



**CITY OF COTTAGE GROVE, OREGON**  
**FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2013**



**CITY OF COTTAGE GROVE, OREGON**  
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION  
FISCAL YEAR ENDED JUNE 30, 2013  
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, 2013  
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**INTRODUCTORY SECTION**



**CITY OF COTTAGE GROVE, OREGON**

Principal City Officials

June 30, 2013

**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**



## **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, 2013, 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, 2013 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 and the general fund and street fund budgetary comparison information 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 on pages 3-11 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.

The budgetary comparison information on pages 40–41 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 budgetary comparison information is 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.

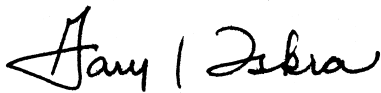
The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures 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 July 30, 2014, 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  
July 30, 2014



## CITY OF COTTAGE GROVE, OREGON

### 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, 2013. 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 \$58,301,110 (net position). Of this amount, \$7,778,660 (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 decreased this year by \$346,082, or .6%.

The City's governmental activities reported a total net position of \$40,378,121 which is a decrease of \$1,242,038, or 2.98%. The decrease of net position is mostly attributable to a decrease in cash and cash equivalents and a decrease in accounts receivable. The City's business-type activities reported a total net position of \$17,922,985 which is an increase of \$895,956, or 5.26%.

The unrestricted net position increased. Governmental Activities unrestricted net position was decreased from \$4,836,062 in fiscal year 2012 to \$3,997,853 in fiscal year 2013, approximately 9.73% of the total unrestricted net position. Business type activities were increased from \$1,872,314 in fiscal year 2012 to \$3,780,807, approximately 146.25% of total unrestricted net position. This is contributable to the net proceeds from bond issuance. Unrestricted net position is available for spending at the City's discretion.

During the fiscal year, the City's total debt increased by \$1,997,475. The increase is attributable to the amount of debt incurred during the fiscal year with the issuance of debt through the Local Oregon Capital Assets Program, (\$17,893,239), including compensated absences, while reducing existing debt with scheduled loan payments and loan pay-off (\$15,795,129).

#### 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.

**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, Street, Industrial Park, City Debt Service and Urban Renewal Agency Debt Service Funds. All of these funds are considered to be major governmental funds. Financial information from the other eleven 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 42.

**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 64.

**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 40.

**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 42.

**Government-wide Financial Analysis**

**Net Position.** The City's combined net position was \$58,301,106 at June 30, 2013. The following table reflects a Summary of Net Position for fiscal years 2011-12 and 2012-13:

**Table 1  
Summary of Net Position**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and Other investments	\$ 5,575,943	\$ 6,584,937	\$ 5,597,057	\$ 3,270,473	\$ 11,173,000	\$ 9,855,446
Capital assets	39,780,050	40,086,558	33,283,911	32,434,161	73,063,961	72,520,719
Total assets	<u>45,355,993</u>	<u>\$ 46,671,495</u>	<u>38,880,968</u>	<u>\$ 35,704,634</u>	<u>84,236,961</u>	<u>\$ 82,376,165</u>
Current liabilities	482,697	656,782	878,731	595,817	1,3691,424	1,252,599
Long term liabilities	4,495,175	4,394,554	20,079,252	18,081,788	24,574,427	22,476,342
Total liabilities	<u>\$ 4,977,872</u>	<u>\$ 5,051,336</u>	<u>\$ 20,957,983</u>	<u>\$ 18,677,605</u>	<u>\$ 25,935,851</u>	<u>\$ 23,728,941</u>
Net position:						
Net Investment in capital assets	\$ 35,599,103	\$ 35,973,257	\$ 13,312,344	\$ 14,444,336	\$ 48,911,447	\$ 50,417,593
Restricted	781,165	810,840	829,844	710,379	1,610,999	1,521,219
Unrestricted	3,997,853	4,836,062	3,780,807	1,872,314	7,778,660	6,708,376
Total Net Position	<u>\$ 40,378,121</u>	<u>\$ 41,620,159</u>	<u>\$ 17,922,985</u>	<u>\$ 17,027,029</u>	<u>\$ 58,301,106</u>	<u>\$ 58,647,188</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 \$58,301,106 at the close of the fiscal year, a decrease of approximately .6% from the previous year. The largest portion of the City's net position (84% 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 \$8,608,498 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 2011-12 and 2012-13:

**Table 2**

**Governmental and Proprietary Activities**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 478,258	\$ 475,806	\$ 5,834,485	\$ 5,586,064	\$ 6,312,743	\$ 6,061,870
Capital grants and contributions	190,470	1,067,423	317,118	991,403	507,588	2,058,826
General revenues						
Property taxes	3,819,989	3,891,324			3,819,989	3,891,324
Franchise fees	421,508	437,997			421,508	437,997
Alcoholic Beverage Taxes	130,042	124,249			130,042	124,249
Motor Fuel Taxes	343,817	344,222			343,817	344,222
Taxes and Other Revenues not restricted to specific programs	1,636,307	1,540,749			1,636,307	1,540,749
Gain (loss) on disposition of Capital Assets		(17,660)		(287,480)		(305,140)
Interest	36,886	38,982	15,561	12,889	52,447	51,871
Total revenues	<u>7,057,277</u>	<u>7,903,092</u>	<u>6,167,164</u>	<u>6,302,876</u>	<u>13,224,441</u>	<u>14,205,968</u>
<b>EXPENSES</b>						
Governmental activities:						
General government	1,834,455	1,772,391			1,834,455	\$ 1,772,391
Public safety	3,782,641	2,979,798			3,782,641	2,979,798
Highways and streets	1,275,209	1,277,414			1,275,209	1,277,414
Culture and recreation	648,486	757,802			648,486	757,802
Community development	620,952	1,325,868			620,952	1,325,868
Interest on long-term debt	137,568	137,821			137,568	137,821
Business type activities:						
Water			2,558,125	2,312,176	2,558,125	2,312,176
Wastewater			2,294,964	2,550,110	2,294,964	2,550,110
Storm drainage			418,119	362,008	418,119	362,008
Total Expenses	<u>8,299,311</u>	<u>8,251,094</u>	<u>5,271,208</u>	<u>5,224,294</u>	<u>13,570,519</u>	<u>13,475,388</u>
Change in Net Position	(1,242,034)	(348,002)	895,956	1,078,582	(346,078)	730,580
Beginning Net Position	<u>41,620,159</u>	<u>41,968,161</u>	<u>17,027,029</u>	<u>15,948,447</u>	<u>58,647,188</u>	<u>57,916,608</u>
Ending Net Position	<u>\$ 40,378,125</u>	<u>\$ 41,620,159</u>	<u>\$ 17,922,985</u>	<u>\$ 17,027,029</u>	<u>\$ 58,301,110</u>	<u>\$ 58,647,188</u>

**Governmental activities.** Governmental activities reduced the City's Net Position by \$1,242,038. The majority of this decrease is due to reductions in cash and cash equivalents and in accounts receivable.

**Business-type activities.** Business-type activities increased the City's Net Position by \$895,956. 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 \$3,804,282. Approximately 36% of this total amount (\$1,406,192) constitutes unassigned fund balance. The remainder of the fund balance is either non spendable (\$25,310), restricted (\$1,009,684), committed (\$1,348,570), or assigned (\$14,526).

The main operating fund for the City is the General Fund. At the end of fiscal year 2013 the unassigned fund balance was \$1,514,936. 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 27% of the total General Fund operating expenditures.

The general fund had an increase in total fund balance of \$268 during fiscal year 2013. There were no significant changes in revenue or expenditures. However, there were refunding bonds issued reducing payments of debt.

In the Street Fund, the fund balance increased by \$82,127 during fiscal year 2013. Beginning fund balance was approximately \$140,700 more than anticipated. State highway taxes exceeded budgeted amounts by approximately 12% and local fuel taxes exceeded budget estimations by approximately 14%; no Federal Urban Aid money was received. Expenditures were 52% of budgeted amount.

The Industrial Park Fund ending fund balance was \$241,103; this is a decrease of \$106,713. 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 \$329,897. The combined wastewater operations had an increase in total net position of \$159,151. The net position in the combined storm drain operations increased by \$406,908. The operating income of the water operations increased by \$122,978; wastewater operations decreased over the prior year \$235,488; and storm drain operations increased \$175,423. Utility rates for the water, wastewater, and storm funds were raised. Sales in the water fund were approximately \$17,900 less than expected however charges for service in the wastewater fund were \$32,500 more than expected. The charges for service in the storm drain fund were slightly more than anticipated, with a budget to actual variance of \$11,328. 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 \$24,500 in the contingency line item to Materials and Services of the Building Maintenance Department (\$4,500) and to Materials and Services of the Non-Departmental Department.

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

- The General Fund revenues were less than projections by only .28% (\$15,389). Current year property taxes were under estimates by 1.7% (\$63,500) however delinquent property taxes received were more than anticipated by 15.7% (\$12,550). Franchise fees were, on average, 4% higher than budgeted. Actual administrative fees collected from the Wastewater Reserve Fund were less than budgeted.
- The Community Development Department under expended its budget by \$71,963. 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 \$100,823. 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 82.6.8% (Parks) spent to a high of 99.4% spent (City Manager). The average spent was 93%.
- The Non-Departmental department budget at the beginning of FY 12-13 had a budgeted contingency of \$339,623. During the course of the year, the City Council adopted a resolution to reappropriate 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 \$315,123 (7.2%).

## 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, 2013 amounts to \$73,063,692 (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 2011-12 and 2012-13:

**Table 3**

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$26,600,328	\$26,550,930	\$ 2,094,788	\$ 2,094,788	\$28,695,116	\$28,645,718
Buildings	3,046,869	3,085,055	1,783,596	1,654,081	4,830,465	4,739,136
Land improvements			714,000	798,000	714,000	798,000
Motor vehicles and equipment	321,121	359,962	420,493	456,621	741,614	816,583
Office furniture and equipment	138,895	131,837	12,197		151,092	131,837
Infrastructure	8,757,290	9,165,264	3,124,501	2,131,452	11,881,791	11,296,716
Construction in progress	915,546	793,510	118,887	40,668	1,034,433	834,178
Utility Systems			25,015,451	25,258,551	25,015,451	25,258,551
<b>Total</b>	<b>\$39,780,049</b>	<b>\$40,086,558</b>	<b>\$33,283,913</b>	<b>\$32,434,161</b>	<b>\$73,063,962</b>	<b>\$72,520,719</b>

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

The recognition of the Washington Avenue Waterline project; Row River waterline improvements; Knox Hill Reservoir improvements; 10<sup>th</sup> and Main Street Water Line Project; Street Light installation at 9<sup>th</sup> and Whiteaker; Community Center Exterior Painting; 10<sup>th</sup> Street ADA ramps; Vealy House Roof improvements; installation of automatic front doors at the Library; installation of lighting at the Gateway Trail Crosswalk; 3<sup>rd</sup> and Jefferson sanitary sewer replacement.

Intersections Improvement Projects 2012 was recognized and includes the following: Realignment and signalization of the Mosby Creek/Thornton Road, Main Street, and Whiteaker Avenue intersection; signalization at the intersection of Row River Road and Thornton Road.

Infrastructure Improvements 2013 was recognized and includes the following: Storm drain improvements on 10<sup>th</sup> Street, Quincy to Washington, Washington from 10<sup>th</sup> to 12<sup>th</sup>, and 12<sup>th</sup> Street from Washington, north to Trailhead Park; Storm drain improvements on 12<sup>th</sup> Street from Quincy to Monroe Avenue; Sanitary Sewer improvements from the alley between Monroe and Quincy, from 12<sup>th</sup> Street to 10<sup>th</sup> Street; Sanitary sewer improvements in the alley between Washington Avenue and Main Street, from Coiner Park to 10<sup>th</sup> Street; and waterline improvements on 10<sup>th</sup> Street, from the alley to Main Street.

Equipment purchases, including an aluminum trench shield for use in Public Works; a K-9 equipped Chevy Tahoe for the Police Department; and a wide-format Cannon printer for the Engineering Department.

The construction in progress includes the Armory, Bohemia Park, Taylor Avenue Pump Station, and Highway 99 and Main Street improvements.

**Table 4**

**Change in Capital Assets**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Government</b>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Beginning balance	\$40,086,558	\$40,219,763	\$32,434,161	\$31,783,086	\$72,520,719	\$72,002,849
Additions & Reclass	732,010	1,666,443	1,990,907	1,983,577	2,722,919	3,650,020
Depreciation	(1,038,518)	(1,103,677)	(1,100,490)	(1,045,022)	(2,139,008)	(2,148,699)
Deletions		(695,971)	(40,667)	(287,480)	(40,667)	(983,451)
Ending balance	<u>\$39,780,050</u>	<u>\$40,086,558</u>	<u>\$33,283,911</u>	<u>\$32,434,161</u>	<u>\$73,063,961</u>	<u>\$72,520,719</u>

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 \$24,152,513. Of that amount, \$1,684,054 is a general obligation bond to pay the City's unfunded actuarial liability in the Public Employees Retirement System. Additional Long-term debt totaling \$2,049,399 was incurred to finance certain water, wastewater and storm drainage projects.

The following table summarizes outstanding debt for fiscal years 2011-12 and 2012-13:

**Table 5**

**Outstanding Debt at Year-end**

	<u>2013</u>	<u>2012</u>
<b>Governmental Activities</b>		
PERS UAL refinancing	\$ 1,684,054	\$ 1,709,687
LOCAP -Industrial Park	905,000	951,554
LOCAP -Fiber	395,000	-
LOCAP -Premium	58,738	-
City shop remodel	65,779	193,519
Street Sweeper	-	18,259
Optical/Wireless Equipment	692,216	822,982
Vactor	11,811	21,037
Police Vehicle	12,850	21,014
Armory Building	355,499	375,249
Sub-total	<u>\$ 4,180,947</u>	<u>\$ 4,113,301</u>
<b>Business-type Activities</b>		
Water system improvement	\$ 3,450,984	\$ 9,414,239
Wastewater improvement	-	7,387,741
LOCAP -Water	6,255,000	-
LOCAP -Wastewater	7,230,000	-
LOCAP -Storm	1,265,000	-
LOCAP –Golf Course	655,000	-
LOCAP –Premium	707,588	-
Middlefield Golf Course	-	692,190
Middlefield Golf Course/ Residence	306,042	320,045
Water/wastewater Equipment	101,952	175,598
Sub-total	<u>19,971,566</u>	<u>17,989,813</u>
<b>Total</b>	<u><u>\$24,152,513</u></u>	<u><u>\$22,103,114</u></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 \$1,684,054 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 8, pages 33 through 36.

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

The General Fund budget increases spending for the 2013-14 budget by \$361,398. This is approximately a 5.0% increase. This increase is directly related to costs for personnel services, with the addition of an Information Technology Director in the Broadband Services Department; increase to debt service in the Non-Departmental department; an increase in the transfer to the South Lane Communication Fund, and an increase in the contingency line item. The Community Development Department budget was reduced based on the amount of grant funded projects.

Assessed value growth for the 2013 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 13-14 were estimated to be \$5,944,488 in resources and a carryover of \$1,811,720. The actual carryover for the General Fund budget is \$1,514,668, a shortfall of \$297,052. Additional expenditures were made at the end of the fiscal year that will not be necessary to be spent in 2013-14.

General Fund property tax revenues are expected to be \$3,880,825, approximately \$65,700 more than actual for 2013. Franchise fees are expected to be approximately \$92,700 more than budgeted in 2013, however franchise revenues were in excess of budgeted amounts in 2013 by 4%, approximately \$16,508.

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 fourth increase under the current five-year plan.

