



CITY OF COTTAGE GROVE, OREGON
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

CITY OF COTTAGE GROVE, OREGON
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
FISCAL YEAR ENDED JUNE 30, 2016
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, 2016
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INTRODUCTORY SECTION



CITY OF COTTAGE GROVE, OREGON

Principal City Officials

June 30, 2016

ELECTED OFFICIALS

Mayor

Thomas Munroe
2292 West Harrison
Cottage Grove, OR 97424

Term Expiration

December 31, 2016

Council Members

Jake Boone
823 Birch Avenue
Cottage Grove, OR 97424

Ward 1

December 31, 2018

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, 2018

Amy Slay
P.O. Box 414
Cottage Grove, OR 97424

Ward 4

December 31, 2016

Kenneth Michael Roberts
731 Main Street, #6
Cottage Grove, OR 97424

At-Large

December 31, 2016

Mike Fleck
1125 E. Harrison
Cottage Grove, OR 97424

At-Large

December 31, 2018

ADMINISTRATIVE OFFICIALS

Richard Meyers

City Manager

Roberta Likens

Finance Director



FINANCIAL SECTION





An Independently Owned Member
McGLADREY ALLIANCE



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Cottage Grove, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cottage Grove, Oregon ("City") as of and for the year ended June 30, 2016, 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 City'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 City'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 of Cottage Grove as of June 30, 2016, 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, budgeted comparison schedules for the General Fund and Street Fund, the Schedule of the Proportionate Share of the Net Pension Liability and the Schedule of Pension Contributions 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, the Schedule of the Proportionate Share of the Net Pension Liability and the Schedule of Pension Contributions 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 schedules for the General and Street funds are the responsibility of management and were derived from and relate directly to the underlying accounting 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 budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

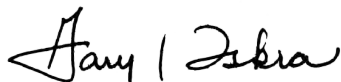
The combining and individual fund financial statements, and budget and actual schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to 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 fund financial statements and budget and actual schedules 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 December 30, 2016, on our consideration of the City's compliance with certain provisions of laws and regulations including 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
December 30, 2016



City of Cottage Grove

400 E. Main Street, Cottage Grove, OR 97424

Ph (541) 942-3346 Fax (541) 942-5125

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

This discussion and analysis presents the highlights of financial activities and the financial position of the City of Cottage Grove (City). The analysis focuses on significant financial issues, major financial activities and resulting changes in financial position, debt administration, capital assets, budget changes, and variances from the budget, specific issues related to funds and the economic factors affecting the City.

Management's Discussion and Analysis (MD&A) focuses on current-year activities and the resulting changes. Please read it in conjunction with the City's financial statements, which follow this discussion and analysis.

FINANCIAL HIGHLIGHTS

Government-Wide

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$56,435,437 (reported as net position). Of this amount, \$2,751,157 represents unrestricted net position, which may be used to meet the City's obligations to citizens and creditors
- The City's net position decreased \$1,636,877 in governmental activities and decreased \$59,244 in business type activities resulting in a total decrease of \$1,696,121.
- This is the second year for significant accounting rule changes for calculating and reporting the costs and obligations associated with pensions required by the Governmental Accounting Standards Board (GASB) being implemented. GASB Statements No. 68 and No. 71 require the value of the City's pension asset (liability), related to pension assurances to employees, be recorded in the financial statements. Prior to last year, the pension unfunded liability was simply reported in the Required Supplementary Information. The pension asset is the difference between the value of the assets set aside to pay future benefits and the actuarial calculation of the cost of those benefits. The City's budget or funding for the Oregon Public Employee Retirement System (OPERS) is not impacted by the accounting rule.

Fund Level

- The City's governmental funds reported a combined fund balance of \$4.9 million, an increase of \$20,000 from the prior fiscal year. Of the fund balance reported, \$1.6 million is considered non-spendable or restricted. The remaining \$3.3 is available for spending at the government's discretion.
- The proprietary funds – those used to account for programs which the City charges for the services it provides, reported a combined net position of \$18.4 million, a decrease of \$59,244 over the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Cottage Grove's basic financial statements. The basic financial statements, combined with the supplementary information and other financial schedules provide both a government-wide view of the City's financial condition over time as well as detailed information relating to how the City's net position changed during the current fiscal year.

The change in net position over time is one indicator of whether the City's financial health is improving or deteriorating. However, other non-financial factors influence the City's fiscal health. These factors may include changes in the economy, in the City's taxable assessed value, in population, etcetera. This report includes a comparison to the prior year, in order to assist the reader in determining the status of the City's fiscal standing over time.

Basic financial statements include a Statement of Net Position, Statement of Activities, Fund Financial Statements and the notes to the financial statements. Statements of Net Position and Activities focus on a government-wide presentation, while Fund Financial Statements provide detailed information about the City's major governmental and proprietary funds.

Government-wide Financial Statements

- The Statement of Net position presents information on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets the City owns; the liabilities it owes, and the net difference (net position). The net position is further separated into amounts restricted for specific purposes, unrestricted, and deferred outflows and inflows related to pensions. This statement can serve as a useful indicator of whether the financial position of the City is improving or deteriorating over time.
- The Statement of Activities presents information on gross and net costs of City programs. This statement reflects how the City's net position changed during the most recent fiscal year, and summarizes the extent to which programs are self-supporting and/or subsidized by general tax or other revenues.
- Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities)

from other functions that are intended to recover all or a significant portion of their costs through user fees and charges, (business-type activities).

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 fund financial statements focus separately on the City's major governmental and proprietary funds.
- Governmental funds are reported using the modified accrual basis of accounting, which measures amounts using only cash and other short-term assets and liabilities (receivables and payables) that will soon be converted to cash or will soon be paid out with cash. The government fund statements provide a detailed short-term view of the governmental fund operations and the basic services it provides. These statements may be useful in assessing a government's near term financing requirements.
- Major funds are defined as the General Fund and any other fund where the assets, liabilities, revenues, or expenditures/expenses exceed 10% of total governmental or total enterprise fund amounts and 5% of total government and enterprise fund amounts combined. Generally accepted accounting principles require that detailed information about major funds be separately disclosed. The General Fund and the Street Fund are major governmental funds.
- Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements and are reported using the full accrual basis of accounting, which measures amounts using cash, all assets and liabilities (receivable and payables) regardless of when they will be converted to cash or paid out with cash. The City's enterprise funds primarily charge user fees to customers to cover the costs of providing the services on a continual basis. These funds represent three segments of operations: Water, Wastewater, and Storm Drainage.

Notes to the Basic Financial Statements

- Accompanying notes are an integral part of the financial statements. Notes provide additional details and statistical information about the figures represented, accounting basis, policies and procedures as well as compliance, stewardship and accountability.

Net Position as of June 30th

The table below reflects a summary of net position compared to the prior fiscal year; the following notes summarize the major changes to net position.

