bonds. The outstanding bonds have interest rates ranging from 5.00% to 5.75% and maturities through fiscal year 2013.

<u>Governmental activities</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Maturity</u>	<u>Balance at June 30, 2006</u>
Series 2002	5.75%	\$ 1,071,000	08/01/11	\$ 266,000
Series 2003	5.00%	1,322,000	12/01/12	638,000
Total limited tax improvement bonds		<u>\$ 2,393,000</u>		<u>\$ 904,000</u>

CITY OF BEND, OREGON

Notes to Basic Financial Statements (Continued)

Fiscal Year Ended June 30, 2006

**Note 10 – Long-Term Debt (Continued)**

Annual debt service requirements to maturity for limited tax improvement bonds are as follows:

Year ending June 30	Governmental Activities	
	Principal	Interest
2007	\$ 167,000	\$ 44,996
2008	179,000	35,902
2009	188,000	26,159
2010	109,000	17,123
2011	109,000	11,725
2012-2013	152,000	7,125
	<u>\$ 904,000</u>	<u>\$ 143,030</u>

Full Faith & Credit Obligations

The City issued full faith & credit obligations to provide financing for the construction of police and fire facilities, airport and street infrastructure and equipment, and to partially fund unfunded pension costs attributable to the unfunded actuarial liability in the Public Employees' Retirement System plan in which the City participates. These bonds are backed by the full faith and credit of the City with interest rates ranging from 2.00% to 7.4% and maturities through fiscal year 2028.

<u>Governmental activities</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Maturity</u>	<u>Balance at June 30, 2006</u>
Fire stations, series 1999	3.80% to 4.85%	\$ 4,275,000	06/01/24	\$ 3,620,000
Transportation system, series 2000	4.35% to 5.30%	6,000,000	09/01/20	4,995,000
Police facility and street equipment, series 2003	4.00% to 5.00%	7,130,000	12/01/26	6,385,000
Transportation, street and fire, series 2003	2.00% to 4.50%	13,050,800	12/01/22	11,103,600
Pension obligation bonds, series 2004	6.16%	13,725,000	06/01/28	13,725,000
City Hall Land, series 2005	3.40%	4,780,000	06/01/10	4,780,000
		<u>\$ 48,960,800</u>		<u>\$ 44,608,600</u>
<u>Business-type activities</u>				
Airport, series 1999A	5.25% to 5.30%	\$ 840,000	6/1/2019	\$ 840,000
Airport, series 1999B	5.38%	260,000	6/1/2013	260,000
Airport, series 1999C	6.45% to 7.40%	470,000	6/1/2009	150,000
Airport, series 2003	2.00% to 3.70%	279,200	12/1/2013	211,400
		<u>\$ 1,849,200</u>		<u>\$ 1,461,400</u>
Total full faith & credit obligations		<u>\$ 50,810,000</u>		<u>\$ 46,070,000</u>

CITY OF BEND, OREGON

Notes to Basic Financial Statements (Continued)

Fiscal Year Ended June 30, 2006

**Note 10 – Long-Term Debt (Continued)**

Annual debt service requirements to maturity for the full faith & credit obligations are as follows:

Year ending June 30	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2007	\$ 1,316,200	\$ 2,097,568	\$ 78,800	\$ 75,571
2008	1,350,800	2,056,988	84,200	71,186
2009	1,270,100	2,012,585	89,900	66,159
2010	6,034,300	1,963,740	95,700	61,135
2011	1,358,400	1,747,641	96,600	56,455
2012-2016	8,143,800	7,775,966	586,200	205,429
2017-2021	11,515,000	5,515,061	430,000	46,377
2022-2026	10,585,000	2,518,441	-	-
2027-2028	3,035,000	223,004	-	-
	<u>\$ 44,608,600</u>	<u>\$ 25,910,994</u>	<u>\$ 1,461,400</u>	<u>\$ 582,312</u>

Revenue Bonds

The City issued revenue bonds to provide funds for major expansions of the City's water and wastewater systems. The revenue bonds are not backed by the full faith and credit of the City but are secured and serviced by the pledged net revenues of the respective operations. The revenue bonds include a rate covenant requiring the City to maintain net revenues from its water and wastewater operations at a minimum of 1.25 times the debt service of each operation. The City was in compliance with the rate covenant for the year ended June 30, 2006. The outstanding bonds have interest rates ranging from 3.00% to 5.38% and maturities through fiscal year 2023.

On September 29, 2005, the City issued \$7.6 million in sewer revenue refunding bonds with interest rates ranging between 3.00% and 4.00%. The City issued the bonds to advance refund \$6.99 million of the outstanding series 1997 and 2000 sewer revenue bonds with interest rates ranging between 4.25% and 5.38%. The City used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portions of the 1997 and 2000 series bonds. As a result, those portions of the 1997 and 2000 series bonds are considered defeased, and the City has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$6.99 million at June 30, 2006. The advanced refunding reduced total debt service payments over the next 14 years by \$570,567. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$455,886.

<u>Business-type activities</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Maturity</u>	<u>Balance at June 30, 2006</u>
Water, series 2000	4.40% to 5.38%	\$ 4,000,000	10/01/20	\$ 3,325,000
Sewer, series 1997	4.25% to 5.00%	4,000,000	02/01/07	180,000
Sewer, series 2000	4.40% to 5.38%	7,000,000	10/01/10	1,480,000
Sewer, series 2002	3.00% to 4.75%	5,500,000	11/01/22	4,905,000
Sewer, series 2005	3.00% to 4.00%	7,585,000	11/01/20	7,585,000
Total revenue bonds		<u>\$ 28,085,000</u>		<u>\$ 17,475,000</u>

CITY OF BEND, OREGON

Notes to Basic Financial Statements (Continued)

Fiscal Year Ended June 30, 2006

**Note 10 – Long-Term Debt (Continued)**

Annual debt service requirements to maturity for the City's revenue bonds are as follows:

Year ending June 30	Business-type activities	
	Principal	Interest
2007	\$ 895,000	\$ 700,888
2008	930,000	661,209
2009	960,000	625,503
2010	1,000,000	587,881
2011	1,040,000	547,861
2012-2016	5,760,000	2,124,440
2017-2021	6,100,000	856,129
2022-2023	790,000	37,759
	<u>\$ 17,475,000</u>	<u>\$ 6,141,670</u>

Certificates of Participation

The City is obligated under certificates of participation issued to finance the City's fire fighting fleet and the acquisition of emergency medical service/rescue vehicles and other equipment. These certificates have interest rates ranging from 5.00% to 5.25% and maturities through fiscal year 2008.

<u>Governmental activities</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Maturity</u>	<u>Balance at June 30, 2006</u>
Fire equipment, series 1995	5.00% to 5.25%	<u>\$ 3,000,000</u>	08/01/07	<u>\$ 625,000</u>

Annual debt service requirements to maturity for the certificates of participation are as follows:

Year ending June 30	Governmental activities	
	Principal	Interest
2007	\$ 300,000	\$ 24,938
2008	325,000	8,531
	<u>\$ 625,000</u>	<u>\$ 33,469</u>

Tax Increment Bonds

The Bend Urban Renewal Agency issued tax increment bonds to finance a parking structure and street improvements in the downtown urban renewal district.

<u>Governmental activities</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Maturity</u>	<u>Balance at June 30, 2006</u>
Tax Increment Bonds:				
Series 1998	3.75% to 4.85%	\$ 7,485,000	6/1/2018	\$ 5,215,000
Series 2004A	5.00%	3,600,000	12/1/2006	2,750,000
Series 2004B	4.25%	<u>6,900,000</u>	12/1/2013	<u>6,900,000</u>
Total tax increment bonds		<u>\$ 17,985,000</u>		<u>\$ 14,865,000</u>

CITY OF BEND, OREGON

Notes to Basic Financial Statements (Continued)

Fiscal Year Ended June 30, 2006

**Note 10 – Long-Term Debt (Continued)**

Annual debt service requirements to maturity for tax increment bonds are as follows:

Year ending June 30	Governmental activities	
	Principal	Interest
2007	\$ 1,065,000	\$ 648,133
2008	1,205,000	594,818
2009	1,355,000	534,085
2010	1,510,000	469,588
2011	1,650,000	402,063
2012-2016	7,000,000	907,060
2017-2018	1,080,000	79,295
	<u>\$ 14,865,000</u>	<u>\$ 3,635,042</u>

Notes Payable

The City has long-term notes payable to the State of Oregon Economic and Community Development Department to provide funding for airport and sewer infrastructure improvements. The notes have maturities through fiscal year 2022 and interest rates of 3.00% to 5.01%. Revenues from the airport and sewer operations are utilized to repay the respective notes.

Business-type activities	Interest Rate	Original Issue	Maturity	Balance at June 30, 2006
Notes Payable to OECD:				
Pacific Aviation	5.01%	\$ 655,000	12/1/2017	\$ 556,126
Woodriver Village	3.00% to 5.00%	<u>300,000</u>	1/1/2022	<u>252,875</u>
Total notes payable		<u>\$ 955,000</u>		<u>\$ 809,001</u>

Annual debt service requirements to maturity for the notes payable are as follows:

Year ending June 30	Business-type activities	
	Principal	Interest
2007	\$ 35,779	\$ 39,225
2008	35,942	37,704
2009	48,800	36,134
2010	54,166	33,906
2011	54,568	31,308
2012-2016	337,833	113,237
2017-2021	218,214	29,303
2022	23,699	1,184
	<u>\$ 809,001</u>	<u>\$ 322,001</u>

CITY OF BEND, OREGON

Notes to Basic Financial Statements (Continued)

Fiscal Year Ended June 30, 2006

**Note 11 - Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City obtains insurance policies from commercial suppliers and annual premiums are paid for the following coverages: general liability limit of \$10,000,000 per occurrence or \$20,000,000 in the aggregate; automobile liability with coverage up to \$5,000,000 (combined single limit); commercial property blanket building and contents limit \$26,250,000; a public employee dishonesty bond for claims up to \$10,000; a fidelity bond at \$200,000 covering the Finance Director and Assistant Finance Director; and various real, personal and inland marine property coverage for replacement costs. The City also carries \$1,000,000 commercial insurance for workers' compensation and \$5,000,000 for airport liability. Employee health, life and disability coverages are also maintained. Settled claims from these risks have not exceeded commercial insurance limits in any of the past three fiscal years.

A Risk Management Division in the City's Internal Service Fund accounts for the City's risk management activities. All funds of the City participate in the Risk Management Division. Amounts payable to the Risk Management Division are based on cost estimates necessary to pay premiums and if applicable, prior and current year claims and to establish a reserve for catastrophic losses. Workers' compensation is insured under a retrospective plan where premiums are accrued based on contributions and paid losses.

A liability for workers compensation claims is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable.

<u>Fiscal Year</u>	<u>Liability at July 1</u>	<u>Claims Incurred and Changes in Estimate</u>	<u>Claims Paid</u>	<u>Liability at June 30</u>
2003-2004	\$ 67,000	\$ 118,168	\$ (185,168)	\$ -
2004-2005	-	144,620	(99,464)	45,156
2005-2006	45,156	158,345	(134,507)	68,994

**Note 12 - Participation in Public Employees' Retirement System**

Plan Description

Substantially all City employees are participants in the Oregon Public Employees' Retirement Fund (OPERF); an agent multiple-employer defined benefit pension plan administered by the Oregon Public Employees Retirement System (PERS). PERS provides retirement and disability benefits, postemployment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statutes Chapter 238. ORS Chapter 238.620 establishes the Public Employees' Retirement Board as the governing body of PERS. The authority to establish and amend the benefit provisions of the plan rests with the Oregon Legislature. PERS issues a publicly available financial report that includes financial and required supplemental information. That report may be obtained by writing to PERS, PO Box 23700, Tigard, Oregon 97281-3700 or by calling 1-503-598-7377.

Funding Policy

In 2003, PERS created a new Oregon Public Service Retirement Plan (OPSRP) for employees hired on or after August 29, 2003. Employees hired prior to August 29, 2003 continue to participate in the OPERF plan. For the 2005-06 fiscal year, the City was required by the rules applicable to PERS to contribute 12.63% of covered employees' salaries to the existing PERS plan and contribute 9.77% of covered police and fire salaries and 6.16% of covered general service salaries to the new OPSRP. The contribution rate is determined based on actuarial valuations, which are performed by PERS periodically. Pursuant to collective bargaining agreements, the required employee contribution of 6% of covered compensation is paid by the City for all PERS eligible employees. The Retirement Board has statutory authority to revise employer contributions as necessary to ensure the promised benefits will be funded on a sound basis.

CITY OF BEND, OREGON

Notes to Basic Financial Statements (Continued)

Fiscal Year Ended June 30, 2006

**Note 12 - Participation in Public Employees' Retirement System (Continued)**

Annual Pension Cost

For fiscal year 2005-06, the City's annual pension cost for PERS was equal to the City's required and actual contributions and consisted of \$3,027,550 for the City's required share. The City also paid the employees' contribution of \$1,530,413. Employer contributions are calculated in conformance with the provisions of GASB Statement 27 as a percentage of covered payroll. Therefore, the contributions transmitted to PERS are equal to the Annual Required Contribution (ARC) and there is no Net Pension Obligation (NPO) necessary to amortize any unmade contributions. The fiscal year 2005-06 required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions include:

- An underlying long-term assumed rate of inflation of 3.00% compounded annually and an assumed rate of healthcare cost inflation graded from 8.00% in 2005 to 5.00% in 2011, declining by 0.50% per year.
- An investment rate of return of 8.00% net of administration expenses and 8.5% for the variable program.
- Projected general wage inflation of 4.00% per year
- Future interest credits on member contributions of 8.00% compounded annually.

The actuarial valuation method used is the 4-year Smoothed Market Value with 10% Corridor method. The Employer's unfunded actuarial liability is being amortized as an increasing dollar amount over 24 years. The following tables present the three-year trend information and the schedule of funding progress for the City:

Three Year Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2003-2004	\$ 2,671,725	\$ 2,671,725	100%	-
2004-2005	2,158,984	2,158,984	100%	-
2005-2006	3,027,550	3,027,550	100%	-

Schedule of Funding Progress for PERS

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/99	\$ 74,437,801	\$ 74,943,126	\$ 505,325	99%	\$ 14,257,106	4%
12/31/01	75,476,162	71,759,891	(3,716,271)	105%	17,118,775	-22%
12/31/03	73,813,563	85,894,068	12,080,505	86%	19,715,224	61%

The City issued \$13,725,000 of pension obligation bonds during fiscal year 2003-04 and made a \$13,122,795 lump sum contribution towards its unfunded actuarial liability which was determined to be at a fair value of \$17,497,060 on June 1, 2004. The lump sum contribution is being amortized through June 1, 2028 to provide employer contribution rate relief and current year amortization expense totaled \$545,103. With the lump sum contribution, the City's employer rate was reduced by 4.17% effective June 1, 2004.

CITY OF BEND, OREGON

Notes to Basic Financial Statements (Continued)

Fiscal Year Ended June 30, 2006

**Note 13– Commitment and Contingencies**

At June 30, 2006 the City was committed on outstanding construction, engineering, consulting, service and equipment purchase contracts totaling \$4,859,000 in the governmental activities, and \$3,410,000 in the business-type activities.

The City has agreements to reimburse various developers for the construction of certain street, water and sewer infrastructure through system development charges or recovery fees collected from properties established as reimbursement or recovery areas. As of June 30, 2006, amounts collected and due to developers totaled \$3,185,324 and are recorded as a liability in the Transportation System Development Charges, Water, and Wastewater funds respectively.

The City is a defendant in a lawsuit alleging breach of contract and tortious interference relating to the City's condemnation of the Juniper Utility Company. A judgment was rendered and the City accrued a \$9.5 million liability in the Water and Wastewater funds. The court verdict found just compensation was approximately \$6.6 million for the utility, including consequential (severance) damages from the condemnation. The City is also liable for interest on the judgment at 9%. Additional hearings are scheduled before a final judgment will be made, at which time the City will determine whether to appeal.

Various other claims and lawsuits against the City are pending. These claims are either covered by insurance or are the types which are normal in view of the City's operations. City management believes the total amount of liability, if any, which may arise from such claims and lawsuits beyond that which is covered by insurance would not have a material effect on the City's financial condition or its ability to carry on its activities substantially as now conducted.



## **GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS**

### General Fund

This fund accounts for the City's police and municipal court operations and other general services of the City not accounted for in any other fund. Principal sources of revenue are property taxes, transient room taxes, franchise fees, intergovernmental revenues and municipal court fines. Primary expenditures are for police and municipal court operations and transfers out of general discretionary revenues to other governmental funds.

### Transportation Operations Fund

This fund accounts for the City's street maintenance operations that are funded mainly by state highway apportionment and support from general discretionary revenues.

### Fire / Emergency Medical Services (EMS) Fund

This fund accounts for the operations of the Fire / EMS department which are funded primarily by property taxes, fire protection contracts and charges for emergency medical services.

### Transportation System Development Charges (SDC) Fund

This fund accounts for the construction of streets, bridges and trails that are paid from transportation system development charges, interest earnings and the issuance of debt.

### Community Development Fund

This fund accounts for the City's building inspection and compliance operations. The principal sources of revenue are permit fees and other fees charged for services provided.

City of Bend, Oregon

**General Fund**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the fiscal year ended June 30, 2006

	<u>Budget</u>		<u>Actual</u> <u>Budget</u> <u>Basis</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues</u></b>				
Property taxes:				
Current year's property tax levy	\$ 15,648,700	\$ 15,648,700	\$ 15,841,833	\$ 193,133
Delinquent property taxes	487,500	487,500	602,644	115,144
Transient room taxes	2,203,900	2,203,900	2,227,569	23,669
Franchise fees	3,787,700	3,787,700	4,566,561	778,861
Intergovernmental	1,397,500	1,397,500	1,614,887	217,387
Licenses and permits	337,000	337,000	112,858	(224,142)
Charges for services:				
Charges to others	67,700	67,700	144,972	77,272
Charges to other City funds	8,100	8,100	8,100	-
Fines and forfeitures	726,600	726,600	917,343	190,743
Investment income	190,000	190,000	339,185	149,185
Miscellaneous	119,300	119,300	38,893	(80,407)
<b>Total Revenues</b>	<b>24,974,000</b>	<b>24,974,000</b>	<b>26,414,845</b>	<b>1,440,845</b>
<b><u>Expenditures</u></b>				
Municipal court	315,045	337,045	319,173	17,872
Police	14,750,678	14,700,678	13,347,471	1,353,207
Nondepartmental	181,500	682,000	569,597	112,403
Contingency	1,010,000	68,000	-	68,000
Unappropriated ending fund balance	5,207,277	5,207,277	-	5,207,277
<b>Total Expenditures</b>	<b>21,464,500</b>	<b>20,995,000</b>	<b>14,236,241</b>	<b>6,758,759</b>
<b>Excess of revenues over expenditures</b>	<b>3,509,500</b>	<b>3,979,000</b>	<b>12,178,604</b>	<b>8,199,604</b>
<b><u>Other Financing Sources (Uses)</u></b>				
Proceeds from sale of assets	804,000	804,000	591,795	(212,205)
Advances to other governments	-	(80,000)	(30,000)	50,000
Repayments from other governments	-	-	80,000	80,000
Advances to other funds	(70,000)	(1,020,000)	(983,000)	37,000
Interfund loan repayments	225,000	225,000	-	(225,000)
Transfers out	(10,918,500)	(11,038,000)	(10,969,500)	68,500
<b>Total Other Financing Sources (Uses)</b>	<b>(9,959,500)</b>	<b>(11,109,000)</b>	<b>(11,310,705)</b>	<b>(201,705)</b>
Net change in fund balance	(6,450,000)	(7,130,000)	867,899	7,997,899
Fund Balance, July 1, 2005	6,450,000	7,130,000	7,131,582	1,582
<b>Fund Balance, June 30, 2006</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,999,481</b>	<b>\$ 7,999,481</b>

City of Bend, Oregon

**General Fund**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)

For the fiscal year ended June 30, 2006

**Reconciliation of Budgetary other financing sources (uses) to GAAP other financing sources (uses)**

Other Financing Sources (Uses) - Budgetary Basis	\$ (11,310,705)
Repayments from other governments reported as other financing sources on the budgetary basis are reported as reduction of receivable on the GAAP basis	(80,000)
Advances to other funds reported as other financing uses on the budgetary basis are reported as assets on the GAAP basis	983,000
Advances to other governments reported as other financing uses on the budgetary basis are reported as receivables on the GAAP basis	<u>30,000</u>
<b>Other Financing Sources (Uses) - GAAP Basis</b>	<b><u><u>\$ (10,377,705)</u></u></b>

**Transportation Operations Fund**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the fiscal year ended June 30, 2006

	<u>Budget</u>		<u>Actual</u> <u>Budget</u> <u>Basis</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Franchise fees	\$ 415,300	\$ 415,300	\$ 433,559	\$ 18,259
Intergovernmental:				
State highway fund apportionment	3,500,000	3,500,000	3,294,494	(205,506)
Grants and agreements	542,700	542,700	547,075	4,375
Licenses and permits	5,000	5,000	226,935	221,935
Charges to other City funds	217,300	217,300	217,300	-
Investment income	60,000	60,000	39,506	(20,494)
Miscellaneous	30,000	30,000	33,302	3,302
<b>Total Revenues</b>	<b>4,770,300</b>	<b>4,770,300</b>	<b>4,792,171</b>	<b>21,871</b>
<b>Expenditures</b>				
Current:				
Personal services	2,137,199	2,157,199	2,168,392	(11,193)
Materials and services	1,642,500	2,052,500	1,927,309	125,191
Interfund charges	1,349,100	1,439,100	1,404,908	34,192
Capital outlay	1,935,000	1,935,000	1,538,976	396,024
Debt service	263,300	263,300	263,293	7
Contingency	720,000	200,000	-	200,000
Unappropriated ending fund balance	386,101	386,101	-	386,101
<b>Total Expenditures</b>	<b>8,433,200</b>	<b>8,433,200</b>	<b>7,302,878</b>	<b>1,130,322</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(3,662,900)</b>	<b>(3,662,900)</b>	<b>(2,510,707)</b>	<b>1,152,193</b>
<b>Other Financing Sources</b>				
Proceeds from sale of assets	-	-	9,000	9,000
Transfers in	1,654,000	1,654,000	1,654,000	-
<b>Total Other Financing Sources</b>	<b>1,654,000</b>	<b>1,654,000</b>	<b>1,663,000</b>	<b>9,000</b>
Net change in fund balance	(2,008,900)	(2,008,900)	(847,707)	1,161,193
Fund Balance, July 1, 2005	2,008,900	2,008,900	1,987,087	(21,813)
<b>Fund Balance, June 30, 2006</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,139,380</b>	<b>\$ 1,139,380</b>

**Fire / Emergency Medical Services Fund**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the fiscal year ended June 30, 2006

	<u>Budget</u>		<u>Actual</u> <u>Budget</u> <u>Basis</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 2,204,800	\$ 2,378,000	\$ 2,265,458	\$ (112,542)
Charges for services:				
Charges to others	1,794,600	1,794,600	1,815,183	20,583
Charges to other City funds	150,100	150,100	150,100	-
Investment income	-	-	1,066	1,066
Miscellaneous	2,000	2,000	2,688	688
<b>Total Revenues</b>	<b>4,151,500</b>	<b>4,324,700</b>	<b>4,234,495</b>	<b>(90,205)</b>
<b>Expenditures</b>				
Current:				
Personal services	8,757,459	8,778,459	8,842,345	(63,886)
Materials and services	1,361,700	1,513,900	1,385,380	128,520
Interfund charges	911,100	911,100	865,616	45,484
Capital outlay	83,500	83,500	65,414	18,086
Debt service	463,100	463,100	462,980	120
Contingency	279,341	279,341	-	279,341
Maintenance reserves	50,000	50,000	-	50,000
<b>Total Expenditures</b>	<b>11,906,200</b>	<b>12,079,400</b>	<b>11,621,735</b>	<b>457,665</b>
<b>Excess (deficiency) of revenues</b> <b>over expenditures</b>	<b>(7,754,700)</b>	<b>(7,754,700)</b>	<b>(7,387,240)</b>	<b>367,460</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	7,617,500	7,617,500	7,617,500	-
Transfers out	(700)	(700)	(3,800)	(3,100)
<b>Total Other Financing Sources (Uses)</b>	<b>7,616,800</b>	<b>7,616,800</b>	<b>7,613,700</b>	<b>(3,100)</b>
Net change in fund balance	(137,900)	(137,900)	226,460	364,360
Fund Balance, July 1, 2005	137,900	137,900	208,164	70,264
<b>Fund Balance, June 30, 2006</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 434,624</b>	<b>\$ 434,624</b>

**Transportation System Development Charges Fund**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the fiscal year ended June 30, 2006