All of these factors were considered when preparing the budget for the 2013-14 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, 2013

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 4,080,876	\$ 4,782,533	\$ 8,863,409
Due from other governments	8,101	-	8,101
Accounts receivable, net	279,454	494,482	773,936
Property taxes receivable	279,455	-	279,455
Inventories	-	184,942	184,942
Internal balances	(135,100)	135,100	-
Other current assets	3,566	-	3,566
Notes receivable	18,744	-	18,744
Net pension asset	1,040,847	-	1,040,847
Capital assets not being depreciated	27,515,874	2,213,675	29,729,549
Capital assets net of accumulated depreciation	<u>12,264,176</u>	<u>31,070,236</u>	<u>43,334,412</u>
 Total Assets	 <u>45,355,993</u>	 <u>38,880,968</u>	 <u>84,236,961</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and other current liabilities	423,685	673,866	1,097,551
Unearned revenue	8,930	22,746	31,676
Deposits	18,744	46,343	65,087
Accrued interest payable	31,338	135,776	167,114
Compensated absences	314,228	107,685	421,913
Noncurrent liabilities:			
Due within one year	261,874	1,030,987	1,292,861
Due in more than one year	<u>3,919,073</u>	<u>18,940,580</u>	<u>22,859,653</u>
 Total Liabilities	 <u>4,977,872</u>	 <u>20,957,983</u>	 <u>25,935,855</u>
<b>Net Position</b>			
Net investment in capital assets	35,599,103	13,312,344	48,911,447
Restricted for:			
System development	-	829,834	829,834
Road maintenance	676,072	-	676,072
Culture and recreation	90,426	-	90,426
Ed Jenks and Memorial Tree	14,667	-	14,667
Unrestricted	<u>3,997,853</u>	<u>3,780,807</u>	<u>7,778,660</u>
 Total Net Position	 <u>\$ 40,378,121</u>	 <u>\$ 17,922,985</u>	 <u>\$ 58,301,106</u>

See accompanying notes to financial statements.

**CITY OF COTTAGE GROVE, OREGON**

Statement of Activities

For the Year ended June 30, 2013

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	\$ 1,834,455	\$ 296,898	\$ -	\$ 16,000	\$ (1,521,557)		\$ (1,521,557)
Public safety	3,782,641	80,337	-	-	(3,702,304)		(3,702,304)
Highways and streets	1,275,209	43,864	-	174,470	(1,056,875)		(1,056,875)
Culture and recreation	648,486	41,003	-	-	(607,483)		(607,483)
Community development	620,952	16,156	-	-	(604,796)		(604,796)
Interest on long-term debt	137,568	-	-	-	(137,568)		(137,568)
Total Governmental Activities	8,299,311	478,258	-	190,470	(7,630,583)		(7,630,583)
<b>Business-Type Activities</b>							
Water	2,558,125	2,840,960	-	41,183		324,018	324,018
Wastewater	2,294,964	2,451,418	-	-		156,454	156,454
Storm drainage	418,119	542,107	-	275,935		399,923	399,923
Total Business-Type Activities	5,271,208	5,834,485	-	317,118		880,395	880,395
Total Activities	\$ 13,570,519	\$ 6,312,743	\$ -	\$ 507,588	(7,630,583)	880,395	(6,750,188)
General revenues:							
Property taxes					3,819,989	-	3,819,989
Franchise taxes					421,508	-	421,508
Alcoholic beverage taxes					130,042	-	130,042
Motor fuel taxes					343,817	-	343,817
Taxes and other revenues not restricted to specific programs					1,636,307	-	1,636,307
Interest and investment earnings					36,882	15,561	52,443
Total general revenues and transfers					6,388,545	15,561	6,404,106
Change in net position					(1,242,038)	895,956	(346,082)
Net position, beginning					41,620,159	17,027,029	58,647,188
Net position, ending					\$ 40,378,121	\$ 17,922,985	\$ 58,301,106

See accompanying notes to financial statements.

**CITY OF COTTAGE GROVE, OREGON**

Governmental Funds

Balance Sheet

June 30, 2013

	<u>General Fund</u>	<u>Street Fund</u>	<u>City Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 1,635,476	\$ 536,272	\$ 2,859	\$ 1,906,269	\$ 4,080,876
Due from other governments	8,101	-	-	-	8,101
Accounts receivable	168,369	110,616	-	469	279,454
Property taxes receivable	279,455	-	-	-	279,455
Notes receivable	-	-	-	18,744	18,744
Other current assets	-	-	-	3,566	3,566
<b>Total Assets</b>	<b><u>\$ 2,091,401</u></b>	<b><u>\$ 646,888</u></b>	<b><u>\$ 2,859</u></b>	<b><u>\$ 1,929,048</u></b>	<b><u>\$ 4,670,196</u></b>
<b>Liabilities</b>					
Accounts payable and other current liabilities	\$ 288,080	\$ 39,813	\$ -	\$ 95,792	\$ 423,685
Deposits	8,930	-	-	-	8,930
Interfund loan payable	-	-	-	135,100	135,100
Unearned revenue	-	-	-	18,744	18,744
<b>Total Liabilities</b>	<b><u>297,010</u></b>	<b><u>39,813</u></b>	<b><u>-</u></b>	<b><u>249,636</u></b>	<b><u>586,459</u></b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - property taxes	<u>279,455</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>279,455</u>
<b>Fund Balance</b>					
Nonspendable	-	-	-	25,310	25,310
Restricted	-	607,075	-	402,609	1,009,684
Committed	-	-	-	1,348,570	1,348,570
Assigned	-	-	2,859	11,667	14,526
Unassigned	<u>1,514,936</u>	<u>-</u>	<u>-</u>	<u>(108,744)</u>	<u>1,406,192</u>
<b>Total Fund Balances</b>	<b><u>1,514,936</u></b>	<b><u>607,075</u></b>	<b><u>2,859</u></b>	<b><u>1,679,412</u></b>	<b><u>3,804,282</u></b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b><u>\$ 2,091,401</u></b>	<b><u>\$ 646,888</u></b>	<b><u>\$ 2,859</u></b>	<b><u>\$ 1,929,048</u></b>	<b><u>\$ 4,670,196</u></b>

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, 2013

Total Government Fund Balances \$ 3,804,282

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	27,515,874	
Capital assets being depreciated	30,953,265	
Accumulated depreciation	<u>(18,689,089)</u>	39,780,050

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds:

Deferred inflow of revenue	279,455	
Net pension asset	<u>1,040,847</u>	1,320,302

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	(314,228)	
Long-term debt	<u>(4,180,947)</u>	<u>(4,526,513)</u>

Net Position of Governmental Activities in the Statement of Net Position \$ 40,378,121

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, 2013

	General Fund	Street Fund	City Debt Service Fund	Other Governmental Funds	Total
<b>Revenues</b>					
Intergovernmental revenues	\$ 536,855	\$ 528,389	\$ -	\$ 143,053	\$ 1,208,297
Charges for services	31,494	-	-	253,918	285,412
Property taxes	3,815,122	-	-	-	3,815,122
Franchise taxes	421,508	-	-	-	421,508
Licenses and permits	6,232	-	-	-	6,232
Fines and forfeitures	106,373	-	-	-	106,373
Special assessments	-	-	-	80,244	80,244
Local fuels tax	-	343,817	-	-	343,817
Interest	22,555	2,763	20	11,548	36,886
Miscellaneous	195,319	6,888	-	28,975	231,182
Room tax	86,238	-	-	-	86,238
Administration and engineering fees	427,220	-	-	-	427,220
<b>Total Revenue</b>	<b>5,648,916</b>	<b>881,857</b>	<b>20</b>	<b>517,738</b>	<b>7,048,531</b>
<b>Expenditures</b>					
Current:					
General government	1,425,385	-	-	47,197	1,472,582
Public safety	2,390,268	-	-	1,322,431	3,712,699
Highways and streets	-	633,266	-	1,720	634,986
Culture and recreation	715,617	-	-	1,910	717,527
Community development	545,660	-	-	257,635	803,295
Debt service:					
Principal	158,679	-	170,292	140,912	469,883
Interest	40,284	-	43,295	50,143	133,722
Loan fees	-	-	-	750	750
Capital outlay	169,110	84,806	-	157,123	411,039
<b>Total Expenditures</b>	<b>5,445,003</b>	<b>718,072</b>	<b>213,587</b>	<b>1,979,821</b>	<b>8,356,483</b>
Excess (deficiency) of revenues over (under) expenditures	<u>203,913</u>	<u>163,785</u>	<u>(213,567)</u>	<u>(1,462,083)</u>	<u>(1,307,952)</u>
Other Financing Sources (uses)					
Issuance of debt	-	-	-	87,655	87,655
Refunding bonds issued	1,300,000	-	-	-	1,300,000
Premium on refunding bonds	58,738	-	-	-	58,738
Payment to refunded debt	(939,788)	-	-	-	(939,788)
Insurance proceeds	4,200	-	-	-	4,200
Donations	306	-	-	15,092	15,398
Transfers in	-	-	213,074	534,955	748,029
Transfers out	(627,101)	(81,658)	-	(39,270)	(748,029)
<b>Total Other Financing Source (Uses)</b>	<b>(203,645)</b>	<b>(81,658)</b>	<b>213,074</b>	<b>598,432</b>	<b>526,203</b>
Net Change in Fund Balances	268	82,127	(493)	(863,651)	(781,749)
Beginning Fund Balance	<u>1,514,668</u>	<u>524,948</u>	<u>3,352</u>	<u>2,543,063</u>	<u>4,586,031</u>
Ending Fund Balance	<u>\$ 1,514,936</u>	<u>\$ 607,075</u>	<u>\$ 2,859</u>	<u>\$ 1,679,412</u>	<u>\$ 3,804,282</u>

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, 2013

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

Net Change in Fund Balances - Total Governmental Funds

\$ (781,749)

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.

Current year depreciation \$ (1,038,518)

Expenditures for capital assets 732,006 (306,512)

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 unearned revenue 4,871

Unamortized loan fees were expensed in the Statement of Activities for GASB 65 implementation (15,716)

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 interest 27,091

Change in accrued absences (32,975)

Contributions to pension plans in prior years use current financial resources from governmental funds, but created a net pension asset in governmental activities (69,389)

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.

Issuance of debt (87,655)

Refunding bonds issued (1,300,000)

Premium on refunding bonds (58,738)

Payment to refunded debt 939,788

Debt service principal payments 438,946 (67,659)

Change in Net Position of Governmental Activities \$ (1,242,038)

See accompanying notes to financial statements.

**CITY OF COTTAGE GROVE, OREGON**

Proprietary Funds

Balance Sheet

June 30, 2013

	Business-Type Activities - Enterprise Fund			
	Water Operations	Wastewater Operations	Storm Drainage Operations	Total
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 1,549,831	\$ 1,014,128	\$ 2,218,574	\$ 4,782,533
Receivables - net	255,690	192,580	46,212	494,482
Inventories	<u>145,760</u>	<u>39,182</u>	<u>-</u>	<u>184,942</u>
 Total current assets	 <u>1,951,281</u>	 <u>1,245,890</u>	 <u>2,264,786</u>	 <u>5,461,957</u>
Noncurrent assets:				
Interfund loan receivable	-	-	135,100	135,100
Capital assets not being depreciated	191,881	1,951,516	70,278	2,213,675
Capital assets net of accumulated depreciation	<u>14,368,388</u>	<u>14,279,470</u>	<u>2,422,378</u>	<u>31,070,236</u>
 Total noncurrent assets	 <u>14,560,269</u>	 <u>16,230,986</u>	 <u>2,627,756</u>	 <u>33,419,011</u>
 Total assets	 <u>\$ 16,511,550</u>	 <u>\$ 17,476,876</u>	 <u>\$ 4,892,542</u>	 <u>\$ 38,880,968</u>
 <b>Liabilities and Net Position</b>				
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and other current liabilities	\$ 134,149	\$ 204,870	\$ 334,847	\$ 673,866
Deposits	44,843	1,500	-	46,343
Unearned revenue	-	22,746	-	22,746
Accrued interest payable	97,527	34,032	4,217	135,776
Compensated absences	57,125	42,186	8,374	107,685
Current portion of long-term debt	<u>405,414</u>	<u>524,282</u>	<u>101,291</u>	<u>1,030,987</u>
 Total current liabilities	 739,058	 829,616	 448,729	 2,017,403
Noncurrent liabilities:				
Noncurrent portion of long-term debt	<u>9,595,384</u>	<u>8,111,461</u>	<u>1,233,735</u>	<u>18,940,580</u>
 Total Liabilities	 <u>10,334,442</u>	 <u>8,941,077</u>	 <u>1,682,464</u>	 <u>20,957,983</u>
 <b>Net Position</b>				
Net investment in capital assets	4,559,471	7,595,243	1,157,630	13,312,344
Restricted for:				
System development	200,065	143,900	485,869	829,834
Unrestricted	<u>1,417,572</u>	<u>796,656</u>	<u>1,566,579</u>	<u>3,780,807</u>
 Total Net Position	 <u>6,177,108</u>	 <u>8,535,799</u>	 <u>3,210,078</u>	 <u>17,922,985</u>
 Total Liabilities and Net Position	 <u>\$ 16,511,550</u>	 <u>\$ 17,476,876</u>	 <u>\$ 4,892,542</u>	 <u>\$ 38,880,968</u>

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, 2013

	<u>Business-Type Activities - Enterprise Fund</u>			
	<u>Water Operations</u>	<u>Wastewater Operations</u>	<u>Storm Drainage Operations</u>	<u>Total</u>
<b>Operating Revenues</b>				
Charges for Services	\$ 2,671,358	\$ 2,419,182	\$ 520,022	\$ 5,610,562
Miscellaneous	15,634	21,351	1,474	38,459
<b>Total Operating Revenues</b>	<b><u>2,686,992</u></b>	<b><u>2,440,533</u></b>	<b><u>521,496</u></b>	<b><u>5,649,021</u></b>
<b>Operating Expenses</b>				
Cost of sales and services	663,791	670,284	107,782	1,441,857
Administration	963,959	833,344	168,542	1,965,845
Depreciation	436,911	558,170	105,409	1,100,490
<b>Total Operating Expenses</b>	<b><u>2,064,661</u></b>	<b><u>2,061,798</u></b>	<b><u>381,733</u></b>	<b><u>4,508,192</u></b>
<b>Operating Income (Loss)</b>	<b><u>622,331</u></b>	<b><u>378,735</u></b>	<b><u>139,763</u></b>	<b><u>1,140,829</u></b>
Investment earnings	5,879	2,697	6,985	15,561
Interest income(expense)	(493,464)	(233,166)	(36,386)	(763,016)
<b>Total non-operating revenues (expenses)</b>	<b><u>(487,585)</u></b>	<b><u>(230,469)</u></b>	<b><u>(29,401)</u></b>	<b><u>(747,455)</u></b>
<b>Income (loss) before capital contributions</b>	<b>134,746</b>	<b>148,266</b>	<b>110,362</b>	<b>393,374</b>
Capital contributions:				
Developer Donations (capitalized)	41,183	-	275,935	317,118
System development charges	153,968	10,885	20,611	185,464
<b>Change in Net Position</b>	<b>329,897</b>	<b>159,151</b>	<b>406,908</b>	<b>895,956</b>
<b>Beginning Net Position</b>	<b><u>5,847,211</u></b>	<b><u>8,376,648</u></b>	<b><u>2,803,170</u></b>	<b><u>17,027,029</u></b>
<b>Ending Net Position</b>	<b><u>\$ 6,177,108</u></b>	<b><u>\$ 8,535,799</u></b>	<b><u>\$ 3,210,078</u></b>	<b><u>\$ 17,922,985</u></b>

See accompanying notes to financial statements.