	Governmental Activities		Business-type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Current & Other Investments	\$5,619,360	\$5,524,624	\$5,510,443	\$4,479,258	\$11,129,803	\$10,003,882
Capital assets, net	38,982,293	38,739,828	31,837,315	32,870,519	70,819,608	71,610,347
Net pension asset	0	856,253	0	373,709	0	1,229,962
Total assets	<u>44,601,653</u>	<u>45,120,705</u>	<u>37,347,758</u>	<u>37,723,486</u>	<u>81,949,411</u>	<u>82,844,191</u>
Total deferred outflows of resources	<u>561,493</u>	<u>429,981</u>	<u>260,468</u>	<u>200,809</u>	<u>821,961</u>	<u>630,790</u>
Current liabilities	765,431	704,404	535,102	529,652	1,300,533	1,234,056
Long term liabilities	5,784,449	3,510,478	18,448,161	18,251,651	24,232,610	21,762,129
Total liabilities	<u>\$6,549,880</u>	<u>\$4,214,882</u>	<u>\$18,983,263</u>	<u>\$18,781,303</u>	<u>\$25,533,143</u>	<u>\$22,996,185</u>
Total deferred inflows of resources	<u>548,397</u>	<u>1,634,058</u>	<u>254,395</u>	<u>713,180</u>	<u>802,792</u>	<u>2,347,238</u>
Net position:						
Net Investment in capital assets	\$36,817,152	\$35,229,350	\$14,447,980	\$14,618,868	\$51,265,132	\$49,848,218
Restricted	1,556,846	1,838,990	862,302	733,569	2,419,148	2,572,559
Unrestricted	(309,129)	2,633,406	3,060,286	3,077,375	2,751,157	5,710,781
Total Net Position	<u>\$38,064,869</u>	<u>\$39,701,746</u>	<u>\$18,370,568</u>	<u>\$18,429,812</u>	<u>\$56,435,437</u>	<u>\$58,131,558</u>

The largest portion of the City's net position (93% 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. Restricted net position includes \$862,302 for system development, \$1,114,462 for road maintenance and \$442,384 for other purposes. The remaining balance is unrestricted net position in the amount of \$2,751,157 and may be used to meet the City's ongoing obligations to citizens and creditors.

Statement of Activities as of June 30th

As with the Statement of Net Position, the Statement of Activities reports activities on a consolidated basis. A summary of significant activities follows the table below.

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
REVENUES						
Program revenues						
Charges for services	\$ 1,146,192	\$ 1,162,228	\$ 6,595,469	\$ 6,261,925	\$ 7,741,661	\$ 7,424,152
Operating grants and contributions	1,213,917	1,159,534			1,213,917	1,159,534
Capital grants and contributions	218,374				218,374	
General revenues						
Property taxes	4,205,016	4,082,673			4,205,016	4,082,673
Franchise fees	594,996	560,874			594,996	560,874
Alcoholic Beverage Taxes	154,675	154,582			154,675	154,582
Motor Fuel Taxes	412,476	336,873			412,476	336,873
Taxes and Other Revenues not restricted to specific programs	119,708	111,681			119,708	111,681
Gain (loss) on disposition of Capital Assets	117,916	(16,534)			117,916	(16,534)
Interest	39,091	33,646	23,860	16,680	62,951	50,326
Total revenues	\$ 8,222,361	\$ 7,585,557	\$ 6,619,329	\$ 6,278,605	\$ 14,841,690	\$ 13,864,161
EXPENSES						
Governmental activities:						
General government	\$ 3,489,638	\$ 1,524,403			\$ 3,489,638	\$ 1,524,403
Public safety	3,271,855	2,479,277			3,271,855	2,479,277
Highways and streets	1,140,654	920,968			1,140,654	920,968
Culture and recreation	825,482	612,112			825,482	612,112
Community development	930,662	488,539			930,662	488,539
Interest on long-term debt	204,197	199,442			204,197	199,442
Business- type activities:						
Water			3,088,737	2,301,645	3,088,737	2,301,645
Wastewater			2,904,620	2,351,358	2,904,620	2,351,358
Storm drainage			681,966	580,226	681,966	580,226
Total Expenses	9,862,488	6,224,741	6,675,323	5,233,229	16,537,811	11,457,970
Change in Net Position before transfers	(1,640,127)	1,360,816	(55,994)	1,045,375	(1,696,121)	2,406,192
Transfers in (out)	3,250		(3,250)			
Change in Net Position	(1,636,877)	1,360,816	(59,244)	1,045,375	(1,696,121)	2,406,191
*Beginning Net Position	39,701,746	38,340,930	18,429,812	17,384,436	58,131,558	55,725,366
Ending Net Position	\$ 38,064,869	\$ 39,701,746	\$ 18,370,568	\$ 18,429,812	\$ 56,435,437	\$ 58,131,558

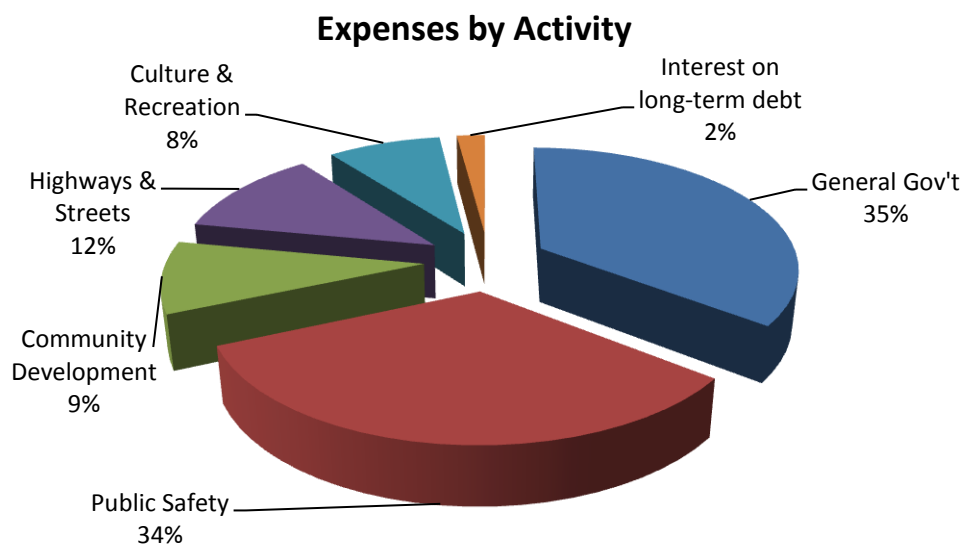
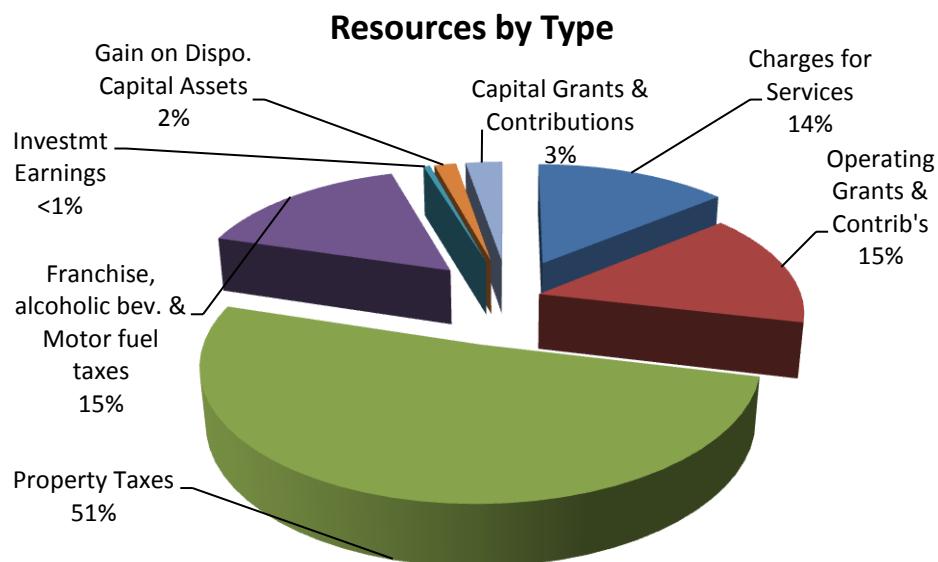
*Due to implementation of GASB 68, the FYE 2015 beginning net position was reduced by \$3,070,514.