	<u>Budget</u>		<u>Actual</u> <u>Budget</u> <u>Basis</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Franchise fees	\$ 638,400	\$ 139,800	\$ 18,352	\$ (121,448)
Intergovernmental revenues	2,990,000	2,990,000	3,851,673	861,673
System development charges	6,216,000	6,216,000	7,310,883	1,094,883
Contributions	512,400	512,400	30,962	(481,438)
Investment income	49,300	49,300	571,220	521,920
Miscellaneous	8,700	8,700	42,071	33,371
<b>Total Revenues</b>	<b>10,414,800</b>	<b>9,916,200</b>	<b>11,825,161</b>	<b>1,908,961</b>
<b>Expenditures</b>				
Current:				
Materials and services	168,300	168,300	8,268	160,032
Interfund charges	1,303,900	1,303,900	1,253,791	50,109
Capital outlay	13,256,000	13,256,000	10,326,980	2,929,020
Debt service	1,328,400	1,328,400	1,328,147	253
Contingency	3,574,300	3,574,300	-	3,574,300
<b>Total Expenditures</b>	<b>19,630,900</b>	<b>19,630,900</b>	<b>12,917,186</b>	<b>6,713,714</b>
<b>Excess (deficiency) of revenues</b> <b>over expenditures</b>	<b>(9,216,100)</b>	<b>(9,714,700)</b>	<b>(1,092,025)</b>	<b>8,622,675</b>
<b>Other Financing Sources</b>				
Proceeds from sale of assets	201,000	201,000	86,841	(114,159)
Issuance of long-term debt	3,100,000	3,100,000	-	(3,100,000)
Transfers in	-	498,600	141,959	(356,641)
<b>Total Other Financing Sources</b>	<b>3,301,000</b>	<b>3,799,600</b>	<b>228,800</b>	<b>(3,570,800)</b>
Net change in fund balance	(5,915,100)	(5,915,100)	(863,225)	5,051,875
Fund Balance, July 1, 2005	5,915,100	5,915,100	7,533,099	1,617,999
<b>Fund Balance, June 30, 2006</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,669,874</b>	<b>\$ 6,669,874</b>

**Community Development Fund**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the fiscal year ended June 30, 2006

	<u>Budget</u>		<u>Actual</u> <u>Budget</u> <u>Basis</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues</u></b>				
Licenses and permits	\$ 5,168,100	\$ 5,168,100	\$ 5,161,339	\$ (6,761)
Charges for services:				
Charges to others	7,600	7,600	27,067	19,467
Charges to other City funds	62,100	62,100	62,100	-
Investment income	121,400	121,400	231,289	109,889
Miscellaneous	4,000	4,000	1,318	(2,682)
<b>Total Revenues</b>	<b>5,363,200</b>	<b>5,363,200</b>	<b>5,483,113</b>	<b>119,913</b>
<b><u>Expenditures</u></b>				
Current:				
Personal services	3,884,873	4,098,173	3,790,009	308,164
Materials and services	330,100	342,800	187,568	155,232
Interfund charges	914,300	1,037,300	1,028,804	8,496
Capital outlay	52,000	172,000	106,551	65,449
Contingency	800,000	331,000	-	331,000
Facility reserves	500,000	500,000	-	500,000
Unappropriated ending fund balance	2,925,827	2,925,827	-	2,925,827
<b>Total Expenditures</b>	<b>9,407,100</b>	<b>9,407,100</b>	<b>5,112,932</b>	<b>4,294,168</b>
<b>Excess (deficiency) of revenues</b> <b>over expenditures</b>	<b>(4,043,900)</b>	<b>(4,043,900)</b>	<b>370,181</b>	<b>4,414,081</b>
Fund Balance, July 1, 2005	4,043,900	4,043,900	4,441,678	397,778
<b>Fund Balance, June 30, 2006</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,811,859</b>	<b>\$ 4,811,859</b>

City of Bend, Oregon  
**General Fund and Major Special Revenue Funds**  
 Schedule of Expenditures by Appropriation Levels  
 For the fiscal year ended June 30, 2006

	<u>Appropriation</u>	<u>Actual Expenditures</u>	<u>Variance Positive (Negative)</u>
<b><u>General Fund</u></b>			
Municipal court	\$ 337,045	\$ 319,173	\$ 17,872
Police	14,700,678	13,347,471	1,353,207
Nondepartmental	12,820,000	12,552,097	267,903
Contingency	68,000	-	68,000
Unappropriated ending fund balance	5,207,277	-	5,207,277
	<b>\$ 33,133,000</b>	<b>\$ 26,218,741</b>	<b>\$ 6,914,259</b>
<b><u>Transportation Operations Fund</u></b>			
Expenditures	\$ 7,847,099	\$ 7,302,878	\$ 544,221
Contingency	200,000	-	200,000
Unappropriated ending fund balance	386,101	-	386,101
	<b>\$ 8,433,200</b>	<b>\$ 7,302,878</b>	<b>\$ 1,130,322</b>
<b><u>Fire/ Emergency Medical Services Fund</u></b>			
Expenditures	\$ 11,750,759	\$ 11,625,535	\$ 125,224
Contingency	279,341	-	279,341
Other requirements	50,000	-	50,000
	<b>\$ 12,080,100</b>	<b>\$ 11,625,535</b>	<b>\$ 454,565</b>
<b><u>Transportation System Development Charges Fund</u></b>			
Expenditures	\$ 16,056,600	\$ 12,917,186	\$ 3,139,414
Contingency	3,574,300	-	3,574,300
	<b>\$ 19,630,900</b>	<b>\$ 12,917,186</b>	<b>\$ 6,713,714</b>
<b><u>Community Development Fund</u></b>			
Expenditures	\$ 5,650,273	\$ 5,112,932	\$ 537,341
Contingency	331,000	-	331,000
Other requirements	500,000	-	500,000
Unappropriated fund balance	2,925,827	-	2,925,827
	<b>\$ 9,407,100</b>	<b>\$ 5,112,932</b>	<b>\$ 4,294,168</b>



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## **OTHER MAJOR GOVERNMENTAL FUNDS AND MAJOR ENTERPRISE FUNDS**

### **Other Major Governmental Funds:**

#### Urban Renewal Construction Fund

This fund accounts for the construction activities of the Bend Urban Renewal Agency other than those related to Juniper Ridge. The principal source of revenue is loan proceeds used to relieve urban blight and renovate the downtown area.

### **Major Enterprise Funds:**

#### Airport Fund

This fund accounts for the operations of the City's municipal airport. The principal sources of revenue are hangar, ground and operator leases. Expenses are for maintenance and improvements of airport facilities.

#### Water Fund

This fund accounts for the maintenance, operation and construction of the City's water intake, purification and delivery systems. Primary revenues are user fees and system development charges.

#### Wastewater Fund (previously Sewer Fund)

This fund accounts for the maintenance, operation and construction of the City's wastewater collection and treatment system. Primary revenues are user fees and system development charges.

**Urban Renewal Construction Fund**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the fiscal year ended June 30, 2006

	<u>Budget</u>		<u>Actual</u> <u>Budget</u> <u>Basis</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues</u></b>				
Rental income	\$ 80,100	\$ 80,100	\$ 68,397	\$ (11,703)
Investment income	130,000	130,000	231,603	101,603
Miscellaneous	-	-	72,427	72,427
<b>Total Revenues</b>	<b>210,100</b>	<b>210,100</b>	<b>372,427</b>	<b>162,327</b>
<b><u>Expenditures</u></b>				
Current:				
Personal services	36,451	36,451	34,340	2,111
Materials and services	745,000	192,000	110,590	81,410
Interfund charges	128,400	181,400	182,652	(1,252)
Capital outlay	6,743,000	9,489,200	9,583,895	(94,695)
Contingency	1,861,249	300,049	-	300,049
<b>Total Expenditures</b>	<b>9,514,100</b>	<b>10,199,100</b>	<b>9,911,477</b>	<b>287,623</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(9,304,000)</b>	<b>(9,989,000)</b>	<b>(9,539,050)</b>	<b>449,950</b>
<b><u>Other Financing Sources</u></b>				
Issuance of short-term debt	1,200,000	1,200,000	1,042,809	(157,191)
Proceeds from sale of assets	578,000	578,000	543,750	(34,250)
Transfers in	1,000,000	1,000,000	953,834	(46,166)
<b>Total Other Financing Sources</b>	<b>2,778,000</b>	<b>2,778,000</b>	<b>2,540,393</b>	<b>(237,607)</b>
Net change in fund balance	(6,526,000)	(7,211,000)	(6,998,657)	212,343
Fund Balance, July 1, 2005	6,841,000	7,211,000	7,839,640	628,640
<b>Fund Balance, June 30, 2006</b>	<b>\$ 315,000</b>	<b>\$ -</b>	<b>\$ 840,983</b>	<b>\$ 840,983</b>

**Reconciliation of Budgetary basis to GAAP basis**

Revenues - Budgetary Basis	\$ 372,427
Loan repayments reported as revenues on the budgetary basis are reported as a reduction of notes receivable on the GAAP basis	<u>(70,000)</u>
<b>Expenditures - GAAP Basis</b>	<b><u>\$ 302,427</u></b>

**Airport Fund**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the fiscal year ended June 30, 2006

	<u>Budget</u>		<u>Actual</u> <u>Budget</u> <u>Basis</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b><u>Revenues</u></b>				
Intergovernmental	\$ 430,300	\$ 1,309,800	\$ 1,145,328	\$ (164,472)
Charges for services	501,200	501,200	507,640	6,440
Investment income	(4,900)	(4,900)	(11,883)	(6,983)
Miscellaneous	60,500	60,500	49,068	(11,432)
<b>Total Revenues</b>	<b>987,100</b>	<b>1,866,600</b>	<b>1,690,153</b>	<b>(176,447)</b>
<b><u>Expenditures</u></b>				
Current:				
Personal services	113,821	119,821	117,936	1,885
Materials and services	108,400	108,400	114,313	(5,913)
Interfund charges	151,800	136,300	121,960	14,340
Capital outlay	295,000	1,225,000	1,163,430	61,570
Debt service	463,800	849,300	820,313	28,987
Contingency	30,879	4,379	-	4,379
<b>Total Expenditures</b>	<b>1,163,700</b>	<b>2,443,200</b>	<b>2,337,952</b>	<b>105,248</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(176,600)</b>	<b>(576,600)</b>	<b>(647,799)</b>	<b>(71,199)</b>
<b><u>Other Financing Sources</u></b>				
Proceeds from short-term notes payable	-	-	200,000	200,000
Advance from other funds	70,000	470,000	400,000	(70,000)
Transfers in	90,000	90,000	90,000	-
<b>Total Other Financing Sources</b>	<b>160,000</b>	<b>560,000</b>	<b>690,000</b>	<b>130,000</b>
Net change in fund balance	(16,600)	(16,600)	42,201	58,801
Total Fund Balance, July 1, 2005	16,600	16,600	396,517	379,917
<b>Total Fund Balance, June 30, 2006</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 438,718</b>	<b>\$ 438,718</b>

**Airport Fund**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)

For the fiscal year ended June 30, 2006

**Reconciliation of Budgetary basis to GAAP basis**

Expenditures - Budgetary Basis	\$ 2,337,952
Capital expenditures reported as expenditures on the budgetary basis are reported as assets on the GAAP basis	(1,180,890)
Amortization of bond issue costs is not reported on the budgetary basis but is reported as an expense on the GAAP basis	3,031
Principal payments on bonds reported as expenditures on the budgetary basis are reported as reduction of bonds payable on the GAAP basis	(702,066)
Depreciation not reported on the budgetary basis is reported as an expense on the GAAP basis	217,317
<b>Expenses - GAAP Basis</b>	<u>\$ 675,344</u>
Other Financing Sources - Budgetary Basis	\$ 690,000
Proceeds from short-term notes payable reported as other financing sources on the budgetary basis are reported as a liability on the GAAP basis	(200,000)
Advance from other funds reported as other financing source on the budgetary basis are reported as a liability on the GAAP basis	(400,000)
<b>Other Financing Sources - GAAP Basis</b>	<u>\$ 90,000</u>

City of Bend, Oregon

**Water Fund**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the fiscal year ended June 30, 2006

	<u>Budget</u>		<u>Actual Budget Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Franchise fees	\$ -	\$ -	\$ 90,372	\$ 90,372
Charges for services	9,853,100	9,853,100	10,084,701	231,601
System development charges	3,291,900	3,291,900	3,530,299	238,399
Investment income	189,300	189,300	369,588	180,288
Miscellaneous	17,900	17,900	320,073	302,173
<b>Total Revenues</b>	<b>13,352,200</b>	<b>13,352,200</b>	<b>14,395,033</b>	<b>1,042,833</b>
<b>Expenditures</b>				
Current:				
Personal services	2,022,395	2,137,395	2,100,313	37,082
Materials and services	2,939,800	3,037,000	2,810,442	226,558
Interfund charges	2,140,700	2,175,700	2,149,292	26,408
Capital outlay	8,569,400	12,551,905	10,789,030	1,762,875
Debt service	319,000	319,000	317,350	1,650
Contingency	600,000	-	-	-
Debt service reserved	322,700	322,700	-	322,700
Construction reserves	3,889,505	-	-	-
<b>Total Expenditures</b>	<b>20,803,500</b>	<b>20,543,700</b>	<b>18,166,427</b>	<b>2,377,273</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(7,451,300)</b>	<b>(7,191,500)</b>	<b>(3,771,394)</b>	<b>3,420,106</b>
<b>Other Financing Uses</b>				
Transfers out	-	(259,800)	(70,798)	189,002
Net change in fund balance	(7,451,300)	(7,451,300)	(3,842,192)	3,609,108
Total Fund Balance, July 1, 2005	7,451,300	7,451,300	8,436,718	985,418
<b>Total Fund Balance, June 30, 2006</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,594,526</b>	<b>\$ 4,594,526</b>

**Water Fund**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)

For the fiscal year ended June 30, 2006

**Reconciliation of Budgetary basis to GAAP basis**

Total Revenues - Budgetary Basis	\$ 14,395,033
Contributed infrastructure not reported on the budgetary basis is reported as contribution revenue on the GAAP basis	<u>3,473,641</u>
<b>Total Revenues - GAAP Basis</b>	<b><u>\$ 17,868,674</u></b>
Expenditures - Budgetary Basis	\$ 18,166,427
Capitalized amounts reported as expenditures on the budgetary basis are reported as assets on the GAAP basis	(10,819,533)
Amortization of bond issue costs is not reported on the budgetary basis but is reported as an expense on the GAAP basis	6,057
Principal payments on bonds reported as expenditures on the budgetary basis are reported as a reduction of bonds payable on the GAAP basis	(145,000)
Loss on disposal of assets is not reported on the budgetary basis but is reported as an expense on the GAAP basis	144,281
Depreciation not reported on the budgetary basis is reported as an expense on the GAAP basis	<u>1,607,234</u>
<b>Expenses - GAAP Basis</b>	<b><u>\$ 8,959,466</u></b>

**Wastewater Fund (Previously Sewer Fund)**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the fiscal year ended June 30, 2006

	<u>Budget</u>		<u>Actual</u> <u>Budget</u> <u>Basis</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Franchise fees	\$ -	\$ -	\$ 85,048	\$ 85,048
Charges for services	8,206,600	8,206,600	8,427,142	220,542
System development charges	2,877,500	2,877,500	3,139,225	261,725
Investment income	127,900	127,900	358,434	230,534
Miscellaneous	20,200	20,200	290,800	270,600
<b>Total Revenues</b>	<b>11,232,200</b>	<b>11,232,200</b>	<b>12,300,649</b>	<b>1,068,449</b>
<b>Expenditures</b>				
Current:				
Personal services	1,907,204	1,967,204	1,840,167	127,037
Materials and services	2,386,900	2,703,100	2,366,912	336,188
Interfund charges	1,766,300	1,779,300	1,764,054	15,246
Capital outlay	7,024,000	9,290,496	6,227,539	3,062,957
Debt service	1,312,500	1,312,500	1,097,032	215,468
Contingency	880,000	-	-	-
Debt service reserves	883,900	883,900	-	883,900
Construction reserves	2,316,496	-	-	-
<b>Total Expenditures</b>	<b>18,477,300</b>	<b>17,936,500</b>	<b>13,295,704</b>	<b>4,640,796</b>
<b>Excess (deficiency) of revenues</b> <b>over expenditures</b>	<b>(7,245,100)</b>	<b>(6,704,300)</b>	<b>(995,055)</b>	<b>5,709,245</b>
<b>Other Financing Sources (Uses)</b>				
Issuance of advance refunding debt	-	8,000,000	7,585,000	(415,000)
Payment to refunded bond escrow agent	-	(8,000,000)	(7,482,857)	517,143
Interfund loan repayment	389,000	389,000	389,000	-
Advances to other funds	-	-	(210,000)	(210,000)
Transfers out	-	(540,800)	(377,028)	163,772
<b>Total Other Financing Sources (Uses)</b>	<b>389,000</b>	<b>(151,800)</b>	<b>(95,885)</b>	<b>55,915</b>
Net change in fund balance	(6,856,100)	(6,856,100)	(1,090,940)	5,765,160
Total Fund Balance, July 1, 2005	6,856,100	6,856,100	8,075,191	1,219,091
<b>Total Fund Balance, June 30, 2006</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,984,251</b>	<b>\$ 6,984,251</b>



**Wastewater Fund (Previously Sewer Fund)**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)

For the fiscal year ended June 30, 2006

**Reconciliation of Budgetary basis to GAAP basis**

Total Revenues - Budgetary Basis	\$ 12,300,649
Contributed infrastructure not reported on the budgetary basis is reported as contribution revenue on the GAAP basis	<u>6,556,551</u>
<b>Total Revenues - GAAP Basis</b>	<b><u>\$ 18,857,200</u></b>
Expenditures - Budgetary Basis	\$ 13,295,704
Capitalized amounts reported as expenditures on the budgetary basis are reported as assets on the GAAP basis	(6,321,038)
Amortization of bond issue costs is not reported on the budgetary basis but is reported as an expense on the GAAP basis	53,654
Principal payments on bonds reported as expenditures on the budgetary basis are reported as a reduction of bonds payable on the GAAP basis	(641,861)
Capital assets contributed to another fund are not reported on the budgetary basis but are reported as contribution expense on the GAAP basis	9,415
Bond issue costs are reported on the budgetary basis as expenditures but are reported as assets on the GAAP basis and amortized over the life of the bonds	(212,259)
Depreciation not reported on the budgetary basis is reported as an expense on the GAAP basis	<u>2,196,218</u>
<b>Expenses - GAAP Basis</b>	<b><u>\$ 8,379,833</u></b>
Other Financing Sources (Uses) - Budgetary Basis	\$ (95,885)
Advance Refunding:	
Proceeds from bond issuance reported as other financing source on the budgetary basis are reported as a liability on the GAAP basis	(7,585,000)
Payment to refunded bond escrow agent reported as an expenditure on the budgetary basis is reported as a reduction in the bond liability on the GAAP basis	6,990,000
The difference between the carrying amount of the refunded bonds and the payment to the escrow agent reported as an expenditure on the budgetary basis is reported as an asset on the GAAP basis	492,857
Interfund loan repayments reported as other financing sources on the budgetary basis are reported as reduction of the related notes receivable on the GAAP basis	(389,000)
Advances to other funds reported as other financing uses on the budgetary basis are reported as note receivables on the GAAP basis	<u>210,000</u>
<b>Other Financing Sources (Uses) - GAAP Basis</b>	<b><u>\$ (377,028)</u></b>

City of Bend, Oregon  
**Other Major Funds**

Schedule of Expenditures by Appropriation Levels  
 For the fiscal year ended June 30, 2006

	<u>Appropriation</u>	<u>Actual Expenditures</u>	<u>Variance Positive (Negative)</u>
<b><u>Urban Renewal Construction Fund</u></b>			
Expenditures	\$ 9,899,051	\$ 9,911,477	\$ (12,426)
Contingency	300,049	-	300,049
	<b>\$ 10,199,100</b>	<b>\$ 9,911,477</b>	<b>\$ 287,623</b>
<b><u>Airport Fund</u></b>			
Expenditures	\$ 2,438,821	\$ 2,337,952	\$ 100,869
Contingency	4,379	-	4,379
	<b>\$ 2,443,200</b>	<b>\$ 2,337,952</b>	<b>\$ 105,248</b>
<b><u>Water Fund</u></b>			
Expenditures	\$ 20,480,800	\$ 18,237,225	\$ 2,243,575
Other requirements	322,700	-	322,700
	<b>\$ 20,803,500</b>	<b>\$ 18,237,225</b>	<b>\$ 2,566,275</b>
<b><u>Wastewater Fund</u></b>			
Expenditures	\$ 25,593,400	\$ 21,365,589	\$ 4,227,811
Other requirements	883,900	-	883,900
	<b>\$ 26,477,300</b>	<b>\$ 21,365,589</b>	<b>\$ 5,111,711</b>

**NONMAJOR GOVERNMENTAL AND  
ENTERPRISE FUNDS**

City of Bend, Oregon  
**Combining Balance Sheet**  
 Nonmajor Governmental Funds  
 June 30, 2006

	<b>Special Revenue</b>		<b>Debt Service</b>		<b>Capital</b>		<b>Total</b>
	<b>Funds</b>		<b>Funds</b>		<b>Projects</b>		<b>Funds</b>
<b><u>Assets</u></b>							
Pooled cash and investments	\$ 1,171,110	\$	2,932,210	\$	262,581	\$	4,365,901
Restricted cash and investments	-		1,431,918		-		1,431,918
Receivables:							
Property taxes	-		96,350		-		96,350
Accounts, net	110,222		6,975		-		117,197
Assessments	-		888,291		-		888,291
Loans and notes	368,296		-		-		368,296
Due from other governments	177,960		-		-		177,960
<b>Total Assets</b>	<b>\$ 1,827,588</b>	<b>\$</b>	<b>5,355,744</b>	<b>\$</b>	<b>262,581</b>	<b>\$</b>	<b>7,445,913</b>
<b><u>Liabilities and Fund Balances</u></b>							
Liabilities:							
Accounts payable	\$ 194,225	\$	-	\$	38,779	\$	233,004
Salaries and benefits payable	20,923		-		1,166		22,089
Deposits	27,191		-		-		27,191
Deferred revenues	382,432		950,761		-		1,333,193
Due to other funds	45,148		-		760,000		805,148
<b>Total Liabilities</b>	<b>669,919</b>		<b>950,761</b>		<b>799,945</b>		<b>2,420,625</b>
Fund balances (deficit):							
Reserved for debt service	-		4,404,983		-		4,404,983
Unreserved:							
Designated	1,157,669		-		-		1,157,669
Undesignated	-		-		(537,364)		(537,364)
<b>Total Fund Balances (Deficit)</b>	<b>1,157,669</b>		<b>4,404,983</b>		<b>(537,364)</b>		<b>5,025,288</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,827,588</b>	<b>\$</b>	<b>5,355,744</b>	<b>\$</b>	<b>262,581</b>	<b>\$</b>	<b>7,445,913</b>

City of Bend, Oregon

**Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances (Deficit)**

Nonmajor Governmental Funds

For the fiscal year ended June 30, 2006

	<b>Special Revenue Funds</b>	<b>Debt Service Funds</b>	<b>Capital Projects Funds</b>	<b>Total</b>
<b><u>Revenues</u></b>				
Property taxes	\$ -	\$ 2,179,152	\$ -	\$ 2,179,152
Transient room taxes	879,803	-	-	879,803
Intergovernmental	1,349,733	258,088	-	1,607,821
Assessments	83,374	491,544	1,121	576,039
Charges for services	3,225,867	539,519	-	3,765,386
Loan repayments	38,626	-	-	38,626
Investment income	23,085	184,312	(11,414)	195,983
Miscellaneous	6,341	-	-	6,341
<b>Total Revenues</b>	<b>5,606,829</b>	<b>3,652,615</b>	<b>(10,293)</b>	<b>9,249,151</b>
<b><u>Expenditures</u></b>				
Current:				
Public safety	-	3,800	-	3,800
Public ways and facilities	-	22,300	28,100	50,400
Community and economic development	3,983,418	-	-	3,983,418
Urban renewal	-	-	377,776	377,776
Transit	1,892,865	-	-	1,892,865
Debt service:				
Principal	-	2,486,809	-	2,486,809
Interest	-	1,612,536	-	1,612,536
Capital outlay	-	-	122,520	122,520
<b>Total Expenditures</b>	<b>5,876,283</b>	<b>4,125,445</b>	<b>528,396</b>	<b>10,530,124</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(269,454)</b>	<b>(472,830)</b>	<b>(538,689)</b>	<b>(1,280,973)</b>
<b><u>Other Financing Sources</u></b>				
Transfers in	520,000	846,833	305,867	1,672,700
Net change in fund balances	250,546	374,003	(232,822)	391,727
Fund Balances (Deficit), July 1, 2005	907,123	4,030,980	(304,542)	4,633,561
<b>Fund Balances (Deficit), June 30, 2006</b>	<b>\$ 1,157,669</b>	<b>\$ 4,404,983</b>	<b>\$ (537,364)</b>	<b>\$ 5,025,288</b>

## **NONMAJOR SPECIAL REVENUE FUNDS**

### Planning Fund

This fund accounts for the City's current and long-range planning operations. Revenues include plan review fees and transfers from other City funds.