**CITY OF COTTAGE GROVE, OREGON**

Proprietary Funds

Statement of Cash Flows

For the Year Ended June 30, 2013

	Business-Type Activities - Enterprise Funds			
	Water Operations	Wastewater Operations	Storm Drain Operations	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 2,655,023	\$ 2,450,067	\$ 511,059	\$ 5,616,149
Cash payments to employees	(578,643)	(549,002)	(96,491)	(1,224,136)
Cash payments to suppliers for goods and services	<u>(1,009,755)</u>	<u>(946,140)</u>	<u>(173,326)</u>	<u>(2,129,221)</u>
Net cash provided (used) by operating activities	<u>1,066,625</u>	<u>954,925</u>	<u>241,242</u>	<u>2,262,792</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers in	7,290,961	8,470,205	280,128	16,041,294
Transfers out	(7,290,961)	(8,470,205)	(280,128)	(16,041,294)
Repayment of interfund loan	-	-	19,300	19,300
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	153,968	10,885	20,611	185,464
Acquisition of capital assets	(802,863)	(142,313)	(280,162)	(1,225,338)
Principal paid on capital debt	(5,967,331)	(8,135,875)	(27,640)	(14,130,846)
Interest paid on capital debt	(613,648)	(294,051)	(32,169)	(939,868)
Issuance of debt	<u>6,547,816</u>	<u>8,263,808</u>	<u>1,300,965</u>	<u>16,112,589</u>
Net cash provided (used) by capital and related financing activities	<u>(682,058)</u>	<u>(297,546)</u>	<u>981,605</u>	<u>2,001</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income	<u>5,879</u>	<u>2,697</u>	<u>6,985</u>	<u>15,561</u>
Net change in cash and cash equivalents	390,446	660,076	1,249,132	2,299,654
Cash and cash equivalents:				
Cash and cash equivalents at beginning of year	<u>1,159,385</u>	<u>354,052</u>	<u>969,442</u>	<u>2,482,879</u>
Cash and cash equivalents at end of year	<u>\$ 1,549,831</u>	<u>\$ 1,014,128</u>	<u>\$ 2,218,574</u>	<u>\$ 4,782,533</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, 2013

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Water Operations</u>	<u>Wastewater Operations</u>	<u>Storm Drain Operations</u>	<u>Total</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>				
Operating income (loss)	\$ 622,331	\$ 378,735	\$ 139,763	\$ 1,140,829
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation and amortization	436,911	558,170	105,409	1,100,490
(Increase) decrease in assets:				
Receivables - net	(31,970)	(5,816)	(10,437)	(48,223)
Prepays	-	1,560	-	1,560
Inventories	(522)	955	-	433
Increase (decrease) in liabilities:				
Deposits	3,015	-	-	3,015
Accounts payable and other current liabilities	36,860	5,971	6,507	49,338
Unearned revenue	-	15,350	-	15,350
	<u>-</u>	<u>15,350</u>	<u>-</u>	<u>15,350</u>
Net cash provided (used) by operating activities	<u>\$ 1,066,625</u>	<u>\$ 954,925</u>	<u>\$ 241,242</u>	<u>\$ 2,262,792</u>
Noncash capital and financing activities:				
Donated capital assets	<u>\$ 41,183</u>	<u>\$ -</u>	<u>\$ 275,935</u>	<u>\$ 317,118</u>
Construction costs in accounts payable	<u>\$ -</u>	<u>\$ 89,051</u>	<u>\$ 318,733</u>	<u>\$ 407,784</u>

See accompanying notes to financial statements.

# CITY OF COTTAGE GROVE, OREGON

## Notes to Financial Statements

June 30, 2013

### **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. As required by generally accepted accounting principles (GAAP), these financial statements present the primary government and its component unit, Cottage Grove Urban Renewal Agency, a separate legal entity for which the City is considered to be financially accountable.

The Cottage Grove Urban Renewal Agency (Agency) was formed to plan, direct, and manage certain projects within Cottage Grove. Pursuant to ORS 457.055 and under Lane County's order no. 86-8-27-1H, the City Council has been appointed governing body of the Agency. The Urban Renewal Agency Capital Projects Fund and Urban Renewal Agency Debt Service Fund are blended component units, reported as nonmajor governmental funds. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The Cottage Grove Urban Renewal Agency has a June 30 year-end.

#### **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, 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.
- *City Debt Service Fund.* This fund is used to accumulate monies derived from monthly water surcharges, which are used for the retirement of principal and interest on the water system improvement loan. Operating transfers are used to accumulate monies for the retirement of principal and interest on the city shop remodel loan and the pension obligation bonds.

# CITY OF COTTAGE GROVE, OREGON

## Notes to Financial Statements

June 30, 2013

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

#### C. Basis of Presentation, continued

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

- *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.
- *Debt Service Fund.* This fund is used to retire urban renewal bond principal and interest from property taxes.
- *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.

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, 2013

### **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.

## CITY OF COTTAGE GROVE, OREGON

### Notes to Financial Statements

June 30, 2013

#### 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.

#### 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, 2013

**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, occupancy taxes, franchise fees and rehabilitation loans. 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, 2013

#### **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 assets.

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, 2013

**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.

P. Reporting Changes

Effective July 1, 2012 the City implemented the following new accounting standards issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. As the title implies, this statement establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position. The amount previously reported as net assets is now reported as net position.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Unavailable revenues that were previously reported as part of deferred revenues are reported as deferred outflows of resources and bond issuance costs that were previously amortized are recognized as an expense in the period incurred.

**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:

Fund	Appropriation Level	Over Expenditure Amount
Wastewater Reserve Fund	Materials and service	\$ 19,501

C. Bicycle Footpath Deficit Fund Equity.

The City's Bicycle and Footpath fund had a negative fund balance of \$108,744 as of June 30, 2013. 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, 2013

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

At June 30, 2013 cash and cash equivalents consisted of the following:

	<u>Fair Value</u>
Investments in the State Treasurer's Local Government Investment Fund	\$ 7,749,601
Deposits in financial institutions	1,111,843
Cash on hand	<u>1,965</u>
Total cash and cash equivalents	<u>\$ 8,863,409</u>

A. Interest rate risk

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. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investments portfolio in accordance with ORS 294.035.

B. Credit risk

State statutes authorize the City to invest in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, and the State Treasurer's Oregon Local Government Investment Pool, among others. The City has no investment policy that would further limit its investment choices.

C. Concentration of credit risk

All investments of the City shall be made in accordance with Oregon Revised Statutes: ORS 294.035 (Investment of surplus funds of political subdivisions; approved investments), ORS 294.040 (Restriction on investments under ORS 294.035), ORS 294.135 (Investment maturity dates), ORS 294.145 (Prohibited conduct for custodial officer), ORS 294.805 to 294.895 (Local Government Investment Pool). Any revisions or extensions of these sections of the ORS shall be assumed to be part of this investment policy immediately upon being enacted.

The Oregon State Treasurer maintains the Oregon Short Term Fund (OSTF), of which the Local Government Investment Pool (LGIP) is a part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. LGIP was created to offer a short-term investment alternative to Oregon local governments and it is not registered with the U.S. Securities and Exchange Commission. The investments are regulated by the OSTF and approved by the Oregon Investment Council (ORS 294.805 to 294.895). At June 30, 2013, the fair value of the City's deposits with the LGIP approximates cost. The OSTF financial statements and information about credit risk of the OSTF are available at <http://www.ost.state.or.us/>.

D. Custodial credit risk – deposits

In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. ORS Chapter 295 governs the collateralization of Oregon public funds and provides the statutory requirements for the Public Funds Collateralization Program ("PFCP"). The Public Funds Collateralization Program was created by the Office of the State Treasurer to facilitate bank depository, custodian and public official compliance with ORS 295. Bank depositors, which are part of a shared liability pool, are required to pledge collateral against any public funds deposits in excess of deposit insurance amounts. ORS 295 sets the specific value of the collateral, as well as the type of collateral that are acceptable. Oregon Revised Statutes require the depository institution to pledge collateral against any public funds deposits in excess of deposit insurance amounts. Depositories are required to pledge collateral valued from 10% to 110% of their quarter-end public fund deposits.

The City's total bank balance, at June 30, 2013, was \$1,189,073. Of this amount, \$500,000 was covered by federal depository insurance. The remaining balance of \$689,073 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, 2013

**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	\$ 260,000	\$ (4,310)	\$ 255,690
Wastewater charges	195,080	(2,500)	192,580
Storm drain charges	<u>47,212</u>	<u>(1,000)</u>	<u>46,212</u>
Total	<u>\$ 502,292</u>	<u>\$ (7,810)</u>	<u>\$ 494,482</u>

**Note 5 - Capital Assets**

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Governmental Activities:</u>			
	<u>2012</u>	<u>Additions and Reclassifications</u>	<u>Deletions and Reclassifications</u>	<u>2013</u>
Capital assets, not being depreciated:				
Land	\$ 26,550,930	\$ 49,398	\$ -	\$ 26,600,328
Construction in progress	<u>793,510</u>	<u>122,036</u>	<u>-</u>	<u>915,546</u>
Total capital assets, not being depreciated	<u>27,344,440</u>	<u>171,434</u>	<u>-</u>	<u>27,515,874</u>
Capital assets being depreciated:				
Buildings and improvements	4,378,174	82,615	-	4,460,789
Motor vehicles and equipment	1,351,467	43,927	-	1,395,394
Office furniture and equipment	405,114	17,500	-	422,614
Infrastructure	<u>24,257,935</u>	<u>416,534</u>	<u>-</u>	<u>24,674,469</u>
Total capital assets being depreciated	<u>30,392,690</u>	<u>560,576</u>	<u>-</u>	<u>30,953,266</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,293,119)	(120,801)	-	(1,413,920)
Motor vehicles and equipment	(991,505)	(82,768)	-	(1,074,273)
Office furniture and equipment	(273,277)	(10,442)	-	(283,719)
Infrastructure	<u>(15,092,671)</u>	<u>(824,507)</u>	<u>-</u>	<u>(15,917,178)</u>
Total accumulated depreciation	<u>(17,650,572)</u>	<u>(1,038,518)</u>	<u>-</u>	<u>(18,689,090)</u>
Total capital assets, being depreciated, net	<u>12,742,118</u>	<u>(477,942)</u>	<u>-</u>	<u>12,264,176</u>
Governmental activities capital assets, net	<u>\$ 40,086,558</u>	<u>\$ (306,508)</u>	<u>\$ -</u>	<u>\$ 39,780,050</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 283,202
Highways and streets	636,596
Public safety	58,285
Culture and recreation	60,435
Total depreciation expense -governmental activities	<u>\$ 1,038,518</u>

**CITY OF COTTAGE GROVE, OREGON**

Notes to Financial Statements

June 30, 2013

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

	Business-type Activities:			2013
	2012	Additions and Reclassifications	Deletions and Reclassifications	
Capital assets, not being depreciated:				
Land	\$ 2,094,788	\$ -	\$ -	\$ 2,094,788
Construction in progress	40,668	118,886	(40,667)	118,887
Total capital assets, not being depreciated	<u>2,135,456</u>	<u>118,886</u>	<u>(40,667)</u>	<u>2,213,675</u>
Capital assets being depreciated:				
Land Improvements	1,260,000	-	-	1,260,000
Infrastructure	2,552,147	1,145,332	-	3,697,479
Utility systems	34,882,855	494,755	-	35,377,610
Building and improvements	2,014,749	195,506	-	2,210,255
Equipment	1,305,385	24,148	-	1,329,533
Motor vehicles	573,941	-	-	573,941
Office furniture and equipment	8,867	12,280	-	21,147
Total capital assets being depreciated	<u>42,597,944</u>	<u>1,872,021</u>	<u>-</u>	<u>44,469,965</u>
Less accumulated depreciation for:				
Land Improvements	(462,000)	(84,000)	-	(546,000)
Infrastructure	(412,536)	(160,442)	-	(572,978)
Utility systems	(9,632,460)	(729,699)	-	(10,362,159)
Building and improvements	(360,637)	(66,022)	-	(426,659)
Equipment	(871,732)	(50,156)	-	(921,888)
Motor vehicles	(551,007)	(10,086)	-	(561,093)
Office furniture and equipment	(8,867)	(85)	-	(8,952)
Total accumulated depreciation	<u>(12,299,239)</u>	<u>(1,100,490)</u>	<u>-</u>	<u>(13,399,729)</u>
Total capital assets, being depreciated, net	<u>30,298,705</u>	<u>771,531</u>	<u>-</u>	<u>31,070,236</u>
Business-type activities capital assets, net	<u>\$ 32,434,161</u>	<u>\$ 890,417</u>	<u>\$ (40,667)</u>	<u>\$ 33,283,911</u>

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

Water	\$ 436,911
Wastewater	558,170
Storm Drain	<u>105,409</u>
Total depreciation expense -business-type activities	<u>\$ 1,100,490</u>



**CITY OF COTTAGE GROVE, OREGON**

Notes to Financial Statements

June 30, 2013

**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>\$ 135,100</u>

In May 2010, the City Council authorized a zero interest interfund loan to the Bicycle Footpath Fund from the Storm Drain System Development Charges 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	\$ -	\$ 627,101
Street Fund	-	81,658
City Debt Service Fund	213,074	-
Total Major Governmental Funds:	<u>213,074</u>	<u>708,759</u>
Nonmajor Governmental Funds:		
Police Communication Fund	415,655	9,840
Bicycle and Footpath Fund	19,300	-
General Reserve Fund	100,000	26,916
Narcotics Forfeiture Fund	-	1,296
Building Inspection Program Fund	-	1,218
Total Nonmajor Governmental Funds	<u>534,955</u>	<u>39,270</u>
Total All Funds	<u>\$ 748,029</u>	<u>\$ 748,029</u>

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

**Note 7. - Short-term Note**

On February 5, 2013, the City received a \$88,405, 6% note from Siuslaw Bank to make available tax increment monies for capital projects budgeted in the Urban Renewal Capital Projects Fund. The entire amount was paid back by the Urban Renewal Agency Debt Service Fund on February 6, 2013.

Transactions for the year ended June 30, 2013 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Note payable:	<u>\$ -</u>	<u>\$ 87,655</u>	<u>\$ 87,655</u>	<u>\$ 175,310</u>

**CITY OF COTTAGE GROVE, OREGON**

Notes to Financial Statements

June 30, 2013

**Note 8. - Long-Term Obligations**

A. Changes in General Long-Term Liabilities

Transactions for the year ended June 30, 2013 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	\$ 2,327,366	\$ 1,300,000	\$ (643,312)	\$ 2,984,054	\$ 97,387
Premium	-	58,738	-	58,738	-
Loans	<u>1,785,922</u>	<u>-</u>	<u>(647,767)</u>	<u>1,138,155</u>	<u>164,487</u>
Total bonds and notes payable	4,113,288	1,358,738	(1,291,079)	4,180,947	261,874
Compensated absences	<u>281,253</u>	<u>314,228</u>	<u>(281,253)</u>	<u>314,228</u>	<u>314,228</u>
Total Governmental Activities	<u>\$ 4,394,541</u>	<u>\$ 1,672,966</u>	<u>\$ (1,572,332)</u>	<u>\$ 4,495,175</u>	<u>\$ 576,102</u>
<b>Business-type Activities</b>					
Bonds and notes payable:					
Bonds	\$ -	\$ 15,405,000	\$ -	\$ 15,405,000	\$ 820,739
Premium	-	707,589	-	707,589	-
Loans	<u>17,989,812</u>	<u>-</u>	<u>(14,130,834)</u>	<u>3,858,978</u>	<u>210,248</u>
Total bonds and notes payable	17,989,812	16,112,589	(14,130,834)	19,971,567	1,030,987
Compensated Absences	<u>91,963</u>	<u>107,685</u>	<u>(91,963)</u>	<u>107,685</u>	<u>107,685</u>
Total Business-type Activities	<u>\$ 18,081,775</u>	<u>\$ 16,220,274</u>	<u>\$ (14,222,797)</u>	<u>\$ 20,079,252</u>	<u>\$ 1,138,672</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.

\$ 1,300,000

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%.

1,684,054

Total bonds payable - Governmental Activities

\$ 2,984,054

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.