Governmental Activities

The net position for governmental activities decreased \$1,636,877 from the prior year. Key factors include:

- Total governmental activity expenses increased \$3,637,747 approximately 63% over last year. The most significant increase was in activity for General Government. There was \$1,965,235 in expenditures, over the prior year.
- Property taxes comprise approximately 51% of governmental operating revenue. For operating purposes, property tax revenues increased \$122,343. Property tax increases are controlled by state statute and allowed to increase by up to 3% per year.
- Charges for service decreased approximately \$16,000.
- Operating grants and contributions increased \$54,383. The City is a pass-through agency for Transportation Grants for South Lane Wheels.

Governmental Activities as of June 30, 2016

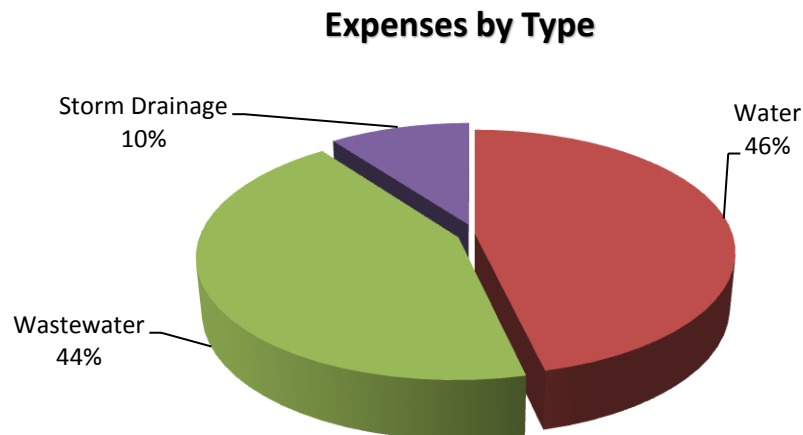
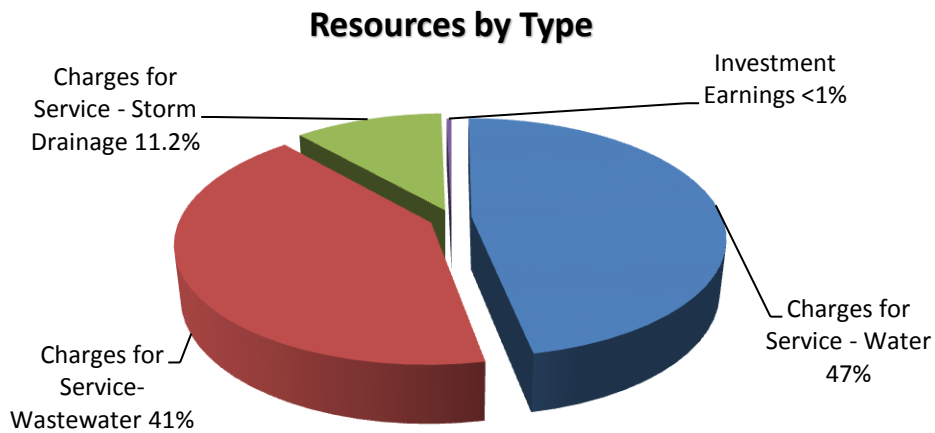


Business Activities

Business-type activities generated a decrease to net position in the amount of \$59,244 from the prior year. Key activities during the fiscal year included:

- Charges for Water, Wastewater, and Storm drain were increased in conjunction with a five-year plan developed by FCS Group and implemented by the City Council to meet the City's ongoing infrastructure demands.
- Expenses increased \$1,442,094 compared to last year. This is partially attributed to increased costs for personnel, and materials and services in each operation.

Business Activities as of June 30, 2016



FUND FINANCIAL ANALYSIS

Governmental Funds

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

At the end of the fiscal year, the City of Cottage Grove's governmental funds reported combined ending fund balances of \$4,870,044. Approximately 39% of this total amount (\$1,906,927) constitutes unassigned fund balance. The remainder of the fund balance is non-spendable (\$3,000), restricted (\$1,556,846), or committed (\$1,403,271).

The main operating fund for the City is the General Fund. At the end of fiscal year 2016 the unassigned fund balance was \$1,921,803. 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 33% of the total General Fund operating expenditures.

The general fund had a decrease in total fund balance of \$161,475 during fiscal year 2016. Transfers to other funds were a total of \$670,628. Of that amount, \$562,548 was for operations of the Police Communications Fund, \$3,080 to supplement the Building Inspection Program Fund, and \$105,000 to the General Reserve Fund. Actual revenue received compared to budget estimates increased only 5.5%, which was less in 2016 compared to 2015 and expenditures as a percent of budget increased to 81.6% which is more than the previous year.

In the Street Fund, the fund balance increased by \$233,389 during fiscal year 2016. Beginning fund balance was approximately \$126,560 more than anticipated. State highway taxes exceeded budgeted amounts by approximately 11% and local fuel taxes exceeded budget estimations by approximately 42.5%; no Federal Urban Aid money was received. Expenditures were 50% of the budgeted amount.

The Industrial Park Fund ending fund balance was \$129,701; this is an increase of \$36,165. A lot in the industrial park was sold, making it possible to meet our obligation to pay debt. The City continues to market the lots for sale, which have been either foreclosed upon or returned to the City. 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 \$30,515. The combined wastewater operations had a decrease in total net position of \$158,202. The operating income increased by \$96,514 over the prior year in water operations. Wastewater operations increased over the prior year \$184,211. Utility rates for both the water and wastewater funds were increased. Sales in the water fund were only \$23,490 more than expected and charges for service in the wastewater fund were \$53,351 less than expected.

GENERAL FUND BUDGETARY HIGHLIGHTS

The budgetary statement for the General Fund shows the original budget, final budget, actual revenues, expenditures, and transfers for the fiscal year ended June 30, 2016. By resolution of the City Council, funds in the amount of \$122,550 were transferred from the Non-departmental Contingency line item, to various departments within the General Fund to meet expenditure requirements, leaving a balance of \$219,267 in the Contingency line item.