### Community Development Block Grant Fund

This fund accounts for monies received from Community Development Block Grants. Revenues include grant receipts, as well as loan repayments from prior grant recipients. Expenditures are for the distribution of grants for qualified projects and/or loans to qualified recipients.

### Public Transit Operations Fund

This fund accounts for the City's public transit operations. Funding is provided primarily by support from general discretionary revenues, intergovernmental grants and agreements and ridership charges.

### Tourist Promotion / Economic Development Fund

This fund accounts for tourist promotion and economic development activities sponsored by the City. The principal source of revenue is transient room tax allocations. Expenditures are to other agencies to promote tourism and economic development efforts.

### Economic Improvement District Fund

This fund accounts for the collection of assessments from the Downtown Economic Improvement District and disbursement of those assessments.

City of Bend, Oregon  
**Combining Balance Sheet**  
 Nonmajor Special Revenue Funds  
 June 30, 2006

	Planning Fund	Community Development Block Grant Fund	Public Transit Operations Fund	Tourist Promotion/ Economic Development Fund	Economic Improvement District Fund	Total
<b>Assets</b>						
Pooled cash and investments	\$ 1,002,454	\$ 66	\$ 151,981	\$ 3,215	\$ 13,394	\$ 1,171,110
Receivables:						
Accounts, net	-	-	697	95,389	14,136	110,222
Loans and notes	-	368,296	-	-	-	368,296
Due from other governments	43,948	22,965	111,047	-	-	177,960
<b>Total Assets</b>	<b>\$ 1,046,402</b>	<b>\$ 391,327</b>	<b>\$ 263,725</b>	<b>\$ 98,604</b>	<b>\$ 27,530</b>	<b>\$ 1,827,588</b>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable	\$ 39,293	\$ 26,282	\$ 128,626	\$ 24	\$ -	\$ 194,225
Salaries and benefits payable	18,781	1,187	955	-	-	20,923
Deposits	27,191	-	-	-	-	27,191
Deferred revenues	-	368,296	-	-	14,136	382,432
Due to other funds	-	1,000	-	44,148	-	45,148
<b>Total Liabilities</b>	<b>85,265</b>	<b>396,765</b>	<b>129,581</b>	<b>44,172</b>	<b>14,136</b>	<b>669,919</b>
Fund balances (deficit):						
Unreserved - designated	961,137	(5,438)	134,144	54,432	13,394	1,157,669
<b>Total Fund Balances (Deficit)</b>	<b>961,137</b>	<b>(5,438)</b>	<b>134,144</b>	<b>54,432</b>	<b>13,394</b>	<b>1,157,669</b>
<b>Total Liabilities and Fund Balances</b>						
(Deficit)	\$ 1,046,402	\$ 391,327	\$ 263,725	\$ 98,604	\$ 27,530	\$ 1,827,588

City of Bend, Oregon

**Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances**

Nonmajor Special Revenue Funds

For the fiscal year ended June 30, 2006

	<u>Planning Fund</u>	<u>Community Development Block Grant Fund</u>	<u>Public Transit Operations Fund</u>	<u>Tourist Promotion/ Economic Development Fund</u>	<u>Economic Improvement District Fund</u>	<u>Total</u>
<b><u>Revenues</u></b>						
Transient room taxes	\$ -	\$ -	\$ -	\$ 879,803	\$ -	\$ 879,803
Intergovernmental	82,258	409,381	858,094	-	-	1,349,733
Charges for services	3,112,577	-	113,290	-	-	3,225,867
Assessments	-	-	-	-	83,374	83,374
Loan repayments	-	38,626	-	-	-	38,626
Investment income	21,695	(356)	126	1,087	533	23,085
Miscellaneous	6,341	-	-	-	-	6,341
<b>Total Revenues</b>	<b>3,222,871</b>	<b>447,651</b>	<b>971,510</b>	<b>880,890</b>	<b>83,907</b>	<b>5,606,829</b>
<b><u>Expenditures</u></b>						
Current:						
Community and economic development	2,483,773	495,049	-	934,083	70,513	3,983,418
Transit	-	-	1,892,865	-	-	1,892,865
<b>Total Expenditures</b>	<b>2,483,773</b>	<b>495,049</b>	<b>1,892,865</b>	<b>934,083</b>	<b>70,513</b>	<b>5,876,283</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>739,098</b>	<b>(47,398)</b>	<b>(921,355)</b>	<b>(53,193)</b>	<b>13,394</b>	<b>(269,454)</b>
<b><u>Other Financing Sources</u></b>						
Transfers in	-	-	520,000	-	-	520,000
Net change in fund balance	739,098	(47,398)	(401,355)	(53,193)	13,394	250,546
Fund Balances, July 1, 2005	222,039	41,960	535,499	107,625	-	907,123
<b>Fund Balances (Deficit), June 30, 2006</b>	<b>\$ 961,137</b>	<b>\$ (5,438)</b>	<b>\$ 134,144</b>	<b>\$ 54,432</b>	<b>\$ 13,394</b>	<b>\$ 1,157,669</b>



**Planning Fund**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the fiscal year ended June 30, 2006

	<u>Budget</u>		<u>Actual</u> <u>Budget</u> <u>Basis</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues</u></b>				
Intergovernmental	\$ 150,200	\$ 127,600	\$ 82,258	\$ (45,342)
Charges for services:				
Charges to others	2,184,400	2,207,000	2,717,177	510,177
Charges to other City funds	426,900	426,900	395,400	(31,500)
Investment income	-	-	21,695	21,695
Miscellaneous	2,000	2,000	6,341	4,341
<b>Total Revenues</b>	<b>2,763,500</b>	<b>2,763,500</b>	<b>3,222,871</b>	<b>459,371</b>
<b><u>Expenditures</u></b>				
Current:				
Personal services	1,765,706	1,749,706	1,726,554	23,152
Materials and services	614,800	630,800	448,919	181,881
Interfund charges	308,300	308,300	308,300	-
Contingency	187,794	187,794	-	187,794
<b>Total Expenditures</b>	<b>2,876,600</b>	<b>2,876,600</b>	<b>2,483,773</b>	<b>392,827</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(113,100)</b>	<b>(113,100)</b>	<b>739,098</b>	<b>852,198</b>
<b><u>Other Financing Sources</u></b>				
Transfers in	79,000	79,000	-	(79,000)
Net change in fund balance	(34,100)	(34,100)	739,098	773,198
Fund Balance, July 1, 2005	34,100	34,100	222,039	187,939
<b>Fund Balance, June 30, 2006</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 961,137</b>	<b>\$ 961,137</b>

**Community Development Block Grant Fund**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the fiscal year ended June 30, 2006

	<u>Budget</u>		<u>Actual</u> <u>Budget</u> <u>Basis</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues</u></b>				
Intergovernmental	\$ 711,500	\$ 711,500	\$ 409,381	\$ (302,119)
Loan repayments	18,400	18,400	38,626	20,226
Investment income	-	-	(356)	(356)
<b>Total Revenues</b>	<b>729,900</b>	<b>729,900</b>	<b>447,651</b>	<b>(282,249)</b>
<b><u>Expenditures</u></b>				
Current:				
Personal services	103,923	106,723	104,062	2,661
Materials and services	573,700	570,900	352,387	218,513
Interfund charges	38,600	38,600	38,600	-
Contingency	26,377	26,377	-	26,377
<b>Total Expenditures</b>	<b>742,600</b>	<b>742,600</b>	<b>495,049</b>	<b>247,551</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(12,700)</b>	<b>(12,700)</b>	<b>(47,398)</b>	<b>(34,698)</b>
Fund Balance, July 1, 2005	12,700	12,700	41,960	29,260
<b>Fund Balance (Deficit), June 30, 2006</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (5,438)</b>	<b>\$ (5,438)</b>

**Public Transit Operations Fund**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the fiscal year ended June 30, 2006

	<u>Budget</u>		<u>Actual Budget Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues</u></b>				
Intergovernmental	\$ 955,400	\$ 955,400	\$ 858,094	\$ (97,306)
Charges for services	247,800	247,800	113,290	(134,510)
Investment income	8,400	8,400	126	(8,274)
<b>Total Revenues</b>	<b>1,211,600</b>	<b>1,211,600</b>	<b>971,510</b>	<b>(240,090)</b>
<b><u>Expenditures</u></b>				
Current:				
Personal services	93,194	93,194	57,857	35,337
Materials and services	1,481,300	1,481,300	1,337,065	144,235
Interfund charges	518,400	518,400	497,943	20,457
Capital outlay	141,460	141,460	-	141,460
Contingency	76,946	76,946	-	76,946
<b>Total Expenditures</b>	<b>2,311,300</b>	<b>2,311,300</b>	<b>1,892,865</b>	<b>418,435</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(1,099,700)</b>	<b>(1,099,700)</b>	<b>(921,355)</b>	<b>178,345</b>
<b><u>Other Financing Sources</u></b>				
Transfers in	520,000	520,000	520,000	-
Net change in fund balance	(579,700)	(579,700)	(401,355)	178,345
Fund Balance, July 1, 2005	579,700	579,700	535,499	(44,201)
<b>Fund Balance, June 30, 2006</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 134,144</b>	<b>\$ 134,144</b>

**Tourist Promotion / Economic Development Fund**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the fiscal year ended June 30, 2006

	<u>Budget</u>		<u>Actual</u> <u>Budget</u> <u>Basis</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues</u></b>				
Transient room taxes	\$ 865,500	\$ 865,500	\$ 879,803	\$ 14,303
Investment income	3,600	3,600	1,087	(2,513)
<b>Total Revenues</b>	<b>869,100</b>	<b>869,100</b>	<b>880,890</b>	<b>11,790</b>
<b><u>Expenditures</u></b>				
Current:				
Materials and services	952,800	952,800	911,783	41,017
Interfund charges	22,300	22,300	22,300	-
Contingency	9,200	9,200	-	9,200
<b>Total Expenditures</b>	<b>984,300</b>	<b>984,300</b>	<b>934,083</b>	<b>50,217</b>
<b>Excess (deficiency) of revenues</b> <b>over expenditures</b>	<b>(115,200)</b>	<b>(115,200)</b>	<b>(53,193)</b>	<b>62,007</b>
<b><u>Other Financing Sources</u></b>				
Advance from other funds	-	-	33,000	33,000
Net change in fund balance	(115,200)	(115,200)	(20,193)	95,007
Fund Balance, July 1, 2005	115,200	115,200	107,625	(7,575)
<b>Fund Balance, June 30, 2006</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 87,432</b>	<b>\$ 87,432</b>

**Reconciliation of Budgetary basis to GAAP basis**

Other Financing Sources - Budgetary Basis	\$ 33,000
Advance from other funds reported as other financing source on the budgetary basis is reported as a liability on the GAAP basis	<u>(33,000)</u>
<b>Other Financing Sources - GAAP Basis</b>	<u><u>\$ -</u></u>

City of Bend, Oregon

**Economic Improvement District Fund**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the fiscal year ended June 30, 2006

	<u>Budget</u>		<u>Actual</u> <u>Budget</u> <u>Basis</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues</u></b>				
Assessments	\$ -	\$ 100,000	\$ 83,374	\$ (16,626)
Investment income	-	-	533	533
<b>Total Revenues</b>	<b>-</b>	<b>100,000</b>	<b>83,907</b>	<b>(16,093)</b>
<b><u>Expenditures</u></b>				
Current:				
Materials and services	-	95,000	66,987	28,013
Interfund charges	-	5,000	3,526	1,474
<b>Total Expenditures</b>	<b>-</b>	<b>100,000</b>	<b>70,513</b>	<b>29,487</b>
<b>Excess of revenues over expenditures</b>	<b>-</b>	<b>-</b>	<b>13,394</b>	<b>13,394</b>
Fund Balance, July 1, 2005	-	-	-	-
<b>Fund Balance, June 30, 2006</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 13,394</b>	<b>\$ 13,394</b>

City of Bend, Oregon

**Nonmajor Special Revenue Funds**

Schedule of Expenditures by Appropriation Levels

For the fiscal year ended June 30, 2006

	<u>Appropriation</u>	<u>Actual Expenditures</u>	<u>Variance Positive (Negative)</u>
<b><u>Planning Fund</u></b>			
Expenditures	\$ 2,688,806	\$ 2,483,773	\$ 205,033
Contingency	187,794	-	187,794
	<b>\$ 2,876,600</b>	<b>\$ 2,483,773</b>	<b>\$ 392,827</b>
<b><u>Community Development Block Grant</u></b>			
Expenditures	\$ 716,223	\$ 495,049	\$ 221,174
Contingency	26,377	-	26,377
	<b>\$ 742,600</b>	<b>\$ 495,049</b>	<b>\$ 247,551</b>
<b><u>Public Transit</u></b>			
Expenditures	\$ 2,234,354	\$ 1,892,865	\$ 341,489
Contingency	76,946	-	76,946
	<b>\$ 2,311,300</b>	<b>\$ 1,892,865</b>	<b>\$ 418,435</b>
<b><u>Tourism/Economic Development</u></b>			
Expenditures	\$ 975,100	\$ 934,083	\$ 41,017
Contingency	9,200	-	9,200
	<b>\$ 984,300</b>	<b>\$ 934,083</b>	<b>\$ 50,217</b>
<b><u>Economic Improvement District</u></b>			
Materials and services	\$ 95,000	\$ 66,987	\$ 28,013
Transfers	5,000	3,526	1,474
	<b>\$ 100,000</b>	<b>\$ 70,513</b>	<b>\$ 29,487</b>

## **NONMAJOR DEBT SERVICE FUNDS**

### Improvement District Debt Service Fund

This fund accounts for special assessment receivables and the servicing of the related bonded debt. The debt is repaid through special assessment principal and interest collections.

### Urban Renewal Debt Service Fund

This fund accounts for the debt-related activities of the Bend Urban Renewal Agency's downtown urban renewal district. The principal source of revenue is property taxes which are used to pay the principal and interest on outstanding tax increment bonds.

### Fire Station Debt Service Fund

This fund accounts for the servicing of bonds issued to fund construction of new fire stations. The principal source of revenue is payments from the Deschutes County Rural Fire Protection District. Expenditures are for principal and interest payments on the outstanding debt.

### PERS Debt Service Fund

This fund accounts for the servicing of pension obligation bonds issued to reduce the City's unfunded actuarial liability.

City of Bend, Oregon  
**Combining Balance Sheet**  
 Nonmajor Debt Service Funds  
 June 30, 2006

	<b>Improvement District Debt Service Fund</b>	<b>Urban Renewal Debt Service Fund</b>	<b>Fire Station Debt Service Fund</b>	<b>PERS Debt Service Fund</b>	<b>Total</b>
<b><u>Assets</u></b>					
Pooled cash and investments	\$ 1,047,532	\$ 1,283,452	\$ 4,272	\$ 596,954	\$ 2,932,210
Restricted cash and investments	-	1,431,918	-	-	1,431,918
Receivables:					
Property taxes	-	96,350	-	-	96,350
Accounts, net	6,975	-	-	-	6,975
Assessments	888,291	-	-	-	888,291
<b>Total Assets</b>	<b>\$ 1,942,798</b>	<b>\$ 2,811,720</b>	<b>\$ 4,272</b>	<b>\$ 596,954</b>	<b>\$ 5,355,744</b>
<b><u>Liabilities and Fund Balances</u></b>					
Liabilities:					
Deferred revenues	\$ 888,291	\$ 62,470	\$ -	\$ -	\$ 950,761
<b>Total Liabilities</b>	<b>888,291</b>	<b>62,470</b>	<b>-</b>	<b>-</b>	<b>950,761</b>
Fund balances:					
Reserved for debt service	1,054,507	2,749,250	4,272	596,954	4,404,983
<b>Total Fund Balances</b>	<b>1,054,507</b>	<b>2,749,250</b>	<b>4,272</b>	<b>596,954</b>	<b>4,404,983</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,942,798</b>	<b>\$ 2,811,720</b>	<b>\$ 4,272</b>	<b>\$ 596,954</b>	<b>\$ 5,355,744</b>



City of Bend, Oregon

**Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances**

Nonmajor Debt Service Funds

For the fiscal year ended June 30, 2006

	Improvement District Debt Service <u>Fund</u>	Urban Renewal Debt Service <u>Fund</u>	Fire Station Debt Service <u>Fund</u>	PERS Debt Service <u>Fund</u>	<u>Total</u>
<b>Revenues</b>					
Property taxes	\$ -	\$ 2,179,152	\$ -	\$ -	\$ 2,179,152
Intergovernmental	-	-	258,088	-	258,088
Assessments	491,544	-	-	-	491,544
Charges for services	94,809	-	-	444,710	539,519
Investment income	37,961	129,603	858	15,890	184,312
<b>Total Revenues</b>	<b>624,314</b>	<b>2,308,755</b>	<b>258,946</b>	<b>460,600</b>	<b>3,652,615</b>
<b>Expenditures</b>					
Current:					
Public safety	-	-	3,800	-	3,800
Public ways and facilities	22,300	-	-	-	22,300
Debt service:					
Principal	509,000	1,867,809	110,000	-	2,486,809
Interest	65,818	691,951	148,088	706,679	1,612,536
<b>Total Expenditures</b>	<b>597,118</b>	<b>2,559,760</b>	<b>261,888</b>	<b>706,679</b>	<b>4,125,445</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>27,196</b>	<b>(251,005)</b>	<b>(2,942)</b>	<b>(246,079)</b>	<b>(472,830)</b>
<b>Other Financing Sources</b>					
Transfers in	-	-	3,800	843,033	846,833
Net change in fund balances	27,196	(251,005)	858	596,954	374,003
Fund Balances, July 1, 2005	1,027,311	3,000,255	3,414	-	4,030,980
<b>Fund Balances, June 30, 2006</b>	<b>\$ 1,054,507</b>	<b>\$ 2,749,250</b>	<b>\$ 4,272</b>	<b>\$ 596,954</b>	<b>\$ 4,404,983</b>

City of Bend, Oregon

**Improvement District Debt Service Fund**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the fiscal year ended June 30, 2006

	<u>Budget</u>		<u>Actual</u> <u>Budget</u> <u>Basis</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Charges for services	\$ 70,000	\$ 70,000	\$ 94,809	\$ 24,809
Assessment loan repayments	227,800	227,800	491,544	263,744
Investment income	9,000	9,000	37,961	28,961
<b>Total Revenues</b>	<b>306,800</b>	<b>306,800</b>	<b>624,314</b>	<b>317,514</b>
<b>Expenditures</b>				
Current:				
Interfund charges	22,300	22,300	22,300	-
Debt service	700,600	700,600	574,818	125,782
Contingency	389,500	389,500	-	389,500
<b>Total Expenditures</b>	<b>1,112,400</b>	<b>1,112,400</b>	<b>597,118</b>	<b>515,282</b>
<b>Excess (deficiency) of revenues</b> <b>over expenditures</b>	<b>(805,600)</b>	<b>(805,600)</b>	<b>27,196</b>	<b>832,796</b>
Fund Balance, July 1, 2005	805,600	805,600	1,027,311	221,711
<b>Fund Balance, June 30, 2006</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,054,507</b>	<b>\$ 1,054,507</b>

City of Bend, Oregon

**Urban Renewal Debt Service Fund**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the fiscal year ended June 30, 2006

	<u>Budget</u>		<u>Actual</u> <u>Budget</u> <u>Basis</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property taxes	\$ 2,226,500	\$ 2,226,500	\$ 2,179,152	\$ (47,348)
Investment income	60,000	60,000	129,603	69,603
<b>Total Revenues</b>	<b>2,286,500</b>	<b>2,286,500</b>	<b>2,308,755</b>	<b>22,255</b>
<b>Expenditures</b>				
Current:				
Interfund charges	25,000	25,000	-	25,000
Debt service	2,716,800	2,716,800	2,559,760	157,040
Contingency	1,088,900	1,088,900	-	1,088,900
Debt service reserve	1,431,900	1,431,900	-	1,431,900
<b>Total Expenditures</b>	<b>5,262,600</b>	<b>5,262,600</b>	<b>2,559,760</b>	<b>2,702,840</b>
<b>Excess (deficiency) of revenues</b> <b>over expenditures</b>	<b>(2,976,100)</b>	<b>(2,976,100)</b>	<b>(251,005)</b>	<b>2,725,095</b>
Fund Balance, July 1, 2005	2,976,100	2,976,100	3,000,255	24,155
<b>Fund Balance, June 30, 2006</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,749,250</b>	<b>\$ 2,749,250</b>

City of Bend, Oregon

**Fire Station Debt Service Fund**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the fiscal year ended June 30, 2006

	<u>Budget</u>		<u>Actual Budget Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues</u></b>				
Intergovernmental	\$ 258,100	\$ 258,100	\$ 258,088	\$ (12)
Investment income	300	300	858	558
<b>Total Revenues</b>	<b>258,400</b>	<b>258,400</b>	<b>258,946</b>	<b>546</b>
<b><u>Expenditures</u></b>				
Current:				
Materials and services	700	700	600	100
Interfund charges	3,200	3,200	3,200	-
Debt service	258,100	258,100	258,088	12
Contingency	200	200	-	200
<b>Total Expenditures</b>	<b>262,200</b>	<b>262,200</b>	<b>261,888</b>	<b>312</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(3,800)</b>	<b>(3,800)</b>	<b>(2,942)</b>	<b>858</b>
<b><u>Other Financing Source</u></b>				
Transfers in	700	700	3,800	3,100
<b>Total Other Financing Sources</b>	<b>700</b>	<b>700</b>	<b>3,800</b>	<b>3,100</b>
Net change in fund balance	(3,100)	(3,100)	858	3,958
Fund Balance, July 1, 2005	3,100	3,100	3,414	314
<b>Fund Balance, June 30, 2006</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,272</b>	<b>\$ 4,272</b>

City of Bend, Oregon

**PERS Debt Service Fund**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the fiscal year ended June 30, 2006

	<u>Budget</u>		<u>Actual</u> <u>Budget</u> <u>Basis</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Charges to other City funds	\$ -	\$ -	\$ 444,710	\$ 444,710
Investment income	-	-	15,890	15,890
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>460,600</b>	<b>460,600</b>
<b>Expenditures</b>				
Debt service	-	820,800	706,679	114,121
Contingency	-	100,000	-	100,000
Debt service reserve	-	456,110	-	456,110
<b>Total Expenditures</b>	<b>-</b>	<b>1,376,910</b>	<b>706,679</b>	<b>670,231</b>
<b>Excess (deficiency) of revenues</b> <b>over expenditures</b>	<b>-</b>	<b>(1,376,910)</b>	<b>(246,079)</b>	<b>1,130,831</b>
<b>Other Financing Sources</b>				
Transfers in	-	1,376,910	843,033	(533,877)
Net change in fund balance	-	-	596,954	596,954
Fund Balance, July 1, 2005	-	-	-	-
<b>Fund Balance, June 30, 2006</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 596,954</b>	<b>\$ 596,954</b>

City of Bend, Oregon  
**Nonmajor Debt Service Funds**  
 Schedule of Expenditures by Appropriation Levels  
 For the fiscal year ended June 30, 2006

	<u>Appropriation</u>	<u>Actual Expenditures</u>	<u>Variance Positive (Negative)</u>
<b><u>Improvement District Debt Service Fund</u></b>			
Expenditures	\$ 722,900	\$ 597,118	\$ 125,782
Contingency	389,500	-	389,500
	<b>\$ 1,112,400</b>	<b>\$ 597,118</b>	<b>\$ 515,282</b>
<b><u>Urban Renewal Debt Service Fund</u></b>			
Expenditures	\$ 2,741,800	\$ 2,559,760	\$ 182,040
Contingency	1,088,900	-	1,088,900
Reserves	1,431,900	-	1,431,900
	<b>\$ 5,262,600</b>	<b>\$ 2,559,760</b>	<b>\$ 2,702,840</b>
<b><u>Fire Station Debt Service Fund</u></b>			
Expenditures	\$ 262,000	\$ 261,888	\$ 112
Contingency	200	-	200
	<b>\$ 262,200</b>	<b>\$ 261,888</b>	<b>\$ 312</b>
<b><u>PERS Debt Service Fund</u></b>			
Expenditures	\$ 820,800	\$ 706,679	\$ 114,121
Contingency	100,000	-	100,000
Reserves	456,110	-	456,110
	<b>\$ 1,376,910</b>	<b>\$ 706,679</b>	<b>\$ 670,231</b>

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## **NONMAJOR CAPITAL PROJECTS FUNDS**

### Improvement District Construction Fund

This fund accounts for the cost of construction and related interim financing for public improvements which primarily benefit the property owners against whose properties are levied a special assessment. Construction-period financing is obtained through short-term borrowing or interfund loans.

### Juniper Ridge Construction Fund

This fund accounts for the expenditures of the Juniper Ridge urban renewal district.