\$ 15,405,000

**CITY OF COTTAGE GROVE, OREGON**

Notes to Financial Statements

June 30, 2013

**Note 8. - Long-Term Obligations, 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
2014	\$ 97,387	\$ 183,750	\$ 820,739	\$ 541,289
2015	94,667	191,654	793,074	571,140
2016	97,634	197,869	811,518	543,014
2017	100,229	200,586	848,405	509,815
2018	101,726	206,607	853,016	475,787
2019-2023	902,877	781,093	4,647,782	1,918,905
2024-2028	1,417,938	280,792	4,597,062	868,122
2029-2033	152,140	15,597	1,802,860	184,828
2034-2038	11,284	2,968	133,716	35,175
2039-2043	8,172	521	96,828	6,173
Total	\$ 2,984,054	\$ 2,061,437	\$ 15,405,000	\$ 5,654,248

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

During 1998-99 the City received a 15-year \$1,585,000 loan to remodel the City Shop. The loan is payable in semiannual installments of \$67,289, including interest at 4.22% per annum. The loan is secured by a City owned parcel of undeveloped land and proceeds from the sale of the old city shop.	65,779
Note payable obligation for optical and wireless networking equipment, secured by the asset, payable in monthly installments of \$63,046 including interest at an effective rate of 4.8% per annum, maturing in fiscal year 2023.	692,216
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.	11,811
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.	12,850
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>355,499</u>
Total notes and loans payable	<u>\$ 1,138,155</u>

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

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2014	\$ 164,487	\$ 35,192	\$ 199,679
2015	88,800	31,751	120,551
2016	83,705	30,128	113,833
2017	237,602	28,587	266,189
2018	36,238	26,809	63,047
2019-2023	209,725	105,509	315,234
2024-2028	266,750	48,484	315,234
2029-2033	50,848	1,559	52,407
Total	\$ 1,138,155	\$ 308,019	\$ 1,446,174

**CITY OF COTTAGE GROVE, OREGON**

Notes to Financial Statements

June 30, 2013

**Note 8. - Long-Term Obligations, 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. 306,042

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 2,349,621

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. 1,101,363

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. 70,650

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. 31,302

Total loans payable \$ 3,858,978

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
2014	\$ 210,248	\$ 184,497	\$ 394,745
2015	177,701	174,166	351,867
2016	156,794	167,192	323,986
2017	162,809	160,196	323,005
2018	167,500	152,927	320,427
2019-2023	972,035	640,926	1,612,961
2024-2028	1,163,905	381,112	1,545,017
2029-2033	781,078	150,030	931,108
2034-2038	66,908	8,065	74,973
Total	<u>\$ 3,858,978</u>	<u>\$ 2,019,111</u>	<u>\$ 5,878,089</u>

**CITY OF COTTAGE GROVE, OREGON**

Notes to Financial Statements

June 30, 2013

**Note 8. - Long-Term Obligations, continued**

**E. Current refundings**

On April 15, 2013, the City of Cottage Grove issued, through the Local Oregon Capital Assets Program, certificates of participation in the original principal amount of \$16,705,000 with an aggregate true interest rate of 3.59%. Proceeds were used to finance certain water, wastewater and storm drainage projects, as well as refund loans as shown below:

<u>Refinancings:</u>	<u>Source of Revenue</u>	<u>Principal Amount (1)</u>	<u>Percent of Principal</u>	<u>Amount Refunded</u>	<u>Gross Savings</u>	<u>NPV Savings</u>	<u>NPV Benefit of Refunded Principal</u>
Business Oregon Loan B95008A	Industrial Park Fund	\$ 130,000	0.78 %	\$ 127,875	\$ 6,144	\$ 8,138	6.36 %
Business Oregon Loan B95008B	Industrial Park Fund	160,000	0.96 %	162,653	27,441	23,977	14.74 %
CG - USDA Loan	Industrial Park Fund	615,000	3.68 %	607,769	99,321	60,097	9.89 %
DEQ Loan	Wastewater Reserve Fund - Surcharge Portion of the User Fee	6,675,000	39.96 %	7,184,034	182,691	114,916	1.65 %
Bank Loan	Wastewater Reserve Fund - Surcharge Portion of the User Fee	655,000	3.92 %	676,756	92,752	72,175	10.67 %
Business Oregon Loan S05001	Water Reserve Fund - Surcharge Portion of the User Fee	5,535,000	33.13 %	5,613,340	186,052	112,840	2.01 %
New Money:							
Water	Water Reserve Fund - Surcharge Portion of the User Fee	720,000	4.31 %				
Wastewater	Wastewater Reserve Fund - Surcharge Portion of the User Fee	555,000	3.32 %				
Storm Drainage	Storm Drainage Reserve Fund - Surcharge Portion of the User Fee	1,265,000	7.57 %				
Fiber Optics	General Reserve Fund	395,000	2.37 %				
	<b>Total</b>	<b><u>\$ 16,705,000</u></b>	<b><u>100.00 %</u></b>	<b><u>\$ 14,372,427</u></b>	<b><u>\$ 594,401</u></b>	<b><u>\$ 392,143</u></b>	

(1) Portion of the aggregate principal amount allocated to each refunding or new money project.

Additional information on the loans that were refinanced follows:

- On September 9, 1996, the City of Cottage Grove entered into two loans through Business Oregon in the original amount of \$431,667 ("Loan B95008A") and \$232,255 ("Loan B95008B"). Proceeds from Loan B95008A and Loan B95008B were used to finance a portion of the construction of an industrial park (the "Industrial Park"). Loan B95008A and Loan B95008B were called and redeemed on December 1, 2013. The final maturity for Loan B95008A would have been December 1, 2016 and the final maturity for Loan B95008B would have been December 1, 2021. The City of Cottage Grove repaid the outstanding principal of and accrued interest on the Loan B95008A and Loan B95008B with a portion of the proceeds of the 2013A certificates on the delivery date.
- On January 25, 2001, the City of Cottage Grove entered into a Rural Development loan through the United States Department of Agriculture in the original amount of \$700,000 ("CG-USDA Loan"). Proceeds from the CG-USDA Loan were used to finance additional construction at the Industrial Park. The USDA Loan was called and redeemed on January 25, 2014. The final maturity for the CG-USDA Loan would have been January 25, 2041. The City repaid the outstanding principal of and accrued interest on the CG-USDA Loan with a portion of the proceeds of the 2013A certificates on the delivery date.
- On December 19, 2003, the City of Cottage Grove entered into a wastewater loan through the Oregon Department of Environmental Quality in the original amount of \$9,261,399 ("DEQ Loan"). Proceeds from the DEQ Loan were used to help finance an upgrade to the City of Cottage Grove's wastewater treatment facility. The final maturity for the DEQ Loan would have been September 1, 2026. The City of Cottage Grove repaid the outstanding principal of and accrued interest on the DEQ Loan with a portion of the proceeds of the 2013A certificates on the delivery date.
- On December 19, 2006, the City of Cottage Grove entered into a loan from Siuslaw Bank in the original amount of \$850,000 ("Bank Loan"). Proceeds from the Bank Loan were used to help acquire the Middlefield Golf Course, a municipal golf course. The Bank Loan was called and redeemed on December 20, 2013. The final maturity for the Bank Loan would have been December 20, 2026. The City of Cottage Grove repaid the outstanding principal of and accrued interest on the Bank Loan with a portion of the proceeds of the 2013A certificates on the delivery date.
- On January 1, 2008 the City of Cottage Grove entered into a loan through Business Oregon in the original amount of \$6,270,000 ("Loan S05001"). Proceeds from the loan were used to finance improvements to the City of Cottage Grove's water treatment facilities and replacement of 7.5 miles of water transmission pipeline. The final maturity for Loan S05001 would have been December 1, 2027. The City repaid the outstanding principal of and accrued interest on Loan S05001 with a portion of the proceeds of the 2013A certificates on the delivery date.

As a result of the refunding, the City reduced its total debt service requirements by \$594,401, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$392,143.

**CITY OF COTTAGE GROVE, OREGON**

Notes to Financial Statements

June 30, 2013

**Note 9. - 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 web site 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 \$802,768 which included the union employee's portion for the year ended June 30, 2013. The City contributed 17.24% of covered payroll to PERS for the fiscal year ended June 30, 2013. For employees hired on or after August 29, 2003, the City's contribution rate was 17.68% for police and fire employees and 14.95% 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 benefiting 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, 2013, the City's annual pension payment was \$802,768. This was comprised of \$677,203 in employer contributions and \$125,565 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 \$1,040,847 at June 30, 2013. 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, 2013 is as follows:

Pension asset at June 30, 2012	\$ 1,110,236
Annual amortization	<u>(69,389)</u>
Pension asset at June 30, 2013	<u>\$ 1,040,847</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, 2013

**Note 9. - 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 8.0% in 2013 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, 2012.

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>
6/30/2013	\$802,767	100 %	\$1,040,847
6/30/2012	\$752,377	100 %	\$1,110,236
6/30/2011	\$625,719	100 %	\$1,179,625

**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>
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) %
2010	\$ 31,425,921	\$ 34,333,400	\$(2,907,479)	92 %	\$3,750,985	(78) %

**Note 10. - 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, 2013

**Note 11.- 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 12. - 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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental revenues	\$ 504,985	\$ 504,985	\$ 536,855	\$ 31,870
Charges for services	22,500	22,500	31,494	8,994
Property taxes	3,862,000	3,862,000	3,815,122	(46,878)
Franchise taxes	405,000	405,000	421,508	16,508
Licenses and permits	3,175	3,175	6,232	3,057
Fines and forfeitures	112,000	112,000	106,373	(5,627)
Investment earnings	15,000	15,000	22,555	7,555
Miscellaneous	128,800	128,800	195,319	66,519
Room tax	80,000	80,000	86,238	6,238
Administration and engineering fees	<u>530,845</u>	<u>530,845</u>	<u>427,220</u>	<u>(103,625)</u>
Total revenues	<u>5,664,305</u>	<u>5,664,305</u>	<u>5,648,916</u>	<u>(15,389)</u>
Expenditures:				
City Manager	265,680	265,680	264,146	1,534
City Attorney	65,000	65,000	63,111	1,889
Community development	617,623	617,623	545,660	71,963
City Council	35,300	35,300	32,529	2,771
Community center	144,945	144,945	140,489	4,456
Municipal court	100,225	100,225	92,559	7,666
Police operations	2,346,405	2,346,405	2,245,582	100,823
Municipal court support services	57,465	57,465	52,840	4,625
Youth peer court	25,650	25,650	21,700	3,950
Parks	333,965	333,965	275,787	58,178
Building maintenance	174,025	178,525	174,366	4,159
Community promotions	114,950	114,950	102,782	12,168
Engineering department	284,390	284,390	259,944	24,446
Finance	306,590	306,590	303,355	3,235
Library	372,340	372,340	351,799	20,541
Broadband services	420,175	420,175	398,590	21,585
Non-departmental	<u>452,673</u>	<u>448,173</u>	<u>119,764</u>	<u>328,409</u>
Total expenditures	<u>6,117,401</u>	<u>6,117,401</u>	<u>5,445,003</u>	<u>672,398</u>
Excess revenues over (under) expenditures	<u>(453,096)</u>	<u>(453,096)</u>	<u>203,913</u>	<u>657,009</u>
Other financing sources (uses):				
Donations	100	100	306	206
Issuance of debt	-	-	418,950	418,950
Insurance proceeds	-	-	4,200	4,200
Transfers out	<u>(746,804)</u>	<u>(746,804)</u>	<u>(627,101)</u>	<u>119,703</u>
Total other financing sources (uses)	<u>(746,704)</u>	<u>(746,704)</u>	<u>(203,645)</u>	<u>543,059</u>
Net change in fund balances	(1,199,800)	(1,199,800)	268	1,200,068
Fund Balance:				
Beginning of year	<u>1,199,800</u>	<u>1,199,800</u>	<u>1,514,668</u>	<u>314,868</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,514,936</u>	<u>\$ 1,514,936</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental revenues:				
State highway taxes	\$ 859,715	\$ 859,715	\$ 528,389	\$ (331,326)
Local fuels tax	300,000	300,000	343,817	43,817
Investment earnings	1,000	1,000	2,763	1,763
Miscellaneous	<u>1,500</u>	<u>1,500</u>	<u>6,888</u>	<u>5,388</u>
Total revenues	<u>1,162,215</u>	<u>1,162,215</u>	<u>881,857</u>	<u>(280,358)</u>
Expenditures:				
Street maintenance	482,965	482,965	436,720	46,245
Street sweeping	129,190	129,190	96,644	32,546
Non-departmental	89,405	89,405	87,354	2,051
Street Impr./Capital Purch.	606,290	606,290	97,354	508,936
Contingency	<u>156,875</u>	<u>156,875</u>	<u>-</u>	<u>156,875</u>
Total expenditures	<u>1,464,725</u>	<u>1,464,725</u>	<u>718,072</u>	<u>746,653</u>
Excess revenues over (under) expenditures	<u>(302,510)</u>	<u>(302,510)</u>	<u>163,785</u>	<u>466,295</u>
Other financing sources (uses):				
Transfers out	<u>(81,700)</u>	<u>(81,700)</u>	<u>(81,658)</u>	<u>42</u>
Total other financing sources (uses)	<u>(81,700)</u>	<u>(81,700)</u>	<u>(81,658)</u>	<u>42</u>
Net change in fund balances	(384,210)	(384,210)	82,127	466,337
Fund Balance:				
Beginning of year	<u>384,210</u>	<u>384,210</u>	<u>524,948</u>	<u>140,738</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 607,075</u>	<u>\$ 607,075</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.

#### **Debt Service Fund**

This fund accounts for the accumulation of resources for and payment of long-term debt principal and interest.

- **Urban Renewal Agency Debt Service Fund** – This fund is used to retire urban renewal bond principal and interest from property taxes.

## CITY OF COTTAGE GROVE, OREGON

### Other Governmental Funds

#### Nonmajor Governmental Funds (continued)

#### **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.
- **Urban Renewal Agency Capital Projects Fund** – This fund was established to administer the Cottage Grove Redevelopment Project. Major sources of revenue and other financing sources are bond proceeds and interest earnings. The Urban Renewal Agency is a component unit of the City of Cottage Grove.
- **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, 2013

	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	\$ 1,106,884	\$ 784,498	\$ 14,887	\$ 1,906,269
Accounts receivable	469	-	-	469
Notes receivable	18,744	-	-	18,744
Other current assets	3,566	-	-	3,566
Total assets	<u>\$ 1,129,663</u>	<u>\$ 784,498</u>	<u>\$ 14,887</u>	<u>\$ 1,929,048</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and other current liabilities	\$ 77,572	\$ 18,000	\$ 220	\$ 95,792
Interfund loan payable	135,100	-	-	135,100
Unearned revenue	18,744	-	-	18,744
Total liabilities	<u>231,416</u>	<u>18,000</u>	<u>220</u>	<u>249,636</u>
<b>Fund Balances</b>				
Nonspendable	22,310	-	3,000	25,310
Restricted	402,609	-	-	402,609
Committed	582,072	766,498	-	1,348,570
Assigned	-	-	11,667	11,667
Unassigned	(108,744)	-	-	(108,744)
Total fund balances	<u>898,247</u>	<u>766,498</u>	<u>14,667</u>	<u>1,679,412</u>
Total liabilities and fund balances	<u>\$ 1,129,663</u>	<u>\$ 784,498</u>	<u>\$ 14,887</u>	<u>\$ 1,929,048</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, 2013

	Total Nonmajor Special Revenue Funds	Urban Renewal Agency Debt Service Fund	Total Nonmajor Capital Projects Funds	Ed Jenks and Memorial Trees Permanent Fund	Total Nonmajor Governmental Funds
<b>Revenues:</b>					
Intergovernmental revenues	\$ 143,053	\$ -	\$ -	\$ -	\$ 143,053
Charges for services	253,918	-	-	-	253,918
Special assessments	-	-	80,244	-	80,244
Interest	5,851	310	5,334	53	11,548
Miscellaneous	<u>28,767</u>	-	<u>208</u>	-	<u>28,975</u>
Total Revenues	<u>431,589</u>	<u>310</u>	<u>85,786</u>	<u>53</u>	<u>517,738</u>
<b>Expenditures:</b>					
Current:					
General government	-	-	47,197	-	47,197
Public safety	600,556	-	721,875	-	1,322,431
Highways and streets	170	-	1,550	-	1,720
Culture and recreation	-	-	1,910	-	1,910
Community development	252,208	-	-	5,427	257,635
Capital outlay	52,778	-	104,345	-	157,123
Debt service:					
Principal payments	53,257	87,655	-	-	140,912
Interest	50,128	15	-	-	50,143
Loan fees	-	750	-	-	750
Total Expenditures	<u>1,009,097</u>	<u>88,420</u>	<u>876,877</u>	<u>5,427</u>	<u>1,979,821</u>
Revenues over (under) expenditures	<u>(577,508)</u>	<u>(88,110)</u>	<u>(791,091)</u>	<u>(5,374)</u>	<u>(1,462,083)</u>
<b>Other financing sources (uses)</b>					
Donations	-	-	-	15,092	15,092
Issuance of debt	-	-	87,655	-	87,655
Transfers in	434,955	-	100,000	-	534,955
Transfers out	<u>(12,354)</u>	-	<u>(26,916)</u>	-	<u>(39,270)</u>
Total other financing sources (uses)	<u>422,601</u>	<u>-</u>	<u>160,739</u>	<u>15,092</u>	<u>598,432</u>
Net change in fund balance	(154,907)	(88,110)	(630,352)	9,718	(863,651)
Fund balance at beginning of year	<u>1,053,154</u>	<u>88,110</u>	<u>1,396,850</u>	<u>4,949</u>	<u>2,543,063</u>
Fund balance at end of year	<u>\$ 898,247</u>	<u>\$ -</u>	<u>\$ 766,498</u>	<u>\$ 14,667</u>	<u>\$ 1,679,412</u>