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

- The General Fund revenues exceeded projections by only .6% (\$38,280), not including cash carryover.
- The Police Department under expended its budget by \$326,948. 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, and vehicle leases not reaching the cost anticipated.
- General Fund department expenditures ranged from a low of 64 % (Engineering) spent to a high of 99.8% spent (Broadband Services). The average spent was 91% of budgeted funds. Staffing was budgeted for but not hired in fiscal year 15-16 in the Engineering department, creating significant cost savings for the department.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets Net of Depreciation

The City of Cottage Grove's investment in capital assets for its governmental and business type activities as of June 30, 2016 amounts to \$70,819,608 (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.

Governmental activities and business type activities capital assets at June 30th were as follows:

	Governmental Activities		Business-type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Land	\$26,710,167	\$26,514,079	\$ 2,129,788	\$ 2,094,788	\$28,839,955	\$28,608,867
Buildings	3,680,834	3,795,517	1,591,289	1,687,193	5,272,123	5,482,710
Land improvements			461,885	546,000	461,885	546,000
Motor vehicles and equipment	558,030	260,085	563,381	468,194	1,121,411	728,279
Office furniture and equipment	31,612	157,913	6,102	8,079	37,714	165,992
Infrastructure	7,468,829	7,928,754	4,826,549	4,727,395	12,295,378	12,656,149
Construction in progress	532,821	83,480	46,236	2,314	579,057	85,794
Utility Systems			22,212,085	23,336,554	22,212,085	23,336,554
Total	\$38,982,293	\$38,739,828	\$31,837,315	\$32,870,517	\$70,819,608	\$71,610,345

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

- Purchased land in conjunction with the Taylor Avenue Pump Station project.
- Infrastructure improvements were recognized and includes relocation of a waterline in conjunction with Lane County's crossing/tunnel project at Row River Trail; asphalt paving project at 8th and Taylor; and 4th Street Waterline project; and sewer line replacement on River Road.
- The improvements were recognized to the Bell Tower in All-America City Park.
- Equipment purchases include a new computer server in the Police Department; a new computer server and software at City Hall; new security cameras at Coiner Park, Bohemia Park, and the Library; Tasers and holsters for the Police Department; Cargo Trailer for Police Department; three replacement carpool vehicles for use by various departments; John Deere Tiger Mower, John Deer Tractor, Transtar II Tractor with Camera for sewer line inspections; a 2015 Schwarze Street Sweeper; and three 2015 Chevy Tahoe police vehicles.
- Construction in progress includes the Taylor Avenue Pump Station; Cottage Grove Museum Improvements; Broadband expansion project; improvements to the Cottage Grove Armory; Fillmore Street Stormwater Project; Row River Road Crosswalk; and the Ash Avenue Waterline Project.

Change in Capital Assets

	Governmental Activities		Business-type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Beginning balance	\$38,739,828	\$39,331,058	\$32,870,519	\$33,624,883	\$71,610,347	\$72,955,941
Additions & Reclass.	1,061,707	1,161,969	332,882	556,340	1,394,589	1,718,309
Depreciation	(819,242)	(743,865)	(1,366,086)	(1,309,818)	(2,185,328)	(2,053,683)
Deletions	0	(1,009,334)	0	(886)	0	(1,010,220)
Ending balance	<u>\$38,982,293</u>	<u>\$38,739,828</u>	<u>\$31,837,315</u>	<u>\$32,870,519</u>	<u>\$70,819,608</u>	<u>\$71,610,347</u>

Debt Administration

At the end of the fiscal year, the City of Cottage Grove had total long-term debt outstanding of \$20,891,271. Of that amount, \$1,599,035 is a general obligation bond to pay the City's unfunded actuarial liability in the Public Employees Retirement System. New debt was incurred during the fiscal year for the purchase of vehicles and equipment in the amount of \$408,322.

Outstanding Debt at Year-end

	2016	2015
Governmental Activities		
PERS UAL refinancing	\$ 1,336,794	\$ 1,361,165
LOCAP -Industrial Park	725,000	785,000
LOCAP -Fiber	350,000	365,000
LOCAP -Premium	49,927	52,864
Optical/Wireless Equipment	569,699	631,307
Police Vehicle	90,692	61,215
Armory Building	203,142	253,927
Street Sweeper	169,896	0
Tiger Mower	6,785	0
Sub-total	<u>\$ 3,501,935</u>	<u>\$ 3,510,478</u>
Business-type Activities		
PERS UAL refinancing	\$ 262,241	\$ 267,022
Water system improvement	3,066,679	3,197,835
LOCAP -Water	5,430,000	5,705,000
LOCAP -Wastewater	5,905,000	6,350,000
LOCAP -Storm	1,130,000	1,175,000
LOCAP -Golf Course	535,000	575,000
LOCAP -Premium	601,450	636,830
Middlefield Golf Course/ Residence	259,571	275,762
Water/wastewater Equipment	199,394	69,202
Sub-total	<u>17,389,335</u>	<u>18,251,651</u>
Total	<u>20,891,270</u>	<u>\$21,762,129</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 \$27,400,166. The outstanding debt of \$1,336,794 is counted within the statutory limitation, as the remaining debt, is either wholly or partially financed by revenues other than a general tax levy.

Economic Factors

The governmental funds largest revenue sources are property taxes, franchise fees, state shared revenues, and charges for services. The State does not have a sales tax, resulting in local government's significant reliance on property taxes and other self-generated revenues. Assessed value growth for the 2016-17 budget preparation was projected at 2%, and anticipates there will not be any annexations of property to the City.

In all funds, personnel costs continue to rise due to cost of living wage increases and increased costs for medical and retirement benefits for employees. The City continues to pay a larger share of the employee retirements costs of the Oregon Public Employees Retirement System (PERS). Contribution rates are set by PERS for the biennium, with the next rate increase to be effective July 2017. We are anticipating a significant increase with the next actuarial performed by PERS. With these factors known, it is anticipated there will be a net pension liability increase again next fiscal year.

The Water and Wastewater Funds rely on user fees and system development charges. The City Council adopted a new 5-year financial plan for each utility in fiscal year 2015-16 that is in effect through 2019-20. The plan is a continuation from the last five-year plan, which has been followed during that time with rates adjusted accordingly. 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 increased the ability to upgrade utility infrastructure. Projects as recommend in the plan have been and will continue to be funded either with City funds or with the acquisition of bonded debt. It is noted that the financial plan can be impacted by any major emergency that is encountered.

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.

All of these factors were considered when preparing the budget for fiscal year 2016-17.

