



**CITY OF COTTAGE GROVE, OREGON**  
**FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2014**



**CITY OF COTTAGE GROVE, OREGON**  
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION  
FISCAL YEAR ENDED JUNE 30, 2014  
WITH  
INDEPENDENT AUDITOR'S REPORT

REPORT PREPARED BY  
CITY OF COTTAGE GROVE, FINANCE DEPARTMENT



**CITY OF COTTAGE GROVE, OREGON**  
 Financial Statements and Supplemental Information  
 For the Fiscal Year Ended June 30, 2014  
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**INTRODUCTORY SECTION**



**CITY OF COTTAGE GROVE, OREGON**

Principal City Officials

June 30, 2014

**ELECTED OFFICIALS**

**Mayor**

Thomas Munroe  
2292 West Harrison  
Cottage Grove, OR 97424

**Term Expiration**

December 31, 2014

**Council Members**

Jake Boone  
823 Birch Avenue  
Cottage Grove, OR 97424

Ward 1

December 31, 2014

Jeff Gowing  
337 N. 9th Street  
Cottage Grove, OR 97424

Ward 2

December 31, 2016

Garland Burback  
461 S. 1st Street  
Cottage Grove, OR 97424

Ward 3

December 31, 2014

Kate Price  
400 E. Main Street  
Cottage Grove, OR 97424

Ward 4

December 31, 2016

Heather Murphy  
1042 Chestnut Avenue  
Cottage Grove, OR 97424

At-Large

December 31, 2016

Victoria Doyle  
440 Kalapuya Court  
Cottage Grove, OR 97424

At-Large

December 31, 2014

**ADMINISTRATIVE OFFICIALS**

Richard Meyers

City Manager

Roberta Olsen

Finance Director



**FINANCIAL SECTION**





An Independently Owned Member  
**McGLADREY ALLIANCE**



## **INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and City Council  
City of Cottage Grove, Oregon

### **Report on the Financial Statements**

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 Cottage Grove, Oregon ("City") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (page 3 through 11) and the schedules of revenues, expenditures and changes in fund balance - budget and actual of General fund and Street fund (page 39 through 40) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The budgetary schedules described above are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The budgetary schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### *Report on Other Legal and Regulatory Requirements*

In accordance with Minimum Standards of Audits of Oregon Municipal Corporations, we have issued our report dated August 14, 2015, on our consideration of the City's compliance with the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-320. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

## Isler CPA



By: Gary Iskra, CPA, a member of the firm

Eugene, Oregon  
August 14, 2015



## Management's Discussion and Analysis

As management of the City of Cottage Grove, Oregon, we offer the readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the additional information furnished in the financial statements that follow.

### FINANCIAL HIGHLIGHTS

**Net Position** - The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$58,795,880 (net position). Of this amount, \$6,293,336 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.

**Change in Net Position** - The City's total net position increased this year by \$494,774, or .85%.

The City's governmental activities reported a total net position of \$40,495,202 which is an increase of \$117,081, or .28%. The increase of net position is mostly attributable to a very slight increase in cash and cash equivalents and an increase in accounts receivable. The City's business-type activities reported a total net position of \$18,300,678 which is an increase of \$377,693, or 2.1%.

The unrestricted net position decreased. Governmental Activities unrestricted net position was decreased from \$3,997,853 in fiscal year 2013 to \$3,465,695 in fiscal year 2014, approximately 13.31% of the total unrestricted net position. Business type activities were decreased from \$3,780,807 in fiscal year 2013 to \$2,827,641 approximately 25.21% of total unrestricted net position. This is contributable to the projects being completed associated with the net proceeds from bond issuance last fiscal year. Unrestricted net position is available for spending at the City's discretion.

During the fiscal year, the City's total debt decreased by \$1,326,374. The decrease is attributable to reducing the amount of debt, including compensated absences, with scheduled loan payments and loan pay-off. No new debt was incurred.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. The report also contains other supplementary information in addition to the basic financial statements.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances in a manner similar to private-sector companies.

The *Statement of Net Position* presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Cottage Grove is improving or deteriorating.

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave). The governmental activities of the City include general government, public safety, highways and streets, culture and recreation, and community development. The business type activities include water,

wastewater (including the golf course) and storm drainage. The government-wide financial statements can be found starting on page 12.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The City does not have any fiduciary funds currently.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the city's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near term financial decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains sixteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Street Fund. These funds are considered to be major governmental funds. Financial information for other non-major governmental funds is combined into a single aggregated presentation. Combining statements and budgetary comparisons for governmental and business-type funds can be found starting on page 41.

**Proprietary Funds.** Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent is that the costs of providing the services to the general public on a continuing basis be financed primarily through user charges. These funds represent three segments of operations: Water, Wastewater, and Storm Drainage. The basic proprietary fund financial statements can be found starting on page 61.

**Fiduciary Funds.** Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature and do not involve measurement of results of operations.

**Notes to the Basic Financial Statements.** The notes to the basic financial statements provide additional information that is essential to a full understanding of the financial data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 22.

**Required Supplementary Information.** Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board (GASB) but are not considered a part of the basic financial statements. Budgetary comparison schedules for major governmental funds are presented immediately following the notes to the basic financial statements, starting on page 39.

**Other Supplementary Information.** The combining statements for the non-major governmental funds and budgetary comparison schedules for both the non-major governmental funds and the proprietary funds are presented immediately following the required supplementary information, starting on page 41.

## **Government-wide Financial Analysis**

**Net Position.** The City's combined net position was \$58,795,880 at June 30, 2014. The following table reflects a Summary of Net Position for fiscal years 2012-13 and 2013-14:

**Table 1**  
**Summary of Net Position**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Government</b>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 5,924,734	\$ 5,575,943	\$ 4,122,266	\$ 5,597,057	\$ 10,047,000	\$ 11,173,000
Capital assets	39,331,058	39,780,050	33,624,881	33,283,911	72,955,939	73,063,961
Total assets	<u>45,255,792</u>	<u>45,355,993</u>	<u>37,747,147</u>	<u>38,880,968</u>	<u>83,002,939</u>	<u>84,236,961</u>
Current liabilities	542,102	482,697	416,904	878,731	959,006	1,369,428
Long term liabilities	4,218,488	4,495,175	19,029,565	20,079,252	23,248,053	24,574,427
Total liabilities	<u>\$ 4,760,590</u>	<u>\$ 4,977,872</u>	<u>\$ 19,446,469</u>	<u>\$ 20,957,983</u>	<u>\$ 24,207,059</u>	<u>\$ 25,935,855</u>
Net position:						
Net investment in capital assets	\$ 35,425,482	\$ 35,599,103	\$ 14,708,476	\$ 13,312,344	\$ 50,133,958	\$ 48,911,447
Restricted	1,604,025	781,165	764,561	829,834	2,368,586	1,610,999
Unrestricted	<u>3,465,695</u>	<u>3,997,853</u>	<u>2,827,641</u>	<u>3,780,807</u>	<u>6,293,336</u>	<u>7,778,660</u>
Total Net Position	<u>\$ 40,495,202</u>	<u>\$ 40,378,121</u>	<u>\$ 18,300,678</u>	<u>\$ 17,922,985</u>	<u>\$ 58,795,880</u>	<u>\$ 58,301,106</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Cottage Grove, assets exceeded liabilities by \$58,795,880 at the close of the fiscal year, an increase of approximately 1.68% from the previous year. The largest portion of the City's net position (85% percent) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the debt. The remaining balance is unrestricted net position in the amount of \$6,293,336 and may be used to meet the City's ongoing obligations to citizens and creditors.

The following table summarizes revenues and expenses for fiscal years 2012-13 and 2013-14:

**Table 2**  
**Governmental and Proprietary Activities**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 1,518,329	\$ 1,194,135	\$ 6,091,011	\$ 5,834,485	\$ 7,609,340	\$ 6,312,743
Operating grants and contributions	1,105,422				1,105,422	
Capital grants and contributions	-	1,022,319		317,118	-	507,588
General revenues						
Property taxes	3,903,846	3,810,300			3,903,846	3,819,989
Franchise fees	529,161	421,508			529,161	421,508
Alcoholic Beverage Taxes	150,146	143,904			136,989	130,042
Motor Fuel Taxes	353,461	343,817			353,461	343,817
Taxes and Other Revenues not restricted to specific programs	103,775	86,238			116,932	1,636,307
Gain (loss) on disposition of Capital Assets						
Donations						
Interest	31,824	35,052	20,523	15,561	52,347	52,443
<b>Total revenues</b>	<b>\$ 7,695,964</b>	<b>\$ 7,057,273</b>	<b>\$ 6,111,534</b>	<b>\$ 6,167,164</b>	<b>\$ 13,807,498</b>	<b>\$ 13,224,437</b>
<b>EXPENSES</b>						
Governmental activities:						
General government	\$ 1,810,323	\$ 1,834,455			\$ 1,810,323	\$ 1,834,455
Public safety	3,070,327	3,782,641			3,070,327	3,782,641
Highways and streets	989,497	1,275,209			989,497	1,275,209
Culture and recreation	790,727	648,486			790,727	648,486
Community development	769,788	620,952			769,788	620,952
Interest on long-term debt	148,221	137,568			148,221	137,568
Business type activities:						
Water			2,548,815	2,558,125	2,548,815	2,558,125
Wastewater			2,512,944	2,294,964	2,512,944	2,294,964
Storm drainage			672,082	418,119	672,082	418,119
<b>Total Expenses</b>	<b>7,578,883</b>	<b>8,299,311</b>	<b>5,733,841</b>	<b>5,271,208</b>	<b>13,312,724</b>	<b>13,570,519</b>
Change in Net Position before transfers and internal balances	117,081	(1,242,038)	377,693	895,956	494,774	(346,082)
Change in Net Position	117,081	(1,242,038)	377,693	895,956	494,774	(346,082)
Beginning Net Position	40,378,121	41,620,159	17,922,985	17,027,029	58,301,106	58,647,188
<b>Ending Net Position</b>	<b>\$ 40,495,202</b>	<b>\$ 40,378,121</b>	<b>\$ 18,300,678</b>	<b>\$ 17,922,985</b>	<b>\$ 58,795,880</b>	<b>\$ 58,301,106</b>

**Governmental activities.** Governmental activities increased the City's Net Position by \$117,081. The majority of this slight increase is not attributable to any major revenue or expenditure during the course of the year. Revenues overall did increase, while expenditures were reduced, creating the slight change in Net Position.

**Business-type activities.** Business-type activities increased the City's Net Position by \$377,693. The increase in charges for service, specifically in the Water and Storm Drain Funds, contributed to a majority of the increase.

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

**Governmental funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the City of Cottage Grove's governmental funds reported combined ending fund balances of \$4,162,653. Approximately 38% of this total amount (\$1,595,322) constitutes unassigned fund balance. The remainder of the fund balance is either non spendable (\$6,952), restricted (\$1,070,287), committed (\$1,473,433), or assigned (\$16,659).

The main operating fund for the City is the General Fund. At the end of fiscal year 2014 the unassigned fund balance was \$1,690,104. It may be useful to compare the fund balance to the total fund expenditures as a measure of the General Fund's liquidity. The unassigned fund balance represents approximately 32% of the total General Fund operating expenditures.

The general fund had an increase in total fund balance of \$175,168 during fiscal year 2014. There were no significant changes in revenue or expenditures.

In the Street Fund, the fund balance increased by \$107,165 during fiscal year 2014. Beginning fund balance was approximately \$70,780 more than anticipated. State highway taxes exceeded budgeted amounts by approximately 12% and local fuel taxes exceeded budget estimations by approximately 12%; no Federal Urban Aid money was received. Expenditures were 50% of budgeted amount.

The Industrial Park Fund ending fund balance was \$139,689; this is a decrease of \$101,414. A number of lots have been either foreclosed upon or returned to the City. The City is marketing the lots for sale. Outstanding debt will continue to be addressed and paid as required.

**Proprietary funds.** The City's proprietary funds are comprised of the enterprise funds. An enterprise fund is used to account for activities for which a fee is charged to external users for services. These funds provide the same type of information found in the government-wide financial statements, but in more detail.

The combined water operations had an increase in total net position of \$471,939. The combined wastewater operations had a decrease in total net position of (\$45,467.) The operating income of the water operations decreased by \$247,615 and wastewater operations decreased over the prior year \$1,156. Utility rates for both the water and wastewater funds were raised. Sales in the water fund were approximately \$42,851 more than expected and charges for service in the wastewater fund were \$34,744 more than expected. Operational costs for staff, fuel, materials and purchased services also increased.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

There were no changes to the original budget except for the re-appropriation of \$40,420 in the contingency line item to Personnel Services of the Municipal Court Department (\$5,420), Materials and Services of the Community Promotions Department, (\$5,000), and to Materials and Services in the Non-Departmental Department (\$30,000).

Significant variances between budget and actual activity can be summarized as follows:

- The General Fund revenues were less than projections by only .54% (\$42,390). Current year property taxes were under estimates by .03% (\$974) however delinquent property taxes received were more than anticipated by 24.4% (\$19,510). Franchise fees were, on average, 24% higher than budgeted. Actual administrative fees collected from the Building Inspection Fund were less than budgeted by approximately 17%.
- The Community Development Department under expended its budget by \$41,550. This was mainly due to anticipated grant projects not being funded and/or completed during the fiscal year as well as not spending budgeted amounts on contractual services.
- The Police Department under expended its budget by \$177,465. This can be contributed partly to personnel expense being less than estimated at the time of budget preparation, and costs for materials and services such as fuel and lubricants not reaching the cost anticipated.

General Fund department expenditures ranged from 36.09% spent (Broadband – Capital Outlay not expended) to a high of 99.78% spent (Building Maintenance). The average spent was 92%.

- The Non-Departmental department budget at the beginning of FY 13-14 had a budgeted contingency of \$344,415. During the course of the year, the City Council adopted a resolution to re-appropriate the contingency line item to different departments within the General Fund. The balance at year-end in the contingency line item had been reduced to \$303,995 (12%).

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** The City of Cottage Grove's investment in capital assets for its governmental and business type activities as of June 30, 2014 amounts to \$72,955,939 (net of accumulated depreciation). This investment in capital assets includes land, buildings, motor vehicles and equipment, office furniture and equipment, infrastructure and construction in progress.

The following table summarizes capital assets for fiscal years 2012-13 and 2013-14:

**Table 3**  
**Capital Assets at Year-end (Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$26,600,328	\$26,600,328	\$ 2,094,788	\$ 2,094,788	\$28,695,116	\$28,695,116
Buildings	2,999,044	3,046,869	1,738,628	1,783,596	4,737,672	4,830,465
Land improvements			630,000	714,000	630,000	714,000
Motor vehicles and equipment	265,398	321,121	415,267	420,493	680,665	741,614
Office furniture and equipment	137,325	138,895	10,138	12,195	147,463	151,090
Infrastructure	8,370,317	8,757,291	4,516,057	3,124,501	12,886,374	11,881,792
Construction in progress	958,646	915,546	991	118,887	959,637	1,034,433
Utility Systems			24,219,012	25,015,451	24,219,012	25,015,451
<b>Total</b>	<b>\$39,331,058</b>	<b>\$39,780,050</b>	<b>\$33,624,881</b>	<b>\$33,283,911</b>	<b>\$72,955,939</b>	<b>\$73,063,961</b>

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

The recognition of the Jefferson Avenue Sanitary Sewer Project, South 3<sup>rd</sup> Street Utility Improvements, the Highway 99 and Main Street Project, the Middlefield Pump Station, and Territorial Seed Fiber Project.

Infrastructure Improvements 2013 was recognized and includes the following: S. 10<sup>th</sup> Street Waterline Project, Storm Sewer Manhole Channel Construction, and Sidewalk repairs – 10<sup>th</sup> and Main Street Waterline Project.

Equipment purchases, including submersible electric mixers, a Toro Groundsmaster 4500 Turf Mower, a Fox Trailer 8' X 16', Buffalo Turbine Cyclone Debris Blower, and a 2007 Toro 4000 Tri-Deck Rotary Mower for use in Public Works; a barcode evidence machine for the Police Department.

The construction in progress includes Bohemia Park, Taylor Avenue Pump Station, South 7<sup>th</sup> Storm Drain Improvements, the Cottage Grove Museum Improvements, and the Armory Building Project.

**Table 4**  
**Change in Capital Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Beginning balance	\$39,780,050	\$40,086,558	\$33,283,911	\$32,434,161	\$73,063,961	\$72,520,719
Additions & Reclass.	382,595	732,010	1,688,512	1,990,907	2,071,107	2,722,917
Depreciation	(727,862)	(1,038,518)	(1,228,655)	(1,100,490)	(1,956,517)	(2,139,008)
Deletions	(103,725)	0	(118,887)	(40,667)	(222,612)	(40,667)
<b>Ending balance</b>	<b>\$39,331,058</b>	<b>\$39,780,050</b>	<b>\$33,624,881</b>	<b>\$33,283,911</b>	<b>\$72,955,939</b>	<b>\$73,063,961</b>

Additional information on the City’s capital assets can be found in the notes to the basic financial statements – Note 5, pages 30-31.

**Long-term debt.** At the end of the fiscal year, the City of Cottage Grove had total long-term debt outstanding of \$22,821,981. Of that amount, \$1,655,929 is a general obligation bond to pay the City’s unfunded actuarial liability in the Public Employees Retirement System. No new debt was incurred during the fiscal year.

The following table summarizes outstanding debt for fiscal years 2012-13 and 2013-14:

**Table 5**  
**Outstanding Debt at Year-end**

	<u>2014</u>	<u>2013</u>
<b>Governmental Activities</b>		
PERS UAL refinancing	\$ 1,655,929	\$ 1,684,054
LOCAP -Industrial Park	840,000	905,000
LOCAP -Fiber	380,000	395,000
LOCAP -Premium	55,801	58,738
City shop remodel	0	65,779
Optical/Wireless Equipment	662,494	692,216
Vactor	2,272	11,811
Police Vehicle	4,367	12,850
Armory Building	304,713	355,499
Sub-total	<u>\$ 3,905,576</u>	<u>\$ 4,180,947</u>
<b>Business-type Activities</b>		
Water system improvement	\$ 3,326,001	\$ 3,450,984
LOCAP -Water	5,975,000	6,255,000
LOCAP -Wastewater	6,785,000	7,230,000
LOCAP -Storm	1,220,000	1,265,000
LOCAP –Golf Course	615,000	655,000
LOCAP –Premium	672,211	707,589
Middlefield Golf Course/ Residence	291,278	306,042
Water/wastewater Equipment	31,915	101,952
Sub-total	<u>18,916,405</u>	<u>19,971,567</u>
<b>Total</b>	<u>\$22,821,981</u>	<u>\$24,152,514</u>

State statutes limit the amount of general obligation debt an Oregon city may issue to 3% of total real market value of all taxable property within its boundary. The current debt limitation for the City of Cottage Grove is \$24,891,888. The outstanding debt of \$1,655,929 is counted within the statutory limitation, as the remaining debt is either wholly or partially financed by revenues other than a general tax levy.