**CITY OF COTTAGE GROVE, OREGON**

Nonmajor Special Revenue Funds

Combining Balance Sheet

June 30, 2013

	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	\$ 151,690	\$ 41,668	\$ 25,887	\$ 449,126	\$ 157,040	\$ 40,345	\$ 241,128	\$ 1,106,884
Accounts receivable	-	-	469	-	-	-	-	469
Notes receivable	-	-	-	18,744	-	-	-	18,744
Other current assets	-	-	-	-	3,566	-	-	3,566
<b>Total assets</b>	<b>\$ 151,690</b>	<b>\$ 41,668</b>	<b>\$ 26,356</b>	<b>\$ 467,870</b>	<b>\$ 160,606</b>	<b>\$ 40,345</b>	<b>\$ 241,128</b>	<b>\$ 1,129,663</b>
<b>Liabilities</b>								
Accounts payable and other current liabilities	\$ -	\$ 41,594	\$ -	\$ -	\$ 1,747	\$ 34,206	\$ 25	\$ 77,572
Due to other funds	-	-	135,100	-	-	-	-	135,100
Unearned revenue	-	-	-	18,744	-	-	-	18,744
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ 41,594</b>	<b>\$ 135,100</b>	<b>\$ 18,744</b>	<b>\$ 1,747</b>	<b>\$ 34,206</b>	<b>\$ 25</b>	<b>\$ 231,416</b>
<b>Fund Balance</b>								
Nonspendable	-	-	-	18,744	3,566	-	-	22,310
Restricted	-	74	-	-	155,293	6,139	241,103	402,609
Committed	151,690	-	-	430,382	-	-	-	582,072
Unassigned	-	-	(108,744)	-	-	-	-	(108,744)
<b>Total Fund Balances</b>	<b>\$ 151,690</b>	<b>\$ 74</b>	<b>\$ (108,744)</b>	<b>\$ 449,126</b>	<b>\$ 158,859</b>	<b>\$ 6,139</b>	<b>\$ 241,103</b>	<b>\$ 898,247</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 151,690</b>	<b>\$ 41,668</b>	<b>\$ 26,356</b>	<b>\$ 467,870</b>	<b>\$ 160,606</b>	<b>\$ 40,345</b>	<b>\$ 241,128</b>	<b>\$ 1,129,663</b>

**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, 2013

	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	\$ -	\$ 137,716	\$ 5,337	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 143,053
Charges for services	-	-	-	-	-	253,918	-	-	253,918
Interest	789	109	136	2,337	867	93	1,520	5,851	5,851
Miscellaneous	-	-	-	-	28,635	132	-	-	28,767
Total Revenues	789	137,825	5,473	2,337	29,502	254,143	1,520	1,520	431,589
<b>Expenditures:</b>									
Current:									
Public safety	-	591,452	-	-	9,104	-	-	-	600,556
Highways and streets	-	-	170	-	-	-	-	-	170
Community development	-	-	-	-	-	247,360	4,848	-	252,208
Debt Service:									
Principal payments	-	-	-	-	-	-	53,257	-	53,257
Interest	-	-	-	-	-	-	50,128	-	50,128
Capital outlay	-	-	4,224	-	48,554	-	-	-	52,778
Total Expenditures	-	591,452	4,394	-	57,658	247,360	108,233	108,233	1,009,097
Revenues over (under) expenditures	789	(453,627)	1,079	2,337	(28,156)	6,783	(106,713)	(106,713)	(577,508)
<b>Transfers:</b>									
Transfers in	-	415,655	19,300	-	-	-	-	-	434,955
Transfers out	-	(9,840)	-	-	(1,296)	(1,218)	-	-	(12,354)
Net Transfers	-	405,815	19,300	-	(1,296)	(1,218)	-	-	422,601
Net change in fund balance	789	(47,812)	20,379	2,337	(29,452)	5,565	(106,713)	(106,713)	(154,907)
Beginning fund balance	150,901	47,886	(129,123)	446,789	188,311	574	347,816	347,816	1,053,154
Ending fund balance	\$ 151,690	\$ 74	\$ (108,744)	\$ 449,126	\$ 158,859	\$ 6,139	\$ 241,103	\$ 241,103	\$ 898,247

**CITY OF COTTAGE GROVE, OREGON**

Nonmajor Capital Project Funds

Combining Balance Sheet

June 30, 2013

	<u>Street Systems Development Fund</u>	<u>Parks Systems Development Fund</u>	<u>Urban Renewal Agency Capital Projects Fund</u>	<u>General Reserve Fund</u>	<u>Total Nonmajor Capital Projects Funds</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 625,040	\$ 90,426	\$ -	\$ 69,032	\$ 784,498
Total assets	<u>\$ 625,040</u>	<u>\$ 90,426</u>	<u>\$ -</u>	<u>\$ 69,032</u>	<u>\$ 784,498</u>
<b>Liabilities</b>					
Accounts payable and other current liabilities	\$ -	\$ -	\$ -	\$ 18,000	\$ 18,000
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,000</u>	<u>18,000</u>
<b>Fund Balance</b>					
Committed	<u>625,040</u>	<u>90,426</u>	<u>-</u>	<u>51,032</u>	<u>766,498</u>
Total Fund Balance	<u>625,040</u>	<u>90,426</u>	<u>-</u>	<u>51,032</u>	<u>766,498</u>
Total Liabilities and Fund Balances	<u>\$ 625,040</u>	<u>\$ 90,426</u>	<u>\$ -</u>	<u>\$ 69,032</u>	<u>\$ 784,498</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, 2013

	<u>Street Systems Development Fund</u>	<u>Parks Systems Development Fund</u>	<u>Urban Renewal Agency Capital Projects Fund</u>	<u>General Reserve Fund</u>	<u>Total Nonmajor Capital Projects Funds</u>
<b>Revenues:</b>					
Special assessments	\$ 43,867	\$ 36,377	\$ -	\$ -	\$ 80,244
Investment earnings	3,118	341	1,504	371	5,334
Miscellaneous	-	-	-	208	208
<b>Total Revenues</b>	<u>46,985</u>	<u>36,718</u>	<u>1,504</u>	<u>579</u>	<u>85,786</u>
<b>Expenditures:</b>					
General government	-	-	-	47,197	47,197
Public safety	-	-	721,875	-	721,875
Highways and streets	1,550	-	-	-	1,550
Culture and recreation	-	1,910	-	-	1,910
Capital outlay	-	-	-	104,345	104,345
<b>Total Expenditures</b>	<u>1,550</u>	<u>1,910</u>	<u>721,875</u>	<u>151,542</u>	<u>876,877</u>
Revenues over (under) expenditures	45,435	34,808	(720,371)	(150,963)	(791,091)
<b>Other financing sources (uses)</b>					
Transfers in	-	-	-	100,000	100,000
Transfers out	-	-	-	(26,916)	(26,916)
Issuance of debt	-	-	87,655	-	87,655
<b>Net change in fund balance</b>	45,435	34,808	(632,716)	(77,879)	(630,352)
Beginning fund balance	<u>579,605</u>	<u>55,618</u>	<u>632,716</u>	<u>128,911</u>	<u>1,396,850</u>
<b>Ending fund balance</b>	<u>\$ 625,040</u>	<u>\$ 90,426</u>	<u>\$ -</u>	<u>\$ 51,032</u>	<u>\$ 766,498</u>

**CITY OF COTTAGE GROVE, OREGON**

General Fund

Schedule of Expenditures - By Department

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
City Manager:				
Personal services	\$ 240,680	\$ 240,680	\$ 247,193	\$ (6,513)
Materials and services	<u>25,000</u>	<u>25,000</u>	<u>16,953</u>	<u>8,047</u>
Subtotal***	<u>265,680</u>	<u>265,680</u>	<u>264,146</u>	<u>1,534</u>
City Attorney:				
Materials and services	<u>65,000</u>	<u>65,000</u>	<u>63,111</u>	<u>1,889</u>
Subtotal***	<u>65,000</u>	<u>65,000</u>	<u>63,111</u>	<u>1,889</u>
Community development:				
Personal services	289,665	289,665	283,719	5,946
Materials and services	320,958	320,958	261,941	59,017
Capital outlay	<u>7,000</u>	<u>7,000</u>	<u>-</u>	<u>7,000</u>
Subtotal***	<u>617,623</u>	<u>617,623</u>	<u>545,660</u>	<u>71,963</u>
City Council:				
Materials and services	<u>35,300</u>	<u>35,300</u>	<u>32,529</u>	<u>2,771</u>
Subtotal***	<u>35,300</u>	<u>35,300</u>	<u>32,529</u>	<u>2,771</u>
Community center:				
Personal services	119,920	119,920	117,907	2,013
Materials and services	<u>25,025</u>	<u>25,025</u>	<u>22,582</u>	<u>2,443</u>
Subtotal***	<u>144,945</u>	<u>144,945</u>	<u>140,489</u>	<u>4,456</u>
Municipal court:				
Personal services	79,795	79,795	75,385	4,410
Materials and services	<u>20,430</u>	<u>20,430</u>	<u>17,174</u>	<u>3,256</u>
Subtotal***	<u>100,225</u>	<u>100,225</u>	<u>92,559</u>	<u>7,666</u>
Police operations:				
Personal services	1,973,325	1,973,325	1,922,218	51,107
Materials and services	337,475	337,475	300,952	36,523
Capital outlay	26,750	26,750	13,560	13,190
Principal payments	8,170	8,170	8,164	6
Interest	<u>685</u>	<u>685</u>	<u>688</u>	<u>(3)</u>
Subtotal***	<u>2,346,405</u>	<u>2,346,405</u>	<u>2,245,582</u>	<u>100,823</u>
Municipal court support services:				
Material and services	<u>57,465</u>	<u>57,465</u>	<u>52,840</u>	<u>4,625</u>
Subtotal***	<u>57,465</u>	<u>57,465</u>	<u>52,840</u>	<u>4,625</u>
Youth peer court:				
Personal services	22,400	22,400	20,164	2,236
Materials and services	<u>3,250</u>	<u>3,250</u>	<u>1,536</u>	<u>1,714</u>
Subtotal***	<u>25,650</u>	<u>25,650</u>	<u>21,700</u>	<u>3,950</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Parks:				
Personal services	96,185	96,185	81,674	14,511
Materials and services	37,780	37,780	38,873	(1,093)
Capital outlay	<u>200,000</u>	<u>200,000</u>	<u>155,240</u>	<u>44,760</u>
Subtotal***	<u>333,965</u>	<u>333,965</u>	<u>275,787</u>	<u>58,178</u>
Building maintenance:				
Personal services	103,355	103,355	100,144	3,211
Materials and services	<u>70,670</u>	<u>75,170</u>	<u>74,222</u>	<u>948</u>
Subtotal***	<u>174,025</u>	<u>178,525</u>	<u>174,366</u>	<u>4,159</u>
Community promotions:				
Materials and services	<u>114,950</u>	<u>114,950</u>	<u>102,782</u>	<u>12,168</u>
Subtotal***	<u>114,950</u>	<u>114,950</u>	<u>102,782</u>	<u>12,168</u>
Engineering department:				
Personal services	247,690	247,690	241,526	6,164
Materials and services	<u>36,700</u>	<u>36,700</u>	<u>18,418</u>	<u>18,282</u>
Subtotal***	<u>284,390</u>	<u>284,390</u>	<u>259,944</u>	<u>24,446</u>
Finance:				
Personal services	256,050	256,050	237,873	18,177
Materials and services	<u>50,540</u>	<u>50,540</u>	<u>65,482</u>	<u>(14,942)</u>
Subtotal***	<u>306,590</u>	<u>306,590</u>	<u>303,355</u>	<u>3,235</u>
Library:				
Personal services	312,540	312,540	298,889	13,651
Materials and services	<u>59,800</u>	<u>59,800</u>	<u>52,910</u>	<u>6,890</u>
Subtotal***	<u>372,340</u>	<u>372,340</u>	<u>351,799</u>	<u>20,541</u>
Broadband services:				
Personal services	5,655	5,655	4,659	996
Material and services	240,650	240,650	223,260	17,390
Capital outlay	3,500	3,500	310	3,190
Principal payments	130,850	130,850	130,765	85
Interest	<u>39,520</u>	<u>39,520</u>	<u>39,596</u>	<u>(76)</u>
Subtotal***	<u>420,175</u>	<u>420,175</u>	<u>398,590</u>	<u>21,585</u>
Non-departmental:				
Materials and services	93,300	113,300	100,014	13,286
Debt service				
Principal payments	19,750	19,750	19,750	-
Contingency	<u>339,623</u>	<u>315,123</u>	<u>-</u>	<u>315,123</u>
Subtotal***	<u>452,673</u>	<u>448,173</u>	<u>119,764</u>	<u>328,409</u>
Total expenditures	<u>6,117,401</u>	<u>6,117,401</u>	<u>5,445,003</u>	<u>672,398</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Interest	\$ 15	\$ 15	\$ 20	\$ 5
Expenditures:				
Debt service				
Principal payments	1,352,996	1,352,996	1,039,964	313,032
Interest	869,646	869,646	844,127	25,519
Contingency	<u>3,315</u>	<u>3,315</u>	-	<u>3,315</u>
Total expenditures	<u>2,225,957</u>	<u>2,225,957</u>	<u>1,884,091</u>	<u>341,866</u>
Excess revenues under expenditures	(2,225,942)	(2,225,942)	(1,884,071)	341,871
Other financing sources (uses):				
Transfers	<u>2,222,642</u>	<u>2,222,642</u>	<u>1,883,578</u>	<u>(339,064)</u>
Net change in fund balances	(3,300)	(3,300)	(493)	2,807
Fund Balance:				
Beginning of year	<u>3,300</u>	<u>3,300</u>	<u>3,352</u>	<u>52</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,859</u>	<u>\$ 2,859</u>

Budgeted debt service transfers from proprietary funds and related principal and interest payments are eliminated on the GAAP basis.