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, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 5,054,331	\$ 4,673,936	\$ 9,728,267
Accounts receivable, net	311,279	573,052	884,331
Property taxes receivable	293,106	-	293,106
Grant and contract receivables	19,100	-	19,100
Inventories	-	186,255	186,255
	<u>5,677,816</u>	<u>5,433,243</u>	<u>11,111,059</u>
Total current assets			
Noncurrent assets:			
Internal balances	(77,200)	77,200	-
Loans receivable	18,744	-	18,744
Capital assets not being depreciated	27,242,988	2,176,024	29,419,012
Capital assets, net of accumulated depreciation	<u>11,739,305</u>	<u>29,661,291</u>	<u>41,400,596</u>
	<u>38,923,837</u>	<u>31,914,515</u>	<u>70,838,352</u>
Total noncurrent assets			
	<u>44,601,653</u>	<u>37,347,758</u>	<u>81,949,411</u>
Deferred Outflows of Resources			
Related to pensions	<u>561,493</u>	<u>260,468</u>	<u>821,961</u>
Liabilities			
Current Liabilities:			
Accounts payable	154,326	84,686	239,012
Payroll and related accruals	272,765	132,292	405,057
Deposits	10,375	50,005	60,380
Unearned revenue	-	44,418	44,418
Accrued interest payable	31,338	123,145	154,483
Compensated absences	<u>296,627</u>	<u>100,556</u>	<u>397,183</u>
	<u>765,431</u>	<u>535,102</u>	<u>1,300,533</u>
Total current liabilities			
Noncurrent liabilities:			
Net pension liability	2,282,514	1,058,826	3,341,340
Due within one year	256,363	1,051,485	1,307,848
Due in more than one year	<u>3,245,572</u>	<u>16,337,850</u>	<u>19,583,422</u>
	<u>5,784,449</u>	<u>18,448,161</u>	<u>24,232,610</u>
Total noncurrent liabilities			
	<u>6,549,880</u>	<u>18,983,263</u>	<u>25,533,143</u>
Deferred Inflows of Resources			
Related to pensions	<u>548,397</u>	<u>254,395</u>	<u>802,792</u>
Net Position			
Net investment in capital assets	36,817,152	14,447,980	51,265,132
Restricted for:			
Law enforcement	257,936	-	257,936
System development	-	862,302	862,302
Road maintenance	1,114,462	-	1,114,462
Permanent trust fund	54,747	-	54,747
Industrial park	129,701	-	129,701
Unrestricted	<u>(309,129)</u>	<u>3,060,286</u>	<u>2,751,157</u>
	<u>\$ 38,064,869</u>	<u>\$ 18,370,568</u>	<u>\$ 56,435,437</u>
Total Net Position			

See accompanying notes to financial statements.

CITY OF COTTAGE GROVE, OREGON

Statement of Activities

For the Year ended June 30, 2016

Functions/Programs	Program Revenues			Net (Expense) Revenue and Change in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General Government	\$ (3,489,638)	\$ 681,206	\$ 441,119	\$ 218,374	\$ (2,148,939)	\$ -	\$ (2,148,939)
Public Safety	(3,271,855)	279,168	-	-	(2,992,687)	-	(2,992,687)
Highways and Streets	(1,140,654)	4,894	748,652	-	(387,108)	-	(387,108)
Culture and Recreation	(825,482)	-	24,146	-	(801,336)	-	(801,336)
Community Development	(930,662)	180,924	-	-	(749,738)	-	(749,738)
Debt Service - Interest	(204,197)	-	-	-	(204,197)	-	(204,197)
Total Governmental Activities	(9,862,488)	1,146,192	1,213,917	218,374	(7,284,005)	-	(7,284,005)
Business-type Activities							
Water Operations	(3,088,737)	3,105,868	-	-	-	17,131	17,131
Wastewater Operations	(2,904,620)	2,746,677	-	-	-	(157,943)	(157,943)
Storm Drainage Operations	(681,966)	742,924	-	-	-	60,958	60,958
Total Business-type Activities	(6,675,323)	6,595,469	-	-	-	(79,854)	(79,854)
Total Activities	<u>\$(16,537,811)</u>	<u>\$ 7,741,661</u>	<u>\$ 1,213,917</u>	<u>\$ 218,374</u>	<u>(7,284,005)</u>	<u>(79,854)</u>	<u>(7,363,859)</u>
		General revenues:					
		Property taxes			4,205,016	-	4,205,016
		Franchise fees			594,996	-	594,996
		Alcoholic beverage taxes			154,675	-	154,675
		Motor fuel taxes			412,476	-	412,476
		Other taxes			119,708	-	119,708
		Gain (loss) on disposition of capital assets			117,916	-	117,916
		Interest and investment earnings			39,091	23,860	62,951
		Transfers in (out)			3,250	(3,250)	-
		Total general revenues and transfers			5,647,128	20,610	5,667,738
	Change in net position				(1,636,877)	(59,244)	(1,696,121)
	Net position, beginning				39,701,746	18,429,812	58,131,558
	Net position, ending				<u>\$ 38,064,869</u>	<u>\$ 18,370,568</u>	<u>\$ 56,435,437</u>

See accompanying notes to financial statements.

CITY OF COTTAGE GROVE, OREGON

Governmental Funds

Balance Sheet

June 30, 2016

	General Fund (001)	Street Fund (004)	Nonmajor Governmental Funds	Total
Assets				
Cash and cash equivalents	\$ 2,075,053	\$ 1,015,401	\$ 1,963,877	\$ 5,054,331
Accounts receivable	152,131	133,425	25,723	311,279
Property taxes receivable	293,106	-	-	293,106
Grant and contract receivables	19,100	-	-	19,100
Loans receivable	-	-	18,744	18,744
Total Assets	<u>\$ 2,539,390</u>	<u>\$ 1,148,826</u>	<u>\$ 2,008,344</u>	<u>\$ 5,696,560</u>
Liabilities				
Accounts payable	\$ 100,997	\$ 13,587	\$ 39,742	\$ 154,326
Payroll and related accruals	213,109	20,777	38,879	272,765
Deposits	10,375	-	-	10,375
Advance from other fund	-	-	77,200	77,200
Total Liabilities	<u>324,481</u>	<u>34,364</u>	<u>155,821</u>	<u>514,666</u>
Deferred Inflows of Resources				
Unavailable revenues	<u>293,106</u>	<u>-</u>	<u>18,744</u>	<u>311,850</u>
Fund Balance				
Nonspendable	-	-	3,000	3,000
Restricted	-	1,114,462	442,384	1,556,846
Committed	-	-	1,403,271	1,403,271
Unassigned	<u>1,921,803</u>	<u>-</u>	<u>(14,876)</u>	<u>1,906,927</u>
Total Fund Balances	<u>1,921,803</u>	<u>1,114,462</u>	<u>1,833,779</u>	<u>4,870,044</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,539,390</u>	<u>\$ 1,148,826</u>	<u>\$ 2,008,344</u>	<u>\$ 5,696,560</u>

See accompanying notes to financial statements.