Additional information on the City’s long-term debt can be found in the notes to the basic financial statements – Note 7, pages 33 through 35.



## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The General Fund budget increases spending for the 2014-15 budget by \$70,207. This is approximately a 1.0% increase. This increase is directly related to anticipated increased costs for personnel services. The budget was specifically designed to be a status quo budget. The Community Development Department budget was increased slightly (\$12,495) based on the amount of grant-funded projects.

Assessed value growth for the 2015 budget preparation was projected at 2%, and anticipates there will not be any annexations of property to the city. An uncollectible allowance of 6.5% was used.

The amounts available for appropriation in the General Fund budget for fiscal year 14-15 were estimated to be \$5,825,265 in resources and a carryover of \$2,011,770. The actual carryover for the General Fund budget is \$1,690,104, a shortfall of \$321,666.

General Fund property tax revenues are expected to be \$3,966,800 approximately \$63,358 more than actual for 2014. Franchise fees are expected to be approximately \$10,630 less than budgeted in 2014, however franchise revenues were in excess of budgeted amounts in 2014 by 3%, approximately \$14,960.

The City's water/wastewater rates were studied with the assistance of an outside consulting firm, FCS Group. The City Council adopted a 5-year financial plan for each utility in fiscal year 2010-11. The water and wastewater rates are based on classifications. For water there are classifications for Residential, Industrial, Commercial and Irrigation users. The wastewater user classifications are Residential, Commercial, Industrial, and Schools. The financial plan increases the ability to begin upgrading the utility infrastructure. It is noted that the financial plan can be impacted by any major emergency that is encountered during this five-year period.

The System Development Charges are adjusted annually using the construction cost index of the previous 12-month period. Residential construction has increased over the past year and is expected to continue to increase. System Development Charge Fees, as well as Water, Wastewater, and Storm Drainage Utility rates were studied and adjustments were made based upon the recommendation of an outside consulting firm. This is the final increase under the current five-year plan.

All of these factors were considered when preparing the budget for the 2014-15 fiscal year.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

**Requests for information.** This financial report is designed to provide a general overview of the City of Cottage Grove's financial condition and to demonstrate the City's accountability for the money it receives. If you have questions concerning any of the information provided in this report or requests for additional financial information, contact the Finance Director at 400 Main Street, Cottage Grove, OR 97424, (541) 942-3346.



**BASIC FINANCIAL STATEMENTS**



**CITY OF COTTAGE GROVE, OREGON**

Statement of Net Position

June 30, 2014

	Governmental Activities	Business-Type Activities	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Assets</b>			
Cash and cash equivalents	\$ 4,391,123	\$ 3,306,212	\$ 7,697,335
Due from other governments	7,581	-	7,581
Accounts receivable, net	367,817	519,390	887,207
Property taxes receivable	279,859	-	279,859
Inventories	-	180,864	180,864
Internal balances	(115,800)	115,800	-
Other current assets	3,952	-	3,952
Notes receivable	18,744	-	18,744
Net pension asset	971,458	-	971,458
Capital assets not being depreciated	27,558,974	2,095,779	29,654,753
Capital assets net of accumulated depreciation	<u>11,772,084</u>	<u>31,529,102</u>	<u>43,301,186</u>
 Total Assets	 <u>45,255,792</u>	 <u>37,747,147</u>	 <u>83,002,939</u>
<b>Liabilities</b>			
Accounts payable and other current liabilities	417,115	203,612	620,727
Unearned revenue	89,438	29,675	119,113
Deposits	4,211	52,120	56,331
Accrued interest payable	31,338	131,497	162,835
Compensated absences	312,912	113,160	426,072
Noncurrent liabilities:			
Due within one year	186,360	967,698	1,154,058
Due in more than one year	<u>3,719,216</u>	<u>17,948,707</u>	<u>21,667,923</u>
 Total Liabilities	 <u>4,760,590</u>	 <u>19,446,469</u>	 <u>24,207,059</u>
<b>Net Position</b>			
Net investment in capital assets	35,425,482	14,708,476	50,133,958
Restricted for:			
System development	870,126	764,561	1,634,687
Road maintenance	714,240	-	714,240
Ed Jenks and Memorial Tree	19,659	-	19,659
Unrestricted	<u>3,465,695</u>	<u>2,827,641</u>	<u>6,293,336</u>
 Total Net Position	 <u>\$ 40,495,202</u>	 <u>\$ 18,300,678</u>	 <u>\$ 58,795,880</u>

See accompanying notes to financial statements.

**CITY OF COTTAGE GROVE, OREGON**

Statement of Activities

For the Year ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities</b>							
General government	\$ 1,810,323	\$ 966,751	\$ 391,456	\$ -	\$ (452,116)	\$ -	\$ (452,116)
Public safety	3,070,327	320,898	-	-	(2,749,429)	-	(2,749,429)
Highways and streets	989,497	4,333	675,555	-	(309,609)	-	(309,609)
Culture and recreation	790,727	-	38,411	-	(752,316)	-	(752,316)
Community development	769,788	226,347	-	-	(543,441)	-	(543,441)
Interest on long-term debt	148,221	-	-	-	(148,221)	-	(148,221)
Total Governmental Activities	<u>7,578,883</u>	<u>1,518,329</u>	<u>1,105,422</u>	<u>-</u>	<u>(4,955,132)</u>	<u>-</u>	<u>(4,955,132)</u>
<b>Business-Type Activities</b>							
Water	2,548,815	3,011,946	-	-	463,131	463,131	463,131
Wastewater	2,512,944	2,471,466	-	-	(41,478)	(41,478)	(41,478)
Storm drainage	672,082	607,599	-	-	(64,483)	(64,483)	(64,483)
Total Business-type Activities	<u>5,733,841</u>	<u>6,091,011</u>	<u>-</u>	<u>-</u>	<u>357,170</u>	<u>357,170</u>	<u>357,170</u>
Total Activities	<u>\$ 13,312,724</u>	<u>\$ 7,609,340</u>	<u>\$ 1,105,422</u>	<u>\$ -</u>	<u>(4,955,132)</u>	<u>357,170</u>	<u>(4,597,962)</u>
General revenues:							
Property taxes					3,903,846	-	3,903,846
Franchise fees					529,161	-	529,161
Alcoholic beverage taxes					150,146	-	150,146
Motor fuel taxes					353,461	-	353,461
Other taxes					103,775	-	103,775
Interest and investment earnings					31,824	20,523	52,347
Total general revenues and transfers					<u>5,072,213</u>	<u>20,523</u>	<u>5,092,736</u>
Change in net position					117,081	377,693	494,774
Net position, beginning					40,378,121	17,922,985	58,301,106
Net position, ending					<u>\$ 40,495,202</u>	<u>\$ 18,300,678</u>	<u>\$ 58,795,880</u>

See accompanying notes to financial statements.

**CITY OF COTTAGE GROVE, OREGON**

Governmental Funds

Balance Sheet

June 30, 2014

	<u>General Fund</u>	<u>Street Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 1,778,880	\$ 661,670	\$ 1,950,573	\$ 4,391,123
Due from other governments	7,581	-	-	7,581
Accounts receivable	193,452	103,231	71,134	367,817
Property taxes receivable	279,859	-	-	279,859
Notes receivable	-	-	18,744	18,744
Other current assets	-	-	3,952	3,952
Total Assets	<u>\$ 2,259,772</u>	<u>\$ 764,901</u>	<u>\$ 2,044,403</u>	<u>\$ 5,069,076</u>
<b>Liabilities</b>				
Accounts payable and other current liabilities	\$ 285,598	\$ 50,661	\$ 80,856	\$ 417,115
Deposits	4,211	-	-	4,211
Interfund loan payable	-	-	115,800	115,800
Unearned revenue	-	-	89,438	89,438
Total Liabilities	<u>289,809</u>	<u>50,661</u>	<u>286,094</u>	<u>626,564</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - property taxes	<u>279,859</u>	<u>-</u>	<u>-</u>	<u>279,859</u>
<b>Fund Balance</b>				
Nonspendable	-	-	6,952	6,952
Restricted	-	714,240	356,047	1,070,287
Committed	-	-	1,473,433	1,473,433
Assigned	-	-	16,659	16,659
Unassigned	<u>1,690,104</u>	<u>-</u>	<u>(94,782)</u>	<u>1,595,322</u>
Total Fund Balances	<u>1,690,104</u>	<u>714,240</u>	<u>1,758,309</u>	<u>4,162,653</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,259,772</u>	<u>\$ 764,901</u>	<u>\$ 2,044,403</u>	<u>\$ 5,069,076</u>

See accompanying notes to financial statements.

**CITY OF COTTAGE GROVE, OREGON**

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2014

Total Government Fund Balances \$ 4,162,653

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources in governmental funds but are reported in the statement of net position at their net depreciated value:

Capital assets not being depreciated	27,558,974	
Capital assets being depreciated	31,189,035	
Accumulated depreciation	<u>(19,416,951)</u>	39,331,058

Other resources are not available to pay for current-period expenditures and therefore are recognized in the governmental funds:

Deferred inflow of resources	279,859	
Net pension asset	<u>971,458</u>	1,251,317

Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds:

Accrued interest payable	(31,338)	
Compensated absences	(312,912)	
Long-term debt	<u>(3,905,576)</u>	<u>(4,249,826)</u>

Net Position of Governmental Activities in the Statement of Net Position \$ 40,495,202

See accompanying notes to financial statements.



**CITY OF COTTAGE GROVE, OREGON**

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year ended June 30, 2014

	General Fund	Street Fund	Other Governmental Funds	Total
<b>Revenues</b>				
Intergovernmental revenues	\$ 535,713	\$ 553,156	\$ 145,853	\$ 1,234,722
Charges for services	31,827	-	226,347	258,174
Property taxes	3,903,442	-	-	3,903,442
Franchise taxes	529,161	-	-	529,161
Licenses and permits	24,541	-	-	24,541
Fines and forfeitures	104,644	-	11,089	115,733
Special assessments	-	-	152,723	152,723
Local fuels tax	-	353,461	-	353,461
Interest	21,356	3,001	7,467	31,824
Miscellaneous	154,023	4,333	67,399	225,755
Room tax	103,775	-	-	103,775
Administration and engineering fees	756,360	-	-	756,360
<b>Total Revenue</b>	<b><u>6,164,842</u></b>	<b><u>913,951</u></b>	<b><u>610,878</u></b>	<b><u>7,689,671</u></b>
<b>Expenditures</b>				
Current:				
General government	1,390,348	-	65,550	1,455,898
Public safety	2,403,288	-	601,798	3,005,086
Highways and streets	-	757,014	1,230	758,244
Culture and recreation	724,672	-	1,005	725,677
Community development	510,958	-	258,830	769,788
Debt service:				
Principal	171,076	23,915	80,380	275,371
Interest	99,258	6,557	42,406	148,221
Capital outlay	17,648	-	181,256	198,904
<b>Total Expenditures</b>	<b><u>5,317,248</u></b>	<b><u>787,486</u></b>	<b><u>1,232,455</u></b>	<b><u>7,337,189</u></b>
Excess (deficiency) of revenues over (under) expenditures	<u>847,594</u>	<u>126,465</u>	<u>(621,577)</u>	<u>352,482</u>
Other Financing Sources (uses)				
Donations	55	-	5,834	5,889
Transfers in	2,859	-	694,640	697,499
Transfers out	<u>(675,340)</u>	<u>(19,300)</u>	<u>(2,859)</u>	<u>(697,499)</u>
<b>Total Other Financing Source (Uses)</b>	<b><u>(672,426)</u></b>	<b><u>(19,300)</u></b>	<b><u>697,615</u></b>	<b><u>5,889</u></b>
<b>Net Change in Fund Balances</b>	<b>175,168</b>	<b>107,165</b>	<b>76,038</b>	<b>358,371</b>
<b>Beginning Fund Balance</b>	<b><u>1,514,936</u></b>	<b><u>607,075</u></b>	<b><u>1,682,271</u></b>	<b><u>3,804,282</u></b>
<b>Ending Fund Balance</b>	<b><u>\$ 1,690,104</u></b>	<b><u>\$ 714,240</u></b>	<b><u>\$ 1,758,309</u></b>	<b><u>\$ 4,162,653</u></b>

See accompanying notes to financial statements.

**CITY OF COTTAGE GROVE, OREGON**

Governmental Funds

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

For the Year Ended June 30, 2014

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

Net Change in Fund Balances - Total Governmental Funds

The statement of revenues, expenditures, and changes in fund balances report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

	\$	358,371	
Current year depreciation	\$	(727,862)	
Expenditures for capital assets		<u>278,870</u>	(448,992)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds as follows:

Change in unavailable revenue - property taxes	404
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in accrued compensated absences	1,316
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Contributions to pension plans in prior years use current financial resources from governmental funds, but created a net pension asset in governmental activities

Change in net pension assets	(69,389)
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This is the amount by which proceeds exceeds repayments.

Debt service principal payments	<u>275,371</u>
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Change in Net Position of Governmental Activities	<u>\$ 117,081</u>
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See accompanying notes to financial statements.

**CITY OF COTTAGE GROVE, OREGON**

Proprietary Funds

Balance Sheet

June 30, 2014

	Business-Type Activities - Enterprise Funds			
	Water Operations	Wastewater Operations	Storm Drainage Operations	Total
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 1,670,782	\$ 428,429	\$ 1,207,001	\$ 3,306,212
Receivables - net	275,467	191,666	52,257	519,390
Inventories	142,621	38,243	-	180,864
Total current assets	2,088,870	658,338	1,259,258	4,006,466
Noncurrent assets:				
Interfund loan receivable	-	-	115,800	115,800
Capital assets not being depreciated	117,421	1,945,481	32,877	2,095,779
Capital assets net of accumulated depreciation	14,329,186	14,144,859	3,055,057	31,529,102
Total noncurrent assets	14,446,607	16,090,340	3,203,734	33,740,681
Total assets	\$ 16,535,477	\$ 16,748,678	\$ 4,462,992	\$ 37,747,147
<b>Liabilities and Net Position</b>				
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and other current liabilities	\$ 107,411	\$ 81,810	\$ 14,391	\$ 203,612
Deposits	50,620	1,500	-	52,120
Unearned revenue	-	29,675	-	29,675
Accrued interest payable	95,479	31,951	4,067	131,497
Compensated absences	58,514	45,031	9,615	113,160
Current portion of long-term debt	398,166	519,020	50,512	967,698
Total current liabilities	710,190	708,987	78,585	1,497,762
Noncurrent liabilities:				
Noncurrent portion of long-term debt	9,176,240	7,540,217	1,232,250	17,948,707
Total Liabilities	9,886,430	8,249,204	1,310,835	19,446,469
<b>Net Position</b>				
Net investment in capital assets	4,872,201	8,031,103	1,805,172	14,708,476
Restricted for:				
System development	240,495	90,236	433,830	764,561
Unrestricted	1,536,351	378,135	913,155	2,827,641
Total Net Position	6,649,047	8,499,474	3,152,157	18,300,678
Total Liabilities and Net Position	\$ 16,535,477	\$ 16,748,678	\$ 4,462,992	\$ 37,747,147

See accompanying notes to financial statements.

**CITY OF COTTAGE GROVE, OREGON**

Proprietary Funds

Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended June 30, 2014

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Water Operations</u>	<u>Wastewater Operations</u>	<u>Storm Drainage Operations</u>	<u>Total</u>
<b>Operating Revenues</b>				
Charges for Services	\$ 2,857,448	\$ 2,387,452	\$ 585,043	\$ 5,829,943
Miscellaneous	7,796	51,925	915	60,636
Total Operating Revenues	<u>2,865,244</u>	<u>2,439,377</u>	<u>585,958</u>	<u>5,890,579</u>
<b>Operating Expenses</b>				
Cost of sales and services	681,992	849,216	262,563	1,793,771
Administration	964,324	826,596	168,401	1,959,321
Depreciation	509,392	559,024	160,239	1,228,655
Total Operating Expenses	<u>2,155,708</u>	<u>2,234,836</u>	<u>591,203</u>	<u>4,981,747</u>
Operating Income (Loss)	<u>709,536</u>	<u>204,541</u>	<u>(5,245)</u>	<u>908,832</u>
<b>Non-operating revenues (expenses)</b>				
Interest income	8,808	5,153	6,562	20,523
Interest expense	(393,107)	(278,108)	(80,879)	(752,094)
Total non-operating revenues (expenses)	<u>(384,299)</u>	<u>(272,955)</u>	<u>(74,317)</u>	<u>(731,571)</u>
Income (loss) before capital contributions	325,237	(68,414)	(79,562)	177,261
System development charges	146,702	32,089	21,641	200,432
Change in Net Position	471,939	(36,325)	(57,921)	377,693
Beginning Net Position	6,177,108	8,535,799	3,210,078	17,922,985
Ending Net Position	<u>\$ 6,649,047</u>	<u>\$ 8,499,474</u>	<u>\$ 3,152,157</u>	<u>\$ 18,300,678</u>

See accompanying notes to financial statements.

**CITY OF COTTAGE GROVE, OREGON**

Proprietary Funds

Statement of Cash Flows

For the Year Ended June 30, 2014

	Business-Type Activities - Enterprise Funds			
	Water Operations	Wastewater Operations	Storm Drain Operations	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 2,845,467	\$ 2,447,220	\$ 579,913	\$ 5,872,600
Cash payments to employees	(618,831)	(924,611)	(102,969)	(1,646,411)
Cash payments to suppliers for goods and services	<u>(1,043,918)</u>	<u>(870,477)</u>	<u>(647,210)</u>	<u>(2,561,605)</u>
Net cash provided (used) by operating activities	<u>1,182,718</u>	<u>652,132</u>	<u>(170,266)</u>	<u>1,664,584</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Repayment of interfund loan	<u>-</u>	<u>-</u>	<u>19,300</u>	<u>19,300</u>
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>19,300</u>	<u>19,300</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
System development charges	146,702	32,089	21,641	200,432
Acquisition of capital assets	(395,730)	(418,378)	(755,517)	(1,569,625)
Principal paid on capital debt	(426,392)	(576,506)	(52,264)	(1,055,162)
Interest paid on capital debt	<u>(395,155)</u>	<u>(280,189)</u>	<u>(81,029)</u>	<u>(756,373)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,070,575)</u>	<u>(1,242,984)</u>	<u>(867,169)</u>	<u>(3,180,728)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income	<u>8,808</u>	<u>5,153</u>	<u>6,562</u>	<u>20,523</u>
Net change in cash and cash equivalents	120,951	(585,699)	(1,011,573)	(1,476,321)
Cash and cash equivalents at beginning of year	<u>1,549,831</u>	<u>1,014,128</u>	<u>2,218,574</u>	<u>4,782,533</u>
Cash and cash equivalents at end of year	<u>\$ 1,670,782</u>	<u>\$ 428,429</u>	<u>\$ 1,207,001</u>	<u>\$ 3,306,212</u>

See accompanying notes to financial statements.