**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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Interest	\$ 650	\$ 650	\$ 789	\$ 139
Expenditures:				
Materials and services	156,860	156,860	-	156,860
Capital outlay	<u>980,330</u>	<u>980,330</u>	<u>-</u>	<u>980,330</u>
Total expenditures	<u>1,137,190</u>	<u>1,137,190</u>	<u>-</u>	<u>1,137,190</u>
Excess revenues over (under) expenditures	<u>(1,136,540)</u>	<u>(1,136,540)</u>	<u>789</u>	<u>1,137,329</u>
Other financing sources (uses):				
Loan proceeds	<u>985,800</u>	<u>985,800</u>	<u>-</u>	<u>(985,800)</u>
Net change in fund balances	(150,740)	(150,740)	789	(151,529)
Fund Balance:				
Beginning of year	<u>150,740</u>	<u>150,740</u>	<u>150,901</u>	<u>161</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151,690</u>	<u>\$ 151,690</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental:				
State of Oregon - 911 telephone tax	\$ 89,919	\$ 89,919	\$ 89,919	\$ -
911 service contract	47,797	47,797	47,797	-
Interest	<u>25</u>	<u>25</u>	<u>109</u>	<u>84</u>
Total revenues	<u>137,741</u>	<u>137,741</u>	<u>137,825</u>	<u>84</u>
Expenditures:				
Police support services	398,065	398,065	362,891	35,174
911 services	<u>245,437</u>	<u>245,437</u>	<u>228,561</u>	<u>16,876</u>
Total expenditures	<u>643,502</u>	<u>643,502</u>	<u>591,452</u>	<u>52,050</u>
Excess revenues under expenditures	<u>(505,761)</u>	<u>(505,761)</u>	<u>(453,627)</u>	<u>52,134</u>
Other financing sources (uses):				
Transfers in	415,655	415,655	415,655	-
Transfers out	<u>(9,894)</u>	<u>(9,894)</u>	<u>(9,840)</u>	<u>54</u>
Total other financing sources (uses)	<u>405,761</u>	<u>405,761</u>	<u>405,815</u>	<u>54</u>
Net change in fund balances	(100,000)	(100,000)	(47,812)	52,188
Fund Balance:				
Beginning of year	<u>100,000</u>	<u>100,000</u>	<u>47,886</u>	<u>(52,114)</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74</u>	<u>\$ 74</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental:				
State highway apportionment	\$ 4,775	\$ 4,775	\$ 5,337	\$ 562
Interest	<u>50</u>	<u>50</u>	<u>136</u>	<u>86</u>
Total revenues	<u>4,825</u>	<u>4,825</u>	<u>5,473</u>	<u>648</u>
Expenditures:				
Materials and services	2,170	2,170	170	2,000
Capital outlay	11,000	11,000	4,224	6,776
Contingency	<u>10,370</u>	<u>10,370</u>	<u>-</u>	<u>10,370</u>
Total expenditures	<u>23,540</u>	<u>23,540</u>	<u>4,394</u>	<u>19,146</u>
Excess revenues over (under) expenditures	<u>(18,715)</u>	<u>(18,715)</u>	<u>1,079</u>	<u>19,794</u>
Other financing sources (uses):				
Transfers in	19,300	19,300	19,300	-
Interfund loan payment	<u>(19,300)</u>	<u>(19,300)</u>	<u>(19,300)</u>	<u>-</u>
Net change in fund balances	<u>(18,715)</u>	<u>(18,715)</u>	<u>1,079</u>	<u>19,794</u>
Fund Balance:				
Beginning of year	<u>18,715</u>	<u>18,715</u>	<u>25,277</u>	<u>6,562</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>26,356</u>	<u>\$ 26,356</u>
Reconciliation to GAAP Basis:				
Interfund loan			<u>(135,100)</u>	
GAAP Fund Balance - end of year			<u>\$ (108,744)</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Interest	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ 2,337</u>	<u>\$ 837</u>
Expenditures:				
Materials and services	<u>447,500</u>	<u>447,500</u>	<u>-</u>	<u>447,500</u>
Total expenditures	<u>447,500</u>	<u>447,500</u>	<u>-</u>	<u>447,500</u>
Net change in fund balances	<u>(446,000)</u>	<u>(446,000)</u>	<u>2,337</u>	<u>448,337</u>
Fund Balance:				
Beginning of year	<u>446,000</u>	<u>446,000</u>	<u>446,789</u>	<u>789</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 449,126</u>	<u>\$ 449,126</u>

**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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Interest	\$ 600	\$ 600	\$ 867	\$ 267
Miscellaneous	-	-	28,635	28,635
Total revenues	<u>600</u>	<u>600</u>	<u>29,502</u>	<u>28,902</u>
Expenditures:				
Personal services	16,280	16,280	1,216	15,064
Materials and services	43,033	43,033	7,888	35,145
Capital outlay	52,000	52,000	48,554	3,446
Contingency	<u>65,084</u>	<u>65,084</u>	-	<u>65,084</u>
Total expenditures	<u>176,397</u>	<u>176,397</u>	<u>57,658</u>	<u>118,739</u>
Excess revenues under expenditures	<u>(175,797)</u>	<u>(175,797)</u>	<u>(28,156)</u>	<u>147,641</u>
Other financing sources (uses):				
Transfers out	<u>(1,303)</u>	<u>(1,303)</u>	<u>(1,296)</u>	<u>7</u>
Net change in fund balances	<u>(177,100)</u>	<u>(177,100)</u>	<u>(29,452)</u>	<u>147,648</u>
Fund Balance:				
Beginning of year	<u>177,100</u>	<u>177,100</u>	<u>188,311</u>	<u>11,211</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 158,859</u>	<u>\$ 158,859</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 315,000	\$ 315,000	\$ 253,918	\$ (61,082)
Interest	-	-	93	93
Miscellaneous	-	-	132	132
Total revenues	<u>315,000</u>	<u>315,000</u>	<u>254,143</u>	<u>(60,857)</u>
Expenditures:				
Personal services	59,160	59,160	27,022	32,138
Materials and services	<u>288,710</u>	<u>288,710</u>	<u>220,338</u>	<u>68,372</u>
Total expenditures	<u>347,870</u>	<u>347,870</u>	<u>247,360</u>	<u>100,510</u>
Excess revenues over (under) expenditures	<u>(32,870)</u>	<u>(32,870)</u>	<u>6,783</u>	<u>39,653</u>
Other financing sources (uses):				
Transfers in	34,095	34,095	-	(34,095)
Transfers out	<u>(1,225)</u>	<u>(1,225)</u>	<u>(1,218)</u>	<u>7</u>
Net change in fund balances	-	-	5,565	5,565
Fund Balance:				
Beginning of year	<u>-</u>	<u>-</u>	<u>574</u>	<u>574</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,139</u>	<u>\$ 6,139</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Investment earnings	\$ 3,600	\$ 3,600	\$ 1,520	\$ (2,080)
Total revenues	<u>3,600</u>	<u>3,600</u>	<u>1,520</u>	<u>(2,080)</u>
Expenditures:				
Materials and services	65,500	65,500	4,848	60,652
Debt service:				
Principal payments	53,260	53,260	53,257	3
Interest	50,130	50,130	50,128	2
Contingency	<u>297,710</u>	<u>297,710</u>	<u>-</u>	<u>297,710</u>
Total expenditures	<u>466,600</u>	<u>466,600</u>	<u>108,233</u>	<u>358,367</u>
Net change in fund balances	(463,000)	(463,000)	(106,713)	356,287
Fund Balance:				
Beginning of year	<u>463,000</u>	<u>463,000</u>	<u>347,816</u>	<u>(115,184)</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 241,103</u>	<u>\$ 241,103</u>



**CITY OF COTTAGE GROVE, OREGON**  
Urban Renewal Agency Debt Service Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Interest	\$ 360	\$ 360	\$ 310	\$ (50)
Expenditures:				
Debt service				
Principal payments	87,075	87,075	87,655	(580)
Interest	<u>80</u>	<u>80</u>	<u>15</u>	<u>65</u>
Total expenditures	<u>87,155</u>	<u>87,155</u>	<u>87,670</u>	<u>(515)</u>
Excess revenues under expenditures	(86,795)	(86,795)	(87,360)	(565)
Other financing sources (uses):				
Loan fees	<u>(1,250)</u>	<u>(1,250)</u>	<u>(750)</u>	<u>500</u>
Net change in fund balances	(88,045)	(88,045)	(88,110)	65
Fund Balance:				
Beginning of year	<u>88,045</u>	<u>88,045</u>	<u>88,110</u>	<u>65</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Special assessments	\$ 20,000	\$ 20,000	\$ 43,867	\$ 23,867
Interest	<u>1,800</u>	<u>1,800</u>	<u>3,118</u>	<u>1,318</u>
Total revenues	<u>21,800</u>	<u>21,800</u>	<u>46,985</u>	<u>25,185</u>
Expenditures:				
Materials and services	171,755	171,755	1,550	170,205
Capital outlay	<u>428,475</u>	<u>428,475</u>	<u>-</u>	<u>428,475</u>
Total expenditures	<u>600,230</u>	<u>600,230</u>	<u>1,550</u>	<u>598,680</u>
Net change in fund balances	(578,430)	(578,430)	45,435	623,865
Fund Balance:				
Beginning of year	<u>578,430</u>	<u>578,430</u>	<u>579,605</u>	<u>1,175</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 625,040</u>	<u>\$ 625,040</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Special assessments	\$ 4,500	\$ 4,500	\$ 36,377	\$ 31,877
Interest	200	200	341	141
Total revenues	<u>4,700</u>	<u>4,700</u>	<u>36,718</u>	<u>32,018</u>
Expenditures:				
Materials and services	1,910	1,910	1,910	-
Capital outlay	<u>63,445</u>	<u>63,445</u>	<u>-</u>	<u>63,445</u>
Total expenditures	<u>65,355</u>	<u>65,355</u>	<u>1,910</u>	<u>63,445</u>
Net change in fund balances	(60,655)	(60,655)	34,808	95,463
Fund Balance:				
Beginning of year	<u>60,655</u>	<u>60,655</u>	<u>55,618</u>	<u>(5,037)</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,426</u>	<u>\$ 90,426</u>

**CITY OF COTTAGE GROVE, OREGON**

Urban Renewal Agency Capital Projects Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Interest	\$ 1,510	\$ 1,510	\$ 1,504	\$ (6)
Expenditures:				
Materials and services	97,301	97,301	97,298	3
Capital outlay	<u>624,580</u>	<u>624,580</u>	<u>624,577</u>	<u>3</u>
Total expenditures	<u>721,881</u>	<u>721,881</u>	<u>721,875</u>	<u>6</u>
Excess revenues under expenditures	(720,371)	(720,371)	(720,371)	-
Other financing sources (uses):				
Issuance of debt	<u>87,655</u>	<u>87,655</u>	<u>87,655</u>	<u>-</u>
Net change in fund balances	(632,716)	(632,716)	(632,716)	-
Fund Balance:				
Beginning of year	<u>632,716</u>	<u>632,716</u>	<u>632,716</u>	<u>-</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Interest	\$ 25	\$ 25	\$ 371	\$ 346
Miscellaneous	<u>-</u>	<u>-</u>	<u>208</u>	<u>208</u>
Total revenues	<u>25</u>	<u>25</u>	<u>579</u>	<u>554</u>
Expenditures:				
Materials and services	115,000	115,000	47,197	67,803
Capital outlay	<u>119,415</u>	<u>119,415</u>	<u>104,345</u>	<u>15,070</u>
Total expenditures	<u>234,415</u>	<u>234,415</u>	<u>151,542</u>	<u>82,873</u>
Excess revenues under expenditures	<u>(234,390)</u>	<u>(234,390)</u>	<u>(150,963)</u>	<u>83,427</u>
Other financing sources (uses):				
Transfers in	185,000	185,000	100,000	(85,000)
Transfers out	<u>(26,920)</u>	<u>(26,920)</u>	<u>(26,916)</u>	<u>4</u>
Total other financing sources (uses)	<u>158,080</u>	<u>158,080</u>	<u>73,084</u>	<u>(84,996)</u>
Net change in fund balances	(76,310)	(76,310)	(77,879)	(1,569)
Fund Balance:				
Beginning of year	<u>76,310</u>	<u>76,310</u>	<u>128,911</u>	<u>52,601</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,032</u>	<u>\$ 51,032</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Interest	\$ 20	\$ 20	\$ 53	\$ 33
Expenditures:				
Materials and services	9,068	15,718	5,427	10,291
Capital outlay	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total expenditures	<u>14,068</u>	<u>20,718</u>	<u>5,427</u>	<u>15,291</u>
Excess revenues under expenditures	<u>(14,048)</u>	<u>(20,698)</u>	<u>(5,374)</u>	<u>15,324</u>
Other financing sources (uses):				
Donations	<u>13,000</u>	<u>19,650</u>	<u>15,092</u>	<u>(4,558)</u>
Net change in fund balances	(1,048)	(1,048)	9,718	10,766
Fund Balance:				
Beginning of year	<u>1,048</u>	<u>1,048</u>	<u>4,949</u>	<u>3,901</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,667</u>	<u>\$ 14,667</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, 2013

	<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	\$ 461,427	\$ 200,065	\$ 888,339	\$ 1,549,831
Receivables - net	147,972	-	107,718	255,690
Inventories	<u>145,760</u>	<u>-</u>	<u>-</u>	<u>145,760</u>
 Total current assets	 <u>755,159</u>	 <u>200,065</u>	 <u>996,057</u>	 <u>1,951,281</u>
Noncurrent assets:				
Capital assets not being depreciated	191,881	-	-	191,881
Capital assets net of accumulated depreciation	<u>14,368,388</u>	<u>-</u>	<u>-</u>	<u>14,368,388</u>
 Total noncurrent assets	 <u>14,560,269</u>	 <u>-</u>	 <u>-</u>	 <u>14,560,269</u>
 Total assets	 <u>\$ 15,315,428</u>	 <u>\$ 200,065</u>	 <u>\$ 996,057</u>	 <u>\$ 16,511,550</u>
 <b>Liabilities and Net Position</b>				
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and other current liabilities	\$ 117,380	\$ -	\$ 16,769	\$ 134,149
Deposits	44,843	-	-	44,843
Accrued interest payable	97,527	-	-	97,527
Compensated absences	57,125	-	-	57,125
Current portion of long-term debt	<u>125,414</u>	<u>-</u>	<u>280,000</u>	<u>405,414</u>
 Total current liabilities	 442,289	 -	 296,769	 739,058
Noncurrent liabilities				
Noncurrent portion of long-term debt	<u>3,325,570</u>	<u>-</u>	<u>6,269,814</u>	<u>9,595,384</u>
 Total Liabilities	 <u>3,767,859</u>	 <u>-</u>	 <u>6,566,583</u>	 <u>10,334,442</u>
 <b>Net Position</b>				
Net investment in capital assets	11,109,285	-	(6,549,814)	4,559,471
Restricted for:				
System development	-	200,065	-	200,065
Unrestricted	<u>438,284</u>	<u>-</u>	<u>979,288</u>	<u>1,417,572</u>
 Total Net Position	 <u>11,547,569</u>	 <u>200,065</u>	 <u>(5,570,526)</u>	 <u>6,177,108</u>
 Total Liabilities and Net Position	 <u>\$ 15,315,428</u>	 <u>\$ 200,065</u>	 <u>\$ 996,057</u>	 <u>\$ 16,511,550</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, 2013

	<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	\$ 1,499,718	\$ -	\$ 1,171,640	\$ 2,671,358
Miscellaneous	<u>15,401</u>	<u>-</u>	<u>233</u>	<u>15,634</u>
Total Operating Revenues	<u>1,515,119</u>	<u>-</u>	<u>1,171,873</u>	<u>2,686,992</u>
<b>Operating Expenses</b>				
Cost of sales and services	457,275	760	205,756	663,791
Administration	963,959	-	-	963,959
Depreciation	<u>436,911</u>	<u>-</u>	<u>-</u>	<u>436,911</u>
Total Operating Expenses	<u>1,858,145</u>	<u>760</u>	<u>205,756</u>	<u>2,064,661</u>
Operating Income (Loss)	<u>(343,026)</u>	<u>(760)</u>	<u>966,117</u>	<u>622,331</u>
<b>Non-operating revenues (expenses)</b>				
Investment earnings	2,460	570	2,849	5,879
Interest expense	<u>(493,464)</u>	<u>-</u>	<u>-</u>	<u>(493,464)</u>
Total non-operating revenues (expenses)	<u>(491,004)</u>	<u>570</u>	<u>2,849</u>	<u>(487,585)</u>
Income (loss) before capital contributions and transfers	(834,030)	(190)	968,966	134,746
Capital contributions				
Developer donations (capitalized)	41,183	-	-	41,183
System development charges	-	153,968	-	153,968
Transfers in (out)	<u>7,290,961</u>	<u>(10,529)</u>	<u>(7,280,432)</u>	<u>-</u>
Change in Net Position	6,498,114	143,249	(6,311,466)	329,897
Beginning Net Position	<u>5,049,455</u>	<u>56,816</u>	<u>740,940</u>	<u>5,847,211</u>
Ending Net Position	<u>\$ 11,547,569</u>	<u>\$ 200,065</u>	<u>\$ (5,570,526)</u>	<u>\$ 6,177,108</u>