City of Bend, Oregon  
**Combining Balance Sheet**  
 Nonmajor Capital Projects Funds  
 June 30, 2006

	Improvement District Construction <u>Fund</u>	Juniper Ridge Construction <u>Fund</u>	<u>Total</u>
<b><u>Assets</u></b>			
Pooled cash and investments	\$ 87,653	\$ 174,928	\$ 262,581
<b>Total Assets</b>	<b>\$ 87,653</b>	<b>\$ 174,928</b>	<b>\$ 262,581</b>
<b><u>Liabilities and Fund Balances</u></b>			
Liabilities:			
Accounts payable	\$ 33,966	\$ 4,813	\$ 38,779
Salaries and benefits payable	-	1,166	1,166
Due to other funds	210,000	550,000	760,000
<b>Total Liabilities</b>	<b>243,966</b>	<b>555,979</b>	<b>799,945</b>
Fund deficits:			
Unreserved:			
Undesignated	(156,313)	(381,051)	(537,364)
<b>Total Fund Deficits</b>	<b>(156,313)</b>	<b>(381,051)</b>	<b>(537,364)</b>
<b>Total Liabilities and Fund Deficits</b>	<b>\$ 87,653</b>	<b>\$ 174,928</b>	<b>\$ 262,581</b>

City of Bend, Oregon

**Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances (Deficits)**

Nonmajor Capital Projects Funds

For the fiscal year ended June 30, 2006

	Improvement District Construction <u>Fund</u>	Juniper Ridge Construction <u>Fund</u>	<u>Total</u>
<b><u>Revenues</u></b>			
Assessments	\$ 1,121	\$ -	\$ 1,121
Investment income	(8,139)	(3,275)	(11,414)
<b>Total Revenues</b>	<b>(7,018)</b>	<b>(3,275)</b>	<b>(10,293)</b>
<b><u>Expenditures</u></b>			
Current:			
Public ways and facilities	28,100	-	28,100
Urban renewal	-	377,776	377,776
Capital outlay	122,520	-	122,520
<b>Total Expenditures</b>	<b>150,620</b>	<b>377,776</b>	<b>528,396</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(157,638)</b>	<b>(381,051)</b>	<b>(538,689)</b>
<b><u>Other Financing Sources</u></b>			
Transfers in	305,867	-	305,867
Net change in fund balance	148,229	(381,051)	(232,822)
Fund Deficits, July 1, 2005	(304,542)	-	(304,542)
<b>Fund Deficits, June 30, 2006</b>	<b>\$ (156,313)</b>	<b>\$ (381,051)</b>	<b>\$ (537,364)</b>

**Improvement District Construction Fund**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the fiscal year ended June 30, 2006

	<u>Budget</u>		<u>Actual Budget Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Assessments	\$ 277,200	\$ 277,200	\$ 1,121	\$ (276,079)
Investment income	-	-	(8,139)	(8,139)
<b>Total Revenues</b>	<b>277,200</b>	<b>277,200</b>	<b>(7,018)</b>	<b>(284,218)</b>
<b>Expenditures</b>				
Current:				
Materials and services	40,500	40,500	-	40,500
Interfund charges	28,100	28,100	28,100	-
Capital outlay	2,550,000	2,550,000	122,520	2,427,480
Contingency	6,400	6,400	-	6,400
<b>Total Expenditures</b>	<b>2,625,000</b>	<b>2,625,000</b>	<b>150,620</b>	<b>2,474,380</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(2,347,800)</b>	<b>(2,347,800)</b>	<b>(157,638)</b>	<b>2,190,162</b>
<b>Other Financing Sources (Uses)</b>				
Issuance of long-term debt	2,700,000	2,700,000	-	(2,700,000)
Interfund loan repayment	(389,000)	(389,000)	(389,000)	-
Advance from other funds	-	-	210,000	210,000
Transfers in	-	-	305,867	305,867
<b>Total Other Financing Sources (Uses)</b>	<b>2,311,000</b>	<b>2,311,000</b>	<b>126,867</b>	<b>(2,184,133)</b>
Net change in fund balance	(36,800)	(36,800)	(30,771)	6,029
Fund Balance, July 1, 2005	36,800	36,800	84,458	47,658
<b>Fund Balance, June 30, 2006</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 53,687</b>	<b>\$ 53,687</b>

**Reconciliation of Budgetary expenditures to GAAP expenditures**

Other Financing Sources (Uses) - Budgetary Basis	\$ 126,867
Repayment of interfund loan reported as other financing use on the budgetary basis is reported as a reduction of liabilities on the GAAP basis	389,000
Advance from other funds reported as other financing source on the budgetary basis is reported as a liability on the GAAP basis	(210,000)
<b>Other Financing Sources (Uses) - GAAP Basis</b>	<b>\$ 305,867</b>

**Juniper Ridge Construction Fund**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the fiscal year ended June 30, 2006

	<u>Budget</u>		<u>Actual Budget Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues</u></b>				
Investment income	\$ -	\$ -	\$ (3,275)	\$ (3,275)
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>(3,275)</b>	<b>(3,275)</b>
<b><u>Expenditures</u></b>				
Current:				
Personal services	68,034	68,034	41,946	26,088
Materials and services	61,600	236,600	161,230	75,370
Interfund charges	174,600	174,600	174,600	-
Contingency	10,766	70,766	-	70,766
<b>Total Expenditures</b>	<b>315,000</b>	<b>550,000</b>	<b>377,776</b>	<b>172,224</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(315,000)</b>	<b>(550,000)</b>	<b>(381,051)</b>	<b>168,949</b>
<b><u>Other Financing Sources</u></b>				
Advance from other funds	315,000	550,000	550,000	-
Net change in fund balance	-	-	168,949	168,949
Fund Balance, July 1, 2005	-	-	-	-
<b>Fund Balance, June 30, 2006</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 168,949</b>	<b>\$ 168,949</b>

**Reconciliation of Budgetary basis to GAAP basis**

Other Financing Sources - Budgetary Basis	\$ 550,000
Advance from other funds reported as other financing sources on the budgetary basis is reported as a liability on the GAAP basis	<u>(550,000)</u>
<b>Other Financing Sources - GAAP Basis</b>	<u><u>\$ -</u></u>

City of Bend, Oregon

## Nonmajor Capital Projects Funds

Schedule of Expenditures by Appropriation Levels

For the fiscal year ended June 30, 2006

	<u>Appropriation</u>	<u>Actual Expenditures</u>	<u>Variance Positive (Negative)</u>
<b><u>Improvement District Construction Fund</u></b>			
Expenditures	\$ 3,007,600	\$ 539,620	\$ 2,467,980
Contingency	6,400	-	6,400
	<b>\$ 3,014,000</b>	<b>\$ 539,620</b>	<b>\$ 2,474,380</b>
<b><u>Juniper Ridge Construction Fund</u></b>			
Expenditures	\$ 479,234	\$ 377,776	\$ 101,458
Contingency	70,766	-	70,766
	<b>\$ 550,000</b>	<b>\$ 377,776</b>	<b>\$ 172,224</b>

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## **NONMAJOR ENTERPRISE FUNDS**

### Cemetery Fund

This fund accounts for the operations of the City cemetery. The principal sources of revenue are user charges and interest income which are used to fund maintenance and capital improvements at the cemetery.

### Downtown Parking Fund

This fund accounts for the operation of City-owned parking facilities. Revenue sources include parking fees and fines and rentals. The revenue is used for program administration and management.

### Stormwater Fund

This fund accounts for the operation of the City's stormwater facilities. Revenue sources currently consist of general fund support.

**Combining Statement of Net Assets**

Nonmajor Enterprise Funds

June 30, 2006

	<b>Cemetery Fund</b>	<b>Downtown Parking Fund</b>	<b>Stormwater Fund</b>	<b>Total</b>
<b><u>Assets</u></b>				
Current assets:				
Pooled cash and investments	\$ 476,499	\$ 422,171	\$ 170,467	\$ 1,069,137
Accounts receivable, net	-	10,804	-	10,804
Prepays and deposits	-	-	32,308	32,308
<b>Total Current Assets</b>	<b>476,499</b>	<b>432,975</b>	<b>202,775</b>	<b>1,112,249</b>
Noncurrent assets:				
Capital assets, net	220,519	-	9,437	229,956
<b>Total Noncurrent Assets</b>	<b>220,519</b>	<b>-</b>	<b>9,437</b>	<b>229,956</b>
<b>Total Assets</b>	<b>697,018</b>	<b>432,975</b>	<b>212,212</b>	<b>1,342,205</b>
<b><u>Liabilities</u></b>				
Current liabilities:				
Accounts payable	1,591	3,212	35,624	40,427
Salaries and benefits payable	758	488	927	2,173
Compensated absences	4,011	-	4,147	8,158
<b>Total Liabilities</b>	<b>6,360</b>	<b>3,700</b>	<b>40,698</b>	<b>50,758</b>
<b><u>Net Assets</u></b>				
Invested in capital assets, net of related debt	220,519	-	9,437	229,956
Unrestricted	470,139	429,275	162,077	1,061,491
<b>Total Net Assets</b>	<b>\$ 690,658</b>	<b>\$ 429,275</b>	<b>\$ 171,514</b>	<b>\$ 1,291,447</b>



City of Bend, Oregon

**Combining Statement of Revenues, Expenses,  
and Changes in Net Assets**

Nonmajor Enterprise Funds

For the fiscal year ended June 30, 2006

	<b>Cemetery Fund</b>	<b>Downtown Parking Fund</b>	<b>Stormwater Fund</b>	<b>Total</b>
<b><u>Operating Revenues</u></b>				
Charges for services	\$ 73,351	\$ 327,726	\$ -	\$ 401,077
Miscellaneous	94	-	-	94
<b>Total Operating Revenues</b>	<b>73,445</b>	<b>327,726</b>	<b>-</b>	<b>401,171</b>
<b><u>Operating Expenses</u></b>				
Salaries and benefits	74,446	32,803	89,767	197,016
Materials and supplies	31,691	223,460	57,139	312,290
Internal services	45,422	145,100	30,800	221,322
Depreciation	15,278	-	63	15,341
<b>Total Operating Expenses</b>	<b>166,837</b>	<b>401,363</b>	<b>177,769</b>	<b>745,969</b>
<b>Operating loss</b>	<b>(93,392)</b>	<b>(73,637)</b>	<b>(177,769)</b>	<b>(344,798)</b>
<b><u>Nonoperating Revenues (Expenses)</u></b>				
Investment income	18,906	72,178	3,283	94,367
Permanent maintenance fees	18,909	-	-	18,909
Parking improvement fees	-	21,500	-	21,500
Write off of parking improvement fees	-	(101,000)	-	(101,000)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>37,815</b>	<b>(7,322)</b>	<b>3,283</b>	<b>33,776</b>
<b>Income (loss) before contributions and transfers</b>	<b>(55,577)</b>	<b>(80,959)</b>	<b>(174,486)</b>	<b>(311,022)</b>
<b><u>Contributions and transfers</u></b>				
Transfers in	-	-	346,000	346,000
Transfers out	-	(953,834)	-	(953,834)
<b>Total Contributions and Transfers</b>	<b>-</b>	<b>(953,834)</b>	<b>346,000</b>	<b>(607,834)</b>
Change in net assets	(55,577)	(1,034,793)	171,514	(918,856)
Net Assets, July 1, 2005	746,235	1,464,068	-	2,210,303
<b>Net Assets, June 30, 2006</b>	<b>\$ 690,658</b>	<b>\$ 429,275</b>	<b>\$ 171,514</b>	<b>\$ 1,291,447</b>

City of Bend, Oregon  
**Combining Statement of Cash Flows**  
 Nonmajor Enterprise Funds  
 For the fiscal year ended June 30, 2006

	Cemetery Fund	Downtown Parking Fund	Stormwater Fund	Total
<b><u>Cash Flows from Operating Activities</u></b>				
Cash received from customers	\$ 75,903	\$ 329,574	\$ -	\$ 405,477
Cash paid to employees for services	(69,677)	(35,955)	(84,693)	(190,325)
Cash paid to suppliers for goods and services	(30,124)	(235,014)	(53,823)	(318,961)
Cash paid for interfund services used	(45,422)	(145,100)	(30,800)	(221,322)
<b>Net Cash Used In Operating Activities</b>	<b>(69,320)</b>	<b>(86,495)</b>	<b>(169,316)</b>	<b>(325,131)</b>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>				
Transfer from other funds	-	-	346,000	346,000
Transfers to other funds	-	(953,834)	-	(953,834)
<b>Net Cash Provided by (Used In) Noncapital Financing Activities</b>	<b>-</b>	<b>(953,834)</b>	<b>346,000</b>	<b>(607,834)</b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>				
Permanent maintenance fees	18,909	-	-	18,909
Collection of loans and notes receivable	-	930,046	-	930,046
Acquisition and construction of capital assets	(22,579)	-	(9,500)	(32,079)
<b>Net Cash Provided By (Used In) Capital and Related Financing Activities</b>	<b>(3,670)</b>	<b>930,046</b>	<b>(9,500)</b>	<b>916,876</b>
<b><u>Cash Flows from Investing Activities</u></b>				
Investment income	18,906	72,178	3,283	94,367
Net change in pooled cash and investments	(54,084)	(38,105)	170,467	78,278
Pooled Cash and Investments, July 1, 2005	530,583	460,276	-	990,859
<b>Pooled Cash and Investments, June 30, 2006</b>	<b>\$ 476,499</b>	<b>\$ 422,171</b>	<b>\$ 170,467</b>	<b>\$ 1,069,137</b>

**Reconciliation of Operating Loss to Net Cash  
 Provided by (Used in) Operating Activities**

Operating loss	\$ (93,392)	\$ (73,637)	\$ (177,769)	\$ (344,798)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities				
Depreciation	15,278	-	63	15,341
Change in:				
Accounts receivable	2,458	1,848	-	4,306
Prepays and deposits	-	-	(32,308)	(32,308)
Accounts payable	1,567	(11,554)	35,624	25,637
Salaries and benefits payable	758	(195)	927	1,490
Compensated absences payable	4,011	(2,957)	4,147	5,201
<b>Net Cash Used In Operating Activities</b>	<b>\$ (69,320)</b>	<b>\$ (86,495)</b>	<b>\$ (169,316)</b>	<b>\$ (325,131)</b>

**Noncash Capital and Related Financing Activities**

Loan receivables totaling \$101,000 were written off in the current year.

**Cemetery Fund**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the fiscal year ended June 30, 2006

	<u>Budget</u>		<u>Actual</u> <u>Budget</u> <u>Basis</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Burial and lot fees	\$ 85,000	\$ 85,000	\$ 73,351	\$ (11,649)
Permanent maintenance fees	22,100	22,100	18,909	(3,191)
Investment income	14,000	14,000	18,906	4,906
Miscellaneous	-	-	94	94
<b>Total Revenues</b>	<b>121,100</b>	<b>121,100</b>	<b>111,260</b>	<b>(9,840)</b>
<b>Expenditures</b>				
Current:				
Personal services	70,881	70,881	74,446	(3,565)
Materials and services	38,900	38,900	31,691	7,209
Interfund charges	54,900	54,900	45,422	9,478
Capital outlay	23,000	23,000	22,579	421
Contingency	6,519	6,519	-	6,519
Permanent maintenance reserve	468,500	468,500	-	468,500
<b>Total Expenditures</b>	<b>662,700</b>	<b>662,700</b>	<b>174,138</b>	<b>488,562</b>
<b>Excess (deficiency) of revenues</b> <b>over expenditures</b>	<b>(541,600)</b>	<b>(541,600)</b>	<b>(62,878)</b>	<b>478,722</b>
Total Fund Balance, July 1, 2005	541,600	541,600	533,013	(8,587)
<b>Total Fund Balance, June 30, 2006</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 470,135</b>	<b>\$ 470,135</b>

**Reconciliation of Budgetary expenditures to GAAP expenses**

Expenditures - Budgetary Basis	\$ 174,138
Capital outlay reported as expenditures on the budgetary basis are reported as assets on the GAAP basis	(22,579)
Depreciation not reported on the budgetary basis is reported as an expense on the GAAP basis	15,278
<b>Expenses - GAAP Basis</b>	<b>\$ 166,837</b>

City of Bend, Oregon

**Downtown Parking Fund**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the fiscal year ended June 30, 2006

	<u>Budget</u>		<u>Actual</u> <u>Budget</u> <u>Basis</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Fines and lot rental fees	\$ 348,300	\$ 348,300	\$ 327,726	\$ (20,574)
Parking improvement fees	1,215,800	1,215,800	(79,500)	(1,295,300)
Investment income	12,000	12,000	72,178	60,178
<b>Total Revenues</b>	<b>1,576,100</b>	<b>1,576,100</b>	<b>320,404</b>	<b>(1,255,696)</b>
<b>Expenditures</b>				
Current:				
Personal services	54,675	40,675	32,803	7,872
Materials and services	172,800	224,800	223,460	1,340
Interfund charges	140,100	140,100	145,100	(5,000)
Contingency	508,325	508,325	-	508,325
Construction reserves	154,300	154,300	-	154,300
<b>Total Expenditures</b>	<b>1,030,200</b>	<b>1,068,200</b>	<b>401,363</b>	<b>666,837</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>545,900</b>	<b>507,900</b>	<b>(80,959)</b>	<b>(588,859)</b>
<b>Other Financing Uses</b>				
Transfers out	(1,000,000)	(962,000)	(953,834)	8,166
Net change in fund balance	(454,100)	(454,100)	(1,034,793)	(580,693)
Total Fund Balance, July 1, 2005	454,100	454,100	1,464,068	1,009,968
<b>Total Fund Balance, June 30, 2006</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 429,275</b>	<b>\$ 429,275</b>

City of Bend, Oregon  
**Stormwater Fund**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
 For the fiscal year ended June 30, 2006

	<u>Budget</u>		<u>Actual Budget Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Investment income	\$ -	\$ -	\$ 3,283	\$ 3,283
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>3,283</b>	<b>3,283</b>
<b>Expenditures</b>				
Current:				
Personal services	86,955	86,955	89,767	(2,812)
Materials and services	101,000	126,000	57,139	68,861
Interfund charges	30,800	30,800	30,800	-
Capital outlay	75,000	50,000	9,500	40,500
Contingency	52,245	52,245	-	52,245
<b>Total Expenditures</b>	<b>346,000</b>	<b>346,000</b>	<b>187,206</b>	<b>158,794</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(346,000)</b>	<b>(346,000)</b>	<b>(183,923)</b>	<b>162,077</b>
<b>Other Financing Sources</b>				
Transfers in	346,000	346,000	346,000	-
Net change in fund balance	-	-	162,077	162,077
Total Fund Balance, July 1, 2005	-	-	-	-
<b>Total Fund Balance, June 30, 2006</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 162,077</b>	<b>\$ 162,077</b>

**Reconciliation of Budgetary expenditures to GAAP expenses**

Expenditures - Budgetary Basis	\$ 187,206
Capital outlay reported as expenditures on the budgetary basis are reported as assets on the GAAP basis	(9,500)
Depreciation not reported on the budgetary basis is reported as an expense on the GAAP basis	63
<b>Expenses - GAAP Basis</b>	<b>\$ 177,769</b>

City of Bend, Oregon

**Nonmajor Enterprise Funds**

Schedule of Expenditures by Appropriation Levels

For the fiscal year ended June 30, 2006

	<u>Appropriation</u>	<u>Actual Expenditures</u>	<u>Variance Positive (Negative)</u>
<b><u>Cemetery Fund</u></b>			
Expenditures	\$ 187,681	\$ 174,138	\$ 13,543
Contingency	6,519	-	6,519
Other requirements	468,500	-	468,500
	<b>\$ 662,700</b>	<b>\$ 174,138</b>	<b>\$ 488,562</b>
<b><u>Downtown Parking Fund</u></b>			
Expenditures	\$ 1,367,575	\$ 1,355,197	\$ 12,378
Contingency	508,325	-	508,325
Other requirements	154,300	-	154,300
	<b>\$ 2,030,200</b>	<b>\$ 1,355,197</b>	<b>\$ 675,003</b>
<b><u>Stormwater Fund</u></b>			
Expenditures	\$ 293,755	\$ 187,206	\$ 106,549
Contingency	52,245	-	52,245
	<b>\$ 346,000</b>	<b>\$ 187,206</b>	<b>\$ 158,794</b>

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## **INTERNAL SERVICE FUND**

### Garage Division

To account for the maintenance and service of all City vehicles and heavy equipment except for the police vehicles. User charges cover equipment and vehicle maintenance expenses.

### Information Technology Division

To account for equipment acquisition, maintenance and operation of the City's computer and telephone systems. User charges cover the cost of operations and acquisitions.

### Facility Management Division

To account for maintenance services on City buildings. Facility maintenance rates are charged on the basis of square footage to recover the full cost of services provided.

### Engineering Division

To account for construction project oversight, plan reviews and other engineering services. Revenues are engineering fees used to cover operating expenses.

### Public Works Administration Division

To account for general and administrative services provided to other funds. User charges are generated for public works administration, laboratory and office support.

### Risk Management Division

To account for the City's employee health, workers' compensation, general liability, automobile and property liability insurance programs. Revenues consist of premium contributions by departments as well as insurance settlements and refunds. Expenses are for premiums and claims costs.

### Administration & Financial Services Division

To account for the general government and finance functions. User charges are generated to cover the full cost of operations of the City Council, City Manager's office, Human Resources and Finance.

### Economic Development Administration Division

To account for the administration of the City's economic development activities. User charges are generated for personnel and materials and services costs.