**CITY OF COTTAGE GROVE, OREGON**

Proprietary Funds

Statement of Cash Flows, continued

For the Year Ended June 30, 2014

	Business-Type Activities - Enterprise Funds			
	Water Operations	Wastewater Operations	Storm Drain Operations	Total
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>				
Operating income (loss)	\$ 709,536	\$ 204,541	\$ (5,245)	\$ 908,832
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation	509,392	559,024	160,239	1,228,655
(Increase) decrease in current assets:				
Receivables - net	(19,777)	914	(6,045)	(24,908)
Inventories	3,139	939	-	4,078
Increase (decrease) in current liabilities:				
Deposits	5,777	-	-	5,777
Accounts payable and other current liabilities	(25,349)	(120,215)	(319,215)	(464,779)
Unearned revenue	-	6,929	-	6,929
Net cash provided (used) by operating activities	<u>\$ 1,182,718</u>	<u>\$ 652,132</u>	<u>\$ (170,266)</u>	<u>\$ 1,664,584</u>

See accompanying notes to financial statements.

# CITY OF COTTAGE GROVE, OREGON

## Notes to Financial Statements

June 30, 2014

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

#### **A. Description of Reporting Entity**

The City is a municipal corporation governed by an elected mayor and six-member council.

#### **B. Basic Financial Statements**

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

*Government-wide statements* - The statement of net position and the statement of activities display information about the City as a whole. These statements include all the financial activities of the City. Eliminations have been made to minimize the double-counting of internal activities. Interfund services provided and used are not eliminated in the process of consolidation. The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

*Fund financial statements* - These statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental and proprietary. Major individual funds are reported as separate columns in the fund financial statements. Nonmajor funds are consolidated into a single column in the financial section of the basic financial statements and are detailed in the supplemental information.

#### **C. Basis of Presentation**

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

The City reports the following major governmental funds:

- *General Fund.* This is the government's primary operating fund. It accounts for all of the financial operations of the City except those required to be accounted for in another fund. Principal sources of revenue are property taxes, franchise taxes, and state shared revenues. Primary expenditures are for police protection, fire protection, maintenance of parks, operation of the library and community center, and general administration.
- *Street Fund.* This fund was established as a requirement of ORS 366.815. Monies received from the State of Oregon (gasoline tax apportionment) and Lane County are major sources of revenue. These monies are to be used exclusively for the construction, reconstruction, improvement, repair, maintenance, operation and use of public highways, roads, streets, and roadside rest areas in this state.

Additionally, the City reports the following nonmajor governmental funds within the governmental fund types:

- *Special Revenue Funds.* These funds account for revenues derived from specific taxes or other earmarked revenue sources, including state revenue sharing entitlements, which are legally restricted to expenditures for specified purposes.
- *Capital Project Funds.* These funds are used to account for financial resources to be used for the acquisition or construction of major capital items and facilities not financed in the proprietary Funds.
- *Permanent Fund.* This fund is used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

# CITY OF COTTAGE GROVE, OREGON

## Notes to Financial Statements

June 30, 2014

### **Note 1. - Summary of Significant Accounting Policies, continued**

#### C. Basis of Presentation, continued

The City reports each of its three proprietary funds as major funds. These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs of providing the services to the general public on a continuing basis be financed primarily through user charges. These funds represent three segments of operations – Water, Wastewater, and Storm Drain. The City reports the following proprietary funds:

- *Water Operations*

*Water Fund.* This fund accounts for the financial activities of the city-owned water utility operations. Sales of water and related charges are the major revenue sources.

*Water Systems Development Fund.* This fund accounts for monies accumulated from water systems development charges for facility expansion or improvement. The use of these funds is restricted by City ordinance.

*Water Reserve Fund.* This fund accounts for monies accumulated for capital improvements to the City's water system as well as for the purchase of capital equipment. Transfers are the major source of financing.

- *Wastewater Operations*

*Wastewater Fund.* This fund accounts for the financial activities of the city-owned sewer service. Wastewater charges are the major revenue sources.

*Wastewater Systems Development Fund.* This fund accounts for monies accumulated from wastewater systems development charges for facility expansion or improvement. The use of these funds is restricted by City ordinance.

*Wastewater Reserve Fund.* This fund accounts for monies accumulated for capital improvements to the City's wastewater system as well as for the purchase of capital equipment. Transfers as well as surcharges assessed to all wastewater customers are the major source of financing.

- *Storm Drain Operations*

*Storm Drainage Utility Fund.* This fund accounts for the financial activities of the city-owned storm drainage system. Revenues consist primarily of storm drain charges.

*Storm Drainage Systems Development Fund.* This fund accounts for monies accumulated from storm drainage systems development charges for facility expansion or improvement. The use of these funds is restricted by City ordinance.

*Storm Drainage Reserve Fund.* This fund accounts for monies accumulated for capital improvements to the City's storm drainage system as well as for the purchase of capital equipment. A surcharge assessed to all utility customers is the major source of financing.



# CITY OF COTTAGE GROVE, OREGON

## Notes to Financial Statements

June 30, 2014

### **Note 1. - Summary of Significant Accounting Policies, continued**

#### **D. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe which transactions are recorded with the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus.

The government-wide financial statements and the proprietary funds financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Federal and state grants (to the extent that eligible expenditures are incurred), licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues within the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, long-term compensated absences are recorded only when payment is due.

A deferred inflow of resources arises in the governmental funds balance sheet when the potential revenue does not meet both the measurable and available criteria for recognition in the current period. This unavailable revenue consists primarily of uncollected property taxes and assessments not deemed available to financial operation of the current period. In the government-wide statement of net position, with a full accrual basis of accounting, revenue must be recognized as soon as it is earned regardless of its availability.

Unearned revenues arise outside the scope of measurement focus and basis of accounting, such as when the City receives resources before it has a legal claim to them. For instance, when grant monies are received prior to the incurrence of qualifying expenditures. These amounts are reported as unearned revenue on the statement of net position.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is necessary to explain the adjustments needed to transform the governmental fund financial statements into the governmental activities column of the government-wide presentation. This reconciliation is part of the financial statements. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods and services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Water, Wastewater, and Storm Drain are charges to customers for sales and services. The Water, Wastewater, and Storm Drain Funds also recognize fees intended to recover the cost of connecting new customers to the City's utility systems as operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and overheads, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non operating revenues and expenses.

#### **E. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses / expenditures during the reporting period. Actual results could differ from those estimates.

**CITY OF COTTAGE GROVE, OREGON**

Notes to Financial Statements

June 30, 2014

**Note 1.- Summary of Significant Accounting Policy, continued**

**F. Cash and Cash Equivalents**

For purposes of the statements of cash flows, the City considers cash equivalents as all highly liquid debt instruments purchased with maturity of three months or less.

Investments included in cash and cash equivalents are reported at fair value. The City invests in the State of Oregon Local Government Investment Pool, which is authorized by Oregon Revised Statutes. Interest earned from pooled investments is allocated based on a fund's portion of the total investment balance. The City maintains depository insurance under Federal depository insurance funds and state and financial institution collateral pools for its cash deposits and investments, except the Local Government Investment Pool, which is exempt from statutes requiring such insurance.

**G. Receivables and Payables**

Real and personal property taxes are levied in July of each fiscal year. Property taxes attach as an enforceable lien on property as of July 1, and are payable in three installments on November 15, February 15, and May 15. All property taxes are billed and collected by Lane County and remitted to the City. Uncollected taxes, including delinquent amounts, are considered substantially collectible or recoverable through liens, and accordingly no allowance for uncollected taxes has been established.

Activity between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "interfund loans receivable/payable" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Receivables of the proprietary funds are recognized as revenue when earned, including services provided but not billed. Management believes that any uncollectible accounts included in the governmental fund receivable balances are not significant. Receivables in proprietary funds are stated net of an allowance for uncollectible accounts.

**H. Inventories**

Inventories in the Water and Wastewater Funds consist of expendable supplies held for maintenance and improvements. Inventories are stated at cost on a first-in/first-out basis and charged to operations as used.

**CITY OF COTTAGE GROVE, OREGON**

Notes to Financial Statements

June 30, 2014

**Note 1.- Summary of Significant Accounting Policy, continued**

**I. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, street lights, etc.) are reported in the applicable governmental or business-type activities column in the governmental-wide financial statements. Capital assets are charged to expenditures as purchased in the governmental fund statements, and capitalized in the proprietary fund statements. Capital assets are recorded at historical cost, or estimated historical cost if actual cost is not available. Infrastructure acquired prior to July 1, 1980 is not reported in capital assets. Donated capital assets are recorded at their estimated fair market value at the time received.

Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more, and having useful lives extending beyond a single reporting period. Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Depreciation on exhaustible assets is recorded as an allocated expense in the statement of activities with accumulated depreciation reflected in the statement of net position and is provided on the straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Building	50
Land Improvements	15
Improvements	20
Utility Systems & Infrastructure	20 - 50
Vehicles	5 - 10
Furniture & Equipment	5 - 10

Gains or losses from sales or retirements of capital assets are included in non operating expenses of the current period.

**J. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City did not have any deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**K. Compensated Absences**

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. Accumulated sick leave lapses when employees leave the employment of the City and, upon separation from service, no monetary obligation exists.

Funds used to liquidate accrued compensated absences include the general fund, street fund, fire service fund, narcotics forfeiture fund, building inspection fund, water fund, ambulance fund, wastewater fund, and storm drainage fund.

## CITY OF COTTAGE GROVE, OREGON

### Notes to Financial Statements

June 30, 2014

#### **Note 1.- Summary of Significant Accounting Policy, continued**

##### L. Long-Term Obligations

In the government-wide financial statements and proprietary fund statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, bond premiums and discounts are recognized in the statement of revenue, expenditures, and changes in fund balance during the current period. The face amount of debt issued is reported as other financial sources while discounts or premiums on debt proceeds received are reported separately.

##### M. Net Position and Fund Equity

In the government-wide financial statements and proprietary funds financial statements, net position is reported in three categories: net position invested in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets represents capital assets less accumulated depreciation less outstanding principal of related debt. Net investment in capital assets does not include the unspent proceeds of capital debt. Restricted net position represents net position restricted by parties outside of the City (such as creditors, grantors, contributors, laws, and regulations of other governments) and includes unspent proceeds of bonds issued to acquire or construct capital assets. The nonexpendable portion of permanent funds is reported as a component of restricted net position.

In the fund financial statements, the fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The fund balance classifications are:

*Nonspendable* - resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories, prepaids and deposits, and assets held for sale.

*Restricted* - constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grants, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed* - the City Council passes an ordinance that places specific constraints on how the resources may be used. The City Council can modify or rescind the ordinance at any time through passage of an additional ordinance.

*Assigned* - resources that are constrained by the City's intent to use them for a specific purpose, but are neither restricted nor committed. Intent is expressed when the City Council approves which resources should be "reserved" during the adoption of the annual budget.

*Unassigned* - resources that have not been restricted, committed, or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

##### N. Use of Restricted Assets

When both restricted and unrestricted (committed, assigned, or unassigned) resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed. When an expenditure is incurred, where an unrestricted fund balance classification could be used, it is the City's policy to use committed resources first, assigned resources second, and then unassigned amounts as they are needed.

**CITY OF COTTAGE GROVE, OREGON**

Notes to Financial Statements

June 30, 2014

**Note 1.- Summary of Significant Accounting Policy, continued**

**O. Interfund Services Provided and Used**

Sales and purchases of goods and services between funds are reported at a price approximating their external exchange value. Engineering and administrative services are reported between functions and are included within materials and services.

**Note 2. - Stewardship, compliance, and accountability**

**A. Budgetary Information**

Budgets are prepared and adopted, and expenditures are appropriated, in accordance with Oregon Local Budget Law. The budgetary level of control is appropriated by fund and department for the General Fund and Street Fund. All other funds are appropriated by object (i.e. personal services, materials and services, capital outlay, debt service, interfund transfers, and contingency). Appropriations lapse as of the year end.

The City Council may change the budget throughout the year by transferring appropriations between levels of control and by adopting supplemental budgets as authorized by Oregon Revised Statutes. Unexpected additional resources may be added to the budget through the use of a supplemental budget. Some supplemental budgets require hearings before the public, publication in newspapers, and adoption by the City Council. Expenditure appropriations may not be legally over-expended except in the case of grant receipts which could not be reasonably estimated at the time the budget was adopted, and for debt service on new debt issued during the budget year. Management may transfer budget amounts between individual line items within the object group, but cannot make changes to the object groups themselves, which is the legal level of control. During the year, the City modified its adopted budget with a number of transfer resolutions and supplemental budgets.

**B. Excess of expenditures over appropriations**

The following fund had expenditures in excess of related budgetary appropriations:

<u>Fund</u>	<u>Appropriation Level</u>	<u>Over Expenditure Amount</u>
Storm Drainage Reserve Fund	Capital outlay	\$ 1,832
Wastewater Reserve Fund	Capital outlay	627

**C. Bicycle Footpath Deficit Fund Equity**

The City's Bicycle and Footpath fund had a negative fund balance of \$94,782 as of June 30, 2014. This fund accounts for revenue received from the City's state gasoline tax. In May 2010, the City made an emergency interfund loan between the Storm Drainage System Development fund and the Bicycle and Footpath fund to provide resources to complete the covered bridge project. Consequently, as a result of the use of the modified accrual basis of accounting, the Bicycle and Footpath fund continues to have a negative equity. The loan is further disclosed in note 6. A.

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2014

**Note 3. - Cash and Cash Equivalents**

A. Deposits and investments

The city combines virtually all financial resources for investment purposes. Interest earned on investments is allocated to funds based on the amounts contributed by each fund. Each fund's portion is displayed in the basic financial statements as "Cash and cash equivalents."

Oregon Revised Statutes, Chapter 294, authorizes the City to invest in obligations of the U.S. Treasury, U.S. Government agencies and instrumentalities, bankers' acceptances guaranteed by a qualified financial institution, commercial paper, corporate bonds, repurchase agreements, State of Oregon Local Government Investment Pool ("LGIP"), and various interest bearing bonds of Oregon municipalities.

The City is authorized to invest in the LGIP, an external investment pool, within prescribed limits. The LGIP is an open-ended, no-load diversified portfolio offered to any municipality, political subdivision or public corporation of the State that by law is made the custodian of, or has control of, any public funds. The Office of the State Treasurer (OST) manages the LGIP. The LGIP is commingled with other State funds in the Oregon Short-Term Fund (OSTF). The OSTF is not managed as a stable net asset value fund; therefore, the preservation of principal is not assured. The LGIP is not rated by a national rating service. Additional information about the OSTF can be obtained at [www.ost.state.or.us](http://www.ost.state.or.us) and [www.oregon.gov/treasury](http://www.oregon.gov/treasury). At June 30, 2014 cash and cash equivalents consisted of the following:

	<u>Fair Value</u>
Investments in the State Treasurer's Local Government Investment Fund	\$ 6,256,386
Deposits in financial institutions	1,438,984
Cash on hand	<u>1,965</u>
Total cash and cash equivalents	<u>\$ 7,697,335</u>

B. Interest rate risk

While the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, it has historically invested only in the LGIP. The weighted-average maturity of LGIP is less than one year.

C. Credit risk

The City has no investment policy for credit risk but follows State law. In practice, the City limits investments to the LGIP, which is not rated by any national rating service.

D. Custodial credit risk – deposits

This is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal policy for custodial credit risk, but follows the requirements of ORS 295. Insurance and collateral requirements for deposits are established by banking regulations and Oregon law. Where interest-bearing balances exceed the Federal Deposit Insurance amount of \$250,000, the balances are covered by collateral held in a multiple financial institution collateral pool (ORS 2295.015) administered by the Oregon Office of the State Treasurer in the Public Funds collateralization program (PFCP)

The City's total bank balance, at June 30, 2014, was \$1,467,855. Of this amount, \$500,000 was covered by federal depository insurance. The remaining balance of \$967,855 was covered by the PFCP. The financial institutions with which the City deposits funds participate in the PFCP.

**CITY OF COTTAGE GROVE, OREGON**

Notes to Financial Statements

June 30, 2014

**Note 4 - Receivables - Enterprise funds**

Receivables of Water, Wastewater, and Storm Drain Funds are reported net of allowance for doubtful accounts. Total allowance amounts are as follows:

	<u>Receivable</u>	<u>Allowance</u>	<u>Net</u>
Water sales	\$ 279,777	\$ (4,310)	\$ 275,467
Wastewater charges	194,166	(2,500)	191,666
Storm drain charges	<u>53,257</u>	<u>(1,000)</u>	<u>52,257</u>
Total	<u>\$ 527,200</u>	<u>\$ (7,810)</u>	<u>\$ 519,390</u>

**Note 5 - Capital Assets**

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Governmental Activities:</u>			
	<u>2013</u>	<u>Additions and Reclassifications</u>	<u>Deletions and Reclassifications</u>	<u>2014</u>
Capital assets, not being depreciated:				
Land	\$ 26,600,328	\$ -	\$ -	\$ 26,600,328
Construction in progress	<u>915,546</u>	<u>146,825</u>	<u>(103,725)</u>	<u>958,646</u>
Total capital assets, not being depreciated	<u>27,515,874</u>	<u>146,825</u>	<u>(103,725)</u>	<u>27,558,974</u>
Capital assets being depreciated:				
Buildings and improvements	4,460,789	80,071	-	4,540,860
Motor vehicles and equipment	1,395,394	32,447	-	1,427,841
Office furniture and equipment	422,614	11,121	-	433,735
Infrastructure	<u>24,674,469</u>	<u>112,131</u>	<u>-</u>	<u>24,786,600</u>
Total capital assets being depreciated	<u>30,953,266</u>	<u>235,770</u>	<u>-</u>	<u>31,189,036</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,413,920)	(127,896)	-	(1,541,816)
Motor vehicles and equipment	(1,074,273)	(88,170)	-	(1,162,443)
Office furniture and equipment	(283,719)	(12,691)	-	(296,410)
Infrastructure	<u>(15,917,178)</u>	<u>(499,105)</u>	<u>-</u>	<u>(16,416,283)</u>
Total accumulated depreciation	<u>(18,689,090)</u>	<u>(727,862)</u>	<u>-</u>	<u>(19,416,952)</u>
Total capital assets, being depreciated, net	<u>12,264,176</u>	<u>(492,092)</u>	<u>-</u>	<u>11,772,084</u>
Governmental activities capital assets, net	<u>\$ 39,780,050</u>	<u>\$ (345,267)</u>	<u>\$ (103,725)</u>	<u>\$ 39,331,058</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 286,352
Highways and streets	311,219
Public safety	65,241
Culture and recreation	65,050
Total depreciation expense -governmental activities	<u>\$ 727,862</u>