CITY OF COTTAGE GROVE, OREGON

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2016

Total Government Fund Balances		\$ 4,870,044
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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	27,242,988	
Capital assets being depreciated	32,719,305	
Accumulated depreciation	<u>(20,980,000)</u>	38,982,293

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

Deferred inflow related to property taxes	293,106	
Deferred inflow related to loans receivable	18,744	
Deferred inflow related to pensions	(548,397)	
Deferred outflow related to pensions	561,493	
Net pension asset/liability	<u>(2,282,514)</u>	(1,957,568)

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	(296,627)	
Long-term debt	<u>(3,501,935)</u>	<u>(3,829,900)</u>

Net Position of Governmental Activities in the Statement of Net Position		<u>\$ 38,064,869</u>
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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, 2016

	General Fund (001)	Street Fund (004)	Nonmajor Governmental Funds	Total
Revenues				
Property taxes	\$ 4,199,845	\$ -	\$ -	\$ 4,199,845
Franchise taxes	594,996	-	-	594,996
Local fuels tax	-	412,476	-	412,476
Alcohol taxes	141,669	-	-	141,669
Room tax	119,708	-	-	119,708
Other taxes	14,187	-	-	14,187
Licenses and permits	15,270	-	-	15,270
Intergovernmental revenues	188,382	577,471	156,903	922,756
Charges for services	23,342	-	180,386	203,728
Administration and engineering fees	481,534	-	-	481,534
Fines and forfeitures	122,398	-	15,799	138,197
Investment earnings	23,042	5,418	10,630	39,090
Contributions and donations	-	-	11,154	11,154
Miscellaneous	161,060	4,894	5,438	171,392
Special assessments	-	-	174,494	174,494
Grants and contracts	240,403	-	-	240,403
	<u>6,325,836</u>	<u>1,000,259</u>	<u>554,804</u>	<u>7,880,899</u>
Total Revenues				
Expenditures				
Current:				
General Government	1,445,297	-	193,313	1,638,610
Public Safety	2,413,570	-	667,296	3,080,866
Highways and streets	-	914,298	5,491	919,789
Culture and recreation	745,222	-	80	745,302
Community Development	568,211	-	348,376	916,587
Debt service:				
Debt Service - Principal	177,128	19,874	62,306	259,308
Debt Service - Interest	152,908	8,688	42,602	204,198
Capital Outlay	404,164	-	72,580	476,744
	<u>5,906,500</u>	<u>942,860</u>	<u>1,392,044</u>	<u>8,241,404</u>
Total Expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>419,336</u>	<u>57,399</u>	<u>(837,240)</u>	<u>(360,505)</u>
Other Financing Sources (uses)				
Proceeds from sale of capital assets	-	-	126,925	126,925
Proceeds from debt issuance	58,267	195,290	-	253,557
Transfers in	31,550	-	689,928	721,478
Transfers out	(670,628)	(19,300)	(31,550)	(721,478)
	<u>(580,811)</u>	<u>175,990</u>	<u>785,303</u>	<u>380,482</u>
Total Other Financing Source (Uses)				
Net Change in Fund Balances	(161,475)	233,389	(51,937)	19,977
Beginning Fund Balance	<u>2,083,278</u>	<u>881,073</u>	<u>1,885,716</u>	<u>4,850,067</u>
Ending Fund Balance	<u>\$ 1,921,803</u>	<u>\$ 1,114,462</u>	<u>\$ 1,833,779</u>	<u>\$ 4,870,044</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, 2016

Net Change in Fund Balances - Total Governmental Funds		19,977
Amounts reported for governmental activities in the statement of activities are different because of the following:		
The statement of revenues, expenditures, and changes in fund balances reports 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	\$ (819,242)	
Expenditures for capital assets	840,085	
Donated capital assets	218,374	
Capital assets transferred from enterprises	3,250	
Net book value of capital assets sold/disposal	<u>2,794</u>	245,261
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds as follows:		
Change in unavailable revenue - property taxes		5,171
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in accrued compensated absences		8,561
Change in net pension assets/liabilities/deferred inflows and deferred outflows		(1,921,597)
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	(253,557)	
Debt service principal payments	<u>259,307</u>	<u>5,750</u>
Change in Net Position of Governmental Activities		<u>\$ (1,636,877)</u>

See accompanying notes to financial statements.

CITY OF COTTAGE GROVE, OREGON

Proprietary Funds

Balance Sheet

June 30, 2016

	Business-Type Activities - Enterprise Funds			
	Water Operations	Wastewater Operations	Storm Drainage Operations	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 2,621,181	\$ 622,303	\$ 1,430,452	\$ 4,673,936
Receivables - net	267,924	237,758	67,370	573,052
Inventories	<u>147,492</u>	<u>38,763</u>	<u>-</u>	<u>186,255</u>
Total current assets	<u>3,036,597</u>	<u>898,824</u>	<u>1,497,822</u>	<u>5,433,243</u>
Noncurrent assets:				
Internal balances	-	-	77,200	77,200
Capital assets	<u>13,626,319</u>	<u>15,155,969</u>	<u>3,055,027</u>	<u>31,837,315</u>
Total noncurrent assets	<u>13,626,319</u>	<u>15,155,969</u>	<u>3,132,227</u>	<u>31,914,515</u>
Total assets	<u>16,662,916</u>	<u>16,054,793</u>	<u>4,630,049</u>	<u>37,347,758</u>
Deferred outflow				
Related to pensions	<u>128,629</u>	<u>109,814</u>	<u>22,025</u>	<u>260,468</u>
Total assets and deferred outflows	<u>\$ 16,791,545</u>	<u>\$ 16,164,607</u>	<u>\$ 4,652,074</u>	<u>\$ 37,608,226</u>
Liabilities and Net Position				
Liabilities				
Current liabilities:				
Accounts payable	\$ 64,906	\$ 12,928	\$ 6,852	\$ 84,686
Payroll and related accruals	61,428	60,373	10,491	132,292
Accrued interest payable	89,325	29,523	4,297	123,145
Other liabilities	48,505	45,918	-	94,423
Compensated absences payable	46,295	46,742	7,519	100,556
Current portion of long-term debt	<u>500,521</u>	<u>466,889</u>	<u>84,075</u>	<u>1,051,485</u>
Total current liabilities	<u>810,980</u>	<u>662,373</u>	<u>113,234</u>	<u>1,586,587</u>
Noncurrent liabilities:				
Long-term debt, net of current portion	8,388,511	6,779,384	1,169,955	16,337,850
Net pension liability	<u>522,889</u>	<u>446,403</u>	<u>89,534</u>	<u>1,058,826</u>
Total noncurrent liabilities	<u>8,911,400</u>	<u>7,225,787</u>	<u>1,259,489</u>	<u>17,396,676</u>
Total Liabilities	<u>9,722,380</u>	<u>7,888,160</u>	<u>1,372,723</u>	<u>18,983,263</u>
Deferred inflow				
Deferred inflow related to pensions	<u>125,630</u>	<u>107,253</u>	<u>21,512</u>	<u>254,395</u>
Net Position				
Net investment in capital assets	4,737,287	7,909,696	1,800,997	14,447,980
Restricted for system development	413,211	80,145	368,946	862,302
Unrestricted	<u>1,793,037</u>	<u>179,353</u>	<u>1,087,896</u>	<u>3,060,286</u>
Total Net Position	<u>6,943,535</u>	<u>8,169,194</u>	<u>3,257,839</u>	<u>18,370,568</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 16,791,545</u>	<u>\$ 16,164,607</u>	<u>\$ 4,652,074</u>	<u>\$ 37,608,226</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, 2016