City of Bend, Oregon

**Combining Statement of Net Assets**

Internal Service Fund

June 30, 2006

	<u>Garage Division</u>	<u>Information Technology Division</u>	<u>Facility Management Division</u>	<u>Engineering Division</u>	<u>Public Works Admini- stration Division</u>	<u>Risk Manage- ment Division</u>	<u>Administration &amp; Financial Services Division</u>	<u>Economic Development Administration Division</u>	<u>Total</u>
<b>Assets</b>									
Current assets:									
Pooled cash and investments	\$ 47,473	\$ 690,809	\$ 1,860,320	\$ 2,007,805	\$ 747,680	\$ 1,376,014	\$ 730,899	\$ 58,651	\$ 7,519,651
Accounts receivable, net	1,105	-	-	455	-	3,459	275	-	5,294
Due from other funds	-	-	-	-	-	-	11,148	1,000	12,148
Inventories	19,101	-	-	-	-	-	-	-	19,101
Prepays and deposits	-	14,349	-	-	-	-	12,050	-	26,399
Bond issue costs, net	-	-	16,979	-	-	-	-	-	16,979
<b>Total Current Assets</b>	<b>67,679</b>	<b>705,158</b>	<b>1,877,299</b>	<b>2,008,260</b>	<b>747,680</b>	<b>1,379,473</b>	<b>754,372</b>	<b>59,651</b>	<b>7,599,572</b>
Noncurrent assets:									
Capital assets, net	54,658	712,996	14,009,363	112,340	114,716	-	-	-	15,004,073
Bond issue costs, net	-	-	131,084	-	-	-	-	-	131,084
<b>Total Noncurrent Assets</b>	<b>54,658</b>	<b>712,996</b>	<b>14,140,447</b>	<b>112,340</b>	<b>114,716</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,135,157</b>
<b>Total Assets</b>	<b>122,337</b>	<b>1,418,154</b>	<b>16,017,746</b>	<b>2,120,600</b>	<b>862,396</b>	<b>1,379,473</b>	<b>754,372</b>	<b>59,651</b>	<b>22,734,729</b>
<b>Liabilities</b>									
Current liabilities:									
Accounts payable	93,273	186,977	92,382	57,479	24,171	-	95,150	2,679	552,111
Salaries and benefits payable	5,405	8,850	1,998	28,703	17,334	-	26,569	3,632	92,491
Other accrued liabilities:									
Compensated absences	23,993	25,374	7,333	80,593	83,609	-	95,491	16,874	333,267
Interest	-	-	37,329	-	-	-	-	-	37,329
Insurance claims	-	-	-	-	-	68,994	-	-	68,994
Deposits	-	-	-	774,744	-	481,946	-	-	1,256,690
Current portion of long-term debt	-	-	181,000	-	-	-	-	-	181,000
<b>Total Current Liabilities</b>	<b>122,671</b>	<b>221,201</b>	<b>320,042</b>	<b>941,519</b>	<b>125,114</b>	<b>550,940</b>	<b>217,210</b>	<b>23,185</b>	<b>2,521,882</b>
Noncurrent liabilities:									
Long-term debt, net	-	-	10,722,000	-	-	-	-	-	10,722,000
<b>Total Noncurrent Liabilities</b>	<b>-</b>	<b>-</b>	<b>10,722,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,722,000</b>
<b>Total Liabilities</b>	<b>122,671</b>	<b>221,201</b>	<b>11,042,042</b>	<b>941,519</b>	<b>125,114</b>	<b>550,940</b>	<b>217,210</b>	<b>23,185</b>	<b>13,243,882</b>
<b>Net Assets</b>									
Invested in capital assets, net of related debt									
	54,658	712,996	3,254,426	112,340	114,716	-	-	-	4,249,136
Unrestricted	(54,992)	483,957	1,721,278	1,066,741	622,566	828,533	537,162	36,466	5,241,711
<b>Total Net Assets</b>	<b>\$ (334)</b>	<b>\$ 1,196,953</b>	<b>\$ 4,975,704</b>	<b>\$ 1,179,081</b>	<b>\$ 737,282</b>	<b>\$ 828,533</b>	<b>\$ 537,162</b>	<b>\$ 36,466</b>	<b>\$ 9,490,847</b>



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City of Bend, Oregon

**Combining Statement of Revenues, Expenses,  
and Changes in Net Assets**

Internal Service Fund

For the fiscal year ended June 30, 2006

	Garage Division	Information Technology Division	Facility Management Division	Engineering Division	Public Works Admini- stration Division	Risk Manage- ment Division	Administration & Financial Services Division	Economic Development Administration Division	Total
<b>Operating Revenues</b>									
License and permits	\$ -	\$ -	\$ -	\$ 95,930	\$ -	\$ -	\$ -	\$ -	\$ 95,930
Charges for services	1,742,710	1,519,800	-	3,368,458	2,434,600	7,976,861	3,574,410	318,012	20,934,851
Rental income	-	-	1,889,400	-	-	-	-	-	1,889,400
Insurance settlement and refunds	-	-	-	-	-	21,986	-	-	21,986
Miscellaneous	3,707	62	1,434	555	2,693	-	13,031	-	21,482
<b>Total Operating Revenues</b>	<b>1,746,417</b>	<b>1,519,862</b>	<b>1,890,834</b>	<b>3,464,943</b>	<b>2,437,293</b>	<b>7,998,847</b>	<b>3,587,441</b>	<b>318,012</b>	<b>22,963,649</b>
<b>Operating Expenses</b>									
Salaries and benefits	491,260	700,202	198,970	2,672,912	1,635,875	-	2,450,962	340,786	8,490,967
Materials and supplies	1,165,831	677,811	561,537	273,304	282,242	-	972,660	11,879	3,945,264
Internal services	244,600	45,262	40,346	680,317	476,396	-	339,643	35,600	1,862,164
Insurance premiums and claims	-	-	-	-	-	7,078,069	-	-	7,078,069
Depreciation	19,325	171,341	298,262	41,548	40,149	-	-	-	570,625
<b>Total Operating Expenses</b>	<b>1,921,016</b>	<b>1,594,616</b>	<b>1,099,115</b>	<b>3,668,081</b>	<b>2,434,662</b>	<b>7,078,069</b>	<b>3,763,265</b>	<b>388,265</b>	<b>21,947,089</b>
<b>Operating income (loss)</b>	<b>(174,599)</b>	<b>(74,754)</b>	<b>791,719</b>	<b>(203,138)</b>	<b>2,631</b>	<b>920,778</b>	<b>(175,824)</b>	<b>(70,253)</b>	<b>1,016,560</b>
<b>Nonoperating Revenues (Expenses)</b>									
Investment income	1,460	21,751	53,647	55,777	26,777	33,298	23,875	784	217,369
Interest expense	-	-	(402,098)	-	-	-	-	-	(402,098)
Amortization of bond issue costs	-	-	(13,317)	-	-	-	-	-	(13,317)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>1,460</b>	<b>21,751</b>	<b>(361,768)</b>	<b>55,777</b>	<b>26,777</b>	<b>33,298</b>	<b>23,875</b>	<b>784</b>	<b>(198,046)</b>
<b>Income (loss) before contributions and transfers</b>	<b>(173,139)</b>	<b>(53,003)</b>	<b>429,951</b>	<b>(147,361)</b>	<b>29,408</b>	<b>954,076</b>	<b>(151,949)</b>	<b>(69,469)</b>	<b>818,514</b>
<b>Transfers</b>									
Transfers in	-	20,000	500,000	-	-	-	145,000	77,000	742,000
Transfers out	-	-	-	-	-	(843,033)	-	-	(843,033)
<b>Total Transfers</b>	<b>-</b>	<b>20,000</b>	<b>500,000</b>	<b>-</b>	<b>-</b>	<b>(843,033)</b>	<b>145,000</b>	<b>77,000</b>	<b>(101,033)</b>
Change in net assets	(173,139)	(33,003)	929,951	(147,361)	29,408	111,043	(6,949)	7,531	717,481
Net Assets, July 1, 2005	172,805	1,229,956	4,045,753	1,326,442	707,874	717,490	544,111	28,935	8,773,366
<b>Net Assets (Deficits), June 30, 2006</b>	<b>\$ (334)</b>	<b>\$ 1,196,953</b>	<b>\$ 4,975,704</b>	<b>\$ 1,179,081</b>	<b>\$ 737,282</b>	<b>\$ 828,533</b>	<b>\$ 537,162</b>	<b>\$ 36,466</b>	<b>\$ 9,490,847</b>

City of Bend, Oregon

**Combining Statement of Cash Flows**

Internal Service Fund

For the fiscal year ended June 30, 2006

	<u>Garage Division</u>	<u>Information Technology Division</u>	<u>Facility Management Division</u>	<u>Engineering Division</u>	<u>Public Works Admini- stration Division</u>	<u>Risk Management Division</u>	<u>Administration &amp; Financial Services Division</u>	<u>Economic Development Administration Division</u>
<b><u>Cash Flows from Operating Activities</u></b>								
Cash received from customers	\$ 8,040	\$ 62	\$ 1,434	\$ 3,112,120	\$ 2,693	\$ 621,249	\$ 90,966	\$ -
Cash received from interfund services provided	1,739,840	1,519,800	1,889,400	1,127,112	2,434,600	7,427,234	3,485,778	317,012
Cash paid to employees for services	(486,781)	(696,551)	(189,639)	(2,650,662)	(1,638,566)	-	(2,429,255)	(321,421)
Cash paid to suppliers for goods and services	(1,153,496)	(593,346)	(556,746)	(259,292)	(277,470)	(7,102,052)	(943,942)	(9,947)
Cash paid for interfund services used	(244,600)	(45,262)	(40,346)	(680,317)	(476,396)	-	(339,643)	(35,600)
<b>Net Cash Provided By (Used For) Operating Activities</b>	<b>(136,997)</b>	<b>184,703</b>	<b>1,104,103</b>	<b>648,961</b>	<b>44,861</b>	<b>946,431</b>	<b>(136,096)</b>	<b>(49,956)</b>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>								
Transfers from other funds	-	20,000	500,000	-	-	-	145,000	77,000
Transfers to other funds	-	-	-	-	-	(843,033)	-	-
<b>Net Cash Provided By (Used For) Noncapital Financing Activities</b>	<b>-</b>	<b>20,000</b>	<b>500,000</b>	<b>-</b>	<b>-</b>	<b>(843,033)</b>	<b>145,000</b>	<b>77,000</b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>								
Issuance of long-term debt	-	-	4,751,081	-	-	-	-	-
Payment of bond issuance costs	-	-	(26,703)	-	-	-	-	-
Principal payments on bonds and certificates	-	-	(174,000)	-	-	-	-	-
Interest payments on bonds and certificates	-	-	(389,135)	-	-	-	-	-
Acquisition and construction of capital assets	-	(170,926)	(4,983,930)	(31,550)	(138,928)	-	-	-
<b>Net Cash Used For Capital and Related Financing Activities</b>	<b>-</b>	<b>(170,926)</b>	<b>(822,687)</b>	<b>(31,550)</b>	<b>(138,928)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>Cash Flows from Investing Activities</u></b>								
Investment income	1,460	21,751	53,647	55,777	26,777	33,298	23,875	784
<b>Net change in pooled cash and investments</b>	<b>(135,537)</b>	<b>55,528</b>	<b>835,063</b>	<b>673,188</b>	<b>(67,290)</b>	<b>136,696</b>	<b>32,779</b>	<b>27,828</b>
Pooled Cash and Investments, July 1, 2005	183,010	635,281	1,025,257	1,334,617	814,970	1,239,318	698,120	30,823
<b>Pooled Cash and Investments, June 30, 2006</b>	<b>\$ 47,473</b>	<b>\$ 690,809</b>	<b>\$ 1,860,320</b>	<b>\$ 2,007,805</b>	<b>\$ 747,680</b>	<b>\$ 1,376,014</b>	<b>\$ 730,899</b>	<b>\$ 58,651</b>

City of Bend, Oregon

**Combining Statement of Cash Flows (Continued)**

Internal Service Fund

For the fiscal year ended June 30, 2006

	<u>Garage Division</u>	<u>Information Technology Division</u>	<u>Facility Management Division</u>	<u>Engineering Division</u>	<u>Public Works Administration &amp; Support Division</u>	<u>Risk Management Division</u>	<u>Administration &amp; Financial Services Division</u>	<u>Economic Development Administration Services Division</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities</b>								
Operating income (loss)	\$ (174,599)	\$ (74,754)	\$ 791,719	\$ (203,138)	\$ 2,631	\$ 920,778	\$ (175,824)	\$ (70,253)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:								
Depreciation	19,325	171,341	298,262	41,548	40,149	-	-	-
Loss on disposal of capital assets	-	-	-	-	13,441	-	-	-
Change in:								
Accounts receivable	1,463	-	-	(455)	-	(145)	451	-
Due from other funds	-	-	-	-	-	-	(11,148)	(1,000)
Inventories	4,896	-	-	-	-	-	-	-
Prepays and deposits	-	(14,349)	-	-	-	-	(231)	-
Accounts payable	7,439	98,814	4,791	14,012	(8,669)	-	28,949	1,932
Salaries and benefits payable	316	1,613	1,998	3,233	(2,851)	-	1,738	2,491
Compensated absences payable	4,163	2,038	7,333	19,017	160	-	19,969	16,874
Insurance premiums & claims payable	-	-	-	-	-	(23,983)	-	-
Prepays and deposits payable	-	-	-	774,744	-	49,781	-	-
<b>Net Cash Provided By (Used For) Operating Activities</b>	<b>\$ (136,997)</b>	<b>\$ 184,703</b>	<b>\$ 1,104,103</b>	<b>\$ 648,961</b>	<b>\$ 44,861</b>	<b>\$ 946,431</b>	<b>\$ (136,096)</b>	<b>\$ (49,956)</b>

Noncash Capital and Related Financing Activities

Capital assets with a net book value of \$13,441 were contributed to other funds in the current year.

Acquisition of capital assets financed through accounts payable for the current year totaled \$58,333 in the information technology division, \$24,621 in the facility management division and \$16,000 in the engineering division.

**Total**

\$ 3,836,564  
19,940,776  
(8,412,875)  
(10,896,291)  
(1,862,164)  
2,606,010

742,000  
(843,033)  
(101,033)

4,751,081  
(26,703)  
(174,000)  
(389,135)  
(5,325,334)  
(1,164,091)

217,369

1,558,255

5,961,396  
\$ 7,519,651

**Total**

\$ 1,016,560

570,625

13,441

1,314

(12,148)

4,896

(14,580)

147,268

8,538

69,554

(23,983)

824,525

**\$ 2,606,010**



City of Bend, Oregon

**Garage Division**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the fiscal year ended June 30, 2006

	<u>Budget</u>		<u>Actual Budget Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Charges for services:				
Charges to others	\$ 5,700	\$ 5,700	\$ 2,870	\$ (2,830)
Charges to other City funds	1,844,800	1,964,800	1,739,840	(224,960)
Investment income	-	-	1,460	1,460
Miscellaneous	1,700	1,700	3,707	2,007
<b>Total Revenues</b>	<b>1,852,200</b>	<b>1,972,200</b>	<b>1,747,877</b>	<b>(224,323)</b>
<b>Expenditures</b>				
Current:				
Personal services	594,386	594,386	491,260	103,126
Materials and services	1,004,400	1,124,400	1,165,831	(41,431)
Interfund charges	244,600	244,600	244,600	-
Contingency	34,914	34,914	-	34,914
<b>Total Expenditures</b>	<b>1,878,300</b>	<b>1,998,300</b>	<b>1,901,691</b>	<b>96,609</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(26,100)</b>	<b>(26,100)</b>	<b>(153,814)</b>	<b>(127,714)</b>
Fund Balance, July 1, 2005	26,100	26,100	122,755	96,655
<b>Fund Balance, June 30, 2006</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (31,059)</b>	<b>\$ (31,059)</b>

**Reconciliation of Budgetary expenditures to GAAP expenses**

Expenditures - Budgetary Basis	\$ 1,901,691
Depreciation not reported on the budgetary basis is reported as an expense on the GAAP basis	<u>19,325</u>
<b>Expenses - GAAP Basis</b>	<b><u>\$ 1,921,016</u></b>

**Information Technology Division**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the fiscal year ended June 30, 2006

	<u>Budget</u>		<u>Actual</u> <u>Budget</u> <u>Basis</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Charges to other City funds	\$ 1,464,700	\$ 1,444,700	\$ 1,519,800	\$ 75,100
Investment income	12,600	12,600	21,751	9,151
Miscellaneous	-	-	62	62
<b>Total Revenues</b>	<b>1,477,300</b>	<b>1,457,300</b>	<b>1,541,613</b>	<b>84,313</b>
<b>Expenditures</b>				
Current:				
Personal services	792,554	726,454	700,202	26,252
Materials and services	624,300	693,800	677,811	15,989
Interfund charges	44,900	44,900	45,262	(362)
Capital outlay	1,023,100	394,700	229,259	165,441
Contingency	148,446	73,446	-	73,446
Replacement reserve	76,500	76,500	-	76,500
<b>Total Expenditures</b>	<b>2,709,800</b>	<b>2,009,800</b>	<b>1,652,534</b>	<b>357,266</b>
<b>Excess (deficiency) of revenues</b> <b>over expenditures</b>	<b>(1,232,500)</b>	<b>(552,500)</b>	<b>(110,921)</b>	<b>441,579</b>
<b>Other Financing Sources</b>				
Proceeds from sale of assets	700,000	-	-	-
Transfers in	-	20,000	20,000	-
<b>Total Other Financing Sources</b>	<b>700,000</b>	<b>20,000</b>	<b>20,000</b>	<b>-</b>
Net change in fund balance	(532,500)	(532,500)	(90,921)	441,579
Fund Balance, July 1, 2005	532,500	532,500	600,141	67,641
<b>Fund Balance, June 30, 2006</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 509,220</b>	<b>\$ 509,220</b>

**Reconciliation of Budgetary expenditures to GAAP expenses**

Expenditures - Budgetary Basis	\$ 1,652,534
Capital outlay reported as expenditures on the budgetary basis are reported as assets on the GAAP basis	(229,259)
Depreciation not reported on the budgetary basis is reported as an expense on the GAAP basis	171,341
<b>Expenses - GAAP Basis</b>	<b>\$ 1,594,616</b>

**Facility Management Division**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the fiscal year ended June 30, 2006

	<u>Budget</u>		<u>Actual Budget Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Rental income	\$ 1,851,400	\$ 1,851,400	\$ 1,889,400	\$ 38,000
Investment income	21,800	21,800	53,647	31,847
Miscellaneous	-	-	1,434	1,434
<b>Total Revenues</b>	<b>1,873,200</b>	<b>1,873,200</b>	<b>1,944,481</b>	<b>71,281</b>
<b>Expenditures</b>				
Current:				
Personal services	169,445	188,445	198,970	(10,525)
Materials and services	624,800	659,800	617,159	42,641
Interfund charges	38,300	38,300	40,346	(2,046)
Capital outlay	1,181,755	6,633,755	5,021,730	1,612,025
Debt service	463,000	577,000	576,098	902
Contingency	75,700	(74,300)	-	(74,300)
Construction reserves	300,000	300,000	-	300,000
Major maintenance reserves	348,600	348,600	-	348,600
<b>Total Expenditures</b>	<b>3,201,600</b>	<b>8,671,600</b>	<b>6,454,303</b>	<b>2,217,297</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(1,328,400)</b>	<b>(6,798,400)</b>	<b>(4,509,822)</b>	<b>2,288,578</b>
<b>Other Financing Sources</b>				
Issuance of long-term debt	-	4,770,000	4,780,000	10,000
Proceeds from sale of assets	-	700,000	-	(700,000)
Transfers in	500,000	500,000	500,000	-
<b>Total Other Financing Sources</b>	<b>500,000</b>	<b>5,970,000</b>	<b>5,280,000</b>	<b>(690,000)</b>
Net change in fund balance	(828,400)	(828,400)	770,178	1,598,578
Fund Balance, July 1, 2005	828,400	828,400	976,563	148,163
<b>Fund Balance, June 30, 2006</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,746,741</b>	<b>\$ 1,746,741</b>

**Reconciliation of Budgetary basis to GAAP basis**

Expenditures - Budgetary Basis	\$ 6,454,303
Capital outlay reported as expenditures on the budgetary basis are reported as assets on the GAAP basis	(5,021,730)
Amortization of bond issue costs not reported on the budgetary basis are reported as an expense on the GAAP basis	13,317
Principal payments on bonds reported as expenditures on the budgetary basis are reported as a reduction of bonds payable on the GAAP basis	(174,000)
Bond issue costs reported as expenditures on the budgetary basis are reported as an asset on the GAAP basis	(55,622)
Depreciation not reported on the budgetary basis is reported as an expense on the GAAP basis	298,262
<b>Expenses - GAAP Basis</b>	<b>\$ 1,514,530</b>
Other Financing Sources - Budgetary Basis	\$ 5,280,000
Proceeds from bond issuance reported as other financing sources on the budgetary basis are reported as bond payable liability on the GAAP basis	(4,780,000)
<b>Other Financing Sources - GAAP Basis</b>	<b>\$ 500,000</b>

City of Bend, Oregon  
**Engineering Division**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
 For the fiscal year ended June 30, 2006

	<u>Budget</u>		<u>Actual Budget Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
License and permits	\$ 33,300	\$ 33,300	\$ 95,930	\$ 62,630
Charges for services:				
Charges to others	1,845,900	1,845,900	2,241,346	395,446
Charges to other City funds	1,102,700	1,102,700	1,127,112	24,412
Investment income	20,000	20,000	55,777	35,777
Miscellaneous	-	-	555	555
<b>Total Revenues</b>	<b>3,001,900</b>	<b>3,001,900</b>	<b>3,520,720</b>	<b>518,820</b>
<b>Expenditures</b>				
Current:				
Personal services	2,936,753	2,936,753	2,672,912	263,841
Materials and services	435,900	435,900	273,304	162,596
Interfund charges	707,000	707,000	680,317	26,683
Capital Outlay	70,000	70,000	47,551	22,449
Contingency	241,647	241,647	-	241,647
<b>Total Expenditures</b>	<b>4,391,300</b>	<b>4,391,300</b>	<b>3,674,084</b>	<b>717,216</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(1,389,400)</b>	<b>(1,389,400)</b>	<b>(153,364)</b>	<b>1,236,036</b>
Fund Balance, July 1, 2005	1,389,400	1,389,400	1,240,753	(148,647)
<b>Fund Balance, June 30, 2006</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,087,389</b>	<b>\$ 1,087,389</b>

**Reconciliation of Budgetary expenditures to GAAP expenditures**

Expenditures - Budgetary Basis	\$ 3,674,084
Capital outlay reported as expenditures on the budgetary basis are reported as assets on the GAAP basis	(47,551)
Depreciation not reported on the budgetary basis is reported as an expense on the GAAP basis	41,548
<b>Expenses - GAAP Basis</b>	<b>\$ 3,668,081</b>

**Public Works Administration Division**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the fiscal year ended June 30, 2006

	<u>Budget</u>		<u>Actual</u> <u>Budget</u> <u>Basis</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Charges to other City funds	\$ 2,434,600	\$ 2,434,600	\$ 2,434,600	\$ -
Investment income	9,700	9,700	26,777	17,077
Miscellaneous	-	-	2,693	2,693
<b>Total Revenues</b>	<b>2,444,300</b>	<b>2,444,300</b>	<b>2,464,070</b>	<b>19,770</b>
<b>Expenditures</b>				
Current:				
Personal services	1,776,428	1,782,428	1,635,875	146,553
Materials and services	372,000	366,000	268,801	97,199
Interfund charges	548,600	523,600	476,396	47,204
Capital outlay	-	25,000	-	25,000
Contingency	179,272	179,272	-	179,272
<b>Total Expenditures</b>	<b>2,876,300</b>	<b>2,876,300</b>	<b>2,381,072</b>	<b>495,228</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(432,000)</b>	<b>(432,000)</b>	<b>82,998</b>	<b>514,998</b>
Fund Balance, July 1, 2005	432,000	432,000	595,916	163,916
<b>Fund Balance, June 30, 2006</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 678,914</b>	<b>\$ 678,914</b>

**Reconciliation of Budgetary expenditures to GAAP expenses**

Expenditures - Budgetary Basis	\$ 2,381,072
Capital assets contributed to another fund not reported on the budgetary basis are reported as contribution expense on the GAAP basis	13,441
Depreciation not reported on the budgetary basis is reported as an expense on the GAAP basis	40,149
<b>Expenses - GAAP Basis</b>	<b>\$ 2,434,662</b>

**Risk Management Division**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the fiscal year ended June 30, 2006

	<u>Budget</u>		<u>Actual</u> <u>Budget</u> <u>Basis</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues</u></b>				
Charges for services:				
Charges to others	\$ 361,000	\$ 361,000	\$ 549,627	\$ 188,627
Charges to other City funds	8,659,800	8,659,800	7,427,234	(1,232,566)
Insurance settlements and refunds	29,000	29,000	21,986	(7,014)
Investment income	43,000	43,000	33,298	(9,702)
<b>Total Revenues</b>	<b>9,092,800</b>	<b>9,092,800</b>	<b>8,032,145</b>	<b>(1,060,655)</b>
<b><u>Expenditures</u></b>				
Current:				
Materials and services	7,766,300	7,766,300	7,078,069	688,231
Debt service	820,800	-	-	-
Contingency	152,400	30,290	-	30,290
Insurance reserves	1,681,000	1,247,000	-	1,247,000
<b>Total Expenditures</b>	<b>10,420,500</b>	<b>9,043,590</b>	<b>7,078,069</b>	<b>1,965,521</b>
<b>Excess (deficiency) of revenues</b> <b>over expenditures</b>	<b>(1,327,700)</b>	<b>49,210</b>	<b>954,076</b>	<b>904,866</b>
<b><u>Other Financing Uses</u></b>				
Transfers out	-	(1,376,910)	(843,033)	533,877
Net change in fund balance	(1,327,700)	(1,327,700)	111,043	1,438,743
Fund Balance, July 1, 2005	1,327,700	1,327,700	1,306,011	(21,689)
<b>Fund Balance, June 30, 2006</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,417,054</b>	<b>\$ 1,417,054</b>

**Administration and Financial Services Division**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the fiscal year ended June 30, 2006

	<u>Budget</u>		<u>Actual</u> <u>Budget</u> <u>Basis</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues</u></b>				
Charges for services:				
Charges to others	\$ 69,000	\$ 69,000	\$ 77,484	\$ 8,484
Charges to other City funds	3,532,700	3,532,700	3,496,926	(35,774)
Investment income	8,000	8,000	23,875	15,875
Miscellaneous	-	10,000	13,031	3,031
<b>Total Revenues</b>	<b>3,609,700</b>	<b>3,619,700</b>	<b>3,611,316</b>	<b>(8,384)</b>
<b><u>Expenditures</u></b>				
Current:				
Personal services	2,561,248	2,547,448	2,450,962	96,486
Materials and services	934,013	1,087,813	972,660	115,153
Interfund charges	336,800	336,800	339,643	(2,843)
Contingency	182,839	182,839	-	182,839
<b>Total Expenditures</b>	<b>4,014,900</b>	<b>4,154,900</b>	<b>3,763,265</b>	<b>391,635</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(405,200)</b>	<b>(535,200)</b>	<b>(151,949)</b>	<b>383,251</b>
<b><u>Other Financing Sources</u></b>				
Transfers in	-	130,000	145,000	15,000
Net change in fund balance	(405,200)	(405,200)	(6,949)	398,251
Fund Balance, July 1, 2005	405,200	405,200	607,608	202,408
<b>Fund Balance, June 30, 2006</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 600,659</b>	<b>\$ 600,659</b>

City of Bend, Oregon

**Economic Development Administration Division**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the fiscal year ended June 30, 2006

	<u>Budget</u>		<u>Actual Budget Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues</u></b>				
Charges to other City funds	\$ 363,000	\$ 363,000	\$ 318,012	\$ (44,988)
Investment income	600	600	784	184
<b>Total Revenues</b>	<b>363,600</b>	<b>363,600</b>	<b>318,796</b>	<b>(44,804)</b>
<b><u>Expenditures</u></b>				
Current:				
Personal services	312,135	313,135	340,786	(27,651)
Materials and services	52,200	51,200	11,879	39,321
Interfund charges	35,600	35,600	35,600	-
Contingency	74,965	74,965	-	74,965
<b>Total Expenditures</b>	<b>474,900</b>	<b>474,900</b>	<b>388,265</b>	<b>86,635</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(111,300)</b>	<b>(111,300)</b>	<b>(69,469)</b>	<b>41,831</b>
<b><u>Other Financing Sources</u></b>				
Transfers in	77,000	77,000	77,000	-
Net change in fund balance	(34,300)	(34,300)	7,531	41,831
Fund Balance, July 1, 2005	34,300	34,300	28,935	(5,365)
<b>Fund Balance, June 30, 2006</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 36,466</b>	<b>\$ 36,466</b>



City of Bend, Oregon  
**Internal Service Fund**

Schedule of Expenditures by Appropriation Levels  
 For the fiscal year ended June 30, 2006

	<u>Appropriation</u>	<u>Actual Expenditures</u>	<u>Variance Positive (Negative)</u>
Garage division	\$ 1,963,386	\$ 1,901,691	\$ 61,695
Information technology division	1,859,854	1,652,534	207,320
Facility management division	8,097,300	6,454,303	1,642,997
Engineering division	4,149,653	3,674,084	475,569
Public works administration division	2,697,028	2,381,072	315,956
Risk management division	9,143,210	7,921,102	1,222,108
Administration and financial services division	3,972,061	3,763,265	208,796
Economic development administration division	399,935	388,265	11,670
Contingency	743,073	-	743,073
Other requirements	1,972,100	-	1,972,100
	\$ 34,997,600	\$ 28,136,316	\$ 6,861,284

## **AGENCY FUND**

### Agency Fund

The agency fund accounts for the assets and liabilities of various monies received primarily on behalf of the Bend Metro Parks and Recreation District. Agency activities are custodial in nature and do not involve the measurement of results of operations.