**CITY OF COTTAGE GROVE, OREGON**

Notes to Financial Statements

June 30, 2014

**Note 5. - Capital Assets, continued**

	Business-type Activities:			2014
	2013	Additions and Reclassifications	Deletions and Reclassifications	
Capital assets, not being depreciated:				
Land	\$ 2,094,788	\$ -	\$ -	\$ 2,094,788
Construction in progress	118,887	991	(118,887)	991
Total capital assets, not being depreciated	<u>2,213,675</u>	<u>991</u>	<u>(118,887)</u>	<u>2,095,779</u>
Capital assets being depreciated:				
Land improvements	1,260,000	-	-	1,260,000
Infrastructure	3,697,479	1,627,637	-	5,325,116
Utility systems	35,377,610	-	(8,155)	35,369,455
Building and improvements	2,210,255	27,534	-	2,237,789
Equipment	1,329,533	32,350	8,155	1,370,038
Motor vehicles	573,941	-	-	573,941
Office furniture and equipment	21,147	-	-	21,147
Total capital assets being depreciated	<u>44,469,965</u>	<u>1,687,521</u>	<u>-</u>	<u>46,157,486</u>
Less accumulated depreciation for:				
Land improvements	(546,000)	(84,000)	-	(630,000)
Infrastructure	(572,978)	(236,081)	-	(809,059)
Utility systems	(10,362,159)	(788,284)	-	(11,150,443)
Building and improvements	(426,659)	(72,502)	-	(499,161)
Equipment	(921,888)	(40,613)	-	(962,501)
Motor vehicles	(561,093)	(5,118)	-	(566,211)
Office furniture and equipment	(8,952)	(2,057)	-	(11,009)
Total accumulated depreciation	<u>(13,399,729)</u>	<u>(1,228,655)</u>	<u>-</u>	<u>(14,628,384)</u>
Total capital assets, being depreciated, net	<u>31,070,236</u>	<u>458,866</u>	<u>-</u>	<u>31,529,102</u>
Business-type activities capital assets, net	<u>\$ 33,283,911</u>	<u>\$ 459,857</u>	<u>\$ (118,887)</u>	<u>\$ 33,624,881</u>

Depreciation expense was charged to business-type activities as follows:

Water	\$ 160,239
Wastewater	559,024
Storm drain	<u>509,392</u>
Total depreciation expense -business-type activities	<u>\$ 1,228,655</u>



**CITY OF COTTAGE GROVE, OREGON**

Notes to Financial Statements

June 30, 2014

**Note 6. - Interfund Receivables, Payables, and Transfers**

**A. Interfund loans receivable**

Interfund loans receivable and payable are as follows:

Receivable Fund	Payable Fund	Amount
Storm Drain	Bicycle and Footpath	<u>\$ 115,800</u>

In May 2010, the City Council authorized a zero interest interfund loan to the Bicycle Footpath Fund (Nonmajor special revenue fund) from the Storm Drain System Development Charges Fund (Enterprise fund), in the amount of \$193,000. The loan was made for the purpose of an emergency dismantling and storage of the Chamber's Railroad Bridge. The loan is to be paid at \$19,300 annually over a ten-year period.

**B. Interfund transfers**

Interfund transfers between governmental and business-type activities are reported as net transfers in the statement of activities. Details of the transfers between governmental and business-type activities are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General Fund	\$ 2,859	\$ 675,340
Street Fund	-	19,300
Total Major Governmental Funds:	<u>2,859</u>	<u>694,640</u>
Nonmajor Governmental Funds:		
Police Communication Fund	469,515	-
Bicycle and Footpath Fund	19,300	-
General Reserve Fund	185,000	-
Building Inspection Program Fund	20,825	-
City Debt Service Fund	-	2,859
Total Nonmajor Governmental Funds	<u>694,640</u>	<u>2,859</u>
Total All Funds	<u>\$ 697,499</u>	<u>\$ 697,499</u>

Interfund transfers are used to provide funds for debt service, contribute toward the costs of capital projects, and to provide operational resources.

**CITY OF COTTAGE GROVE, OREGON**

Notes to Financial Statements

June 30, 2014

**Note 7. - Long-Term Liabilities**

A. Changes in Long-Term Liabilities

Transactions for the year ended June 30, 2014 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities</b>					
Bonds and notes payable:					
Bonds	\$ 2,984,054	\$ -	\$ (108,125)	\$ 2,875,929	\$ 97,741
Premium	58,738	-	(2,937)	55,801	-
Notes and loans	<u>1,138,155</u>	<u>-</u>	<u>(164,309)</u>	<u>973,846</u>	<u>88,619</u>
Total bonds and notes payable	4,180,947	-	(275,371)	3,905,576	186,360
Compensated absences	<u>314,228</u>	<u>312,912</u>	<u>(314,228)</u>	<u>312,912</u>	<u>312,912</u>
Total Governmental Activities	<u>\$ 4,495,175</u>	<u>\$ 312,912</u>	<u>\$ (589,599)</u>	<u>\$ 4,218,488</u>	<u>\$ 499,272</u>
<b>Business-type Activities</b>					
Bonds and notes payable:					
Bonds	\$ 15,405,000	\$ -	\$ (810,000)	\$ 14,595,000	\$ 790,000
Premium	707,589	-	(35,378)	672,211	-
Notes and loans	<u>3,858,978</u>	<u>-</u>	<u>(209,784)</u>	<u>3,649,194</u>	<u>177,698</u>
Total bonds and notes payable	19,971,567	-	(1,055,162)	18,916,405	967,698
Compensated Absences	<u>107,685</u>	<u>113,160</u>	<u>(107,685)</u>	<u>113,160</u>	<u>113,160</u>
Total Business-type Activities	<u>\$ 20,079,252</u>	<u>\$ 113,160</u>	<u>\$ (1,162,847)</u>	<u>\$ 19,029,565</u>	<u>\$ 1,080,858</u>

B. Bonds Payable

Governmental Activities

During fiscal year 2012-13, the City of Cottage Grove issued, through the Local Oregon Capital Assets Program, certificates of participation of \$16,705,000 with an aggregate true interest rate of 3.59%. Interest is payable semi-annually on September 15 and March 15 of each year. Of this amount, \$1,300,000 is allocated to governmental activities to pay-off Rural Development Revenue Bonds and other loans used to finance Industrial Park Construction. The remaining \$15,405,000 is reported in Business-type Activities below.

\$ 1,220,000

During fiscal year 2001-02, the City issued \$1,860,891 of Limited Tax Pension Obligations, Series 2002A and Series 2002B. The Series 2002A are deferred interest obligations, while the Series 2002B are current interest obligations. The proceeds from these limited tax bonds were used to finance the estimated unfunded actuarial liability with the Oregon Public Employees Retirement System (PERS). The 2002A Obligations were issued as deferred interest obligations, with interest payable only at maturity, and compounded semiannually at June 1 and December 1. The 2002B obligations were issued as current interest obligations, with interest payable on June 1 and December 1 of each year until maturity or earlier prepayment. The bonds carry interest rates varying from 2.0 to 7.41%, with an average yield of about 7%.

1,655,929

Total bonds payable - Governmental activities

\$ 2,875,929

Business-type Activities

During fiscal year 2012-13, the City of Cottage Grove issued, through the Local Oregon Capital Assets Program, certificates of participation of \$16,705,000 with an aggregate true interest rate of 3.59%. Interest is payable semi-annually on September 15 and March 15 of each year. Of this amount, \$15,405,000 is allocated to business-type activities to finance certain water, wastewater and storm drainage projects, as well as refund loans.

\$ 14,595,000

**CITY OF COTTAGE GROVE, OREGON**

Notes to Financial Statements

June 30, 2014

**Note 7. - Long-Term Liabilities, continued**

**B. Bonds Payable, continued**

General obligation bonded debt requirements are summarized below:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 97,741	\$ 191,032	\$ 790,000	\$ 571,762
2016	104,152	197,071	805,000	543,812
2017	108,634	199,489	840,000	510,913
2018	79,742	205,781	875,000	476,613
2019	80,343	213,680	895,000	450,163
2020-2024	895,317	675,511	4,970,000	1,721,949
2025-2029	1,055,000	254,028	4,295,000	609,925
2030-2033	230,000	69,294	1,125,000	64,900
2034-2038	155,000	31,769	-	-
2039-2041	70,000	2,975	-	-
<b>Total</b>	<b>\$ 2,875,929</b>	<b>\$ 2,040,630</b>	<b>\$ 14,595,000</b>	<b>\$ 4,950,037</b>

**C. Notes and Loans Payable - Governmental Activities**

Note payable obligation for optical and wireless networking equipment, secured by the asset, payable in semi-annual installments of \$31,523 including interest at an effective rate of 4.8% per annum, maturing in fiscal year 2029.	662,494
In September 2009, the City received a \$299,188, 3.71% loan from US Bank for the purchase of a vactor and greens roller. This is a 5-year loan being repaid equally from the Street Fund, Water Reserve Fund, Wastewater Reserve Fund and Storm Reserve Funds.	2,272
In December 2010, the City received a \$32,700 loan, at an interest rate of 3.75%, from Siuslaw Bank for the purchase of a 2010 Chevrolet Tahoe Police Vehicle. This is a four year loan being repaid from the General Fund – Police Department.	4,367
In September 2010, the City entered into a \$394,999 zero interest note with the Oregon Military Department ("OMD") to purchase the Armory building. This is a nine-year loan being repaid by the General Fund.	<u>304,713</u>
<b>Total notes and loans payable - Governmental activities</b>	<b><u>\$ 973,846</u></b>

Annual debt service requirements to maturity for the above notes and loans are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2015	\$ 88,611	\$ 31,938	\$ 120,549
2016	83,509	30,324	113,833
2017	237,395	28,794	266,189
2018	36,022	27,025	63,047
2019	37,796	25,250	63,046
2020-2024	218,741	96,493	315,234
2025-2029	271,772	36,656	308,428
<b>Total</b>	<b>\$ 973,846</b>	<b>\$ 276,480</b>	<b>\$ 1,250,326</b>

**CITY OF COTTAGE GROVE, OREGON**

Notes to Financial Statements

June 30, 2014

**Note 7. - Long-Term Liabilities, continued**

D. Notes and Loans Payable - Business-type activities

In June of 2007, the City received a \$375,000 loan for the purchase of a property adjacent to the Middlefield Golf Course and the residence thereon. This loan is repayable over 20 years in semiannual payments of approximately \$15,007, including interest at 4.975%. The loan is unsecured.	291,278
During fiscal year 2006, \$1,515,345 was disbursed on State of Oregon Economic Development Department loan G05001; the City received additional disbursements in the amount of \$964,655 and \$135,644 during fiscal years 2008 and 2009, respectively. Note is payable in monthly installments of approximately \$180,000, including interest at an effective rate ranging between 3% - 5.25% per annum, maturing in fiscal year 2033. Funding is for construction of improvements to the City Water Treatment facilities and replacement of 7.5 miles of transmission lines from one of the City's facilities to its reservoirs.	2,277,292
In September 2007, the City received a \$1,350,000, 5.16%, Long-term Limited Obligation Revenue Note, Series 2007, from Wells Fargo Brokerage Services, LLC for the financing of payments to former, extraterritorial water customers disconnected from City water service. This is a 20-year note being re-paid from water surcharges.	1,048,709
In September 2009, the City received a \$299,188, 3.71% loan from US Bank for the purchase of a Vactor and Greens roller. This is a 5-year loan being repaid equally from the Street Fund, Water Reserve Fund, Wastewater Reserve Fund and Storm Reserve Funds.	14,360
In November 2011, City received a \$54,885, 2.50% loan from Umpqua Bank for the purchase of mowers. This is a 5-year loan being repaid from the Wastewater Reserve Fund.	<u>17,555</u>
Total loans payable - Business - type activities	<u>\$ 3,649,194</u>

Annual debt service requirements to maturity for the above notes and loans are as follows:

Year Ending June 30,	Business-type Activities		
	Principal	Interest	Total
2015	\$ 177,698	\$ 174,166	\$ 351,864
2016	156,827	167,192	324,019
2017	162,809	160,196	323,005
2018	167,500	152,927	320,427
2019	177,428	145,259	322,687
2020-2024	1,015,928	594,545	1,610,473
2025-2029	1,082,333	325,575	1,407,908
2030-2033	708,671	114,753	823,424
Total	<u>\$ 3,649,194</u>	<u>\$ 1,834,613</u>	<u>\$ 5,483,807</u>

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2014

**Note 8. - Pension Plan**

A. Plan Description

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

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

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

Both PERS and OPSRP are administered by the Oregon Public Employees Retirement Board ("OPERB"). The comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700, or by accessing the PERS website at [www.pers.state.or.us](http://www.pers.state.or.us).

B. Funding Policy

Employer contributions are required by state statute and are made at actuarially determined rates as adopted by the OPERB. Covered employees are required by state statute to contribute 6.0% of their annual salary to the system, but the employer is allowed to pay any or all of the employees' contribution in addition to the required employers' contribution. The annual pension cost was \$799,287 which included the union employee's portion for the year ended June 30, 2014. The City contributed 14.24% of covered payroll to PERS for the fiscal year ended June 30, 2014. For employees hired on or after August 29, 2003, the City's contribution rate was 14.68% for police and fire employees and 11.95% for all other employees.

Oregon General Obligation Pension Bonds were issued to fund the City's share of the Unfunded Actuarial Liability and \$2 billion was delivered directly to PERS. Over the next 23 years the State will be obligated to make the principal and interest payments on the pension obligation bonds. All benefitting agencies are charged the same rate to pay this debt service.

C. Annual Pension Cost

All participating employers are required by law to submit the contributions as adopted by OPERB. For the fiscal year ended June 30, 2014, the City's annual pension payment was \$799,287. This was comprised of \$676,416 in employer contributions and \$122,871 of employee contributions. The 6% employee contribution was paid by the City for unionized employees in accordance with collective bargaining agreements. In addition to the required contribution, the City contributed the proceeds of the Limited Tax Pension bonds Series 2002, and recognized a pension asset of \$971,458 at June 30, 2014. The City is amortizing the pension asset over the life of the bonds, or 26 years. The pension asset for the year ended June 30, 2014 is as follows:

Pension asset at June 30, 2013	\$ 1,040,847
Annual amortization	<u>(69,389)</u>
Pension asset at June 30, 2014	<u>\$ 971,458</u>

The City's pension liability and the annual required contribution rate were determined using the Projected Unit Credit cost method.

The Unfunded Accrued Liability (UAL) is amortized as a level percentage of combined payroll.

**CITY OF COTTAGE GROVE, OREGON**

Notes to Financial Statements

June 30, 2014

**Note 8. - Pension Plan, continued**

**C. Annual Pension Cost, continued**

The OPSRP UAL as of December 31, 2007, and experience in each subsequent biennium is amortized over a closed 16 year period.

All existing Tier 1/Tier 2 UAL will be re-amortized over a 20 year period as of the December 31, 2013, rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation of payroll over a closed 20 year period.

The actuarial assumptions include an investment return of 7.75% per year, projected salary increase of 3.75%, health cost inflation graded from 6.1% in 2014 to 4.7% in 2083, and a consumer price inflation component of 2.75%. This information is from the most current Actuarial Valuation Report dated December 31, 2013.

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

The Oregon Legislative Assembly created a second level or "Tier" of OPERS benefits that modified service and disability retirement allowances payable to persons who established PERS membership on or after January 1, 1996 ("Tier Two" members). Future interest credits are assumed at 7.75% compounded annually on members' regular account balances and 7.75% compounded annually on members' variable account balances for Tier One and there is no guaranty of future interest credits for Tier Two members.

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

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Asset</u>
6/30/2014	\$799,287	100 %	\$971,458
6/30/2013	\$802,767	100 %	\$1,040,847
6/29/2012	\$752,377	100 %	\$1,110,236

**D. Funding Status**

The information presented below is the schedule of funding progress. Interim valuation does not take into account investment performance since that date. In March 2002, the City issued bonds to finance its unfunded Actuarial Liability. The proceeds of \$1,810,926 were applied toward the City's UAL.

<u>December 31 Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liabilities</u>	<u>Actuarial Assets in Excess of (Less than) Accrued Liability</u>	<u>Funded %</u>	<u>Covered Payroll</u>	<u>Overfunded, (Underfunded) Actuarial Liability as a % of Payroll</u>
2013	\$ 37,269,216	\$ 37,629,931	\$ (360,715)	99 %	\$4,087,108	(9) %
2012	\$ 34,036,351	\$ 35,941,947	\$(1,905,596)	95 %	\$4,097,780	(47) %
2011	\$ 31,039,561	\$ 35,814,645	\$(4,775,084)	87 %	\$3,832,180	(125) %

**Note 9. - 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 carries commercial insurance for risks of loss including workers' compensation, property damage, general liability, automobile liability, boiler and machinery, inland marine, public official bond, and employee dishonesty coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

**CITY OF COTTAGE GROVE, OREGON**

Notes to Financial Statements

June 30, 2014

**Note 10.- Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed costs may constitute a liability to the City. Such amounts, if any, cannot be determined at this time and, accordingly, no liability is reflected in these financial statements.

Management of the City believes that total amount of liability, if any, which may arise from claims and lawsuits pending against the City beyond that, which is covered by insurance, would not have a material effect on the City's financial condition.

**Note 11. - Recently Issued Accounting Guidance**

Management is determining the effect on its financial statements of the following recently issued accounting standards.

The GASB issued statement number 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, which requires the liability of employers and nonemployer contributing entities to employees for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. The statement requires additional footnote disclosures and expanded supplemental information about the pension plan liability. This Statement is effective for fiscal years beginning after June 15, 2014.





**REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF COTTAGE GROVE, OREGON**

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>				
Intergovernmental revenues	\$ 477,208	\$ 477,208	\$ 535,713	\$ 58,505
Charges for services	23,900	23,900	31,827	7,927
Property taxes	3,880,825	3,880,825	3,903,442	22,617
Franchise taxes	514,200	514,200	529,161	14,961
Licenses and permits	20,625	20,625	24,541	3,916
Fines and forfeitures	106,400	106,400	104,644	(1,756)
Investment earnings	15,000	15,000	21,356	6,356
Miscellaneous	105,800	105,800	154,023	48,223
Room tax	82,000	82,000	103,775	21,775
Administration and engineering fees	<u>714,930</u>	<u>714,930</u>	<u>756,360</u>	<u>41,430</u>
Total revenues	<u>5,940,888</u>	<u>5,940,888</u>	<u>6,164,842</u>	<u>223,954</u>
<b>Expenditures:</b>				
City Manager	285,040	285,040	267,616	17,424
City Attorney	66,220	66,220	66,115	105
Community development	552,508	552,508	510,958	41,550
City Council	38,150	38,150	28,721	9,429
Community center	152,060	152,060	138,693	13,367
Municipal court	99,425	104,845	93,527	11,318
Police operations	2,422,990	2,422,990	2,245,525	177,465
Municipal court support services	57,800	57,800	55,129	2,671
Youth peer court	26,480	26,480	22,994	3,486
Parks	145,185	145,185	123,810	21,375
Building maintenance	176,985	176,985	176,600	385
Community promotions	109,950	114,950	108,876	6,074
Engineering department	287,626	288,425	254,222	34,203
Finance	307,620	307,620	287,168	20,452
Library	381,889	381,889	353,294	28,595
Broadband services	833,065	833,065	300,633	532,432
Non-departmental	<u>606,395</u>	<u>595,975</u>	<u>283,367</u>	<u>312,608</u>
Total expenditures	<u>6,549,388</u>	<u>6,550,187</u>	<u>5,317,248</u>	<u>1,232,939</u>
Excess revenues over (under) expenditures	<u>(608,500)</u>	<u>(609,299)</u>	<u>847,594</u>	<u>1,456,893</u>
<b>Other financing sources (uses):</b>				
Donations	100	100	55	(45)
Transfers in	3,500	3,500	2,859	(641)
Transfers out	(676,215)	(676,215)	(675,340)	875
Insurance proceeds	<u>-</u>	<u>799</u>	<u>-</u>	<u>(799)</u>
Total other financing sources (uses)	<u>(672,615)</u>	<u>(671,816)</u>	<u>(672,426)</u>	<u>(610)</u>
Net change in fund balances	(1,281,115)	(1,281,115)	175,168	1,456,283
<b>Fund Balance:</b>				
Beginning of year	<u>1,281,115</u>	<u>1,281,115</u>	<u>1,514,936</u>	<u>233,821</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,690,104</u>	<u>\$ 1,690,104</u>

**CITY OF COTTAGE GROVE, OREGON**

Street Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental revenues:				
State highway taxes	\$ 494,890	\$ 494,890	\$ 553,156	\$ 58,266
Local fuels tax	315,000	315,000	353,461	38,461
Investment earnings	1,300	1,300	3,001	1,701
Miscellaneous	<u>3,000</u>	<u>3,000</u>	<u>4,333</u>	<u>1,333</u>
Total revenues	<u>814,190</u>	<u>814,190</u>	<u>913,951</u>	<u>99,761</u>
Expenditures:				
Street maintenance	496,730	496,730	435,566	61,164
Street sweeping	110,210	110,210	100,357	9,853
Non-departmental	89,225	89,225	87,318	1,907
Street Impr./Capital Purch.	730,915	730,915	133,773	597,142
Debt service:				
Principal payments	51,775	51,775	23,915	27,860
Interest	11,610	11,610	6,557	5,053
Contingency	<u>90,720</u>	<u>90,720</u>	<u>-</u>	<u>90,720</u>
Total expenditures	<u>1,581,185</u>	<u>1,581,185</u>	<u>787,486</u>	<u>793,699</u>
Excess revenues over (under) expenditures	<u>(766,995)</u>	<u>(766,995)</u>	<u>126,465</u>	<u>893,460</u>
Other financing sources (uses):				
Transfers out	(19,300)	(19,300)	(19,300)	-
Issuance of debt	<u>250,000</u>	<u>250,000</u>	<u>-</u>	<u>(250,000)</u>
Total other financing sources (uses)	<u>230,700</u>	<u>230,700</u>	<u>(19,300)</u>	<u>(250,000)</u>
Net change in fund balances	(536,295)	(536,295)	107,165	643,460
Fund Balance:				
Beginning of year	<u>536,295</u>	<u>536,295</u>	<u>607,075</u>	<u>70,780</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 714,240</u>	<u>\$ 714,240</u>

**OTHER SUPPLEMENTARY INFORMATION**



## CITY OF COTTAGE GROVE, OREGON

### Other Governmental Funds

#### Nonmajor Governmental Funds

#### Special Revenue Funds

These funds account for revenue derived from specific tax or other earmarked revenue sources, including federal and state grant awards, which are restricted to finance particular functions or activities.

- **Assessment Fund** – This fund accounts for the receipts and expenditures for all local improvement districts of the City. The major revenue sources are proceeds from unbonded assessment principal and interest payments received.
- **Police Communication Fund** – This fund accounts for revenues received from the Oregon telephone excise tax, which is used for operation of the South Lane emergency phone system. Additionally, the City has consolidated its police support services with 911 operations and is funding police support services with a transfer from the General Fund.
- **Bicycle and Footpath Fund** – This fund was established to provide for the operational and capital improvement needs of the City's bike paths. Revenues and other financing sources consist primarily of 1% of the City's state gasoline tax and transfers from the Street Fund.
- **Rehabilitation Loan Fund** – This fund accounts for monies received from Community Development Block Grant. These monies are to provide assistance to homeowners that are disadvantaged by age, handicap, or income, to correct health, safety and/or structural hazards.
- **Narcotics Forfeiture** – This fund accounts for monies received from forfeitures. The monies must be used for drug enforcement activities and other drug enforcement programs.
- **Building Inspection Program** – This fund accounts for building permit revenues and the activities of the City's Building Permit Program. It was established because of State legislation mandating that building permit revenues not be used for any purpose other than building permit programs.
- **Industrial Park Operations Fund** – This fund was established to provide operations, maintenance and management services for the South Hwy 99 Industrial Park. Revenues and other financing sources are expected to consist primarily of lease revenues and transfers from the Industrial Development Fund.

#### Capital Projects Funds

These funds are used to account for financial resources to be used for the acquisition or construction of major capital items and facilities. Funds included in this category are:

- **Street Systems Development Fund** – This fund was established to accumulate monies derived from street systems development charges for facility expansion or improvement. The use of these funds is restricted by City ordinance.
- **Park Systems Development Fund** – This fund was established to accumulate monies derived from parks systems development charges for facility expansion or improvement. The use of these funds is restricted by City ordinance.
- **General Reserve Fund** – This fund was established for the purpose of accumulating monies to acquire equipment or vehicles, to make major emergency repairs and/or to contract for services related to General Fund activities or programs. Transfers are the major source of financing.

#### Permanent Fund

This fund is used to report resources that are legally restricted to the extent that only earning, not principal, may be used for purposes that support the reporting government's programs.

- **Ed Jenks and Memorial Tree Fund** – This fund was established to account for interest earnings on a fixed principal donation by a private individual. Disbursements are restricted to purchases of nonfiction books for the library and the purchases and maintenance of trees.





**CITY OF COTTAGE GROVE, OREGON**

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2014

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Projects Funds	Ed Jenks and Memorial Trees Permanent Fund	Total Nonmajor Governmental Funds
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 1,035,948	\$ 894,248	\$ 20,377	\$ 1,950,573
Accounts receivable	71,134	-	-	71,134
Notes receivable	18,744	-	-	18,744
Other current assets	3,952	-	-	3,952
Total assets	<u>\$ 1,129,778</u>	<u>\$ 894,248</u>	<u>\$ 20,377</u>	<u>\$ 2,044,403</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and other current liabilities	\$ 56,046	\$ 24,092	\$ 718	\$ 80,856
Interfund loan payable	115,800	-	-	115,800
Unearned revenue	89,438	-	-	89,438
Total liabilities	<u>261,284</u>	<u>24,092</u>	<u>718</u>	<u>286,094</u>
<b>Fund Balances</b>				
Nonspendable	3,952	-	3,000	6,952
Restricted	356,047	-	-	356,047
Committed	603,277	870,156	-	1,473,433
Assigned	-	-	16,659	16,659
Unassigned	(94,782)	-	-	(94,782)
Total fund balances	<u>868,494</u>	<u>870,156</u>	<u>19,659</u>	<u>1,758,309</u>
Total liabilities and fund balances	<u>\$ 1,129,778</u>	<u>\$ 894,248</u>	<u>\$ 20,377</u>	<u>\$ 2,044,403</u>

**CITY OF COTTAGE GROVE, OREGON**

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance

For the Year ended June 30, 2014

	<u>Total Nonmajor Special Revenue Funds</u>	<u>City Debt Service Fund</u>	<u>Total Nonmajor Capital Projects Funds</u>	<u>Ed Jenks and Memorial Trees Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Revenues:</b>					
Intergovernmental revenues	\$ 145,853	\$ -	\$ -	\$ -	\$ 145,853
Charges for services	226,347	-	-	-	226,347
Special assessments	-	-	152,723	-	152,723
Fines and forfeitures	11,089	-	-	-	11,089
Interest	4,333	-	3,065	69	7,467
Miscellaneous	67,399	-	-	-	67,399
Total Revenues	<u>455,021</u>	<u>-</u>	<u>155,788</u>	<u>69</u>	<u>610,878</u>
<b>Expenditures:</b>					
Current:					
General government	-	-	65,550	-	65,550
Public safety	601,798	-	-	-	601,798
Highways and streets	1,165	-	65	-	1,230
Culture and recreation	-	-	1,005	-	1,005
Community development	257,919	-	-	911	258,830
Capital outlay	24,180	-	157,076	-	181,256
Debt service:					
Principal payments	67,224	-	13,156	-	80,380
Interest	42,128	-	278	-	42,406
Total Expenditures	<u>994,414</u>	<u>-</u>	<u>237,130</u>	<u>911</u>	<u>1,232,455</u>
Revenues over (under) expenditures	<u>(539,393)</u>	<u>-</u>	<u>(81,342)</u>	<u>(842)</u>	<u>(621,577)</u>
<b>Other financing sources (uses)</b>					
Donations	-	-	-	5,834	5,834
Transfers in	509,640	-	185,000	-	694,640
Transfers out	-	(2,859)	-	-	(2,859)
Total other financing sources (uses)	<u>509,640</u>	<u>(2,859)</u>	<u>185,000</u>	<u>5,834</u>	<u>697,615</u>
Net change in fund balance	(29,753)	(2,859)	103,658	4,992	76,038
Fund balance at beginning of year	<u>898,247</u>	<u>2,859</u>	<u>766,498</u>	<u>14,667</u>	<u>1,682,271</u>
Fund balance at end of year	<u>\$ 868,494</u>	<u>\$ -</u>	<u>\$ 870,156</u>	<u>\$ 19,659</u>	<u>\$ 1,758,309</u>

**CITY OF COTTAGE GROVE, OREGON**

Nonmajor Special Revenue Funds

Combining Balance Sheet

June 30, 2014

	Assessment Fund	Police Communication Fund	Bicycle and Footpath Fund	Rehabilitation Loan Fund	Narcotics Forfeiture	Building Inspection Program	Industrial Park Fund	Total Nonmajor Special Revenue Funds
<b>Assets</b>								
Cash and cash equivalents	\$ 152,311	\$ 29,342	\$ 20,578	\$ 450,966	\$ 215,076	\$ 27,171	\$ 140,504	\$ 1,035,948
Accounts receivable	-	-	440	-	-	-	70,694	71,134
Notes receivable	-	-	-	18,744	-	-	-	18,744
Other current assets	-	-	-	-	3,952	-	-	3,952
Total assets	\$ 152,311	\$ 29,342	\$ 21,018	\$ 469,710	\$ 219,028	\$ 27,171	\$ 211,198	\$ 1,129,778
<b>Liabilities</b>								
Accounts payable and other current liabilities	\$ -	\$ 28,275	\$ -	\$ -	\$ -	\$ 26,956	\$ 815	\$ 56,046
Interfund loan payable	-	-	115,800	-	-	-	-	115,800
Unearned revenue	-	-	-	18,744	-	-	70,694	89,438
Total liabilities	-	28,275	115,800	18,744	-	26,956	71,509	261,284
<b>Fund Balance</b>								
Nonspendable	-	-	-	-	3,952	-	-	3,952
Restricted	-	1,067	-	-	215,076	215	139,689	356,047
Committed	152,311	-	-	450,966	-	-	-	603,277
Unassigned	-	-	(94,782)	-	-	-	-	(94,782)
Total Fund Balances	152,311	1,067	(94,782)	450,966	219,028	215	139,689	868,494
Total Liabilities and Fund Balances	\$ 152,311	\$ 29,342	\$ 21,018	\$ 469,710	\$ 219,028	\$ 27,171	\$ 211,198	\$ 1,129,778

**CITY OF COTTAGE GROVE, OREGON**

Nonmajor Special Revenue Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance

For the Year ended June 30, 2014

	Assessment Fund	Police Communication Fund	Bicycle and Footpath Fund	Rehabilitation Loan Fund	Narcotics Forfeiture	Building Inspection Program	Industrial Park Fund	Nonmajor Special Revenue Funds	Total
<b>Revenues:</b>									
Intergovernmental revenues	\$ -	\$ 137,766	\$ 8,087	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 145,853
Charges for services	-	-	-	-	-	226,347	-	-	226,347
Fines and forfeitures	-	-	-	-	11,089	-	-	-	11,089
Interest	621	2	112	1,840	846	207	705	4,333	67,399
Miscellaneous	-	-	-	-	67,399	-	-	-	67,399
<b>Total Revenues</b>	<b>621</b>	<b>137,768</b>	<b>8,199</b>	<b>1,840</b>	<b>79,334</b>	<b>226,554</b>	<b>705</b>	<b>705</b>	<b>455,021</b>
<b>Expenditures:</b>									
<b>Current:</b>									
Public safety	-	595,133	-	-	6,665	-	-	-	601,798
Highways and streets	-	-	1,165	-	-	-	-	-	1,165
Community development	-	-	-	-	-	252,008	5,911	-	257,919
Debt service:									
Principal	-	1,772	-	-	233	-	-	-	67,224
Interest	-	8,698	-	-	1,146	-	-	-	42,128
Capital outlay	-	687	12,372	-	11,121	-	-	-	24,180
<b>Total Expenditures</b>	<b>-</b>	<b>606,290</b>	<b>13,537</b>	<b>-</b>	<b>19,165</b>	<b>253,303</b>	<b>102,119</b>	<b>102,119</b>	<b>994,414</b>
Revenues over (under) expenditures	621	(468,522)	(5,338)	1,840	60,169	(26,749)	(101,414)	(101,414)	(539,393)
<b>Transfers:</b>									
Transfers in	-	469,515	19,300	-	-	20,825	-	-	509,640
Net change in fund balance	621	993	13,962	1,840	60,169	(5,924)	(101,414)	(101,414)	(29,753)
Beginning fund balance	151,690	74	(108,744)	449,126	158,859	6,139	241,103	241,103	898,247
Ending fund balance	\$ 152,311	\$ 1,067	\$ (94,782)	\$ 450,966	\$ 219,028	\$ 215	\$ 139,689	\$ 139,689	\$ 868,494

**CITY OF COTTAGE GROVE, OREGON**

Nonmajor Capital Project Funds

Combining Balance Sheet

June 30, 2014

	<u>Street Systems Development Fund</u>	<u>Parks Systems Development Fund</u>	<u>General Reserve Fund</u>	<u>Total Nonmajor Capital Projects Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 741,883	\$ 128,243	\$ 24,122	\$ 894,248
Total assets	<u>\$ 741,883</u>	<u>\$ 128,243</u>	<u>\$ 24,122</u>	<u>\$ 894,248</u>
<b>Liabilities</b>				
Accounts payable and other current liabilities	\$ -	\$ -	\$ 24,092	\$ 24,092
Total liabilities	<u>-</u>	<u>-</u>	<u>24,092</u>	<u>24,092</u>
<b>Fund Balance</b>				
Committed	<u>741,883</u>	<u>128,243</u>	<u>30</u>	<u>870,156</u>
Total Fund Balance	<u>741,883</u>	<u>128,243</u>	<u>30</u>	<u>870,156</u>
Total Liabilities and Fund Balances	<u>\$ 741,883</u>	<u>\$ 128,243</u>	<u>\$ 24,122</u>	<u>\$ 894,248</u>

**CITY OF COTTAGE GROVE, OREGON**

Nonmajor Capital Project Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance

For the Year ended June 30, 2014

	<u>Street Systems Development Fund</u>	<u>Parks Systems Development Fund</u>	<u>General Reserve Fund</u>	<u>Total Nonmajor Capital Projects Funds</u>
<b>Revenues:</b>				
Special assessments	\$ 114,312	\$ 38,411	\$ -	\$ 152,723
Investment earnings	2,596	411	58	3,065
Total Revenues	<u>116,908</u>	<u>38,822</u>	<u>58</u>	<u>155,788</u>
<b>Expenditures:</b>				
General government	-	-	65,550	65,550
Highways and streets	65	-	-	65
Culture and recreation	-	1,005	-	1,005
Debt Service:				
Principal	-	-	13,156	13,156
Interest	-	-	278	278
Capital outlay	-	-	157,076	157,076
Total Expenditures	<u>65</u>	<u>1,005</u>	<u>236,060</u>	<u>237,130</u>
Revenues over (under) expenditures	116,843	37,817	(236,002)	(81,342)
<b>Other financing sources (uses)</b>				
Transfers in	-	-	185,000	185,000
Net change in fund balance	116,843	37,817	(51,002)	103,658
Beginning fund balance	<u>625,040</u>	<u>90,426</u>	<u>51,032</u>	<u>766,498</u>
Ending fund balance	<u>\$ 741,883</u>	<u>\$ 128,243</u>	<u>\$ 30</u>	<u>\$ 870,156</u>

**CITY OF COTTAGE GROVE, OREGON**

General Fund

Schedule of Expenditures - By Department

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
City Manager:				
Personal services	\$ 258,430	\$ 258,430	\$ 246,338	\$ 12,092
Materials and services	<u>26,610</u>	<u>26,610</u>	<u>21,278</u>	<u>5,332</u>
Subtotal***	<u>285,040</u>	<u>285,040</u>	<u>267,616</u>	<u>17,424</u>
City Attorney:				
Materials and services	<u>66,220</u>	<u>66,220</u>	<u>66,115</u>	<u>105</u>
Subtotal***	<u>66,220</u>	<u>66,220</u>	<u>66,115</u>	<u>105</u>
Community development:				
Personal services	269,760	269,760	257,877	11,883
Materials and services	<u>282,748</u>	<u>282,748</u>	<u>253,081</u>	<u>29,667</u>
Subtotal***	<u>552,508</u>	<u>552,508</u>	<u>510,958</u>	<u>41,550</u>
City Council:				
Materials and services	<u>38,150</u>	<u>38,150</u>	<u>28,721</u>	<u>9,429</u>
Subtotal***	<u>38,150</u>	<u>38,150</u>	<u>28,721</u>	<u>9,429</u>
Community center:				
Personal services	125,760	125,760	116,782	8,978
Materials and services	<u>26,300</u>	<u>26,300</u>	<u>21,911</u>	<u>4,389</u>
Subtotal***	<u>152,060</u>	<u>152,060</u>	<u>138,693</u>	<u>13,367</u>
Municipal court:				
Personal services	55,170	60,590	55,995	4,595
Materials and services	<u>44,255</u>	<u>44,255</u>	<u>37,532</u>	<u>6,723</u>
Subtotal***	<u>99,425</u>	<u>104,845</u>	<u>93,527</u>	<u>11,318</u>
Police operations:				
Personal services	2,052,410	2,052,410	1,924,334	128,076
Materials and services	340,225	340,225	307,304	32,921
Capital outlay	21,500	21,500	5,035	16,465
Principal payments	8,505	8,505	8,484	21
Interest	<u>350</u>	<u>350</u>	<u>368</u>	<u>(18)</u>
Subtotal***	<u>2,422,990</u>	<u>2,422,990</u>	<u>2,245,525</u>	<u>177,465</u>
Municipal court support services:				
Material and services	<u>57,800</u>	<u>57,800</u>	<u>55,129</u>	<u>2,671</u>
Subtotal***	<u>57,800</u>	<u>57,800</u>	<u>55,129</u>	<u>2,671</u>
Youth peer court:				
Personal services	23,130	23,130	21,191	1,939
Materials and services	<u>3,350</u>	<u>3,350</u>	<u>1,803</u>	<u>1,547</u>
Subtotal***	<u>26,480</u>	<u>26,480</u>	<u>22,994</u>	<u>3,486</u>

\*\*\* Legal budget authority level

Continued on next page.