**CITY OF COTTAGE GROVE, OREGON**

Water Operations Combined

Combining Statement of Cash Flows

For the Year Ended June 30, 2013

	<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	\$ 1,516,269	\$ -	\$ 1,138,754	\$ 2,655,023
Cash payments to employees	(578,643)	-	-	(578,643)
Cash payments to suppliers for goods and services	<u>(818,817)</u>	<u>(760)</u>	<u>(190,178)</u>	<u>(1,009,755)</u>
Net cash provided (used) by operating activities	<u>118,809</u>	<u>(760)</u>	<u>948,576</u>	<u>1,066,625</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers in	7,290,961	-	-	7,290,961
Transfers out	<u>-</u>	<u>(10,529)</u>	<u>(7,280,432)</u>	<u>(7,290,961)</u>
Net cash provided (used) by noncapital financing activities	<u>7,290,961</u>	<u>(10,529)</u>	<u>(7,280,432)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(802,863)	-	-	(802,863)
Principal paid on capital debt	(5,963,271)	-	(4,060)	(5,967,331)
Interest paid on capital debt	(613,648)	-	-	(613,648)
Issuance of debt	-	-	6,547,816	6,547,816
System development charges	<u>-</u>	<u>153,968</u>	<u>-</u>	<u>153,968</u>
Net cash provided (used) by capital and related financing activities	<u>(7,379,782)</u>	<u>153,968</u>	<u>6,543,756</u>	<u>(682,058)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income	<u>2,460</u>	<u>570</u>	<u>2,849</u>	<u>5,879</u>
Net change in cash and investments	32,448	143,249	214,749	390,446
Cash and investments:				
Cash at beginning of year	<u>428,979</u>	<u>56,816</u>	<u>673,590</u>	<u>1,159,385</u>
Cash at end of year	<u>\$ 461,427</u>	<u>\$ 200,065</u>	<u>\$ 888,339</u>	<u>\$ 1,549,831</u>

**CITY OF COTTAGE GROVE, OREGON**

Water Operations Combined

Combining Statement of Cash Flows, continued

For the Year Ended June 30, 2013

	<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)	\$ (343,026)	\$ (760)	\$ 966,117	\$ 622,331
Adjustments:				
Depreciation	436,911	-	-	436,911
(Increase) decrease in assets:				
Receivables - net	1,149	-	(33,119)	(31,970)
Inventories	(522)	-	-	(522)
Increase (decrease) in liabilities:				
Deposits	3,015	-	-	3,015
Accounts payable and other current liabilities	21,281	-	15,579	36,860
	<u>21,281</u>	<u>-</u>	<u>15,579</u>	<u>36,860</u>
Net cash provided (used) by operating activities	<u>\$ 118,808</u>	<u>\$ (760)</u>	<u>\$ 948,577</u>	<u>\$ 1,066,625</u>

**CITY OF COTTAGE GROVE, OREGON**

Wastewater Operations Combined

Combining Balance Sheet

June 30, 2013

	<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	\$ 221,347	\$ 143,900	\$ 648,881	\$ 1,014,128
Receivables - net	115,335	-	77,245	192,580
Inventories	<u>39,182</u>	<u>-</u>	<u>-</u>	<u>39,182</u>
Total current assets	<u>375,864</u>	<u>143,900</u>	<u>726,126</u>	<u>1,245,890</u>
Noncurrent assets:				
Capital assets not being depreciated	1,951,516	-	-	1,951,516
Capital assets net of accumulated depreciation	<u>14,279,470</u>	<u>-</u>	<u>-</u>	<u>14,279,470</u>
Total noncurrent assets	<u>16,230,986</u>	<u>-</u>	<u>-</u>	<u>16,230,986</u>
Total assets	<u>\$ 16,606,850</u>	<u>\$ 143,900</u>	<u>\$ 726,126</u>	<u>\$ 17,476,876</u>
<b>Liabilities and Net Position</b>				
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and other current liabilities	\$ 115,819	\$ -	\$ 89,051	\$ 204,870
Deposits	1,500	-	-	1,500
Unearned revenue	22,746	-	-	22,746
Accrued interest payable	34,032	-	-	34,032
Compensated absences	42,186	-	-	42,186
Current portion of long-term debt	<u>28,542</u>	<u>-</u>	<u>495,740</u>	<u>524,282</u>
Total current liabilities	244,825	-	584,791	829,616
Noncurrent liabilities				
Noncurrent portion of long-term debt	<u>308,801</u>	<u>-</u>	<u>7,802,660</u>	<u>8,111,461</u>
Total Liabilities	<u>553,626</u>	<u>-</u>	<u>8,387,451</u>	<u>8,941,077</u>
<b>Net Position</b>				
Net investment in capital assets	15,893,643	-	(8,298,400)	7,595,243
Restricted for:				
System development	-	143,900	-	143,900
Unrestricted	<u>159,581</u>	<u>-</u>	<u>637,075</u>	<u>796,656</u>
Total Net Position	<u>16,053,224</u>	<u>143,900</u>	<u>(7,661,325)</u>	<u>8,535,799</u>
Total Liabilities and Net Position	<u>\$ 16,606,850</u>	<u>\$ 143,900</u>	<u>\$ 726,126</u>	<u>\$ 17,476,876</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, 2013

	<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	\$ 1,596,260	\$ -	\$ 822,922	\$ 2,419,182
Miscellaneous	<u>21,313</u>	<u>-</u>	<u>38</u>	<u>21,351</u>
Total Operating Revenues	<u>1,617,573</u>	<u>-</u>	<u>822,960</u>	<u>2,440,533</u>
<b>Operating Expenses</b>				
Cost of sales and services	556,361	4,682	109,241	670,284
Administration	833,344	-	-	833,344
Depreciation	<u>558,170</u>	<u>-</u>	<u>-</u>	<u>558,170</u>
Total Operating Expenses	<u>1,947,875</u>	<u>4,682</u>	<u>109,241</u>	<u>2,061,798</u>
Operating Income (Loss)	<u>(330,302)</u>	<u>(4,682)</u>	<u>713,719</u>	<u>378,735</u>
<b>Non-operating revenues (expenses)</b>				
Investment earnings	556	876	1,265	2,697
Interest expense	<u>(233,166)</u>	<u>-</u>	<u>-</u>	<u>(233,166)</u>
Total non-operating revenues (expenses)	<u>(232,610)</u>	<u>876</u>	<u>1,265</u>	<u>(230,469)</u>
Income (loss) before capital contributions and transfers	(562,912)	(3,806)	714,984	148,266
System development charges	-	10,885	-	10,885
Transfers in (out)	<u>8,559,256</u>	<u>(28,040)</u>	<u>(8,531,216)</u>	<u>-</u>
Change in Net Position	7,996,344	(20,961)	(7,816,232)	159,151
Beginning Net Position	<u>8,056,880</u>	<u>164,861</u>	<u>154,907</u>	<u>8,376,648</u>
Ending Net Position	<u>\$ 16,053,224</u>	<u>\$ 143,900</u>	<u>\$ (7,661,325)</u>	<u>\$ 8,535,799</u>

**CITY OF COTTAGE GROVE, OREGON**

Wastewater Operations Combined

Combining Statement of Cash Flows

For the Year Ended June 30, 2013

	<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	\$ 1,629,140	\$ -	\$ 820,927	\$ 2,450,067
Cash payments to employees	(549,002)	-	-	(549,002)
Cash payments to suppliers for good and services	<u>(832,217)</u>	<u>(4,682)</u>	<u>(109,241)</u>	<u>(946,140)</u>
Net cash provided (used) by operating activities	<u>247,921</u>	<u>(4,682)</u>	<u>711,686</u>	<u>954,925</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers in	8,470,205	-	-	8,470,205
Transfers out	<u>-</u>	<u>(28,040)</u>	<u>(8,442,165)</u>	<u>(8,470,205)</u>
Net cash provided (used) by noncapital financing activities	<u>8,470,205</u>	<u>(28,040)</u>	<u>(8,442,165)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(142,313)	-	-	(142,313)
Principal paid on capital debt	(8,107,360)	-	(28,515)	(8,135,875)
Interest paid on capital debt	(294,051)	-	-	(294,051)
Issuance of debt	-	-	8,263,808	8,263,808
System development charges	<u>-</u>	<u>10,885</u>	<u>-</u>	<u>10,885</u>
Net cash provided (used) by capital and related financing activities	<u>(8,543,724)</u>	<u>10,885</u>	<u>8,235,293</u>	<u>(297,546)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income	<u>556</u>	<u>876</u>	<u>1,265</u>	<u>2,697</u>
Net change in cash and investments	174,958	(20,961)	506,079	660,076
Cash and investments:				
Cash at beginning of year	<u>46,389</u>	<u>164,861</u>	<u>142,802</u>	<u>354,052</u>
Cash at end of year	<u>\$ 221,347</u>	<u>\$ 143,900</u>	<u>\$ 648,881</u>	<u>\$ 1,014,128</u>

**CITY OF COTTAGE GROVE, OREGON**

Wastewater Operations Combined

Combining Statement of Cash Flows, continued

For the Year Ended June 30, 2013

	<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)	\$ (330,302)	\$ (4,682)	\$ 713,719	\$ 378,735
Adjustments:				
Depreciation	558,170	-	-	558,170
(Increase) decrease in assets:				
Receivables - net	(3,783)	-	(2,033)	(5,816)
Prepays	1,560	-	-	1,560
Inventories	955	-	-	955
Increase (decrease) in liabilities:				
Unearned revenue	15,350	-	-	15,350
Accounts payable and other current liabilities	5,971	-	-	5,971
 Net cash provided (used) by operating activities	<u>\$ 247,921</u>	<u>\$ (4,682)</u>	<u>\$ 711,686</u>	<u>\$ 954,925</u>
Noncash capital and financing activities:				
Construction costs in accounts payable	<u>\$ 89,051</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 89,051</u>



**CITY OF COTTAGE GROVE, OREGON**

Storm Drain Operations Combined

Combining Balance Sheet

June 30, 2013

	<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	\$ 74,426	\$ 368,003	\$ 1,776,145	\$ 2,218,574
Receivables - net	<u>21,891</u>	<u>-</u>	<u>24,321</u>	<u>46,212</u>
Total current assets	<u>96,317</u>	<u>368,003</u>	<u>1,800,466</u>	<u>2,264,786</u>
Noncurrent assets:				
Interfund loan receivable	-	135,100	-	135,100
Capital assets not being depreciated	70,278	-	-	70,278
Capital assets net of accumulated depreciation	<u>2,422,378</u>	<u>-</u>	<u>-</u>	<u>2,422,378</u>
Total noncurrent assets	<u>2,492,656</u>	<u>135,100</u>	<u>-</u>	<u>2,627,756</u>
Total assets	<u>\$ 2,588,973</u>	<u>\$ 503,103</u>	<u>\$ 1,800,466</u>	<u>\$ 4,892,542</u>
<b>Liabilities and Net Position</b>				
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and other current liabilities	\$ 16,114	\$ 17,234	\$ 301,499	\$ 334,847
Accrued interest payable	4,217	-	-	4,217
Compensated absences	8,374	-	-	8,374
Current portion of long-term debt	<u>-</u>	<u>-</u>	<u>101,291</u>	<u>101,291</u>
Total current liabilities	28,705	17,234	402,790	448,729
Noncurrent liabilities				
Noncurrent portion of long-term debt	<u>-</u>	<u>-</u>	<u>1,233,735</u>	<u>1,233,735</u>
Total Liabilities	<u>28,705</u>	<u>17,234</u>	<u>1,636,525</u>	<u>1,682,464</u>
<b>Net Position</b>				
Net investment in capital assets	2,492,656	-	(1,335,026)	1,157,630
Restricted for:				
System development	-	485,869	-	485,869
Unrestricted	<u>67,612</u>	<u>-</u>	<u>1,498,967</u>	<u>1,566,579</u>
Total Net Position	<u>2,560,268</u>	<u>485,869</u>	<u>163,941</u>	<u>3,210,078</u>
Total Liabilities and Net Position	<u>\$ 2,588,973</u>	<u>\$ 503,103</u>	<u>\$ 1,800,466</u>	<u>\$ 4,892,542</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, 2013

	Storm Drainage Utility Fund	Storm Drainage Systems Development Fund	Storm Drainage Reserve Fund	Total
<b>Operating Revenues</b>				
Charges for Services	\$ 246,348	\$ -	\$ 273,674	\$ 520,022
Miscellaneous	<u>1,436</u>	<u>-</u>	<u>38</u>	<u>1,474</u>
Total Operating Revenues	<u>247,784</u>	<u>-</u>	<u>273,712</u>	<u>521,496</u>
<b>Operating Expenses</b>				
Cost of sales and services	34,590	3,039	70,153	107,782
Administration	168,542	-	-	168,542
Depreciation	<u>105,409</u>	<u>-</u>	<u>-</u>	<u>105,409</u>
Total Operating Expenses	<u>308,541</u>	<u>3,039</u>	<u>70,153</u>	<u>381,733</u>
Operating Income (Loss)	<u>(60,757)</u>	<u>(3,039)</u>	<u>203,559</u>	<u>139,763</u>
<b>Non-operating revenues (expenses)</b>				
Investment earnings	268	1,795	4,922	6,985
Interest expense	<u>(6,482)</u>	<u>-</u>	<u>(29,904)</u>	<u>(36,386)</u>
Total non-operating revenues (expenses)	<u>(6,214)</u>	<u>1,795</u>	<u>(24,982)</u>	<u>(29,401)</u>
Income (loss) before capital contributions and transfers	(66,971)	(1,244)	178,577	110,362
<b>Capital contributions</b>				
Developer donations (capitalized)	275,935	-	-	275,935
System development charges	-	20,611	-	20,611
Transfers in (out)	<u>598,861</u>	<u>(22,200)</u>	<u>(576,661)</u>	<u>-</u>
Change in Net Position	807,825	(2,833)	(398,084)	406,908
Beginning Net Position	<u>1,752,443</u>	<u>488,702</u>	<u>562,025</u>	<u>2,803,170</u>
Ending Net Position	<u>\$ 2,560,268</u>	<u>\$ 485,869</u>	<u>\$ 163,941</u>	<u>\$ 3,210,078</u>

**CITY OF COTTAGE GROVE, OREGON**

Storm Drain Operations Combined

Combining Statement of Cash Flows

For the Year Ended June 30, 2013

	Storm Drainage Utility Fund	Storm Drainage Systems Development Fund	Storm Drainage Reserve Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 241,825	\$ -	\$ 269,234	\$ 511,059
Cash payments to employees	(96,491)	-	-	(96,491)
Cash payments to suppliers for good and services	<u>(100,134)</u>	<u>(3,039)</u>	<u>(70,153)</u>	<u>(173,326)</u>
Net cash provided (used) by operating activities	<u>45,200</u>	<u>(3,039)</u>	<u>199,081</u>	<u>241,242</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers in	280,128	-	-	280,128
Transfers out	-	(4,966)	(275,162)	(280,128)
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>280,128</u>	<u>14,334</u>	<u>(275,162)</u>	<u>19,300</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(280,162)	-	-	(280,162)
Principal paid on capital debt	-	-	(27,640)	(27,640)
Interest paid on capital debt	(2,265)	-	(29,904)	(32,169)
Loan proceeds	-	-	1,300,965	1,300,965
System development charges	<u>-</u>	<u>20,611</u>	<u>-</u>	<u>20,611</u>
Net cash provided (used) by capital and related financing activities	<u>(282,427)</u>	<u>20,611</u>	<u>1,243,421</u>	<u>981,605</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income	<u>268</u>	<u>1,795</u>	<u>4,922</u>	<u>6,985</u>
Net change in cash and investments	43,169	33,701	1,172,262	1,249,132
Cash and investments:				
Cash at beginning of year	<u>31,257</u>	<u>334,302</u>	<u>603,883</u>	<u>969,442</u>
Cash at end of year	<u>\$ 74,426</u>	<u>\$ 368,003</u>	<u>\$ 1,776,145</u>	<u>\$ 2,218,574</u>