City of Bend, Oregon

## Statement of Changes in Assets and Liabilities

Agency Fund

For the fiscal year ended June 30, 2006

	<b>Balance</b>				<b>Balance</b>			
	<b>July 1, 2005</b>		<b>Additions</b>		<b>June 30, 2006</b>			
<b>Assets</b>								
Cash and investments	\$	895,399	\$	7,953,646	\$	(8,117,795)	\$	731,250
Accounts receivable, net		166		1,303		(1,364)		105
<b>Total Assets</b>	<b>\$</b>	<b>895,565</b>	<b>\$</b>	<b>7,954,949</b>	<b>\$</b>	<b>(8,119,159)</b>	<b>\$</b>	<b>731,355</b>
<b>Liabilities</b>								
Amounts held for others	\$	895,565	\$	7,954,949	\$	(8,119,159)	\$	731,355
<b>Total Liabilities</b>	<b>\$</b>	<b>895,565</b>	<b>\$</b>	<b>7,954,949</b>	<b>\$</b>	<b>(8,119,159)</b>	<b>\$</b>	<b>731,355</b>

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City of Bend, Oregon  
**Schedule of Property Tax Transactions**  
For the fiscal year ended June 30, 2006

<u>Fiscal Year</u>	<u>Uncollected Balances July 1, 2005</u>	<u>Current Year's Levy</u>	<u>Adjustments, Interest and Discounts</u>	<u>Net Collections</u>	<u>Uncollected Balances June 30, 2006</u>
Prior	\$ 863	\$ -	\$ 40	\$ (123)	780
1996-97	230	-	-	(15)	215
1997-98	240	-	(1)	(14)	225
1998-99	636	-	(8)	(311)	317
1999-00	1,757	-	47	(1,113)	691
2000-01	4,906	-	437	(2,928)	2,415
2001-02	25,072	-	5,043	(25,434)	4,681
2002-03	74,211	-	(5,635)	(41,495)	27,081
2003-04	138,995	-	18,213	(99,968)	57,240
2004-05	515,006	-	(7,192)	(391,067)	116,747
2005-06	-	18,938,985	(398,777)	(17,940,668)	599,540
<b>Totals</b>	<b>\$ 761,916</b>	<b>\$ 18,938,985</b>	<b>\$ (387,833)</b>	<b>\$ (18,503,136)</b>	<b>\$ 809,932</b>

Reconciliation to revenues:

Collections	\$ 18,503,136
Change in property tax receivable	48,016
Change in deferred property taxes	60,566
Other	11,912
<b>Total Property Tax Revenues</b>	<b>\$ 18,623,630</b>

<u>Summary by fund</u>	<u>Revenues</u>	<u>Property tax Receivable</u>
General Fund	\$ 16,444,609	\$ 713,582
Urban Renewal Debt Service Fund	2,179,021	96,350
<b>Totals</b>	<b>\$ 18,623,630</b>	<b>\$ 809,932</b>

City of Bend, Oregon

**Schedule of Long-Term Debt Transactions - Principal**

For the fiscal year ended June 30, 2006

<u>Series</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Unmatured and Outstanding July 1, 2005</u>	<u>Bonds Issued</u>	<u>Bonds Called and Matured</u>	<u>Unmatured and Outstanding June 30, 2006</u>
<u>Limited Tax Improvement Bonds:</u>							
Series 2002	07/25/02	08/01/11	\$ 1,071,000	\$ 593,000		\$ (327,000)	\$ 266,000
Series 2003	01/10/03	12/01/12	1,322,000	820,000		(182,000)	638,000
<b>Total Limited Tax Improvement</b>				<b>1,413,000</b>	<b>-</b>	<b>(509,000)</b>	<b>904,000</b>
<u>Revenue Bonds:</u>							
Water:							
Series 2000	10/01/00	10/01/20	4,000,000	3,470,000	-	(145,000)	3,325,000
Sewer:							
Series 1997	12/01/97	02/01/07	4,000,000	3,000,000	-	(2,820,000)	180,000
Series 2000	10/01/00	10/01/10	7,000,000	6,080,000	-	(4,600,000)	1,480,000
Series 2002	11/15/02	11/01/22	5,500,000	5,105,000	-	(200,000)	4,905,000
Series 2005	09/29/05	11/01/20	7,585,000	-	7,585,000	-	7,585,000
<b>Total Revenue Bonds</b>				<b>17,655,000</b>	<b>7,585,000</b>	<b>(7,765,000)</b>	<b>17,475,000</b>
<u>Full Faith &amp; Credit Obligation Bonds:</u>							
Airport, series 1999A	06/01/99	06/01/19	840,000	840,000	-	-	840,000
Airport, series 1999B	06/01/99	06/01/13	260,000	260,000	-	-	260,000
Airport, series 1999C	06/01/99	06/01/09	470,000	205,000	-	(55,000)	150,000
Airport, series 2003	04/01/03	12/01/13	279,200	234,700	-	(23,300)	211,400
Fire stations, series 1999	05/01/99	06/01/24	4,275,000	3,740,000	-	(120,000)	3,620,000
Transportation system							
series 2000	09/01/00	09/01/20	6,000,000	5,215,000	-	(220,000)	4,995,000
Police facility, series 2002	06/01/02	12/01/26	7,130,000	6,640,000	-	(255,000)	6,385,000
Transportation system, fire and street equipment, series 2003	04/01/03	12/01/22	13,050,800	11,790,300	-	(686,700)	11,103,600
Pension Obligation Bonds,							
series 2004	05/27/04	06/01/28	13,725,000	13,725,000	-	-	13,725,000
Land, series 2005	10/19/05	06/01/10	4,780,000	-	4,780,000	-	4,780,000
<b>Total Full Faith &amp; Credit Obligation Bonds:</b>				<b>42,650,000</b>	<b>4,780,000</b>	<b>(1,360,000)</b>	<b>46,070,000</b>
<u>Certificates of Participation:</u>							
Fire/EMS equipment, series 1995	08/01/95	08/01/07	3,000,000	925,000	-	(300,000)	625,000
<b>Total Certificates of Participation</b>				<b>925,000</b>	<b>-</b>	<b>(300,000)</b>	<b>625,000</b>
<u>Tax Increment Bonds</u>							
Urban Renewal Advance Refunding							
bonds series 1998	11/01/98	06/01/18	7,485,000	5,540,000	-	(325,000)	5,215,000
Series 2004A	06/21/04	12/01/06	3,600,000	3,250,000	-	(500,000)	2,750,000
Series 2004B	06/21/04	12/01/13	6,900,000	6,900,000	-	-	6,900,000
<b>Total Tax Increment Bonds</b>				<b>15,690,000</b>	<b>-</b>	<b>(825,000)</b>	<b>14,865,000</b>
<u>Notes Payable:</u>							
Oregon Economic & Community Development Department:							
Pacific Aviation Composites	10/15/97	12/01/17	655,000	579,892	-	(23,766)	556,126
Woodriver Village sewer	01/23/02	01/01/22	300,000	264,736	-	(11,861)	252,875
<b>Total Notes Payable</b>				<b>844,628</b>	<b>-</b>	<b>(35,627)</b>	<b>809,001</b>
<b>Total Long-Term Debt</b>				<b>\$ 79,177,628</b>	<b>\$ 12,365,000</b>	<b>\$ (10,794,627)</b>	<b>\$ 80,748,001</b>

**Schedule of Long-Term Debt Transactions - Interest**

For the fiscal year ended June 30, 2006

<b>Series</b>	<b>Interest Rates on Outstanding Balances</b>	<b>Unmatured and Outstanding July 1, 2005</b>	<b>Bonds Issued</b>	<b>Coupons Called and Matured</b>	<b>Unmatured and Outstanding June 30, 2006</b>
<b>Limited Tax Improvement Bonds:</b>					
Series 2002	5.75%	\$ 126,385	\$ -	\$ (98,380)	\$ 28,005
Series 2003	5.00%	187,525	-	(72,500)	115,025
Total Limited Tax Improvement		313,910	-	(170,880)	143,030
<b>Revenue Bonds:</b>					
<b>Water:</b>					
Series 2000	4.40% - 5.38%	1,653,843	-	(173,981)	1,479,862
<b>Sewer:</b>					
Series 1997	4.25% - 5.00%	1,135,493	-	(1,127,303)	8,190
Series 2000	4.40% - 5.38%	2,888,684	-	(2,707,190)	181,494
Series 2002	3.00% - 4.75%	2,321,539	-	(209,011)	2,112,528
Series 2005	3.00% - 4.00%	-	2,513,168	(153,572)	2,359,596
Total Revenue Bonds		7,999,559	2,513,168	(4,371,057)	6,141,670
<b>Full Faith &amp; Credit Obligation Bonds:</b>					
Airport, series 1999A	5.25% - 5.30%	507,328	-	(44,315)	463,013
Airport, series 1999B	5.38%	82,506	-	(13,975)	68,531
Airport, series 1999C	6.45% - 7.40%	35,070	-	(14,695)	20,375
Airport, series 2003	2.00% - 3.70%	37,580	-	(6,907)	30,673
Fire stations, series 1999	3.80% - 4.85%	2,052,867	-	(173,427)	1,879,440
Transportation system, series 2000	4.35% - 5.30%	2,463,633	-	(260,980)	2,202,653
Police facility, series 2002	4.00% - 5.00%	3,942,204	-	(301,013)	3,641,191
Transportation system, fire and street equipment series 2003	2.00% - 4.50%	4,450,906	-	(417,986)	4,032,920
Pension Obligation Bonds, series 2004	6.16%	14,325,171	-	(820,741)	13,504,430
Land, series 2005	3.40%	-	750,301	(100,221)	650,080
Total Full Faith & Credit Obligation Bonds:		27,897,265	750,301	(2,154,260)	26,493,306
<b>Certificates of Participation:</b>					
Fire/EMS equipment, series 1995	5.00% - 5.25%	73,932	-	(40,463)	33,469
Total Certificates of Participation		73,932	-	(40,463)	33,469
<b>Tax Increment Bonds</b>					
Urban Renewal Advance Refunding bonds series 1998	3.75% - 4.85%	1,951,287	-	(248,508)	1,702,779
Series 2004A	5.00%	388,000	-	(150,000)	238,000
Series 2004B	4.25%	1,987,513	-	(293,250)	1,694,263
Total Tax Increment Bonds		4,326,800	-	(691,758)	3,635,042
<b>Notes Payable:</b>					
<b>Oregon Economic &amp; Community Development Department:</b>					
Pacific Aviation Composites	5.01%	237,110	-	(28,720)	208,390
Woodriver Village sewer	3.00% - 5.00%	125,571	-	(11,960)	113,611
Total Notes Payable		362,681	-	(40,680)	322,001
<b>Total Long-Term Debt</b>		<b>\$ 40,974,147</b>	<b>\$ 3,263,469</b>	<b>\$ (7,469,098)</b>	<b>\$ 36,768,518</b>

City of Bend, Oregon

**Schedule of Future Debt Service Requirements of  
Limited Tax Improvement Bonds**

June 30,2006

<u>Fiscal Year</u>	<u>Total Requirements</u>			<u>Series 2002</u>		<u>Series 2003</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006-07	\$ 167,000	\$ 44,996	\$ 211,996	\$ 81,000	\$ 14,146	\$ 86,000	\$ 30,850
2007-08	179,000	35,902	214,902	88,000	9,402	91,000	26,500
2008-09	188,000	26,159	214,159	91,000	4,284	97,000	21,875
2009-10	109,000	17,123	126,123	6,000	173	103,000	16,950
2010-11	109,000	11,725	120,725	-	-	109,000	11,725
2011-12	115,000	6,200	121,200	-	-	115,000	6,200
2012-13	37,000	925	37,925	-	-	37,000	925
	<b>\$ 904,000</b>	<b>\$ 143,030</b>	<b>\$ 1,047,030</b>	<b>\$ 266,000</b>	<b>\$ 28,005</b>	<b>\$ 638,000</b>	<b>\$ 115,025</b>



**Schedule of Future Debt Service Requirements of Revenue Bonds**

June 30, 2006

**Water Revenue Bonds**

Fiscal Year	Series 2000		
	Principal	Interest	Total
2006-07	\$ 155,000	\$ 167,192	\$ 322,192
2007-08	160,000	159,986	319,986
2008-09	170,000	152,353	322,353
2009-10	175,000	144,245	319,245
2010-11	185,000	135,648	320,648
2011-12	195,000	126,480	321,480
2012-13	205,000	116,626	321,626
2013-14	215,000	105,750	320,750
2014-15	225,000	93,980	318,980
2015-16	240,000	81,541	321,541
2016-17	250,000	68,433	318,433
2017-18	265,000	54,657	319,657
2018-19	280,000	40,044	320,044
2019-20	295,000	24,591	319,591
2020-21	310,000	8,336	318,336
	<b>\$ 3,325,000</b>	<b>\$ 1,479,862</b>	<b>\$ 4,804,862</b>

**Sewer Revenue Bonds**

Fiscal Year	Total Requirements			Series 1997		Series 2000		Series 2002		Series 2005	
	Principal	Interest	Total	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006-07	\$ 740,000	\$ 533,696	\$ 1,273,696	\$ 180,000	\$ 8,190	\$ 270,000	\$ 63,065	\$ 205,000	\$ 202,936	\$ 85,000	\$ 259,505
2007-08	770,000	501,223	1,271,223	-	-	280,000	50,482	215,000	196,636	275,000	254,105
2008-09	790,000	473,150	1,263,150	-	-	295,000	37,184	220,000	190,111	275,000	245,855
2009-10	825,000	443,636	1,268,636	-	-	310,000	22,963	230,000	183,218	285,000	237,455
2010-11	855,000	412,213	1,267,213	-	-	325,000	7,800	235,000	175,658	295,000	228,755
2011-12	870,000	382,299	1,252,299	-	-	-	-	245,000	167,344	625,000	214,955
2012-13	900,000	353,875	1,253,875	-	-	-	-	255,000	158,373	645,000	195,502
2013-14	935,000	323,252	1,258,252	-	-	-	-	265,000	148,716	670,000	174,536
2014-15	970,000	289,122	1,259,122	-	-	-	-	280,000	137,031	690,000	152,091
2015-16	1,005,000	251,515	1,256,515	-	-	-	-	290,000	123,494	715,000	128,021
2016-17	1,045,000	211,551	1,256,551	-	-	-	-	305,000	109,363	740,000	102,188
2017-18	1,090,000	168,950	1,258,950	-	-	-	-	320,000	94,519	770,000	74,431
2018-19	820,000	129,560	949,560	-	-	-	-	335,000	78,963	485,000	50,597
2019-20	855,000	93,794	948,794	-	-	-	-	350,000	62,694	505,000	31,100
2020-21	890,000	56,213	946,213	-	-	-	-	365,000	45,713	525,000	10,500
2021-22	385,000	28,141	413,141	-	-	-	-	385,000	28,141	-	-
2022-23	405,000	9,618	414,618	-	-	-	-	405,000	9,618	-	-
	<b>\$ 14,150,000</b>	<b>\$ 4,661,808</b>	<b>\$ 18,811,808</b>	<b>\$ 180,000</b>	<b>\$ 8,190</b>	<b>\$ 1,480,000</b>	<b>\$ 181,494</b>	<b>\$ 4,905,000</b>	<b>\$ 2,112,528</b>	<b>\$ 7,585,000</b>	<b>\$ 2,359,596</b>

**Schedule of Future Debt Service Requirements of  
Full Faith & Credit Obligations**

June 30,2006

Fiscal Year	Total Requirements			Airport Series 1999		Fire Stations Series 1999		Transportation System Series 2000	
	Principal	Interest	Total	Principal	Interest	Principal	Interest	Principal	Interest
2006-07	\$ 1,395,000	\$ 2,173,139	\$ 3,568,139	\$ 55,000	\$ 69,135	\$ 125,000	\$ 168,627	\$ 230,000	\$ 250,910
2007-08	1,435,000	2,128,174	3,563,174	60,000	65,230	130,000	163,502	240,000	240,275
2008-09	1,360,000	2,078,744	3,438,744	65,000	60,880	140,000	158,107	250,000	229,065
2009-10	6,130,000	2,024,875	8,154,875	70,000	56,677	145,000	152,227	265,000	216,027
2010-11	1,455,000	1,804,096	3,259,096	70,000	52,915	155,000	146,065	280,000	201,040
2011-12	1,555,000	1,740,958	3,295,958	75,000	49,152	160,000	139,400	295,000	186,260
2012-13	1,675,000	1,675,165	3,350,165	85,000	45,121	170,000	132,360	305,000	171,707
2013-14	1,710,000	1,602,753	3,312,753	85,000	40,640	180,000	124,795	325,000	156,110
2014-15	1,825,000	1,524,826	3,349,826	125,000	36,177	185,000	116,605	340,000	139,315
2015-16	1,965,000	1,437,693	3,402,693	130,000	29,615	200,000	107,725	360,000	121,105
2016-17	2,100,000	1,341,799	3,441,799	135,000	22,790	210,000	98,125	375,000	101,627
2017-18	2,270,000	1,236,580	3,506,580	145,000	15,635	220,000	88,045	400,000	81,090
2018-19	2,435,000	1,121,229	3,556,229	150,000	7,952	230,000	77,485	420,000	59,360
2019-20	2,480,000	995,476	3,475,476	-	-	245,000	66,445	445,000	36,437
2020-21	2,660,000	866,354	3,526,354	-	-	260,000	54,562	465,000	12,325
2021-22	2,385,000	738,766	3,123,766	-	-	275,000	41,952	-	-
2022-23	2,565,000	612,931	3,177,931	-	-	285,000	28,615	-	-
2023-24	1,910,000	496,280	2,406,280	-	-	305,000	14,798	-	-
2024-25	1,775,000	387,303	2,162,303	-	-	-	-	-	-
2025-26	1,950,000	283,161	2,233,161	-	-	-	-	-	-
2026-27	2,140,000	168,454	2,308,454	-	-	-	-	-	-
2027-28	895,000	54,550	949,550	-	-	-	-	-	-
	<b>\$ 46,070,000</b>	<b>\$ 26,493,306</b>	<b>\$ 72,563,306</b>	<b>\$ 1,250,000</b>	<b>\$ 551,919</b>	<b>\$ 3,620,000</b>	<b>\$ 1,879,440</b>	<b>\$ 4,995,000</b>	<b>\$ 2,202,653</b>

**Schedule of Future Debt Service Requirements of  
Full Faith & Credit Obligations (Continued)**

June 30, 2006

Fiscal Year	Police Facility and Street Equipment Series 2002		Transportation System, Fire, Airport and Street Equipment Series 2003		Pension Obligation Bonds Series 2004		Land Series 2005	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006-07	\$ 265,000	\$ 290,613	\$ 720,000	\$ 410,593	\$ -	\$ 820,741	\$ -	\$ 162,520
2007-08	275,000	279,813	730,000	396,093	-	820,741	-	162,520
2008-09	285,000	268,613	570,000	378,818	50,000	820,741	-	162,520
2009-10	200,000	258,913	585,000	360,068	85,000	818,443	4,780,000	162,520
2010-11	210,000	250,713	610,000	339,093	130,000	814,270	-	-
2011-12	220,000	241,976	630,000	316,656	175,000	807,514	-	-
2012-13	230,000	232,695	655,000	294,956	230,000	798,326	-	-
2013-14	240,000	222,701	595,000	272,486	285,000	786,021	-	-
2014-15	250,000	211,982	580,000	250,603	345,000	770,144	-	-
2015-16	260,000	200,663	605,000	228,006	410,000	750,579	-	-
2016-17	275,000	188,454	620,000	203,885	485,000	726,918	-	-
2017-18	290,000	175,207	650,000	178,160	565,000	698,443	-	-
2018-19	305,000	161,000	680,000	150,555	650,000	664,877	-	-
2019-20	320,000	145,840	720,000	120,975	750,000	625,779	-	-
2020-21	335,000	129,625	750,000	89,175	850,000	580,667	-	-
2021-22	355,000	112,375	790,000	54,900	965,000	529,539	-	-
2022-23	370,000	94,250	825,000	18,571	1,085,000	471,495	-	-
2023-24	390,000	75,250	-	-	1,215,000	406,232	-	-
2024-25	415,000	55,125	-	-	1,360,000	332,178	-	-
2025-26	435,000	33,875	-	-	1,515,000	249,286	-	-
2026-27	460,000	11,508	-	-	1,680,000	156,946	-	-
2027-28	-	-	-	-	895,000	54,550	-	-
	<b>\$ 6,385,000</b>	<b>\$ 3,641,191</b>	<b>\$ 11,315,000</b>	<b>\$ 4,063,593</b>	<b>\$ 13,725,000</b>	<b>\$ 13,504,430</b>	<b>\$ 4,780,000</b>	<b>\$ 650,080</b>

City of Bend, Oregon

**Schedule of Future Debt Service Requirements of  
Certificates of Participation**

June 30,2006

<u>Fiscal Year</u>	<u>Fire/EMS Equipment Series 1995</u>	
	<u>Principal</u>	<u>Interest</u>
2006-07	\$ 300,000	\$ 24,938
2007-08	325,000	8,531
	<u>\$ 625,000</u>	<u>\$ 33,469</u>

**Schedule of Future Debt Service Requirements of  
Tax Increment Bonds**

June 30,2006

**Bend Urban Renewal Agency**

<u>Fiscal Year</u>	<u>Total Requirements</u>			<u>Series 1998</u>		<u>Series 2004</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006-07	\$ 1,065,000	\$ 648,133	\$ 1,713,133	\$ 340,000	\$ 235,508	\$ 725,000	\$ 412,625
2007-08	1,205,000	594,818	1,799,818	355,000	221,568	850,000	373,250
2008-09	1,355,000	534,085	1,889,085	365,000	206,835	990,000	327,250
2009-10	1,510,000	469,588	1,979,588	385,000	191,688	1,125,000	277,900
2010-11	1,650,000	402,063	2,052,063	400,000	175,325	1,250,000	226,738
2011-12	1,820,000	328,350	2,148,350	420,000	157,925	1,400,000	170,425
2012-13	2,010,000	246,651	2,256,651	435,000	139,445	1,575,000	107,206
2013-14	2,190,000	156,739	2,346,739	455,000	119,870	1,735,000	36,869
2014-15	480,000	98,940	578,940	480,000	98,940	-	-
2015-16	500,000	76,380	576,380	500,000	76,380	-	-
2016-17	525,000	52,380	577,380	525,000	52,380	-	-
2017-18	555,000	26,915	581,915	555,000	26,915	-	-
	<b>\$ 14,865,000</b>	<b>\$ 3,635,042</b>	<b>\$ 18,500,042</b>	<b>\$ 5,215,000</b>	<b>\$ 1,702,779</b>	<b>\$ 9,650,000</b>	<b>\$ 1,932,263</b>

**Schedule of Future Debt Service Requirements of  
Notes Payable**

June 30,2006

**Oregon Economic & Community Development Department**

<u>Fiscal Year</u>	<u>Total Requirements</u>			<u>Pacific Aviation Composites 1998</u>		<u>Woodriver Village Sewer 2002</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006-07	\$ 35,779	\$ 39,225	\$ 75,004	\$ 23,857	\$ 27,650	\$ 11,922	\$ 11,575
2007-08	35,942	37,704	73,646	23,950	26,564	11,992	11,140
2008-09	48,800	36,134	84,934	36,732	25,450	12,068	10,684
2009-10	54,166	33,906	88,072	42,016	23,705	12,150	10,201
2010-11	54,568	31,308	85,876	42,330	21,605	12,238	9,703
2011-12	54,991	28,672	83,663	42,657	19,489	12,334	9,183
2012-13	60,435	26,004	86,439	48,000	17,357	12,435	8,647
2013-14	71,876	23,050	94,926	54,333	14,957	17,543	8,093
2014-15	72,459	19,536	91,995	54,800	12,241	17,659	7,295
2015-16	78,072	15,975	94,047	60,289	9,501	17,783	6,474
2016-17	78,720	12,116	90,836	60,805	6,487	17,915	5,629
2017-18	84,410	8,162	92,572	66,357	3,384	18,053	4,778
2018-19	18,202	3,903	22,105	-	-	18,202	3,903
2019-20	18,359	3,011	21,370	-	-	18,359	3,011
2020-21	18,523	2,111	20,634	-	-	18,523	2,111
2021-22	23,699	1,184	24,883	-	-	23,699	1,184
	<b>\$ 809,001</b>	<b>\$ 322,001</b>	<b>\$ 1,131,002</b>	<b>\$ 556,126</b>	<b>\$ 208,390</b>	<b>\$ 252,875</b>	<b>\$ 113,611</b>

## STATISTICAL SECTION

This part of the City of Bend's 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 City's overall financial health.