**CITY OF COTTAGE GROVE, OREGON**  
 General Fund  
 Schedule of Expenditures - By Department  
 Budget and Actual (Budgetary Basis) - continued  
 For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Parks:				
Personal services	101,335	101,335	88,276	13,059
Materials and services	<u>43,850</u>	<u>43,850</u>	<u>35,534</u>	<u>8,316</u>
Subtotal***	<u>145,185</u>	<u>145,185</u>	<u>123,810</u>	<u>21,375</u>
Building maintenance:				
Personal services	106,885	106,885	103,216	3,669
Materials and services	<u>70,100</u>	<u>70,100</u>	<u>73,384</u>	<u>(3,284)</u>
Subtotal***	<u>176,985</u>	<u>176,985</u>	<u>176,600</u>	<u>385</u>
Community promotions:				
Materials and services	<u>109,950</u>	<u>114,950</u>	<u>108,876</u>	<u>6,074</u>
Subtotal***	<u>109,950</u>	<u>114,950</u>	<u>108,876</u>	<u>6,074</u>
Engineering department:				
Personal services	253,075	253,075	239,563	13,512
Materials and services	<u>34,551</u>	<u>35,350</u>	<u>14,659</u>	<u>20,691</u>
Subtotal***	<u>287,626</u>	<u>288,425</u>	<u>254,222</u>	<u>34,203</u>
Finance:				
Personal services	257,070	257,070	224,509	32,561
Materials and services	<u>50,550</u>	<u>50,550</u>	<u>62,659</u>	<u>(12,109)</u>
Subtotal***	<u>307,620</u>	<u>307,620</u>	<u>287,168</u>	<u>20,452</u>
Library:				
Personal services	323,990	323,990	294,118	29,872
Materials and services	<u>57,899</u>	<u>57,899</u>	<u>59,176</u>	<u>(1,277)</u>
Subtotal***	<u>381,889</u>	<u>381,889</u>	<u>353,294</u>	<u>28,595</u>
Broadband services:				
Personal services	106,425	106,425	2,929	103,496
Material and services	232,525	232,525	192,977	39,548
Capital outlay	402,000	402,000	12,613	389,387
Principal payments	44,905	44,905	44,722	183
Interest	<u>47,210</u>	<u>47,210</u>	<u>47,392</u>	<u>(182)</u>
Subtotal***	<u>833,065</u>	<u>833,065</u>	<u>300,633</u>	<u>532,432</u>
Non-departmental:				
Materials and services	92,000	122,000	113,999	8,001
Debt service			-	
Principal payments	70,860	70,860	70,854	6
Interest	99,120	99,120	98,514	606
Contingency	<u>344,415</u>	<u>303,995</u>	<u>-</u>	<u>303,995</u>
Subtotal***	<u>606,395</u>	<u>595,975</u>	<u>283,367</u>	<u>312,608</u>
Total expenditures	<u>6,549,388</u>	<u>6,550,187</u>	<u>5,317,248</u>	<u>1,232,939</u>



**CITY OF COTTAGE GROVE, OREGON**

City Debt Service Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Other financing sources (uses):				
Transfers	<u>\$ (3,500)</u>	<u>\$ (3,500)</u>	<u>\$ (2,859)</u>	<u>\$ 641</u>
Net change in fund balances	(3,500)	(3,500)	(2,859)	641
Fund Balance:				
Beginning of year	<u>3,500</u>	<u>3,500</u>	<u>2,859</u>	<u>(641)</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF COTTAGE GROVE, OREGON**

Assessment Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Interest	\$ 650	\$ 650	\$ 621	\$ (29)
Expenditures:				
Materials and services	160,420	160,420	-	160,420
Capital outlay	<u>1,002,630</u>	<u>1,002,630</u>	<u>-</u>	<u>1,002,630</u>
Total expenditures	<u>1,163,050</u>	<u>1,163,050</u>	<u>-</u>	<u>1,163,050</u>
Excess revenues over (under) expenditures	<u>(1,162,400)</u>	<u>(1,162,400)</u>	<u>621</u>	<u>1,163,021</u>
Other financing sources (uses):				
Loan proceeds	<u>1,011,075</u>	<u>1,011,075</u>	<u>-</u>	<u>(1,011,075)</u>
Net change in fund balances	(151,325)	(151,325)	621	(151,946)
Fund Balance:				
Beginning of year	<u>151,325</u>	<u>151,325</u>	<u>151,690</u>	<u>365</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 152,311</u>	<u>\$ 152,311</u>

**CITY OF COTTAGE GROVE, OREGON**

Police Communication Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental:				
State of Oregon - 911 telephone tax	\$ 89,966	\$ 89,966	\$ 89,966	\$ -
911 service contract	47,474	47,474	47,800	326
Interest	<u>25</u>	<u>25</u>	<u>2</u>	<u>(23)</u>
Total revenues	<u>137,465</u>	<u>137,465</u>	<u>137,768</u>	<u>303</u>
Expenditures:				
Police support services	408,720	408,720	358,723	49,997
911 services	247,725	247,725	237,097	10,628
Debt service	-	-	-	-
Principal payments	1,775	1,775	1,772	3
Interest	<u>8,760</u>	<u>8,760</u>	<u>8,698</u>	<u>62</u>
Total expenditures	<u>666,980</u>	<u>666,980</u>	<u>606,290</u>	<u>60,690</u>
Excess revenues under expenditures	<u>(529,515)</u>	<u>(529,515)</u>	<u>(468,522)</u>	<u>60,993</u>
Other financing sources (uses):				
Transfers in	<u>469,515</u>	<u>469,515</u>	<u>469,515</u>	<u>-</u>
Total other financing sources (uses)	<u>469,515</u>	<u>469,515</u>	<u>469,515</u>	<u>-</u>
Net change in fund balances	(60,000)	(60,000)	993	60,993
Fund Balance:				
Beginning of year	<u>60,000</u>	<u>60,000</u>	<u>74</u>	<u>(59,926)</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,067</u>	<u>\$ 1,067</u>

**CITY OF COTTAGE GROVE, OREGON**

Bicycle and Footpath Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental:				
State highway apportionment	\$ 4,985	\$ 4,985	\$ 5,587	\$ 602
Federal grants	-	2,500	2,500	-
Interest	<u>75</u>	<u>75</u>	<u>112</u>	<u>37</u>
Total revenues	<u>5,060</u>	<u>7,560</u>	<u>8,199</u>	<u>639</u>
Expenditures:				
Materials and services	2,675	2,675	1,165	1,510
Capital outlay	29,460	31,960	12,372	19,588
Principal payments	<u>19,300</u>	<u>19,300</u>	<u>19,300</u>	<u>-</u>
Total expenditures	<u>51,435</u>	<u>53,935</u>	<u>32,837</u>	<u>21,098</u>
Excess revenues under expenditures	<u>(46,375)</u>	<u>(46,375)</u>	<u>(24,638)</u>	<u>21,737</u>
Other financing sources (uses):				
Transfers in	<u>20,175</u>	<u>20,175</u>	<u>19,300</u>	<u>(875)</u>
Net change in fund balances	(26,200)	(26,200)	(5,338)	20,862
Fund Balance:				
Beginning of year	<u>26,200</u>	<u>26,200</u>	<u>26,356</u>	<u>156</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	21,018	<u>\$ 21,018</u>
Reconciliation to GAAP Basis:				
Interfund loan			<u>(115,800)</u>	
GAAP Fund Balance - end of year			<u>\$ (94,782)</u>	

**CITY OF COTTAGE GROVE, OREGON**

Rehabilitation Loan Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Interest	\$ 2,000	\$ 2,000	\$ 1,840	\$ (160)
Expenditures:				
Materials and services	450,100	450,100	-	450,100
Total expenditures	450,100	450,100	-	450,100
Net change in fund balances	(448,100)	(448,100)	1,840	449,940
Fund Balance:				
Beginning of year	448,100	448,100	449,126	1,026
End of year	\$ -	\$ -	\$ 450,966	\$ 450,966

**CITY OF COTTAGE GROVE, OREGON**

Narcotics Forfeiture Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Fines and forfeitures	\$ -	\$ -	\$ 11,089	\$ 11,089
Interest	600	600	846	246
Miscellaneous	<u>94,140</u>	<u>94,140</u>	<u>67,399</u>	<u>(26,741)</u>
Total revenues	<u>94,740</u>	<u>94,740</u>	<u>79,334</u>	<u>(15,406)</u>
Expenditures:				
Personal services	16,360	16,360	-	16,360
Materials and services	42,400	42,400	6,665	35,735
Capital outlay	52,500	52,500	11,121	41,379
Principal payments	234	234	233	1
Interest	1,156	1,156	1,146	10
Contingency	<u>113,090</u>	<u>113,090</u>	<u>-</u>	<u>113,090</u>
Total expenditures	<u>225,740</u>	<u>225,740</u>	<u>19,165</u>	<u>206,575</u>
Excess revenues over (under) expenditures	<u>(131,000)</u>	<u>(131,000)</u>	<u>60,169</u>	<u>191,169</u>
Other financing sources (uses):				
Net change in fund balances	(131,000)	(131,000)	60,169	191,169
Fund Balance:				
Beginning of year	<u>131,000</u>	<u>131,000</u>	<u>158,859</u>	<u>27,859</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 219,028</u>	<u>\$ 219,028</u>

**CITY OF COTTAGE GROVE, OREGON**

Building Inspection Program Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 315,000	\$ 315,000	\$ 226,347	\$ (88,653)
Interest	-	-	207	207
Total revenues	<u>315,000</u>	<u>315,000</u>	<u>226,554</u>	<u>(88,446)</u>
Expenditures:				
Personal services	46,035	46,035	43,750	2,285
Materials and services	293,290	293,290	208,258	85,032
Principal payments	220	220	219	1
Interest	1,085	1,085	1,076	9
Total expenditures	<u>340,630</u>	<u>340,630</u>	<u>253,303</u>	<u>87,327</u>
Excess revenues under expenditures	<u>(25,630)</u>	<u>(25,630)</u>	<u>(26,749)</u>	<u>(1,119)</u>
Other financing sources (uses):				
Transfers in	<u>20,825</u>	<u>20,825</u>	<u>20,825</u>	<u>-</u>
Net change in fund balances	(4,805)	(4,805)	(5,924)	(1,119)
Fund Balance:				
Beginning of year	<u>4,805</u>	<u>4,805</u>	<u>6,139</u>	<u>1,334</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 215</u>	<u>\$ 215</u>

**CITY OF COTTAGE GROVE, OREGON**

Industrial Park Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Investment earnings	\$ 1,200	\$ 1,200	\$ 705	\$ (495)
Total revenues	<u>1,200</u>	<u>1,200</u>	<u>705</u>	<u>(495)</u>
Expenditures:				
Materials and services	64,094	64,094	5,911	58,183
Debt service:				
Principal payments	65,000	65,000	65,000	
Interest	31,181	31,211	31,208	3
Contingency	<u>81,425</u>	<u>81,395</u>	<u>-</u>	<u>81,395</u>
Total expenditures	<u>241,700</u>	<u>241,700</u>	<u>102,119</u>	<u>139,581</u>
Net change in fund balances	(240,500)	(240,500)	(101,414)	139,086
Fund Balance:				
Beginning of year	<u>240,500</u>	<u>240,500</u>	<u>241,103</u>	<u>603</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 139,689</u>	<u>\$ 139,689</u>



**CITY OF COTTAGE GROVE, OREGON**

Street Systems Development Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Special assessments	\$ 30,000	\$ 30,000	\$ 114,312	\$ 84,312
Interest	2,000	2,000	2,596	596
Total revenues	<u>32,000</u>	<u>32,000</u>	<u>116,908</u>	<u>84,908</u>
Expenditures:				
Materials and services	81,655	81,655	65	81,590
Capital outlay	<u>570,545</u>	<u>570,545</u>	-	<u>570,545</u>
Total expenditures	<u>652,200</u>	<u>652,200</u>	<u>65</u>	<u>652,135</u>
Net change in fund balances	(620,200)	(620,200)	116,843	737,043
Fund Balance:				
Beginning of year	<u>620,200</u>	<u>620,200</u>	<u>625,040</u>	<u>4,840</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 741,883</u>	<u>\$ 741,883</u>

**CITY OF COTTAGE GROVE, OREGON**

Parks Systems Development Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Special assessments	\$ 7,500	\$ 7,500	\$ 38,411	\$ 30,911
Interest	200	200	411	211
Total revenues	<u>7,700</u>	<u>7,700</u>	<u>38,822</u>	<u>31,122</u>
Expenditures:				
Materials and services	1,005	1,005	1,005	-
Capital outlay	<u>93,140</u>	<u>93,140</u>	<u>-</u>	<u>93,140</u>
Total expenditures	<u>94,145</u>	<u>94,145</u>	<u>1,005</u>	<u>93,140</u>
Net change in fund balances	(86,445)	(86,445)	37,817	124,262
Fund Balance:				
Beginning of year	<u>86,445</u>	<u>86,445</u>	<u>90,426</u>	<u>3,981</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 128,243</u>	<u>\$ 128,243</u>

**CITY OF COTTAGE GROVE, OREGON**

General Reserve Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Interest	\$ 210	\$ 210	\$ 58	\$ (152)
Total revenues	<u>210</u>	<u>210</u>	<u>58</u>	<u>(152)</u>
Expenditures:				
Materials and services	69,500	69,500	65,550	3,950
Debt service	-	-	-	-
Principal payments	13,180	13,180	13,156	24
Interest	280	280	278	2
Capital outlay	<u>195,500</u>	<u>195,500</u>	<u>157,076</u>	<u>38,424</u>
Total expenditures	<u>278,460</u>	<u>278,460</u>	<u>236,060</u>	<u>42,400</u>
Excess revenues under expenditures	<u>(278,250)</u>	<u>(278,250)</u>	<u>(236,002)</u>	<u>42,248</u>
Other financing sources (uses):				
Transfers in	185,000	185,000	185,000	-
Donations	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
Total other financing sources (uses)	<u>195,000</u>	<u>195,000</u>	<u>185,000</u>	<u>(10,000)</u>
Net change in fund balances	(83,250)	(83,250)	(51,002)	32,248
Fund Balance:				
Beginning of year	<u>83,250</u>	<u>83,250</u>	<u>51,032</u>	<u>(32,218)</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30</u>	<u>\$ 30</u>

**CITY OF COTTAGE GROVE, OREGON**

Ed Jenks and Memorial Tree Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Interest	\$ 26	\$ 26	\$ 69	\$ 43
Expenditures:				
Materials and services	9,205	13,705	911	12,794
Capital outlay	<u>5,000</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Total expenditures	<u>14,205</u>	<u>28,705</u>	<u>911</u>	<u>27,794</u>
Revenues over (under) expenditures	<u>(14,179)</u>	<u>(28,679)</u>	<u>(842)</u>	<u>27,837</u>
Other financing sources (uses):				
Donations	<u>13,000</u>	<u>27,500</u>	<u>5,834</u>	<u>(21,666)</u>
Net change in fund balances	(1,179)	(1,179)	4,992	6,171
Fund Balance:				
Beginning of year	<u>1,179</u>	<u>1,179</u>	<u>14,667</u>	<u>13,488</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,659</u>	<u>\$ 19,659</u>

## CITY OF COTTAGE GROVE, OREGON

### Proprietary Funds

#### Budgetary Comparison Schedules

Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs of providing the services to the general public on a continuing basis be financed primarily through user charges. These funds represent three segments of operations - Water, Wastewater, and Storm Drain.

Pursuant to the provisions of Oregon Revised Statute, an individual schedule of revenues, expenditures, and changes in fund balances - budget and actual be displayed for each fund where legally adopted budgets are required.

Proprietary Budgetary Comparison schedules include the following:

#### **Water Operations**

**Water Fund** accounts for the financial activities of the city-owned water utility operations. Sales of water and related charges are the major revenue sources.

**Water Systems Development Fund** accounts for monies accumulated from water systems development charges for facility expansion or improvement. The use of these funds is restricted by City ordinance.

**Water Reserve Fund** accounts for monies accumulated for capital improvements to the City's water system as well as for the purchase of capital equipment. Transfers are the major source of financing.

#### **Wastewater Operations**

**Wastewater Fund** accounts for the financial activities of the city-owned sewer service. Wastewater charges are the major revenue sources.

**Wastewater Systems Development Charge Fund** accounts for monies accumulated from wastewater systems development charges for facility expansion or improvement. The use of these funds is restricted by City ordinance.

**Wastewater Reserve Fund** accounts for monies accumulated for capital improvements to the City's wastewater system as well as for the purchase of capital equipment. Transfers as well as surcharges assessed to all wastewater customers are the major source of financing.

#### **Storm Drain Operations**

**Storm Drainage Utility Fund** accounts for the financial activities of the city-owned storm drainage system. Revenues consist primarily of storm drain charges.

**Storm Drainage Systems Development Fund** accounts for monies accumulated from storm drainage systems development charges for facility expansion or improvement. The use of these funds is restricted by City ordinance.

**Storm Drainage Reserve Fund** accounts for monies accumulated for capital improvements to the City's storm drainage system as well as for the purchase of capital equipment. A surcharge assessed to all utility customers is the major source of financing.

For Generally Accepted Accounting Principles purposes, these aforementioned funds are consolidated and included as three separate Enterprise funds.