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Water Operations</u>	<u>Wastewater Operations</u>	<u>Storm Drainage Operations</u>	<u>Total</u>
Operating Revenues				
Charges for services	\$ 3,085,702	\$ 2,719,400	\$ 740,320	\$ 6,545,422
Grants and contracts	12,250	-	-	12,250
Miscellaneous	7,915	27,277	2,605	37,797
Total Operating Revenues	<u>3,105,867</u>	<u>2,746,677</u>	<u>742,925</u>	<u>6,595,469</u>
Operating Expenses				
Personal Services	1,448,863	1,319,091	249,794	3,017,748
Materials and Services	719,377	716,071	155,424	1,590,872
Depreciation expense	544,894	591,052	230,140	1,366,086
Total Operating Expenses	<u>2,713,134</u>	<u>2,626,214</u>	<u>635,358</u>	<u>5,974,706</u>
Operating Income (Loss)	<u>392,733</u>	<u>120,463</u>	<u>107,567</u>	<u>620,763</u>
Non-operating revenues (expenses)				
Interest expense	(375,602)	(278,406)	(46,609)	(700,617)
Investment earnings	13,384	2,991	7,485	23,860
Total non-operating revenues (expenses)	<u>(362,218)</u>	<u>(275,415)</u>	<u>(39,124)</u>	<u>(676,757)</u>
Income (loss) before transfers	30,515	(154,952)	68,443	(55,994)
Transfers in	403,680	178,577	130,710	712,967
Transfers out	<u>(403,680)</u>	<u>(181,827)</u>	<u>(130,710)</u>	<u>(716,217)</u>
Change in Net Position	30,515	(158,202)	68,443	(59,244)
Beginning Net Position	<u>6,913,020</u>	<u>8,327,396</u>	<u>3,189,396</u>	<u>18,429,812</u>
Ending Net Position	<u>\$ 6,943,535</u>	<u>\$ 8,169,194</u>	<u>\$ 3,257,839</u>	<u>\$ 18,370,568</u>

See accompanying notes to financial statements.

CITY OF COTTAGE GROVE, OREGON

Proprietary Funds

Statement of Cash Flows

For the Year Ended June 30, 2016

	Business-Type Activities - Enterprise Funds			
	Water Operations	Wastewater Operations	Storm Drain Operations	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 3,101,346	\$ 2,732,741	\$ 739,756	\$ 6,573,843
Cash payments to employees	(1,012,236)	(933,329)	(173,380)	(2,118,945)
Cash payments to suppliers for goods and services	<u>(692,001)</u>	<u>(728,335)</u>	<u>(155,813)</u>	<u>(1,576,149)</u>
Net cash provided (used) by operating activities	<u>1,397,109</u>	<u>1,071,077</u>	<u>410,563</u>	<u>2,878,749</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers out	<u>-</u>	<u>(3,250)</u>	<u>-</u>	<u>(3,250)</u>
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>(3,250)</u>	<u>-</u>	<u>(3,250)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(167,106)	(135,066)	(30,710)	(332,882)
Principal paid on capital debt	(409,448)	(523,905)	(48,349)	(981,702)
Interest paid on capital debt	(392,476)	(297,154)	(49,134)	(738,764)
Issuance of debt	7,500	92,885	54,380	154,765
Repayment of interfund loan	<u>-</u>	<u>-</u>	<u>19,300</u>	<u>19,300</u>
Net cash provided (used) by capital and related financing activities	<u>(961,530)</u>	<u>(863,240)</u>	<u>(54,513)</u>	<u>(1,879,283)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	<u>13,384</u>	<u>2,991</u>	<u>7,485</u>	<u>23,860</u>
Net change in cash and cash equivalents	448,963	207,578	363,535	1,020,076
Cash and cash equivalents at beginning of year	<u>2,172,218</u>	<u>414,725</u>	<u>1,066,917</u>	<u>3,653,860</u>
Cash and cash equivalents at end of year	<u>\$ 2,621,181</u>	<u>\$ 622,303</u>	<u>\$ 1,430,452</u>	<u>\$ 4,673,936</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, 2016

	Business-Type Activities - Enterprise Funds			
	Water Operations	Wastewater Operations	Storm Drain Operations	Total
Reconciliation of operating income to net cash provided (used) by operating activities				
Operating income (loss)	\$ 392,733	\$ 120,463	\$ 107,567	\$ 620,763
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation	544,894	591,052	230,140	1,366,086
(Increase) decrease in current assets:				
Receivables - net	(4,521)	(28,679)	(3,169)	(36,369)
Inventories	5,713	247	-	5,960
Net pension asset/liability	703,041	608,498	120,996	1,432,535
Deferred outflows related to pensions	(30,420)	(202,086)	(38,529)	(271,035)
Increase (decrease) in current liabilities:				
Accounts payable	25,033	(12,511)	(389)	12,133
Other liabilities	(3,370)	14,743	-	11,373
Payroll and related	(8,191)	992	(26)	(7,225)
Compensated absences	(9,633)	3,043	(1,473)	(8,063)
Deferred inflows related to pensions	<u>(218,170)</u>	<u>(24,685)</u>	<u>(4,554)</u>	<u>(247,409)</u>
Net cash provided (used) by operating activities	<u>\$ 1,397,109</u>	<u>\$ 1,071,077</u>	<u>\$ 410,563</u>	<u>\$ 2,878,749</u>

See accompanying notes to financial statements.

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2016

Note 1 - Summary of Significant Accounting Policies

A. Description of Reporting Entity

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

B. Basic Financial Statements

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

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

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

C. Basis of Presentation

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

The City reports the following major governmental funds:

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

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

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

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2016

Note 1 - Summary of Significant Accounting Policies, continued

C. Basis of Presentation, continued

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

- *Water Operations*

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

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

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

- *Wastewater Operations*

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

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

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

- *Storm Drain Operations*

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

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

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

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.

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2016

Note 1 - Summary of Significant Accounting Policies, continued

D. Measurement Focus and Basis of Accounting, continued

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 nonoperating revenues and expenses.

E. Use of Estimates

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

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.

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2016

Note 1 - Summary of Significant Accounting Policy, continued

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.

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 nonoperating 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 represents a consumption of net position that applies to future period(s) and so will not be recognized as a an outflow of resources (expense/ expenditure) until then. The City has one item that qualifies for reporting in this category. It is the deferred amounts relating to pensions. This amount is deferred and recognized as an outflow of resources in the period when the City recognizes pension expense/expenditures. Deferred outflows are included in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position.

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 represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. Unavailable revenue from property taxes and loans receivable is reported in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that amount becomes available. The City also reports deferred amounts related to pensions. This amount is deferred and recognized as an inflow of resources in the period when the City recognizes pension income. Deferred inflows are included in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position.

K. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2016

Note 1 - Summary of Significant Accounting Policy, continued

L. 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, wastewater fund, and storm drainage fund.

M. 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.

N. Net Position and Fund Equity

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

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

Nonspendable - resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories, prepaids and deposits, the fixed principal of the permanent fund 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.

O. 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, 2016

Note 1 - Summary of Significant Accounting Policy, continued

P. Interfund Services Provided and Used

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

Note 2 - Stewardship, Compliance, and Accountability

A - Budgetary Information

Budgets are prepared and adopted, and expenditures are appropriated, in accordance with Oregon Local Budget Law. The budgetary level of control is appropriated by fund and department for the General Fund and Street Fund. All other funds are appropriated by object (i.e. personal services, materials and services, capital outlay, debt service, interfund transfers, and contingency) or by a mix of object (for non-departmental expenditures) and department. 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 two transfer resolutions.