### Financial Trends (pages 123 to 127)

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

### Revenue Capacity (pages 128 to 131)

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

### Debt Capacity (pages 132 to 137)

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 (pages 138 to 140)

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

### Operating Information (pages 141 to 143)

These schedules contain service and infrastructure data to help readers understand how the information in the City's 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. The City implemented GASB Statement No. 34 in 2003; schedules presenting government-wide information include information beginning in that year.





City of Bend, Oregon

## Net Assets by Component

Last four fiscal years

(accrual basis of accounting; amounts expressed in thousands)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Governmental activities</b>				
Invested in capital assets, net of related debt	\$ 173,115	\$ 199,118	\$ 201,948	\$ 228,481
Restricted	3,818	3,006	4,031	4,405
Unrestricted	28,834	13,632	29,622	28,248
<b>Total governmental activities net assets</b>	<b>205,767</b>	<b>215,756</b>	<b>235,601</b>	<b>261,134</b>
<b>Business-type activities</b>				
Invested in capital assets, net of related debt	104,973	113,133	131,031	155,014
Restricted	1,732	1,381	1,207	844
Unrestricted	10,360	12,082	16,400	11,905
<b>Total business-type activities net assets</b>	<b>117,065</b>	<b>126,596</b>	<b>148,638</b>	<b>167,763</b>
<b>Primary government</b>				
Invested in capital assets, net of related debt	278,088	312,251	332,979	383,495
Restricted	5,550	4,387	5,238	5,249
Unrestricted	39,194	25,714	46,022	40,153
<b>Total primary government net assets</b>	<b>\$ 322,832</b>	<b>\$ 342,352</b>	<b>\$ 384,239</b>	<b>\$ 428,897</b>

City of Bend, Oregon  
**Changes in Net Assets**

Last four fiscal years

(accrual basis of accounting; amounts expressed in thousands)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Expenses</b>				
Governmental activities:				
General government	\$ 9,020	\$ 10,305	\$ 10,706	\$ 12,177
Public safety	16,989	18,646	20,007	22,447
Public ways and facilities	5,498	7,716	7,624	9,030
Community and economic development	4,143	5,061	6,527	7,854
Urban renewal	747	797	578	640
Transit	921	1,245	1,622	1,513
Interest on long-term debt	1,408	1,729	2,875	2,864
<b>Total governmental activities expenses</b>	<b>38,726</b>	<b>45,499</b>	<b>49,939</b>	<b>56,525</b>
Business-type activities:				
Airport	419	428	516	675
Water	7,291	8,811	8,082	8,960
Wastewater	6,864	7,390	7,580	8,380
Other business activities	357	403	488	847
<b>Total business-type activities expenses</b>	<b>14,931</b>	<b>17,032</b>	<b>16,666</b>	<b>18,862</b>
<b>Total primary government expenses</b>	<b>\$ 53,657</b>	<b>\$ 62,531</b>	<b>\$ 66,605</b>	<b>\$ 75,387</b>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government	\$ 3,681	\$ 4,683	\$ 5,032	\$ 5,678
Public safety	1,939	2,130	2,713	3,265
Public ways and facilities	2,460	2,724	2,607	3,204
Community and economic development	4,276	4,997	6,896	8,110
Urban renewal	106	108	67	71
Transit	78	76	257	110
Operating grants and contributions	6,223	7,897	8,019	8,966
Capital grants and contributions	15,472	10,098	19,179	22,513
<b>Total governmental activities program revenues</b>	<b>34,235</b>	<b>32,713</b>	<b>44,770</b>	<b>51,917</b>
Business-type activities:				
Charges for services:				
Airport	318	449	467	557
Water	6,818	8,079	8,767	10,405
Wastewater	5,928	6,594	7,824	8,718
Other business activities	357	428	478	420
Capital grants and contributions	6,051	10,847	20,758	17,867
<b>Total business-type activities program revenues</b>	<b>19,472</b>	<b>26,397</b>	<b>38,294</b>	<b>37,967</b>
<b>Total primary government program revenues</b>	<b>\$ 53,707</b>	<b>\$ 59,110</b>	<b>\$ 83,064</b>	<b>\$ 89,884</b>
<b>Net Revenues (Expense)</b>				
Governmental activities	\$ (4,491)	\$ (12,786)	\$ (5,169)	\$ (4,608)
Business-type activities	4,541	9,365	21,628	19,105
<b>Total primary government net revenues (expense)</b>	<b>\$ 50</b>	<b>\$ (3,421)</b>	<b>\$ 16,459</b>	<b>\$ 14,497</b>

City of Bend, Oregon

**Changes in Net Assets (Continued)**

Last four fiscal years

(accrual basis of accounting; amounts expressed in thousands)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental activities:				
Taxes:				
Property taxes	\$ 13,760	\$ 15,079	\$ 16,701	\$ 18,563
Transient room taxes	2,120	2,502	2,799	3,107
Franchise fees	3,635	3,735	4,283	5,018
Unrestricted investment income	657	367	1,169	1,799
Other revenues	720	1,092	107	688
Transfers	(2,158)	-	(45)	966
<b>Total governmental activities</b>	<b>18,734</b>	<b>22,775</b>	<b>25,014</b>	<b>30,141</b>
Business-type activities:				
Franchise fees	-	-	-	175
Unrestricted investment income	445	166	368	811
Transfers	2,158	-	45	(966)
<b>Total business-type activities</b>	<b>2,603</b>	<b>166</b>	<b>413</b>	<b>20</b>
<b>Total primary government</b>	<b>\$ 21,337</b>	<b>\$ 22,941</b>	<b>\$ 25,427</b>	<b>\$ 30,161</b>
<b>Change in Net Assets</b>				
Governmental activities	\$ 14,243	\$ 9,989	\$ 19,845	\$ 25,533
Business-type activities	7,144	9,531	22,041	19,125
<b>Total primary government</b>	<b>\$ 21,387</b>	<b>\$ 19,520</b>	<b>\$ 41,886</b>	<b>\$ 44,658</b>

City of Bend, Oregon

**Fund Balance, Governmental Funds**

Last ten fiscal years

(modified accrual basis of accounting; amounts expressed in thousands)

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>General Fund</b>										
Reserved	\$ -	\$ -	\$ 890	\$ 250	\$ 250	\$ 560	\$ 220	\$ 270	\$ 80	\$ -
Unreserved	3,978	4,461	2,724	3,533	4,364	3,976	4,906	6,240	7,132	9,012
<b>Total general fund</b>	<b>\$ 3,978</b>	<b>\$ 4,461</b>	<b>\$ 3,614</b>	<b>\$ 3,783</b>	<b>\$ 4,614</b>	<b>\$ 4,536</b>	<b>\$ 5,126</b>	<b>\$ 6,510</b>	<b>\$ 7,212</b>	<b>\$ 9,012</b>
<b>All Other Governmental Funds</b>										
Reserved for:										
Loans and notes	\$ 419	\$ 419	\$ 4,203	\$ 1,073	\$ -	\$ -	\$ 2,013	\$ 119	\$ 119	\$ 49
Debt service	892	544	335	1,270	106	90	3,818	3,006	4,031	4,405
Unreserved, reported in:										
Special revenue funds	4,530	6,809	8,969	6,066	13,851	8,374	11,535	12,786	15,077	14,213
Capital projects funds	(1,345)	(62)	(206)	2,856	(1,518)	(1,173)	6	10,599	7,535	304
<b>Total all other governmental funds</b>	<b>\$ 4,496</b>	<b>\$ 7,710</b>	<b>\$ 13,301</b>	<b>\$ 11,265</b>	<b>\$ 12,439</b>	<b>\$ 7,291</b>	<b>\$ 17,372</b>	<b>\$ 26,510</b>	<b>\$ 26,762</b>	<b>\$ 18,971</b>

City of Bend, Oregon

**Changes in Fund Balance, Governmental Funds**

Last ten fiscal years

(modified accrual basis of accounting; amounts expressed in thousands)

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Revenues</b>										
Taxes	\$ 8,019	\$ 8,353	\$ 8,746	\$ 11,532	\$ 13,171	\$ 14,461	\$ 15,888	\$ 17,635	\$ 19,519	\$ 21,731
Franchise fees	1,999	2,131	2,338	2,913	3,625	3,561	3,635	3,735	4,283	5,018
Intergovernmental	4,292	5,030	6,836	5,661	7,068	7,013	7,156	8,308	8,819	13,181
Assessments	435	942	340	301	119	117	3,856	669	678	576
License and permits	1,025	1,394	1,907	2,300	2,155	2,440	2,929	3,796	5,059	5,501
Charges for services	3,204	3,311	3,955	3,915	3,900	4,776	3,215	3,174	4,668	6,259
System development charges	1,050	2,096	1,760	1,656	3,489	3,472	4,202	5,388	6,415	7,311
Fines and forfeitures	379	405	442	465	475	508	492	616	685	917
Investment income	507	584	728	1,023	1,212	763	518	317	995	1,610
Issuance of short-term debt	-	-	-	2,500	1,450	-	-	2,000	-	1,043
Miscellaneous	103	81	86	919	505	547	830	641	218	197
<b>Total revenues</b>	<b>21,013</b>	<b>24,327</b>	<b>27,138</b>	<b>33,185</b>	<b>37,169</b>	<b>37,658</b>	<b>42,721</b>	<b>46,279</b>	<b>51,339</b>	<b>63,344</b>
<b>Expenditures</b>										
General government	1,845	2,263	2,103	2,335	477	201	902	362	428	889
Public safety	9,592	10,399	11,642	13,162	14,957	16,636	18,191	19,758	21,472	24,133
Public ways and facilities	1,831	1,981	2,552	3,245	4,325	4,725	5,256	4,988	5,866	6,813
Community and economic development	2,395	2,622	3,228	4,117	4,998	5,031	4,894	5,974	7,407	8,990
Urban renewal	35	67	275	434	420	653	432	535	380	705
Transit	329	290	379	461	804	914	1,075	1,372	1,946	1,893
Debt service:										
Principal	780	820	1,115	3,525	2,082	1,024	1,404	4,311	2,442	3,784
Interest	489	452	496	655	750	924	972	1,468	1,744	2,369
Capital outlay	2,148	2,263	7,853	7,165	10,599	12,965	16,313	8,512	8,662	22,056
<b>Total expenditures</b>	<b>19,444</b>	<b>21,157</b>	<b>29,643</b>	<b>35,099</b>	<b>39,412</b>	<b>43,073</b>	<b>49,439</b>	<b>47,280</b>	<b>50,347</b>	<b>71,632</b>
<b>Other Financing Sources (Uses)</b>										
Issuance of long-term debt	-	575	10,952	-	6,542	493	15,509	10,500	-	-
Payment to escrow agent	-	-	(3,618)	-	-	-	-	-	-	-
Proceeds from sale of assets	4	25	4	15	26	161	720	1,171	7	1,231
Transfers in	650	1,069	625	562	-	800	2,082	213	795	12,040
Transfers out	(675)	(1,144)	(715)	(530)	(300)	(800)	(4,390)	(361)	(840)	(10,973)
<b>Total other financing sources (uses)</b>	<b>(21)</b>	<b>525</b>	<b>7,248</b>	<b>47</b>	<b>6,268</b>	<b>654</b>	<b>13,921</b>	<b>11,523</b>	<b>(38)</b>	<b>2,298</b>
<b>Net Change in Fund Balance</b>	<b>\$ 1,548</b>	<b>\$ 3,695</b>	<b>\$ 4,743</b>	<b>\$ (1,867)</b>	<b>\$ 4,025</b>	<b>\$ (4,761)</b>	<b>\$ 7,203</b>	<b>\$ 10,522</b>	<b>\$ 954</b>	<b>\$ (5,990)</b>
Debt service as a percentage of noncapital expenditures	7.3%	6.7%	7.4%	15.0%	9.8%	6.5%	7.2%	14.9%	10.0%	12.4%

City of Bend, Oregon

**Assessed and Estimated Actual Value of Taxable Property**

Last ten fiscal years

(amounts expressed in thousands)

Fiscal Year	Real Property		Personal Property		Public Utilities		Total		Total Direct Tax Rate	Percent of TAV to RMV
	RMV	TAV	RMV	TAV	RMV	TAV	RMV	TAV		
1997	\$ 2,222,012	\$ 2,222,012	\$ 118,061	\$ 118,061	\$ 44,330	\$ 44,330	\$ 2,384,403	\$ 2,384,403	\$ 3.00	100.0%
1998	not available	2,050,598	not available	103,898	not available	51,635	2,586,822	2,206,131	3.36	85.3%
1999	2,612,803	2,160,017	112,384	111,393	54,079	51,411	2,779,266	2,322,821	2.96	83.6%
2000	3,883,634	3,187,241	134,356	133,081	75,921	74,672	4,093,911	3,394,994	2.91	82.9%
2001	4,336,458	3,459,697	147,270	146,295	77,243	71,166	4,560,971	3,677,158	2.94	80.6%
2002	4,931,847	3,796,869	163,145	162,721	80,169	79,471	5,175,161	4,039,061	2.97	78.0%
2003	5,742,199	4,184,189	173,871	173,705	93,422	93,288	6,009,492	4,451,182	2.99	74.1%
2004	6,572,581	4,602,246	177,321	177,310	95,810	95,722	6,845,712	4,875,278	3.00	71.2%
2005	7,426,197	5,103,393	185,854	185,850	104,835	104,619	7,716,886	5,393,862	3.04	69.9%
2006	8,946,076	5,712,230	213,276	210,382	92,809	92,621	9,252,161	6,015,233	3.04	65.0%

Source:

Deschutes County Assessor's Office

Notes:

Prior to 1998 net assessed value equaled real market value. Effective fiscal year 1998, with the implementation of Oregon Ballot Measure 50, net assessed value was reduced by approximately 15% and future increases are capped at 3% plus the value of new construction.

City of Bend, Oregon

**Property Tax Rates - Direct and Overlapping Governments**

Last ten fiscal years

(amounts expressed per \$1,000 of assessed value)

<u>Fiscal Year</u>	<u>City Direct Rates</u>			<u>Overlapping Rates</u>						<u>Total</u>
	<u>City of Bend</u>	<u>Bend Urban Renewal District</u>	<u>Total Direct</u>	<u>Bend Metro Parks and Recreation District</u>	<u>Deschutes County</u>	<u>Education Service District</u>	<u>Central Oregon Community College</u>	<u>Bend La-Pine Administrative School District #1</u>		
1997	\$ 2.57	\$ 0.43	\$ 3.00	\$ 1.40	\$ 2.12	\$ 0.09	\$ 0.71	\$ 5.39	\$ 12.71	
1998	2.82	0.54	3.36	1.50	2.94	0.09	0.56	5.50	13.94	
1999	2.81	0.15	2.96	1.38	3.38	0.09	0.58	6.24	14.63	
2000	2.78	0.13	2.91	1.45	3.26	0.09	0.70	6.02	14.43	
2001	2.79	0.15	2.94	1.46	3.24	0.09	0.69	6.02	14.44	
2002	2.80	0.17	2.97	1.46	3.34	0.09	0.69	5.64	17.17	
2003	2.80	0.19	2.99	1.46	3.29	0.09	0.69	6.14	17.65	
2004	2.80	0.20	3.00	1.46	4.47	0.09	0.68	6.10	18.80	
2005	2.80	0.24	3.04	1.46	4.94	0.09	0.68	6.10	19.36	
2006	2.80	0.24	3.04	1.46	4.94	0.09	0.67	5.97	19.21	

Source:

Deschutes County Assessor's Office

Notes:

Property tax rates are for a representative tax code area (1-001) within the City and include operating and debt service levies. Prior to fiscal year 1998 net assessed value equaled real market value. Beginning with fiscal year 1998, Oregon Ballot Measure 50 was implemented where net assessed value was reduced by approximately 15% and future increases are capped at 3% plus the value of new construction.

City of Bend, Oregon  
**Principal Taxpayers**

For the fiscal years ended June 30, 2006 and June 30, 1997  
(amounts expressed in thousands)

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2006</u>			<u>1997</u>		
		<u>Rank</u>	<u>Net Assessed Valuation</u>	<u>Percentage of Total Net Assessed Valuation (1)</u>	<u>Rank</u>	<u>Net Assessed Valuation</u>	<u>Percentage of Total Net Assessed Valuation (1)</u>
Qwest Corporation	Telephone utility	1	\$ 32,474	0.5%	2	\$ 21,754	0.9%
Bend Millwork Systems, Inc.	Construction products	2	24,407	0.4%	7	10,344	0.4%
Deschutes Brewery Inc	Brewery	3	24,327	0.4%		-	-
Pacificorp ( PP& L )	Electric utility	4	18,448	0.3%	5	13,634	0.6%
Sima Mountain View LLC	Shopping center	5	17,795	0.3%		-	-
Cascade Natural Gas Corporation	Natural gas utility	6	17,194	0.3%		-	-
RPP Bend I LLC	Shopping center	7	16,801	0.3%		-	-
Forum Associates II LLC	Shopping center	8	16,523	0.3%		-	-
River Bend Limited Partnership	Real estate developer	9	16,258	0.3%	9	9,758	0.4%
Touchmark at Mt. Bachelor Village	Real estate developer	10	15,414	0.3%		-	-
Brooks Resources Corporation	Real estate developer		-	-	1	30,589	1.3%
Willamette Industries	Construction products		-	-	4	18,607	0.8%
Fred Meyer	Shopping center		-	-	6	12,282	0.5%
Bonnett, Charles A. Trustee	Real estate developer		-	-	8	10,054	0.4%
El Dorado Properties	Lodging		-	-	10	8,232	0.3%
Milestone Properties Inc.	Real estate developer		-	-	3	20,037	0.8%
Total			<u>\$ 199,641</u>	<u>3.3%</u>		<u>\$ 155,291</u>	<u>6.5%</u>

Source:  
Deschutes County Assessor's Office

Notes:

(1) Percent of total net assessed valuation represents percent of taxpayer's net assessed value to City's total net assessed value of \$6,015,233,206 for 2005 and \$2,384,402,747 for 1997.



City of Bend, Oregon

## Property Tax Levies and Collections

Last ten fiscal years

(amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>			<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
	<u>Total Tax Levy</u>	<u>Amount</u>	<u>Percent of Levy Collected</u>		<u>Amount</u>	<u>Percent of Levy Collected</u>
1997	\$ 7,142	\$ 6,468	90.6%	\$ 406	\$ 6,874	96.3%
1998	7,437	6,754	90.8%	418	7,172	96.4%
1999	7,596	7,006	92.2%	354	7,361	96.9%
2000	10,415	9,626	92.4%	455	10,081	96.8%
2001	11,517	10,696	92.9%	514	11,210	97.3%
2002	12,781	11,999	93.9%	539	12,538	98.1%
2003	14,093	13,177	93.5%	452	13,629	96.7%
2004	15,411	14,610	94.8%	481	15,091	97.9%
2005	17,154	16,164	94.2%	391	16,555	96.5%
2006	18,939	17,941	94.7%	-	17,941	94.7%

Source:

Deschutes County Assessor's Office

City of Bend, Oregon

## Ratios of Outstanding Debt by Type

Last ten fiscal years

(amounts expressed in thousands)

Fiscal Year	Governmental Activities							Business-Type Activities					Ratio of Total Debt to	
	General Obligation Bonds	Full Faith & Credit Obligation Bonds	Certificates of Participation	Limited Tax Improvement Bonds	Urban Renewal Tax Increment Bonds	Notes Payable	General Obligation Bonds	Full Faith & Credit Obligation Bonds	Certificates of Participation	Revenue Bonds	Notes Payable	Total Primary Government	Assessed Value (1)	Total Debt Per Capita (2)
1997	\$ 375	\$ -	\$ 3,185	\$ 1,455	\$ 3,855	\$ -	\$ 2,485	\$ -	\$ 380	\$ 1,880	\$ 883	\$ 14,498	0.61%	\$ 449
1998	255	-	2,940	1,565	3,700	-	1,810	-	365	5,820	1,459	17,914	0.81%	531
1999	130	4,275	2,690	1,045	7,250	-	1,140	1,570	350	5,645	1,409	25,504	1.10%	716
2000	-	4,275	2,420	500	6,990	-	790	1,530	335	5,440	1,358	23,638	0.70%	467
2001	-	10,175	2,140	460	6,720	540	395	1,490	320	16,230	1,304	39,774	1.08%	753
2002	-	17,020	1,845	320	6,440	461	-	1,445	305	15,665	1,469	44,970	1.11%	816
2003	-	29,776	1,535	2,605	6,150	-	-	1,679	285	20,580	905	63,515	1.43%	1,100
2004	-	42,358	1,210	1,836	16,350	-	-	1,612	-	19,765	875	84,006	1.72%	1,336
2005	-	41,110	925	1,413	15,690	-	-	1,540	-	17,655	845	79,178	1.47%	1,214
2006	-	44,609	625	904	14,865	-	-	1,461	-	17,475	809	80,748	1.34%	1,148

Notes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Assessed value data can be found in the schedule of Assessed and Estimated Actual Value of Taxable Property.

(2) Population data can be found in the Demographic and Economic Statistics schedule.

City of Bend, Oregon

## Ratios of General Bonded Debt Outstanding

Last ten fiscal years

(amounts expressed in thousands, except per capita amounts)

Fiscal Year	General Bonded Debt Outstanding				Total	Amounts Restricted for Debt Service	Net General Bonded Debt Outstanding	Ratio of Bonded Debt General Bonded to Assessed Value (1) Per Capita (2)	
	General Obligation Bonds	Full Faith & Credit Obligation Bonds	Limited Tax Improvement Bonds						
1997	\$ 2,860	\$ -	\$ 1,455	\$ 4,315	\$ 892	\$ 3,423	0.18%	\$ 134	
1998	2,065	-	1,565	3,630	544	3,086	0.16%	108	
1999	1,270	5,845	1,045	8,160	335	7,825	0.35%	229	
2000	790	5,805	500	7,095	56	7,039	0.21%	140	
2001	395	11,665	460	12,520	106	12,414	0.34%	237	
2002	-	18,465	320	18,785	90	18,695	0.47%	341	
2003	-	31,455	2,605	34,060	947	33,113	0.77%	590	
2004	-	43,970	1,836	45,806	824	44,982	0.94%	728	
2005	-	42,650	1,413	44,063	1,031	43,032	0.82%	676	
2006	-	46,070	904	46,974	1,656	45,318	0.78%	668	

Notes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Assessed value data can be found in the schedule of Assessed and Estimated Actual Value of Taxable Property.

(2) Population data can be found in the Demographic and Economic Statistics schedule.

City of Bend, Oregon  
**Computation of Direct and Overlapping Debt**  
 June 30, 2006

<b><u>Jurisdiction</u></b>	<b><u>Net Property-Tax Backed Debt Outstanding (1)</u></b>	<b><u>Percent Applicable to City of Bend (2)</u></b>	<b><u>Amount Applicable to City of Bend</u></b>
Direct Debt			
City of Bend	<u>\$ -</u>	<u>100.0%</u>	<u>\$ -</u>
Overlapping Debt			
Deschutes County	15,589,931	43.8%	6,830,011
Bend-LaPine Administrative School District No. 1	57,992,080	62.8%	36,393,046
Central Oregon Community College	1,765,174	37.0%	652,532
Bend Library District	<u>4,477,385</u>	<u>80.7%</u>	<u>3,612,068</u>
Total overlapping debt	<u>79,824,570</u>	<u>59.5%</u>	<u>47,487,656</u>
Total direct and overlapping debt	<u>\$ 79,824,570</u>	<u>59.5%</u>	<u>\$ 47,487,656</u>

Source:  
 State of Oregon, Treasury Department

Notes:

(1) Net property-tax backed debt includes all limited-tax general obligation bonds and unlimited-tax general obligation bonds less self-supporting limited and unlimited general obligation bonds.