**CITY OF COTTAGE GROVE, OREGON**

Water Operations Combined

Combining Balance Sheet

June 30, 2014

	<u>Water Fund</u>	<u>Water Systems Development Fund</u>	<u>Water Reserve Fund</u>	<u>Total</u>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 585,753	\$ 240,495	\$ 844,534	\$ 1,670,782
Receivables - net	156,804	-	118,663	275,467
Inventories	<u>142,621</u>	<u>-</u>	<u>-</u>	<u>142,621</u>
 Total current assets	 <u>885,178</u>	 <u>240,495</u>	 <u>963,197</u>	 <u>2,088,870</u>
Noncurrent assets:				
Capital assets not being depreciated	117,421	-	-	117,421
Capital assets net of accumulated depreciation	<u>14,329,186</u>	<u>-</u>	<u>-</u>	<u>14,329,186</u>
 Total noncurrent assets	 <u>14,446,607</u>	 <u>-</u>	 <u>-</u>	 <u>14,446,607</u>
 Total assets	 <u>\$ 15,331,785</u>	 <u>\$ 240,495</u>	 <u>\$ 963,197</u>	 <u>\$ 16,535,477</u>
 <b>Liabilities and Net Position</b>				
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and other current liabilities	\$ 99,877	\$ -	\$ 7,534	\$ 107,411
Deposits	50,620	-	-	50,620
Accrued interest payable	95,479	-	-	95,479
Compensated absences	58,514	-	-	58,514
Current portion of long-term debt	<u>128,166</u>	<u>-</u>	<u>270,000</u>	<u>398,166</u>
 Total current liabilities	 432,656	 -	 277,534	 710,190
Noncurrent liabilities:				
Noncurrent portion of long-term debt	<u>3,197,835</u>	<u>-</u>	<u>5,978,405</u>	<u>9,176,240</u>
 Total Liabilities	 <u>3,630,491</u>	 <u>-</u>	 <u>6,255,939</u>	 <u>9,886,430</u>
 <b>Net Position</b>				
Net investment in capital assets	11,120,606	-	(6,248,405)	4,872,201
Restricted for:				
System development	-	240,495	-	240,495
Unrestricted	<u>580,688</u>	<u>-</u>	<u>955,663</u>	<u>1,536,351</u>
 Total Net Position	 <u>11,701,294</u>	 <u>240,495</u>	 <u>(5,292,742)</u>	 <u>6,649,047</u>
 Total Liabilities and Net Position	 <u>\$ 15,331,785</u>	 <u>\$ 240,495</u>	 <u>\$ 963,197</u>	 <u>\$ 16,535,477</u>

**CITY OF COTTAGE GROVE, OREGON**

Water Operations Combined

Combining Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended June 30, 2014

	<u>Water Fund</u>	<u>Water Systems Development Fund</u>	<u>Water Reserve Fund</u>	<u>Total</u>
<b>Operating Revenues</b>				
Charges for Services	\$ 1,613,018	\$ -	\$ 1,244,430	\$ 2,857,448
Miscellaneous	<u>3,601</u>	<u>-</u>	<u>4,195</u>	<u>7,796</u>
Total Operating Revenues	<u>1,616,619</u>	<u>-</u>	<u>1,248,625</u>	<u>2,865,244</u>
<b>Operating Expenses</b>				
Cost of sales and services	488,078	20,740	173,174	681,992
Administration	964,324	-	-	964,324
Depreciation	<u>509,392</u>	<u>-</u>	<u>-</u>	<u>509,392</u>
Total Operating Expenses	<u>1,961,794</u>	<u>20,740</u>	<u>173,174</u>	<u>2,155,708</u>
Operating Income (Loss)	<u>(345,175)</u>	<u>(20,740)</u>	<u>1,075,451</u>	<u>709,536</u>
<b>Non-operating revenues (expenses)</b>				
Investment earnings	3,011	985	4,812	8,808
Interest expense	<u>(10,338)</u>	<u>-</u>	<u>(382,769)</u>	<u>(393,107)</u>
Total non-operating revenues (expenses)	<u>(7,327)</u>	<u>985</u>	<u>(377,957)</u>	<u>(384,299)</u>
Income (loss) before capital contributions and transfers	(352,502)	(19,755)	697,494	325,237
System development charges	-	146,702	-	146,702
Transfers in (out)	<u>506,227</u>	<u>(86,517)</u>	<u>(419,710)</u>	<u>-</u>
Change in Net Position	153,725	40,430	277,784	471,939
Beginning Net Position	<u>11,547,569</u>	<u>200,065</u>	<u>(5,570,526)</u>	<u>6,177,108</u>
Ending Net Position	<u>\$ 11,701,294</u>	<u>\$ 240,495</u>	<u>\$ (5,292,742)</u>	<u>\$ 6,649,047</u>



**CITY OF COTTAGE GROVE, OREGON**

Water Operations Combined

Combining Statement of Cash Flows

For the Year Ended June 30, 2014

	<u>Water Fund</u>	<u>Water Systems Development Fund</u>	<u>Water Reserve Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 1,607,787	\$ -	\$ 1,237,680	\$ 2,845,467
Cash payments to employees	(618,831)	-	-	(618,831)
Cash payments to suppliers for goods and services	<u>(840,769)</u>	<u>(20,740)</u>	<u>(182,409)</u>	<u>(1,043,918)</u>
Net cash provided (used) by operating activities	<u>148,187</u>	<u>(20,740)</u>	<u>1,055,271</u>	<u>1,182,718</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers in	-	-	12,000	12,000
Transfers out	<u>(12,000)</u>	<u>-</u>	<u>-</u>	<u>(12,000)</u>
Net cash provided (used) by noncapital financing activities	<u>(12,000)</u>	<u>-</u>	<u>12,000</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(395,730)	-	-	(395,730)
Principal paid on capital debt	(124,983)	-	(301,409)	(426,392)
Interest paid on capital debt	(12,386)	-	(382,769)	(395,155)
System development charges	-	146,702	-	146,702
Transfers received (paid) for debt payments	122,497	-	(122,497)	-
Transfers received (paid) for capital acquisition	<u>395,730</u>	<u>(86,517)</u>	<u>(309,213)</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>(14,872)</u>	<u>60,185</u>	<u>(1,115,888)</u>	<u>(1,070,575)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income	<u>3,011</u>	<u>985</u>	<u>4,812</u>	<u>8,808</u>
Net change in cash and investments	124,326	40,430	(43,805)	120,951
Cash and investments:				
Cash at beginning of year	<u>461,427</u>	<u>200,065</u>	<u>888,339</u>	<u>1,549,831</u>
Cash at end of year	<u>\$ 585,753</u>	<u>\$ 240,495</u>	<u>\$ 844,534</u>	<u>\$ 1,670,782</u>

**CITY OF COTTAGE GROVE, OREGON**

Water Operations Combined

Combining Statement of Cash Flows, continued

For the Year Ended June 30, 2014

	<u>Water Fund</u>	<u>Water Systems Development Fund</u>	<u>Water Reserve Fund</u>	<u>Total</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>				
Operating income (loss)	\$ (345,175)	\$ (20,740)	\$ 1,075,451	\$ 709,536
Adjustments:				
Depreciation	509,392	-	-	509,392
(Increase) decrease in current assets:				
Receivables - net	(8,832)	-	(10,945)	(19,777)
Inventories	3,139	-	-	3,139
Increase (decrease) in current liabilities:				
Deposits	5,777	-	-	5,777
Accounts payable and other current liabilities	<u>(16,114)</u>	<u>-</u>	<u>(9,235)</u>	<u>(25,349)</u>
 Net cash provided (used) by operating activities	 <u>\$ 148,187</u>	 <u>\$ (20,740)</u>	 <u>\$ 1,055,271</u>	 <u>\$ 1,182,718</u>

**CITY OF COTTAGE GROVE, OREGON**

Wastewater Operations Combined

Combining Balance Sheet

June 30, 2014

	<u>Wastewater Fund</u>	<u>Wastewater Systems Development Charge Fund</u>	<u>Wastewater Reserve Fund</u>	<u>Total</u>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 262,896	\$ 90,236	\$ 75,297	\$ 428,429
Receivables - net	115,097	-	76,569	191,666
Inventories	<u>38,243</u>	<u>-</u>	<u>-</u>	<u>38,243</u>
Total current assets	<u>416,236</u>	<u>90,236</u>	<u>151,866</u>	<u>658,338</u>
Noncurrent assets:				
Capital assets not being depreciated	1,945,481	-	-	1,945,481
Capital assets net of accumulated depreciation	<u>14,144,859</u>	<u>-</u>	<u>-</u>	<u>14,144,859</u>
Total noncurrent assets	<u>16,090,340</u>	<u>-</u>	<u>-</u>	<u>16,090,340</u>
Total assets	<u>\$ 16,506,576</u>	<u>\$ 90,236</u>	<u>\$ 151,866</u>	<u>\$ 16,748,678</u>
<b>Liabilities and Net Position</b>				
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and other current liabilities	\$ 80,060	\$ -	\$ 1,750	\$ 81,810
Deposits	1,500	-	-	1,500
Unearned revenue	29,675	-	-	29,675
Accrued interest payable	31,951	-	-	31,951
Compensated absences	45,031	-	-	45,031
Current portion of long-term debt	<u>44,020</u>	<u>-</u>	<u>475,000</u>	<u>519,020</u>
Total current liabilities	232,237	-	476,750	708,987
Noncurrent liabilities				
Noncurrent portion of long-term debt	<u>264,815</u>	<u>-</u>	<u>7,275,402</u>	<u>7,540,217</u>
Total Liabilities	<u>497,052</u>	<u>-</u>	<u>7,752,152</u>	<u>8,249,204</u>
<b>Net Position</b>				
Net investment in capital assets	15,781,505	-	(7,750,402)	8,031,103
Restricted for:				
System development	-	90,236	-	90,236
Unrestricted	<u>218,877</u>	<u>-</u>	<u>150,116</u>	<u>368,993</u>
Total Net Position	<u>16,000,382</u>	<u>90,236</u>	<u>(7,600,286)</u>	<u>8,490,332</u>
Total Liabilities and Net Position	<u>\$ 16,497,434</u>	<u>\$ 90,236</u>	<u>\$ 151,866</u>	<u>\$ 16,739,536</u>

**CITY OF COTTAGE GROVE, OREGON**

Wastewater Operations Combined

Combining Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended June 30, 2014

	<u>Wastewater Fund</u>	<u>Wastewater Systems Development Charge Fund</u>	<u>Wastewater Reserve Fund</u>	<u>Total</u>
<b>Operating Revenues</b>				
Charges for Services	\$ 1,567,174	\$ -	\$ 820,278	\$ 2,387,452
Miscellaneous	<u>37,358</u>	<u>-</u>	<u>5,425</u>	<u>42,783</u>
Total Operating Revenues	<u>1,604,532</u>	<u>-</u>	<u>825,703</u>	<u>2,430,235</u>
<b>Operating Expenses</b>				
Cost of sales and services	619,202	18,782	211,232	849,216
Administration	826,596	-	-	826,596
Depreciation	<u>559,024</u>	<u>-</u>	<u>-</u>	<u>559,024</u>
Total Operating Expenses	<u>2,004,822</u>	<u>18,782</u>	<u>211,232</u>	<u>2,234,836</u>
Operating Income (Loss)	<u>(400,290)</u>	<u>(18,782)</u>	<u>614,471</u>	<u>195,399</u>
<b>Non-operating revenues (expenses)</b>				
Investment earnings	1,586	613	2,954	5,153
Interest expense	<u>(44,542)</u>	<u>-</u>	<u>(233,566)</u>	<u>(278,108)</u>
Total non-operating revenues (expenses)	<u>(42,956)</u>	<u>613</u>	<u>(230,612)</u>	<u>(272,955)</u>
Income (loss) before capital contributions and transfers	(443,246)	(18,169)	383,859	(77,556)
System development charges	-	32,089	-	32,089
Transfers in (out)	<u>390,404</u>	<u>(67,584)</u>	<u>(322,820)</u>	<u>-</u>
Change in Net Position	(52,842)	(53,664)	61,039	(45,467)
Beginning Net Position	<u>16,053,224</u>	<u>143,900</u>	<u>(7,661,325)</u>	<u>8,535,799</u>
Ending Net Position	<u>\$ 16,000,382</u>	<u>\$ 90,236</u>	<u>\$ (7,600,286)</u>	<u>\$ 8,490,332</u>

**CITY OF COTTAGE GROVE, OREGON**

Wastewater Operations Combined

Combining Statement of Cash Flows

For the Year Ended June 30, 2014

	<u>Wastewater Fund</u>	<u>Wastewater Systems Development Charge Fund</u>	<u>Wastewater Reserve Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 1,620,841	\$ -	\$ 826,379	\$ 2,447,220
Cash payments to employees	(924,611)	-	-	(924,611)
Cash payments to suppliers for goods and services	<u>(553,162)</u>	<u>(18,782)</u>	<u>(298,533)</u>	<u>(870,477)</u>
Net cash provided (used) by operating activities	<u>143,068</u>	<u>(18,782)</u>	<u>527,846</u>	<u>652,132</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(418,378)	-	-	(418,378)
Principal paid on capital debt	(28,508)	-	(547,998)	(576,506)
Interest paid on capital debt	(46,623)	-	(233,566)	(280,189)
Transfers received (paid) for debt payments	(27,974)	-	27,974	-
Transfers received (paid) for capital acquisition	418,378	(67,584)	(350,794)	-
System development charges	<u>-</u>	<u>32,089</u>	<u>-</u>	<u>32,089</u>
Net cash provided (used) by capital and related financing activities	<u>(103,105)</u>	<u>(35,495)</u>	<u>(1,104,384)</u>	<u>(1,242,984)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income	<u>1,586</u>	<u>613</u>	<u>2,954</u>	<u>5,153</u>
Net change in cash and investments	41,549	(53,664)	(573,584)	(585,699)
Cash and investments:				
Cash at beginning of year	<u>221,347</u>	<u>143,900</u>	<u>648,881</u>	<u>1,014,128</u>
Cash at end of year	<u>\$ 262,896</u>	<u>\$ 90,236</u>	<u>\$ 75,297</u>	<u>\$ 428,429</u>

**CITY OF COTTAGE GROVE, OREGON**

Wastewater Operations Combined

Combining Statement of Cash Flows, continued

For the Year Ended June 30, 2014

	<u>Wastewater Fund</u>	<u>Wastewater Systems Development Charge Fund</u>	<u>Wastewater Reserve Fund</u>	<u>Total</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>				
Operating income (loss)	\$ (400,290)	\$ (18,782)	\$ 614,471	\$ 195,399
Adjustments:				
Depreciation	559,024	-	-	559,024
(Increase) decrease in current assets:				
Receivables - net	238	-	676	914
Inventories	939	-	-	939
Increase (decrease) in current liabilities:				
Unearned revenue	6,929	-	-	6,929
Accounts payable and other current liabilities	<u>(32,914)</u>	<u>-</u>	<u>(87,301)</u>	<u>(120,215)</u>
 Net cash provided (used) by operating activities	 <u>\$ 133,926</u>	 <u>\$ (18,782)</u>	 <u>\$ 527,846</u>	 <u>\$ 642,990</u>

**CITY OF COTTAGE GROVE, OREGON**

Storm Drain Operations Combined

Combining Balance Sheet

June 30, 2014

	<u>Storm Drainage Utility Fund</u>	<u>Storm Drainage Systems Development Fund</u>	<u>Storm Drainage Reserve Fund</u>	<u>Total</u>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 99,745	\$ 318,030	\$ 789,226	\$ 1,207,001
Receivables - net	<u>22,143</u>	<u>-</u>	<u>30,114</u>	<u>52,257</u>
Total current assets	<u>121,888</u>	<u>318,030</u>	<u>819,340</u>	<u>1,259,258</u>
Noncurrent assets:				
Interfund loan receivable	-	115,800	-	115,800
Capital assets not being depreciated	32,877	-	-	32,877
Capital assets net of accumulated depreciation	<u>3,055,057</u>	<u>-</u>	<u>-</u>	<u>3,055,057</u>
Total noncurrent assets	<u>3,087,934</u>	<u>115,800</u>	<u>-</u>	<u>3,203,734</u>
Total assets	<u>\$ 3,209,822</u>	<u>\$ 433,830</u>	<u>\$ 819,340</u>	<u>\$ 4,462,992</u>
<b>Liabilities and Net Position</b>				
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and other current liabilities	\$ 11,755	\$ -	\$ 2,636	\$ 14,391
Accrued interest payable	4,067	-	-	4,067
Compensated absences	9,615	-	-	9,615
Current portion of long-term debt	<u>-</u>	<u>-</u>	<u>50,512</u>	<u>50,512</u>
Total current liabilities	25,437	-	53,148	78,585
Noncurrent liabilities				
Noncurrent portion of long-term debt	<u>-</u>	<u>-</u>	<u>1,232,250</u>	<u>1,232,250</u>
Total Liabilities	<u>25,437</u>	<u>-</u>	<u>1,285,398</u>	<u>1,310,835</u>
<b>Net Position</b>				
Net investment in capital assets	3,087,934	-	(1,282,762)	1,805,172
Restricted for:				
System development	-	433,830	-	433,830
Unrestricted	<u>96,451</u>	<u>-</u>	<u>816,704</u>	<u>913,155</u>
Total Net Position	<u>3,184,385</u>	<u>433,830</u>	<u>(466,058)</u>	<u>3,152,157</u>
Total Liabilities and Net Position	<u>\$ 3,209,822</u>	<u>\$ 433,830</u>	<u>\$ 819,340</u>	<u>\$ 4,462,992</u>

**CITY OF COTTAGE GROVE, OREGON**

Storm Drain Operations Combined

Combining Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended June 30, 2014

	<u>Storm Drainage Utility Fund</u>	<u>Storm Drainage Systems Development Fund</u>	<u>Storm Drainage Reserve Fund</u>	<u>Total</u>
<b>Operating Revenues</b>				
Charges for Services	\$ 252,754	\$ -	\$ 332,289	\$ 585,043
Miscellaneous	<u>915</u>	<u>-</u>	<u>-</u>	<u>915</u>
Total Operating Revenues	<u>253,669</u>	<u>-</u>	<u>332,289</u>	<u>585,958</u>
<b>Operating Expenses</b>				
Cost of sales and services	54,634	31,295	176,634	262,563
Administration	168,401	-	-	168,401
Depreciation	<u>160,239</u>	<u>-</u>	<u>-</u>	<u>160,239</u>
Total Operating Expenses	<u>383,274</u>	<u>31,295</u>	<u>176,634</u>	<u>591,203</u>
Operating Income (Loss)	<u>(129,605)</u>	<u>(31,295)</u>	<u>155,655</u>	<u>(5,245)</u>
<b>Non-operating revenues (expenses)</b>				
Investment earnings	465	1,300	4,797	6,562
Interest expense	<u>(1,852)</u>	<u>-</u>	<u>(79,027)</u>	<u>(80,879)</u>
Total non-operating revenues (expenses)	<u>(1,387)</u>	<u>1,300</u>	<u>(74,230)</u>	<u>(74,317)</u>
Income (loss) before capital contributions and transfers	(130,992)	(29,995)	81,425	(79,562)
System development charges	-	21,641	-	21,641
Transfers in (out)	<u>755,109</u>	<u>(43,685)</u>	<u>(711,424)</u>	<u>-</u>
Change in Net Position	624,117	(52,039)	(629,999)	(57,921)
Beginning Net Position	<u>2,560,268</u>	<u>485,869</u>	<u>163,941</u>	<u>3,210,078</u>
Ending Net Position	<u>\$ 3,184,385</u>	<u>\$ 433,830</u>	<u>\$ (466,058)</u>	<u>\$ 3,152,157</u>