**CITY OF COTTAGE GROVE, OREGON**

Storm Drain Operations Combined

Combining Statement of Cash Flows, continued

For the Year Ended June 30, 2013

	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)	\$ (60,757)	\$ (3,039)	\$ 203,559	\$ 139,763
Adjustments:				
Depreciation	105,409	-	-	105,409
(Increase) decrease in assets:				
Receivables - net	(5,959)	-	(4,478)	(10,437)
Increase (decrease) in liabilities:				
Accounts payable and other current liabilities	<u>6,507</u>	<u>-</u>	<u>-</u>	<u>6,507</u>
Net cash provided (used) by operating activities	<u>\$ 45,200</u>	<u>\$ (3,039)</u>	<u>\$ 199,081</u>	<u>\$ 241,242</u>
Noncash capital and financing activities:				
Construction costs in accounts payable	<u>\$ 318,733</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 318,733</u>
Donated capital assets	<u>\$ 275,935</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 275,935</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services:				
Sale of water	\$ 1,465,345	\$ 1,465,345	\$ 1,447,420	\$ (17,925)
Turn on fees	25,000	25,000	41,657	16,657
Other reimbursements	2,000	2,000	10,642	8,642
Interest	1,500	1,500	2,460	960
Miscellaneous	<u>15,300</u>	<u>15,300</u>	<u>15,401</u>	<u>101</u>
Total revenues	<u>1,509,145</u>	<u>1,509,145</u>	<u>1,517,580</u>	<u>8,435</u>
Expenditures:				
Water distribution	876,460	876,460	751,572	124,888
Water production	548,865	548,865	513,516	35,349
Non-departmental	153,955	153,955	146,627	7,328
Contingency	<u>199,460</u>	<u>199,460</u>	<u>-</u>	<u>199,460</u>
Total expenditures	<u>1,778,740</u>	<u>1,778,740</u>	<u>1,411,715</u>	<u>367,025</u>
Excess revenues over (under) expenditures	<u>(269,595)</u>	<u>(269,595)</u>	<u>105,865</u>	<u>375,460</u>
Other financing sources (uses):				
Transfers out	<u>(88,885)</u>	<u>(88,885)</u>	<u>(88,808)</u>	<u>77</u>
Net change in fund balances	(358,480)	(358,480)	17,057	375,537
Fund Balance:				
Beginning of year	<u>358,480</u>	<u>358,480</u>	<u>430,119</u>	<u>71,639</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	447,176	<u>\$ 447,176</u>
Reconciliation to GAAP Basis:				
Inventories			145,760	
Capital assets			14,560,269	
Accrued interest payable			(97,527)	
Compensated absences			(57,125)	
Noncurrent liabilities			<u>(3,450,984)</u>	
GAAP Fund Balance - end of year			<u>\$ 11,547,569</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services:				
SDC charges	\$ 15,000	\$ 15,000	\$ 153,968	\$ 138,968
Interest	<u>150</u>	<u>150</u>	<u>570</u>	<u>420</u>
Total revenues	<u>15,150</u>	<u>15,150</u>	<u>154,538</u>	<u>139,388</u>
Expenditures:				
Materials and services	6,840	6,840	760	6,080
Capital outlay	<u>45,845</u>	<u>45,845</u>	<u>10,529</u>	<u>35,316</u>
Total expenditures	<u>52,685</u>	<u>52,685</u>	<u>11,289</u>	<u>41,396</u>
Net change in fund balances	(37,535)	(37,535)	143,249	180,784
Fund Balance:				
Beginning of year	<u>37,535</u>	<u>37,535</u>	<u>56,816</u>	<u>19,281</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,065</u>	<u>\$ 200,065</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services:				
Water surcharge	\$ 1,121,590	\$ 1,121,590	\$ 1,171,640	\$ 50,050
Interest	1,500	1,500	2,849	1,349
Miscellaneous	<u>200</u>	<u>200</u>	<u>233</u>	<u>33</u>
Total revenues	<u>1,123,290</u>	<u>1,123,290</u>	<u>1,174,722</u>	<u>51,432</u>
Expenditures:				
Materials and services	367,735	367,735	205,756	161,979
Capital outlay	697,300	1,139,342	833,002	306,340
Contingency	<u>99,835</u>	<u>99,835</u>	<u>-</u>	<u>99,835</u>
Total expenditures	<u>1,164,870</u>	<u>1,606,912</u>	<u>1,038,758</u>	<u>568,154</u>
Excess revenues over (under) expenditures	<u>(41,580)</u>	<u>(483,622)</u>	<u>135,964</u>	<u>619,586</u>
Other financing sources (uses):				
Loan proceeds	500,000	500,000	800,050	300,050
Transfers in	75,000	75,000	75,000	-
Transfers out	<u>(838,375)</u>	<u>(838,375)</u>	<u>(778,723)</u>	<u>59,652</u>
Total other financing sources (uses)	<u>(263,375)</u>	<u>(263,375)</u>	<u>96,327</u>	<u>359,702</u>
Net change in fund balances	(304,955)	(746,997)	232,291	979,288
Fund Balance:				
Beginning of year	<u>304,955</u>	<u>746,997</u>	<u>746,997</u>	<u>-</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>979,288</u>	<u>\$ 979,288</u>
Reconciliation to GAAP Basis:				
Noncurrent liabilities			<u>(6,549,814)</u>	
GAAP Fund Balance - end of year			<u>\$ (5,570,526)</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services:				
Wastewater charges	\$ 1,197,430	\$ 1,197,430	\$ 1,230,004	\$ 32,574
Golf Course fees	275,000	275,000	233,489	(41,511)
Pro Shop sales/rentals	159,945	159,945	132,767	(27,178)
Interest	450	450	556	106
Miscellaneous	<u>13,950</u>	<u>13,950</u>	<u>21,313</u>	<u>7,363</u>
Total revenues	<u>1,646,775</u>	<u>1,646,775</u>	<u>1,618,129</u>	<u>(28,646)</u>
Expenditures:				
Wastewater collection	320,420	320,420	300,460	19,960
Wastewater treatment plant	629,115	629,115	577,357	51,758
Golf Course operations	456,485	456,485	425,279	31,206
Non-departmental	86,210	86,210	80,012	6,198
Contingency	<u>70,490</u>	<u>70,490</u>	<u>-</u>	<u>70,490</u>
Total expenditures	<u>1,562,720</u>	<u>1,562,720</u>	<u>1,383,108</u>	<u>179,612</u>
Excess revenues over expenditures	84,055	84,055	235,021	150,966
Other financing sources (uses):				
Transfers out				
Non-departmental	<u>(107,605)</u>	<u>(107,605)</u>	<u>(73,553)</u>	<u>34,052</u>
Net change in fund balances	(23,550)	(23,550)	161,468	185,018
Fund Balance:				
Beginning of year	<u>23,550</u>	<u>23,550</u>	<u>35,149</u>	<u>11,599</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>196,617</u>	<u>\$ 196,617</u>
Reconciliation to GAAP Basis:				
Inventories			39,182	
Capital assets			16,230,986	
Accrued interest			(34,032)	
Compensated absences			(42,186)	
Noncurrent liabilities			<u>(337,343)</u>	
GAAP Fund Balance - end of year			<u>\$ 16,053,224</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services:				
SDC Charges	\$ 15,000	\$ 15,000	\$ 10,885	\$ (4,115)
Interest	<u>750</u>	<u>750</u>	<u>876</u>	<u>126</u>
Total revenues	<u>15,750</u>	<u>15,750</u>	<u>11,761</u>	<u>(3,989)</u>
Expenditures:				
Materials and services	34,645	34,645	740	33,905
Capital outlay	<u>146,650</u>	<u>146,650</u>	<u>31,982</u>	<u>114,668</u>
Total expenditures	<u>181,295</u>	<u>181,295</u>	<u>32,722</u>	<u>148,573</u>
Excess revenues under expenditures	(165,545)	(165,545)	(20,961)	144,584
Fund Balance:				
Beginning of year	<u>165,545</u>	<u>165,545</u>	<u>164,861</u>	<u>(684)</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 143,900</u>	<u>\$ 143,900</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services:				
Surcharges	\$ 832,240	\$ 832,240	\$ 822,922	\$ (9,318)
Interest	250	250	1,265	1,015
Miscellaneous	<u>100</u>	<u>100</u>	<u>38</u>	<u>(62)</u>
Total revenues	<u>832,590</u>	<u>832,590</u>	<u>824,225</u>	<u>(8,365)</u>
Expenditures:				
Materials and services	89,740	89,740	109,241	(19,501)
Capital outlay	521,500	521,500	203,358	318,142
Contingency	<u>325,640</u>	<u>325,640</u>	<u>-</u>	<u>325,640</u>
Total expenditures	<u>936,880</u>	<u>936,880</u>	<u>312,599</u>	<u>624,281</u>
Excess revenues over (under) expenditures	<u>(104,290)</u>	<u>(104,290)</u>	<u>511,626</u>	<u>615,916</u>
Other financing sources (uses):				
Loan proceeds	650,000	650,000	652,043	2,043
Transfers out	<u>(822,155)</u>	<u>(822,155)</u>	<u>(744,608)</u>	<u>77,547</u>
Total other financing sources (uses)	<u>(172,155)</u>	<u>(172,155)</u>	<u>(92,565)</u>	<u>79,590</u>
Net change in fund balances	(276,445)	(276,445)	419,061	695,506
Fund Balance:				
Beginning of year	<u>276,445</u>	<u>276,445</u>	<u>218,014</u>	<u>(58,431)</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	637,075	<u>\$ 637,075</u>
Reconciliation to GAAP Basis:				
Noncurrent liabilities			<u>(8,298,400)</u>	
GAAP Fund Balance - end of year			<u>\$ (7,661,325)</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services:				
Storm drainage charges	\$ 242,510	\$ 242,510	\$ 246,348	\$ 3,838
Interest	75	75	268	193
Miscellaneous	<u>200</u>	<u>200</u>	<u>1,402</u>	<u>1,202</u>
Total revenues	<u>242,785</u>	<u>242,785</u>	<u>248,018</u>	<u>5,233</u>
Expenditures:				
Personal services	176,235	176,235	166,909	9,326
Materials and services	45,890	45,890	34,590	11,300
Contingency	<u>49,635</u>	<u>49,635</u>	<u>-</u>	<u>49,635</u>
Total expenditures	<u>271,760</u>	<u>271,760</u>	<u>201,499</u>	<u>70,261</u>
Excess revenues over (under) expenditures	(28,975)	(28,975)	46,519	75,494
Other financing sources (uses):				
Transfers out	<u>(2,280)</u>	<u>(2,280)</u>	<u>(2,265)</u>	<u>15</u>
Net change in fund balances	(31,255)	(31,255)	44,254	75,509
Fund Balance:				
Beginning of year	<u>31,255</u>	<u>31,255</u>	<u>35,949</u>	<u>4,694</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	80,203	<u>\$ 80,203</u>
Reconciliation to GAAP Basis:				
Capital assets			2,492,656	
Accrued interest payable			(4,217)	
Compensated absences			<u>(8,374)</u>	
GAAP Fund Balance - end of year			<u>\$ 2,560,268</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services:				
Storm drainage charges	\$ 15,000	\$ 15,000	\$ 20,611	\$ 5,611
Interest	<u>1,750</u>	<u>1,750</u>	<u>1,795</u>	<u>45</u>
Total revenues	<u>16,750</u>	<u>16,750</u>	<u>22,406</u>	<u>5,656</u>
Expenditures:				
Materials and services	38,785	38,785	3,039	35,746
Capital outlay	<u>559,525</u>	<u>559,525</u>	<u>22,200</u>	<u>537,325</u>
Total expenditures	<u>598,310</u>	<u>598,310</u>	<u>25,239</u>	<u>573,071</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	(562,260)	(562,260)	16,467	578,727
Fund Balance:				
Beginning of year	<u>562,260</u>	<u>562,260</u>	<u>334,302</u>	<u>(227,958)</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	350,769	<u>\$ 350,769</u>
Reconciliation to GAAP Basis:				
Interfund loan receivable			<u>135,100</u>	
GAAP Fund Balance - end of year			<u>\$ 485,869</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services:				
Surcharges	\$ 271,795	\$ 271,795	\$ 273,674	\$ 1,879
Interest	2,000	2,000	4,922	2,922
Miscellaneous	<u>100</u>	<u>100</u>	<u>38</u>	<u>(62)</u>
Total revenues	<u>273,895</u>	<u>273,895</u>	<u>278,634</u>	<u>4,739</u>
Expenditures:				
Materials and services	301,850	301,850	70,152	231,698
Capital outlay	1,346,200	1,346,200	576,661	769,539
Contingency	<u>191,810</u>	<u>191,810</u>	<u>-</u>	<u>191,810</u>
Total expenditures	<u>1,839,860</u>	<u>1,839,860</u>	<u>646,813</u>	<u>1,193,047</u>
Excess revenues under expenditures	<u>(1,565,965)</u>	<u>(1,565,965)</u>	<u>(368,179)</u>	<u>1,197,786</u>
Other financing sources (uses):				
Loan proceeds	1,400,000	1,400,000	1,300,964	(99,036)
Transfers out	<u>(224,565)</u>	<u>(224,565)</u>	<u>(57,544)</u>	<u>167,021</u>
Total other financing sources (uses)	<u>1,175,435</u>	<u>1,175,435</u>	<u>1,243,420</u>	<u>67,985</u>
Net change in fund balances	(390,530)	(390,530)	875,241	1,265,771
Fund Balance:				
Beginning of year	<u>390,530</u>	<u>390,530</u>	<u>623,726</u>	<u>233,196</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	1,498,967	<u>\$ 1,498,967</u>
Reconciliation to GAAP Basis:				
Noncurrent liabilities			<u>(1,335,026)</u>	
GAAP Fund Balance - end of year			<u>\$ 163,941</u>	

**CITY OF COTTAGE GROVE, OREGON**  
Schedule of Property Tax Transactions and Outstanding Balances  
For the Year Ended June 30, 2013

Fiscal Year	Uncollected Balances July 01, 2012	2012-2013 Levy	Discount	Adjustment and Corrections	Collections	Uncollected Balances June 30, 2013
2012-13	\$ -	\$ 3,937,646	\$ (100,041)	\$ (10,394)	\$ (3,710,560)	\$ 116,651
2011-12	130,479	-	110	(6,716)	(49,775)	74,098
2010-11	73,521	-	14	(2,054)	(23,676)	47,805
2009-10	46,147	-	-	(1,442)	(17,509)	27,196
2008-09	(1,485)	-	2	(1,002)	(6,381)	(8,866)
2007-08	(744)	-	3	(314)	(641)	(1,696)
2006-07	2,396	-	3	(278)	(215)	1,906
Prior	22,557	-	1	(123)	(74)	22,361
<b>Totals</b>	<u><u>\$ 272,871</u></u>	<u><u>\$ 3,937,646</u></u>	<u><u>\$ (99,908)</u></u>	<u><u>\$ (22,323)</u></u>	<u><u>\$ (3,808,831)</u></u>	<u><u>\$ 279,455</u></u>

**COMPLIANCE SECTION**





INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *MINIMUM STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS*

Honorable Mayor and City Council  
City of Cottage Grove, Oregon

We have audited the basic financial statements of the City of Cottage Grove, Oregon ("City") as of and for the year ended June 30, 2013, and have issued our report thereon dated July 30, 2014. 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:

As described in Note 2 B. of the City's financial statements, the results of testing indicated one instance of non-compliance related to excess expenditures over appropriations.

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

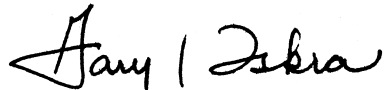
In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion 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 deficiencies, significant deficiencies or material weaknesses. We reported material weaknesses in our letter dated July 25, 2014.

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  
July 30, 2014