(2) Percent applicable to City of Bend represents the City's real market value as a percent of the real market value of the respective jurisdictions.

City of Bend, Oregon  
**Legal Debt Margin Information**

**June 30, 2006**

Real market value		\$	9,252,160,570
		x	<u>3%</u>
General obligation debt limit at 3% of real market value			277,564,817
General obligation debt subject to limit per ORS 287.001(1)	47,599,000		
Less: Funds applicable to the payment of principal thereof per ORS 287.004(2)			
General obligation debt service fund	(1,655,733)		<u>                    </u>
Net debt subject to 3% limitation			<u>45,943,267</u>
Legal debt margin		\$	<u><u>231,621,550</u></u>
Debt capacity percent			83%

<u>Fiscal Year</u>	<u>3% Debt Limit (1)</u>	<u>Net Debt Subject to 3% Limit (1)</u>	<u>Legal Debt Margin (1)</u>	<u>Debt Capacity Percent</u>
1997	\$ 71,532	\$ 3,423	\$ 68,109	95%
1998	77,605	3,086	74,519	96%
1999	83,378	7,825	75,553	91%
2000	122,817	7,039	115,778	94%
2001	136,829	12,414	124,415	91%
2002	155,255	18,695	136,560	88%
2003	180,285	33,113	147,172	82%
2004	205,371	44,982	160,389	78%
2005	231,506	43,957	187,549	81%
2006	277,565	45,943	231,622	83%

Source:

Real Market Value obtained from Deschutes County Assessor's Office

Notes:

(1) Amounts expressed in thousands.

Oregon Revised Statutes (ORS) 287.004(2) states: "Unless a lesser limitation upon the issuance of bonds has otherwise been provided by law or charter, no city shall issue or have outstanding at any one time bonds in excess of three percent of real market value of all taxable property within its boundaries, computed in accordance with ORS 308.207, after deducting from outstanding bonds such cash funds and sinking funds as are applicable to the payment of principal thereof."

City of Bend, Oregon

**Rate Covenant - Water Revenue Bonds**

Last ten fiscal years

(amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Gross Revenues (1)</u>	<u>Operating Expenses (2)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Annual Debt Service (3)</u>			<u>Coverage Ratio</u>	<u>Monthly</u>	
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>		<u>Metered Rate (4)</u>	<u>Monthly Flat Rate (5)</u>
1997	\$ 4,086	\$ 2,584	\$ 1,502	\$ 30	\$ 55	\$ 85	17.7	\$ 9.75	\$ 10.55
1998	4,269	2,723	1,546	30	54	84	18.4	9.75	10.55
1999	4,386	3,030	1,356	35	52	87	15.6	9.75	10.55
2000	4,757	3,364	1,393	35	51	86	16.2	10.04	10.87
2001	5,875	4,137	1,738	35	149	184	9.4	10.34	11.20
2002	6,086	4,550	1,536	165	245	410	3.7	11.06	11.98
2003	7,058	6,002	1,056	170	237	407	2.6	11.92	12.91
2004	8,162	7,346	816	180	228	408	2.0	12.84	13.91
2005	8,953	6,499	2,454	820	189	1,009	2.4	13.84	14.98
2006	10,865	7,029	3,836	145	172	317	12.1	14.48	15.67

Notes:

(1) As defined under the Water Revenue Bonds Master Resolution No. 2121, Gross revenues includes all fees, charges, interest earnings and other revenues (except for system development charges) from the operation of the water system. Gross revenues do not include payments of assessments made with respect to a local improvement levied against benefited properties, any restricted gifts, donations or grants received from any State, Federal agency or other person, proceeds from borrowings for capital improvements, proceeds from any liability or insurance, proceeds derived from the sale of assets and ad valorem taxes received which are pledged to other debt.

(2) Operating expenses means all expenses incurred for operation, maintenance and repairs of the water system including overhead expenses. Operating expenses do not include rebates or penalties paid from Gross Revenues, litigation settlements, depreciation and amortization, debt service payments, capital transfers and capital outlays and expenses of owning and operating any separate utility system.

(3) Annual debt service on revenue bonds issued pursuant to Master Resolution 2121.

(4) The metered charge represents the minimum water charge for a 3/4" meter for the first 600 cubic feet of consumption within the City. Other charges apply according to meter size and usage over 600 cubic feet.

(5) The monthly flat rate represents the per unit service charge for flat rate accounts. One unit service is considered to be 1 tap, 1 bath, 1 sink, 1 toilet or a combination thereof.

City of Bend, Oregon

**Rate Covenant - Sewer Revenue Bonds**

Last ten fiscal years

(amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Gross Revenues (1)</u>	<u>Operating Expenses (2)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Annual Debt Service (3)</u>			<u>Coverage Ratio</u>	<u>Monthly Sewer Rate (4)</u>
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>		
1997	\$ 4,204	\$ 2,583	\$ 1,621	\$ 30	\$ 55	\$ 85	19.1	\$ 15.77
1998	4,807	2,791	2,016	30	54	84	24.0	16.24
1999	5,118	2,800	2,318	140	240	380	6.1	16.69
2000	5,646	3,521	2,125	170	234	404	5.3	17.19
2001	6,819	3,984	2,835	175	402	577	4.9	17.95
2002	6,726	4,462	2,264	400	564	964	2.3	18.76
2003	7,466	4,489	2,977	415	650	1,065	2.8	19.38
2004	8,252	4,737	3,515	635	749	1,384	2.5	20.54
2005	9,788	4,763	5,025	1,290	699	1,989	2.5	21.77
2006	11,146	5,675	5,471	630	443	1,073	5.1	22.41

Notes:

(1) As defined under the Sewer Revenue Bonds Master Resolution No. 2122, Gross revenues includes all fees, charges, interest earnings and other revenues (except for the improvement fee portion of system development charges) from the operation of the sewer system. Gross revenues do not include payments of assessments made with respect to a local improvement levied against benefited properties, any restricted gifts, donations or grants received from any State, Federal agency or other person, proceeds from borrowings for capital improvements, proceeds from any liability or insurance, proceeds derived from the sale of assets and ad valorem taxes received which are pledged to other debt.

(2) Operating expenses means all expenses incurred for operation, maintenance and repairs of the sewer system including overhead expenses. Operating expenses do not include rebates or penalties paid from Gross Revenues, litigation settlements, depreciation and amortization, debt service payments, capital transfers and capital outlays and expenses of owning and operating any separate utility system.

(3) Annual debt service on revenue bonds issued pursuant to Master Resolution 2122.

(4) The monthly sewer charge represents the general service charge for single and multi-family residential and also the monthly sewer charge for the first 1,000 cubic feet of water used for non-residential customers. Other charges may apply for usage in excess of the first 1,000 cubic feet and septic sewer dumping.

City of Bend, Oregon

## Demographic and Economic Statistics

Last ten fiscal years

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Area (Square Miles)</u>	<u>Average Density (person / square miles)</u>	<u>Personal Income (2) (expressed in thousands)</u>	<u>Per Capita Income (2)</u>	<u>School Enrollment (4)</u>	<u>Unemployment Rate (3)</u>
1997	32,273	19.0	1,699	\$ 762,708	\$ 23,633	12,111	7.3%
1998	33,740	19.0	1,776	841,746	24,948	12,363	6.7%
1999	35,635	19.0	1,876	913,539	25,636	12,779	5.8%
2000	50,650	32.5	1,558	1,363,802	26,926	13,015	4.9%
2001	52,800	32.5	1,625	1,468,104	27,805	13,200	5.6%
2002	55,080	32.5	1,695	1,548,189	28,108	13,473	7.1%
2003	57,750	32.5	1,777	1,652,574	28,616	13,729	7.8%
2004	62,900	32.5	1,935	1,877,754	29,853	13,729	6.5%
2005	65,210	32.5	2,006	Not available	Not available	14,888	5.2%
2006	70,330	32.5	2,164	Not available	Not available	15,482	4.2%

Source:

(1) Population figures obtained from Portland State University Population Research Center

(2) Per capita income figures are for the Bend Metropolitan Statistical Area and are obtained from the State of Oregon Employment

(3) Unemployment rates represent June non-seasonally adjusted unemployment rates for the Bend Metropolitan Statistical Area obtained from the US Department of Labor, Bureau of Labor Statistics.

(4) School enrollment figures obtained from Bend-LaPine Administrative School District No. 1 and does not include alternative schools.



City of Bend, Oregon  
**Principal Employers**

For the fiscal years ended June 30, 2006 and June 30, 1997

<u>Employer</u>	<u>Product or Service</u>	<u>2006</u>			<u>1997</u>		
		<u>Ranking</u>	<u>Employees</u>	<u>Percent of Total City Employment (1)</u>	<u>Ranking</u>	<u>Employees</u>	<u>Percent of Total City Employment (1)</u>
St. Charles Medical Center	Health care	1	2,063	2.8%	2	1,188	2.3%
Deschutes County	Government	2	875	1.2%	5	650	1.3%
Bend-LaPine School District No. 1	Education	3	816	1.1%	1	1,600	3.1%
Mt. Bachelor Ski Resort	Recreation	4	750	1.0%	3	850	1.7%
Columbia Aircraft Manufacturing (formerly Lancair Company)	Private aircraft	5	715	1.0%	-	-	-
iSKY Inc.	Call center	6	600	0.8%	-	-	-
Bend Memorial Clinic	Health Care	7	600	0.8%	-	-	-
JELD-WEN (Pozzi)	Windows and doors	8	520	0.7%	10	369	0.7%
Hap Taylor & Son, Inc.	Construction	9	467	0.6%	-	-	-
Fuqua Homes	Construction	10	330	0.4%	-	-	-
Beaver Motor Coaches	Luxury motorhome	-	-	-	7	420	0.8%
State of Oregon	Government	-	-	-	4	762	1.5%
Deschutes National Forest	Government	-	-	-	6	627	1.2%
Crown Pacific	Wood products	-	-	-	8	370	0.7%
Central Oregon Community College	Education	-	-	-	9	382	0.8%
	<b>Total</b>		<b>7,736</b>	<b>10%</b>		<b>7,218</b>	<b>14.2%</b>

Source:

Economic Development for Central Oregon, Central Oregon Profile.

Note:

The above listing of principal employers represents major employers in the Bend area.

(1) Percent of total city employment represents percent of employer's employees to total employment for the Bend Metropolitan Statistical Area of 74,284 for June 2006 and 50,888 for June 1997 (obtained from the US Department of Labor, Bureau of Labor Statistics).

City of Bend, Oregon

## Construction Activity and Bank Deposits

Last ten fiscal years

(amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Construction Activity</u>				<u>Bank Deposits (1)</u>
	<u>Commercial</u>		<u>Residential</u>		
	<u>Units</u>	<u>Value</u>	<u>Units</u>	<u>Value</u>	
1997	130	\$ 22,280	662	\$ 62,322	\$ 466,825
1998	119	30,977	752	93,698	594,107
1999	150	52,764	944	114,613	673,373
2000	294	80,011	1,155	137,308	685,243
2001	300	52,241	1,209	144,166	763,488
2002	275	51,151	1,289	176,119	804,126
2003	239	48,519	1,682	221,370	1,023,168
2004	280	94,257	2,003	301,037	1,239,042
2005	160	95,727	2,465	480,649	1,469,066
2006	98	38,732	2,485	541,157	1,702,870

Source:

City of Bend Community Development Department and Federal Depository Insurance Corporation (FDIC).

Notes:

(1) Bank deposits obtained from FDIC and represent total deposits at June 30 for all bank branches in Bend.

**Full Time Equivalent City Employees by Program**

Last ten fiscal years

<b>Program</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>General government</b>										
Administration & finance	22.8	22.0	22.5	24.8	25.8	24.8	26.8	30.1	27.4	31.4
Information technology	3.0	3.0	3.4	4.0	5.0	6.0	6.5	7.0	8.0	8.5
Public works administration/Laboratory	14.3	17.3	15.8	17.8	21.8	20.5	22.0	28.0	27.0	23.5
Facility management	-	-	-	-	-	-	-	-	-	3.0
Garage	5.5	5.5	5.5	5.5	7.0	7.0	7.0	7.0	7.0	7.0
Economic development administration	-	-	-	-	-	-	-	-	2.0	3.0
<b>Public safety</b>										
Police	68.1	67.5	80.5	84.5	89.0	92.0	94.0	96.0	95.0	105.5
Fire/EMS	57.4	59.8	60.8	62.6	67.5	67.0	72.0	76.0	74.0	79.0
Municipal court	3.5	3.5	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
<b>Public ways and facilities</b>										
Transportation operations	18.7	21.0	19.7	24.7	30.0	27.0	28.0	28.0	30.0	29.0
Engineering	11.5	11.0	11.0	12.0	21.0	23.0	22.0	25.0	25.0	33.0
<b>Community and economic development</b>										
Community development administration	5.0	2.0	3.5	3.0	5.5	5.0	4.5	5.0	4.0	5.0
Planning	10.5	9.5	15.3	16.3	14.3	15.0	16.5	19.0	20.0	23.0
Building	8.5	11.0	13.0	14.0	16.0	16.0	20.5	25.5	32.5	45.5
Community Development Block Grant Program	-	-	-	-	-	-	1.0	1.0	-	1.0
<b>Other</b>										
Urban renewal	-	-	-	1.0	2.0	2.0	2.0	2.0	1.0	1.0
Transit	0.5	-	-	-	-	1.0	1.0	1.0	1.0	1.0
Airport	-	-	-	-	-	-	-	-	0.5	1.0
Water	21.0	19.0	23.0	23.3	20.5	20.0	22.0	21.0	21.0	24.0
Sewer	16.5	16.3	17.3	18.3	19.0	19.0	21.0	20.0	21.0	23.0
Other Business-Type	-	-	-	-	-	1.0	1.0	2.0	2.0	3.0
<b>Total</b>	<b>266.7</b>	<b>268.2</b>	<b>294.2</b>	<b>314.6</b>	<b>347.3</b>	<b>349.3</b>	<b>370.8</b>	<b>396.6</b>	<b>401.4</b>	<b>453.4</b>

City of Bend, Oregon  
**Operating Indicators by Program**  
 Last four fiscal years

<b>Program</b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>
<b>Public safety</b>				
Police:				
Physical arrest	3,778	3,778	4,009	unavailable
Traffic violations	12,406	15,339	16,000	unavailable
Calls for service	53,610	56,957	57,249	57,079
Fire/EMS:				
Fire responses	359	334	324	454
Ambulance responses	4,144	4,249	4,614	5,570
Inspections conducted	1,000	1,321	2,995	2,940
<b>Public ways and facilities</b>				
Streets resurfaced (lane miles)	6.50	7.60	10.70	13.56
Streets cleaned (curb miles)	34,689	35,369	33,688	32,467
Street signs repaired/replaced	2,620	2,290	2,297	2,479
<b>Community and economic development</b>				
Permits issued	11,726	13,388	16,985	17,897
Buildings inspections performed	35,172	55,051	72,891	79,567
<b>Transit</b>				
Total miles	305,589	306,600	303,776	352,637
Total service hours	31,583	31,800	unavailable	32,616
Total rides	92,418	96,900	unavailable	107,573
<b>Water</b>				
New connections	640	1,310	1,984	1,517
Average daily consumption (million gallons):				
Winter	5.07	5.20	6.00	6.00
Summer	19.67	19.70	16.00	16.00
Peak consumption (million gallons)	25.73	26.00	27.00	26.00
<b>Sewer</b>				
New connections	1,210	2,057	1,878	1,160
Daily average treatment (million gallons)	4.60	4.96	5.40	5.40
Sewerlines cleaned (miles)	53.60	63.60	57.00	34.30
<b>Downtown Parking</b>				
Tickets issued	9,312	11,390	11,790	10,658
Permits issued	4,857	4,982	5,219	4,689

City of Bend, Oregon  
**Capital Asset Statistics by Program**  
 Last four fiscal years

<u>Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Public safety</b>				
Police:				
Main station	1	1	1	1
Patrol units	18	20	21	21
Fire/EMS stations	5	5	5	5
<b>Public ways and facilities</b>				
Street (miles)	302	344	350	384
Streetlights	1,925	1,925	2,020	2,040
Traffic signals	n/a	44	48	57
<b>Transit</b>				
Buses	21	25	25	31
<b>Airport</b>				
Runway (feet)	5,005	5,005	5,005	5,005
Hangars	13	14	14	14
<b>Water</b>				
Water mains (miles)	310	330	400	450
Reservoirs	13	13	13	13
Wells	16	16	16	16
Fire hydrants	3,700	3,879	4,345	5,200
Maximum daily capacity of plant ( million gallons)	29.50	33.35	34.00	34.00
Service connections	15,980	17,290	19,274	20,791
<b>Wastewater</b>				
Treatment plant	1	1	1	1
Sewerlines (miles)	280	400	450	450
Large pump stations	62	80	86	82
Small pump stations	271	271	271	271
Maximum daily capacity of plant (million gallons)	11.00	11.00	12.00	12.00
Service connections	16,870	18,927	20,805	21,965

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**AUDIT COMMENTS AND DISCLOSURES  
REQUIRED BY STATE REGULATIONS**

Oregon Administrative Rules 162-10-050 through 162-10-320 incorporated in the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, and comments and disclosures required in audit reports. The required statements and schedules are set forth in the preceding sections of this report. Required comments and disclosures related to the audit of such statements and schedules are set forth in the following pages.



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## **AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS**

October 20, 2006

Honorable Mayor and City Council  
City of Bend  
Bend, Oregon

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bend, Oregon, (the City), as of and for the year ended June 30, 2006, and have issued our report thereon dated October 20, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

Our reports relating to compliance and internal control over financial reporting are contained elsewhere in this Compliance Section of this Comprehensive Annual Financial Report.

### **ACCOUNTING RECORDS**

We found the City's accounting records to be adequate for audit purposes.

### **ADEQUACY OF COLLATERAL SECURING DEPOSITORY BALANCES**

Oregon Revised Statutes Chapter 295 requires that each depository throughout the period of its possession of public fund deposits shall maintain on deposit with its custodians, at its own expense, securities having a value not less than 25% of the certificates of participation issued by the pool manager for funds in excess of those insured by the Federal Deposit Insurance Corporation. Our review of adequacy of collateral securing depository balances indicated that collateral was sufficient during the year ended June 30, 2006.

### **INVESTMENTS**

Our review of deposit and investment balances indicated that, during the year ended June 30, 2006, the City was in compliance with ORS 294 as it pertains to investment of public funds.



**AUDIT COMMENTS AND DISCLOSURES  
REQUIRED BY STATE REGULATIONS (Continued)**

Page 2

**LEGAL REQUIREMENTS RELATING TO DEBT**

The general obligation bonded debt of the City is in compliance with the limitation imposed by Oregon Revised Statutes. We noted no defaults in principal, interest, sinking fund, or redemption provisions with respect to any of the City's bonded debt, at June 30, 2006.

**BUDGET COMPLIANCE**

A description of the budgeting process is included in the Notes to the Basic Financial Statements. The City appears to have complied with Local Budget Law (ORS 294.305 to 294.520) in the preparation, adoption and execution of its budget and tax levy for the year ended June 30, 2006, and the preparation and adoption of its budget for the year ending June 30, 2007, except for the following:

- Expenditures for capital outlay in Urban Renewal Construction Fund exceeded appropriations by \$12,426 during FY 2005-2006.
- At June 30, 2006, the following funds had deficit fund balances:
  - the Community Development Block Grant Fund had a deficit fund balance of \$5,438;
  - the Improvement District Construction Fund had a deficit fund balance of \$156,313;
  - and the Juniper Ridge Construction Fund had a deficit fund balance of \$381,051.

**INSURANCE POLICIES AND FIDELITY BONDS**

We have reviewed the City's insurance and fidelity bond coverage at June 30, 2006. We ascertained that such policies appeared to be in force and in compliance with legal requirements relating to insurance and fidelity bond coverage. We are not competent by training to comment on the adequacy of the insurance policies covering City-owned property at June 30, 2006.

**PUBLIC CONTRACTS**

The City's procedures for awarding public contracts were reviewed and found to be in accordance with ORS 279.

**PROGRAMS FUNDED FROM OUTSIDE SOURCES**

Our reports on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards* and on compliance with requirements applicable to each major program and on internal control over compliance in accordance with *OMB Circular A-133* are contained elsewhere in this Compliance Section of this Comprehensive Annual Financial Report.

**AUDIT COMMENTS AND DISCLOSURES  
REQUIRED BY STATE REGULATIONS (Continued)**

Page 3

**FINANCIAL REPORTING REQUIREMENTS**

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

**HIGHWAY FUNDS**

The City's procedures for utilizing gas tax funds were reviewed and found to be in accordance with ORS Chapter 294.

\* \* \* \* \*

This report is intended solely for the information and use of the City Council, management, the Oregon Secretary of State Audits Division, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

**TALBOT, KORVOLA & WARWICK, LLP**  
Certified Public Accountants

By   
Roger A. Korvola, Partner



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

October 20, 2006

Honorable Mayor and City Council  
City of Bend  
Bend, Oregon

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bend, Oregon, (the City) as of and for the year ended June 30, 2006, and have issued our report thereon dated October 20, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a specific matter that we have reported to management of the City in a separate letter dated October 20, 2006.

**Compliance and Other Matters**

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (Continued)

Page 2

Compliance and Other Matters (Continued)

provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

\* \* \* \* \*

This report is intended solely for the information and use of City Council, management, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Tallot, Konda & Worwick, LLP*  
Certified Public Accountants



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

October 20, 2006

Honorable Mayor and City Council  
City of Bend  
Bend, Oregon

**Compliance**

We have audited the compliance of the City of Bend, Oregon, (the City) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The City's major federal programs are identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133 (Continued)**

Page 2

**Internal Control Over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants, caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

\* \* \* \* \*

This report is intended solely for the information and use of the City Council, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

CITY OF BEND, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2006

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements:**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes \_\_\_\_\_ No X

Reportable condition(s) identified that are not considered to be material weakness(es)? Yes \_\_\_\_\_ None reported X

Noncompliance material to financial statements noted? Yes \_\_\_\_\_ No X

**Federal Awards:**

Internal control over major programs:

Material weakness(es) identified? Yes \_\_\_\_\_ No X

Reportable condition(s) identified not considered to be material weakness(es)? Yes \_\_\_\_\_ None reported X

Type of auditor's report issued on compliance for major programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of *Circular A-133* Yes \_\_\_\_\_ No x

Identification of major programs:

CFDA NUMBER

NAME OF PROGRAM OR CLUSTER

20.106  
97.044

Airport Improvement Program  
FEMA Assistance to Firefighters

CITY OF BEND, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

YEAR ENDED JUNE 30, 2006

**SECTION I - SUMMARY OF AUDITOR'S RESULTS (Continued)**

**Federal Awards (Continued):**

Dollar threshold used to distinguish  
between type A and B programs \$300,000

Auditee qualified as low-risk auditee? Yes X No     

**SECTION II – FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONS COSTS**

No matters were reported.



**Schedule of Expenditures of Federal Awards**

For the fiscal year ended June 30, 2006

<u>Federal Grantor/ Pass-through Agency/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>Department of Transportation</u>		
<u>Oregon Department of Transportation:</u>		
Capital Assistance Program for Elderly & Persons with Disabilities	20.513	\$ 64,100
Formula Grants - Job Access Reverse Commute (JARC)	20.516	48,478
<u>Oregon Association of Chiefs of Police</u>		
State and Community Highway Safety	20.600	3,967
Alcohol Traffic Safety - DUII	20.601	2,800
Occupant Protection - Safety Belt	20.602	1,736
<u>Federal Transit Administration</u>		
Federal Transit Formula Grants	20.507	604,566
<u>Federal Aviation Administration:</u>		
Airport Improvement Program	20.106	1,146,296
<b>Total Department of Transportation</b>		<b>1,871,943</b>
<u>Department of Justice</u>		
Local Law Enforcement Block Grants Program	16.592	2,401
Bulletproof Vest Partnership Program	16.607	3,180
Edward Byrne Memorial Justice Assistance Program	16.738	28,400
<u>Oregon Department of Justice/Deschutes County</u>		
Marijuana Grant	16.XXX	1,910
<u>Office of National Drug Crime Prevention/Oregon State Police</u>		
High Intensity Drug Traffic Area Grant	16.XXX	91,410
<b>Total Department of Justice</b>		<b>127,301</b>
<u>Department of Homeland Security</u>		
Assistance to Firefighters Grant	97.044	260,534
<b>Total Department of Homeland Security</b>		<b>260,534</b>
<u>Department of Housing and Urban Development</u>		
CDBG Direct Entitlement Grant Funds	14.218	300,080
<u>Oregon Economic and Community Development Department:</u>		
Community Development Block Grants/State's Program	14.228	109,301
<b>Total Department of Housing and Urban Development</b>		<b>409,381</b>
<b>Total Federal Assistance</b>		<b>\$ 2,669,159</b>

Notes:

The schedule above is prepared on the accrual basis of accounting. Grant revenues are recorded when the City has met the qualifications for the respective grants. Expenditures are recorded when the liability is incurred.

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