**CITY OF COTTAGE GROVE, OREGON**

Storm Drain Operations Combined

Combining Statement of Cash Flows

For the Year Ended June 30, 2014

	<u>Storm Drainage Utility Fund</u>	<u>Storm Drainage Systems Development Fund</u>	<u>Storm Drainage Reserve Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 253,417	\$ -	\$ 326,496	\$ 579,913
Cash payments to employees	(102,969)	-	-	(102,969)
Cash payments to suppliers for goods and services	<u>(123,184)</u>	<u>(48,529)</u>	<u>(475,497)</u>	<u>(647,210)</u>
Net cash provided (used) by operating activities	<u>27,264</u>	<u>(48,529)</u>	<u>(149,001)</u>	<u>(170,266)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Repayment of interfund loan	<u>-</u>	<u>19,300</u>	<u>-</u>	<u>19,300</u>
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>19,300</u>	<u>-</u>	<u>19,300</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(755,517)	-	-	(755,517)
Principal paid on capital debt	-	-	(52,264)	(52,264)
Interest paid on capital debt	(2,002)	-	(79,027)	(81,029)
Transfers received (paid) for debt payments	(408)	-	408	-
Transfers received (paid) for capital acquisitions	755,517	(43,685)	(711,832)	-
System development charges	<u>-</u>	<u>21,641</u>	<u>-</u>	<u>21,641</u>
Net cash provided (used) by capital and related financing activities	<u>(2,410)</u>	<u>(22,044)</u>	<u>(842,715)</u>	<u>(867,169)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income	<u>465</u>	<u>1,300</u>	<u>4,797</u>	<u>6,562</u>
Net change in cash and investments	25,319	(49,973)	(986,919)	(1,011,573)
Cash and investments:				
Cash at beginning of year	<u>74,426</u>	<u>368,003</u>	<u>1,776,145</u>	<u>2,218,574</u>
Cash at end of year	<u>\$ 99,745</u>	<u>\$ 318,030</u>	<u>\$ 789,226</u>	<u>\$ 1,207,001</u>

**CITY OF COTTAGE GROVE, OREGON**

Storm Drain Operations Combined

Combining Statement of Cash Flows, continued

For the Year Ended June 30, 2014

	Storm Drainage Utility Fund	Storm Drainage Systems Development Fund	Storm Drainage Reserve Fund	Total
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>				
Operating income (loss)	\$ (129,605)	\$ (31,295)	\$ 155,655	\$ (5,245)
Adjustments:				
Depreciation	160,239	-	-	160,239
(Increase) decrease in current assets:				
Receivables - net	(252)	-	(5,793)	(6,045)
Increase (decrease) in current liabilities:				
Accounts payable and other current liabilities	<u>(3,118)</u>	<u>(17,234)</u>	<u>(298,863)</u>	<u>(319,215)</u>
Net cash provided (used) by operating activities	<u>\$ 27,264</u>	<u>\$ (48,529)</u>	<u>\$ (149,001)</u>	<u>\$ (170,266)</u>

**CITY OF COTTAGE GROVE, OREGON**

Water Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services:				
Sale of water	\$ 1,483,375	\$ 1,483,375	\$ 1,526,226	\$ 42,851
Turn on fees	30,000	30,000	40,713	10,713
Other reimbursements	8,000	8,000	46,079	38,079
State grants	-	21,000	-	(21,000)
Interest	1,500	1,500	3,011	1,511
Miscellaneous	2,100	2,100	3,601	1,501
Total revenues	<u>1,524,975</u>	<u>1,545,975</u>	<u>1,619,630</u>	<u>73,655</u>
Expenditures:				
Water distribution	859,568	892,580	775,610	116,970
Water production	599,677	599,677	517,827	81,850
Non-departmental	164,195	164,195	154,617	9,578
Debt service:				
Principal payments	2,485	2,485	2,486	(1)
Interest	12,290	12,290	12,206	84
Contingency	213,565	213,565	-	213,565
Total expenditures	<u>1,851,780</u>	<u>1,884,792</u>	<u>1,462,746</u>	<u>422,046</u>
Excess revenues over (under) expenditures	<u>(326,805)</u>	<u>(338,817)</u>	<u>156,884</u>	<u>495,701</u>
Other financing sources (uses):				
Transfers out	(12,000)	(12,000)	(12,000)	-
Insurance proceeds	-	12,012	-	(12,012)
Net change in fund balances	<u>(338,805)</u>	<u>(338,805)</u>	<u>144,884</u>	<u>483,689</u>
Fund Balance:				
Beginning of year	<u>338,805</u>	<u>338,805</u>	<u>447,176</u>	<u>108,371</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>592,060</u>	<u>\$ 592,060</u>
Reconciliation to GAAP Basis:				
Inventories			142,621	
Capital assets			14,446,607	
Accrued interest payable			(95,479)	
Compensated absences			(58,514)	
Noncurrent liabilities			<u>(3,326,001)</u>	
GAAP Fund Balance - end of year			<u>\$ 11,701,294</u>	

**CITY OF COTTAGE GROVE, OREGON**

Water Systems Development Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services:				
SDC charges	\$ 50,000	\$ 50,000	\$ 146,702	\$ 96,702
Interest	<u>200</u>	<u>200</u>	<u>985</u>	<u>785</u>
Total revenues	<u>50,200</u>	<u>50,200</u>	<u>147,687</u>	<u>97,487</u>
Expenditures:				
Materials and services	17,095	20,740	20,740	-
Capital outlay	<u>228,665</u>	<u>225,020</u>	<u>86,517</u>	<u>138,503</u>
Total expenditures	<u>245,760</u>	<u>245,760</u>	<u>107,257</u>	<u>138,503</u>
Net change in fund balances	(195,560)	(195,560)	40,430	235,990
Fund Balance:				
Beginning of year	<u>195,560</u>	<u>195,560</u>	<u>200,065</u>	<u>4,505</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 240,495</u>	<u>\$ 240,495</u>

**CITY OF COTTAGE GROVE, OREGON**

Water Reserve Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services:				
Water surcharge	\$ 1,280,385	\$ 1,280,385	\$ 1,244,430	\$ (35,955)
Interest	1,500	1,500	4,812	3,312
Miscellaneous	<u>200</u>	<u>200</u>	<u>4,195</u>	<u>3,995</u>
Total revenues	<u>1,282,085</u>	<u>1,282,085</u>	<u>1,253,437</u>	<u>(28,648)</u>
Expenditures:				
Materials and services	378,260	378,260	169,524	208,736
Capital outlay	787,450	787,450	312,863	474,587
Debt service:				
Principal payments	456,355	456,355	420,257	36,098
Interest	350,340	350,340	386,418	(36,078)
Contingency	<u>137,055</u>	<u>137,055</u>	<u>-</u>	<u>137,055</u>
Total expenditures	<u>2,109,460</u>	<u>2,109,460</u>	<u>1,289,062</u>	<u>820,398</u>
Excess revenues under expenditures	<u>(827,375)</u>	<u>(827,375)</u>	<u>(35,625)</u>	<u>791,750</u>
Other financing sources (uses):				
Transfers in	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>-</u>
Total other financing sources (uses)	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>-</u>
Net change in fund balances	(815,375)	(815,375)	(23,625)	791,750
Fund Balance:				
Beginning of year	<u>815,375</u>	<u>815,375</u>	<u>979,288</u>	<u>163,913</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	955,663	<u>\$ 955,663</u>
Reconciliation to GAAP Basis:				
Noncurrent liabilities			<u>(6,248,405)</u>	
GAAP Fund Balance - end of year			<u>\$ (5,292,742)</u>	

**CITY OF COTTAGE GROVE, OREGON**

Wastewater Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services:				
Wastewater charges	\$ 1,185,020	\$ 1,185,020	\$ 1,219,764	\$ 34,744
Golf Course fees	250,000	250,000	195,818	(54,182)
Pro Shop sales/rentals	126,445	126,445	151,592	25,147
State grants	1,600	1,600	-	(1,600)
Interest	400	400	1,586	1,186
Miscellaneous	<u>14,740</u>	<u>14,740</u>	<u>37,358</u>	<u>22,618</u>
Total revenues	<u>1,578,205</u>	<u>1,578,205</u>	<u>1,606,118</u>	<u>27,913</u>
Expenditures:				
Wastewater collection	323,321	330,350	296,302	34,048
Wastewater treatment plant	639,024	639,024	574,884	64,140
Golf Course operations	450,365	450,365	408,351	42,014
Non-departmental	163,015	163,015	162,477	538
Debt service:				
Principal payments	56,480	56,480	56,482	(2)
Interest	46,675	46,675	46,623	52
Contingency	<u>22,340</u>	<u>22,340</u>	<u>-</u>	<u>22,340</u>
Total expenditures	<u>1,701,220</u>	<u>1,708,249</u>	<u>1,545,119</u>	<u>163,130</u>
Excess revenues over (under) expenditures	(123,015)	(130,044)	60,999	191,043
Other financing sources (uses):				
Insurance proceeds	<u>-</u>	<u>7,029</u>	<u>9,142</u>	<u>2,113</u>
Net change in fund balances	(123,015)	(123,015)	70,141	193,156
Fund Balance:				
Beginning of year	<u>123,015</u>	<u>123,015</u>	<u>196,617</u>	<u>73,602</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>266,758</u>	<u>\$ 266,758</u>
Reconciliation to GAAP Basis:				
Inventories			38,243	
Capital assets			16,090,340	
Accrued interest			(31,951)	
Compensated absences			(45,031)	
Noncurrent liabilities			<u>(308,835)</u>	
GAAP Fund Balance - end of year			<u>\$ 16,009,524</u>	

**CITY OF COTTAGE GROVE, OREGON**

Wastewater Systems Development Charge Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance  
 Budget and Actual (Budgetary Basis)  
 For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services:				
SDC Charges	\$ 15,000	\$ 15,000	\$ 32,089	\$ 17,089
Interest	<u>600</u>	<u>600</u>	<u>613</u>	<u>13</u>
Total revenues	<u>15,600</u>	<u>15,600</u>	<u>32,702</u>	<u>17,102</u>
Expenditures:				
Materials and services	65,660	65,660	18,782	46,878
Capital outlay	<u>122,900</u>	<u>122,900</u>	<u>67,584</u>	<u>55,316</u>
Total expenditures	<u>188,560</u>	<u>188,560</u>	<u>86,366</u>	<u>102,194</u>
Excess revenues under expenditures	(172,960)	(172,960)	(53,664)	119,296
Fund Balance:				
Beginning of year	<u>172,960</u>	<u>172,960</u>	<u>143,900</u>	<u>(29,060)</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,236</u>	<u>\$ 90,236</u>

**CITY OF COTTAGE GROVE, OREGON**

Wastewater Reserve Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services:				
Surcharges	\$ 827,445	\$ 827,445	\$ 820,278	\$ (7,167)
Interest	250	250	2,954	2,704
Miscellaneous	<u>100</u>	<u>100</u>	<u>5,425</u>	<u>5,325</u>
Total revenues	<u>827,795</u>	<u>827,795</u>	<u>828,657</u>	<u>862</u>
Expenditures:				
Materials and services	234,005	216,425	215,992	433
Capital outlay	328,750	345,407	346,034	(627)
Debt service:				
Principal payments	485,860	500,440	499,577	863
Interest	253,280	253,280	254,013	(733)
Contingency	<u>4,515</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,306,410</u>	<u>1,315,552</u>	<u>1,315,616</u>	<u>(64)</u>
Excess revenues under expenditures	<u>(478,615)</u>	<u>(487,757)</u>	<u>(486,959)</u>	<u>798</u>
Insurance proceeds	<u>-</u>	<u>9,142</u>	<u>-</u>	<u>(9,142)</u>
Total other financing sources (uses)	<u>-</u>	<u>9,142</u>	<u>-</u>	<u>(9,142)</u>
Net change in fund balances	(478,615)	(478,615)	(486,959)	(8,344)
Fund Balance:				
Beginning of year	<u>478,615</u>	<u>478,615</u>	<u>637,075</u>	<u>158,460</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	150,116	<u>\$ 150,116</u>
Reconciliation to GAAP Basis:				
Noncurrent liabilities			<u>(7,750,402)</u>	
GAAP Fund Balance - end of year			<u>\$ (7,600,286)</u>	



**CITY OF COTTAGE GROVE, OREGON**

Storm Drainage Utility Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services:				
Storm drainage charges	\$ 258,740	\$ 258,740	\$ 252,754	\$ (5,986)
Interest	125	125	465	340
Miscellaneous	<u>550</u>	<u>550</u>	<u>915</u>	<u>365</u>
Total revenues	<u>259,415</u>	<u>259,415</u>	<u>254,134</u>	<u>(5,281)</u>
Expenditures:				
Personal services	181,725	181,725	167,160	14,565
Materials and services	63,930	63,930	54,634	9,296
Debt service:				
Principal payments	410	410	408	2
Interest	2,020	2,020	2,002	18
Contingency	<u>73,705</u>	<u>73,705</u>	<u>-</u>	<u>73,705</u>
Total expenditures	<u>321,790</u>	<u>321,790</u>	<u>224,204</u>	<u>97,586</u>
Excess revenues over (under) expenditures	<u>(62,375)</u>	<u>(62,375)</u>	<u>29,930</u>	<u>92,305</u>
Net change in fund balances	(62,375)	(62,375)	29,930	92,305
Fund Balance:				
Beginning of year	<u>62,375</u>	<u>62,375</u>	<u>80,203</u>	<u>17,828</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	110,133	<u>\$ 110,133</u>
Reconciliation to GAAP Basis:				
Capital assets			3,087,934	
Accrued interest payable			(4,067)	
Compensated absences			<u>(9,615)</u>	
GAAP Fund Balance - end of year			<u>\$ 3,184,385</u>	

**CITY OF COTTAGE GROVE, OREGON**  
Storm Drainage Systems Development Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services:				
Storm drainage charges	\$ 20,000	\$ 20,000	\$ 21,641	\$ 1,641
Interest	<u>1,000</u>	<u>1,000</u>	<u>1,300</u>	<u>300</u>
Total revenues	<u>21,000</u>	<u>21,000</u>	<u>22,941</u>	<u>1,941</u>
Expenditures:				
Materials and services	82,560	82,560	31,295	51,265
Capital outlay	<u>263,795</u>	<u>263,795</u>	<u>43,685</u>	<u>220,110</u>
Total expenditures	<u>346,355</u>	<u>346,355</u>	<u>74,980</u>	<u>271,375</u>
Other financing sources (uses):				
Interfund loan proceeds	<u>19,300</u>	<u>19,300</u>	<u>19,300</u>	<u>-</u>
Total other financing sources (uses)	<u>19,300</u>	<u>19,300</u>	<u>19,300</u>	<u>-</u>
Net change in fund balances	(306,055)	(306,055)	(32,739)	273,316
Fund Balance:				
Beginning of year	<u>306,055</u>	<u>306,055</u>	<u>350,769</u>	<u>44,714</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	318,030	<u>\$ 318,030</u>
Reconciliation to GAAP Basis:				
Interfund loan receivable			<u>115,800</u>	
GAAP Fund Balance - end of year			<u>\$ 433,830</u>	

**CITY OF COTTAGE GROVE, OREGON**

Storm Drainage Reserve Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services:				
Surcharges	\$ 330,390	\$ 330,390	\$ 332,289	\$ 1,899
Interest	2,000	2,000	4,797	2,797
Miscellaneous	<u>50</u>	<u>50</u>	<u>-</u>	<u>(50)</u>
Total revenues	<u>332,440</u>	<u>332,440</u>	<u>337,086</u>	<u>4,646</u>
Expenditures:				
Materials and services	190,800	190,800	178,384	12,416
Capital outlay	708,250	708,250	710,082	(1,832)
Debt service:				
Principal payments	84,680	84,680	84,654	26
Interest	46,240	46,240	46,229	11
Contingency	<u>327,020</u>	<u>327,020</u>	<u>-</u>	<u>327,020</u>
Total expenditures	<u>1,356,990</u>	<u>1,356,990</u>	<u>1,019,349</u>	<u>337,641</u>
Excess (deficiency) of revenues over under expenditures	<u>(1,024,550)</u>	<u>(1,024,550)</u>	<u>(682,263)</u>	<u>342,287</u>
Net change in fund balances	(1,024,550)	(1,024,550)	(682,263)	342,287
Fund Balance:				
Beginning of year	<u>1,024,550</u>	<u>1,024,550</u>	<u>1,498,967</u>	<u>474,417</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	816,704	<u>\$ 816,704</u>
Reconciliation to GAAP Basis:				
Noncurrent liabilities			<u>(1,282,762)</u>	
GAAP Fund Balance - end of year			<u>\$ (466,058)</u>	

**CITY OF COTTAGE GROVE, OREGON**  
Schedule of Property Tax Transactions and Outstanding Balances  
For the Year Ended June 30, 2014

Fiscal Year	Uncollected Balances July 01, 2013	2013-2014 Levy	Discount	Adjustment and Corrections	Collections	Uncollected Balances June 30, 2014
2013-14	\$ -	\$ 4,030,465	\$ (103,489)	\$ (12,727)	\$ (3,798,193)	\$ 116,056
2012-13	116,651	-	93	(8,266)	(47,896)	60,582
2011-12	74,098	-	32	(1,818)	(23,643)	48,669
2010-11	47,805	-	2	(1,529)	(15,808)	30,470
2009-10	27,196	-	1	(980)	(9,619)	16,598
2008-09	(8,866)	-	-	(737)	(1,353)	(10,956)
2007-08	(1,696)	-	-	(428)	(717)	(2,841)
Prior	24,267	-	-	(2,513)	(473)	21,281
<b>Totals</b>	<u>\$ 279,455</u>	<u>\$ 4,030,465</u>	<u>\$ (103,361)</u>	<u>\$ (28,998)</u>	<u>\$ (3,897,702)</u>	<u>\$ 279,859</u>

**COMPLIANCE SECTION**





## INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Honorable Mayor and City Council  
City of Cottage Grove, Oregon

An Independently Owned Member  
**McGLADREY ALLIANCE**



We have audited the basic financial statements of the City of Cottage Grove, Oregon ("City") as of and for the year ended June 30, 2014, and have issued our report thereon dated August 14, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

### **Compliance**

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

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

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).

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

1. Over expenditures of appropriations are described in Note 2 B.
2. Deficit fund balance is described in Note 2 C.

### **OAR 162-10-0230 Internal Control**

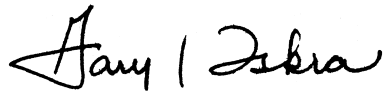
In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses, or significant deficiencies. We reported material weaknesses in our letter dated August 14, 2015.

This report is intended solely for the information and use of management, the audit committee, and the Honorable Mayor and Council and the Secretary of State, Audits Division, of the State of Oregon. However, this report is a matter of public record and its distribution is not limited.

**ISLER CPA**

A handwritten signature in black ink that reads "Gary Iskra". The signature is written in a cursive style with a large, stylized initial "G".

by: Gary Iskra, CPA, a member of the firm

Eugene, Oregon  
August 14, 2015