B - Bicycle and Footpath Deficit Fund Equity

The City's Bicycle and Footpath fund had a negative fund balance of \$14,876 as of June 30, 2016. 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, 2016

Note 3 - Cash and Cash Equivalents

A - Deposits and investments

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

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

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

At June 30, 2016 cash and cash equivalents consisted of the following:

	<u>Fair Value</u>
Investments in the State Treasurer's Local Government Investment Fund (LGIP)	\$ 8,428,341
Deposits in financial institutions	1,291,550
Cash with Lane County	6,411
Cash on hand	<u>1,965</u>
Total cash and cash equivalents	<u>\$ 9,728,267</u>

B - Interest rate risk

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

C - Credit risk

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

D - Custodial credit risk – deposits

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

The City's total bank balance, at June 30, 2016, was \$1,491,482. Of this amount, \$500,000 was covered by federal depository insurance. The remaining balance 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, 2016

Note 4 - Receivables - Enterprise funds

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

	<u>Receivable</u>	<u>Allowance</u>	<u>Net</u>
Water sales	\$ 272,234	\$ (4,310)	\$ 267,924
Wastewater charges	240,258	(2,500)	237,758
Storm drain charges	<u>68,370</u>	<u>(1,000)</u>	<u>67,370</u>
Total	<u>\$ 580,862</u>	<u>\$ (7,810)</u>	<u>\$ 573,052</u>

Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Governmental Activities:</u>			
	<u>2015</u>	<u>Additions and Reclassifications</u>	<u>Deletions and Reclassifications</u>	<u>2016</u>
Capital assets, not being depreciated:				
Land	\$ 26,514,079	\$ 196,088	\$ -	\$ 26,710,167
Construction in progress	<u>83,480</u>	<u>449,341</u>	<u>-</u>	<u>532,821</u>
Total capital assets, not being depreciated	<u>26,597,559</u>	<u>645,429</u>	<u>-</u>	<u>27,242,988</u>
Capital assets being depreciated:				
Buildings and improvements	5,476,315	27,287	-	5,503,602
Motor vehicles and equipment	1,512,341	316,956	129,303	1,958,600
Office furniture and equipment	464,772	13,055	(129,303)	348,524
Infrastructure	<u>24,849,599</u>	<u>58,980</u>	<u>-</u>	<u>24,908,579</u>
Total capital assets being depreciated	<u>32,303,027</u>	<u>416,278</u>	<u>-</u>	<u>32,719,305</u>
Less accumulated depreciation for:				
Buildings and improvements	1,680,798	141,970	-	1,822,768
Motor vehicles and equipment	1,252,256	148,314	-	1,400,570
Office furniture and equipment	306,859	10,053	-	316,912
Infrastructure	<u>16,920,845</u>	<u>518,905</u>	<u>-</u>	<u>17,439,750</u>
Total accumulated depreciation	<u>20,160,758</u>	<u>819,242</u>	<u>-</u>	<u>20,980,000</u>
Total capital assets, being depreciated, net	<u>12,142,269</u>	<u>(402,964)</u>	<u>-</u>	<u>11,739,305</u>
Governmental activities capital assets, net	<u>\$ 38,739,828</u>	<u>\$ 242,465</u>	<u>\$ -</u>	<u>\$ 38,982,293</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 298,137
Highways and streets	341,399
Public safety	99,526
Culture and recreation	<u>80,180</u>
Total depreciation expense -governmental activities	<u>\$ 819,242</u>

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2016

Note 5 - Capital Assets, continued

	Business-type Activities:			2016
	2015	Additions and Reclassifications	Deletions and Reclassifications	
Capital assets, not being depreciated:				
Land	\$ 2,094,788	\$ 35,000	\$ -	\$ 2,129,788
Construction in progress	2,316	43,920	-	46,236
Total capital assets, not being depreciated	<u>2,097,104</u>	<u>78,920</u>	<u>-</u>	<u>2,176,024</u>
Capital assets being depreciated:				
Land improvements	1,260,000	-	-	1,260,000
Infrastructure	5,873,974	99,154	-	5,973,128
Utility systems	35,256,788	-	-	35,256,788
Building and improvements	2,259,589	-	-	2,259,589
Equipment	2,040,047	154,808	-	2,194,855
Office furniture and equipment	21,147	-	-	21,147
Total capital assets being depreciated	<u>46,711,545</u>	<u>253,962</u>	<u>-</u>	<u>46,965,507</u>
Less accumulated depreciation for:				
Land improvements	714,000	84,115	-	798,115
Infrastructure	1,146,579	-	-	1,146,579
Utility systems	11,920,234	1,124,469	-	13,044,703
Building and improvements	572,396	95,904	-	668,300
Equipment	1,002,771	57,541	-	1,060,312
Motor vehicles	569,082	2,080	-	571,162
Office furniture and equipment	13,068	1,977	-	15,045
Total accumulated depreciation	<u>15,938,130</u>	<u>1,366,086</u>	<u>-</u>	<u>17,304,216</u>
Total capital assets, being depreciated, net	<u>30,773,415</u>	<u>(1,112,124)</u>	<u>-</u>	<u>29,661,291</u>
Business-type activities capital assets, net	<u>\$ 32,870,519</u>	<u>\$ (1,033,204)</u>	<u>\$ -</u>	<u>\$ 31,837,315</u>

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

Water	\$ 544,894
Wastewater	591,052
Storm drain	<u>230,140</u>
Total depreciation expense -business-type activities	<u>\$ 1,366,086</u>

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2016

Note 6 - Interfund Receivables, Payables, and Transfers

A - Interfund loans receivable

Interfund loans receivable and payable are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Storm Drain	Bicycle and Footpath	<u>\$ 77,200</u>

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

B - Interfund transfers

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

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General Fund (001)	\$ 31,550	\$ 670,628
Street Fund (004)	-	19,300
Total Major Governmental Funds:	<u>31,550</u>	<u>689,928</u>
Nonmajor Governmental Funds:		
Police Communication Fund (006)	562,548	-
Bicycle and Footpath Fund (011)	19,300	9,000
Rehabilitation Loan Fund (020)	-	22,550
Building Inspection Program (013)	3,080	-
General Reserve Fund (731)	105,000	-
Total Nonmajor Governmental Funds	<u>689,928</u>	<u>31,550</u>
Proprietary Funds:		
Water Fund (202)	303,680	100,000
Water Reserve Fund (732)	100,000	303,680
Wastewater Fund (302)	138,577	43,250
Wastewater Reserve Fund (735)	40,000	138,577
Storm Drainage Utility Fund (402)	30,710	100,000
Storm Drainage Reserve Fund (736)	100,000	30,710
Total Proprietary Funds	<u>712,967</u>	<u>716,217</u>
Governmental Activities capital assets	<u>3,250</u>	<u>-</u>
Total All Funds	<u>\$ 1,437,695</u>	<u>\$ 1,437,695</u>

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

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2016

Note 7 - Long-Term Liabilities

A - Changes in Long-Term Liabilities

Transactions for the year ended June 30, 2016 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Bonds and notes payable:					
Bonds	\$ 2,511,165	\$ -	\$ (99,371)	\$ 2,411,794	\$ 103,938
Premium	52,864	-	(2,937)	49,927	-
Notes and loans	<u>946,449</u>	<u>253,557</u>	<u>(159,792)</u>	<u>1,040,214</u>	<u>152,425</u>
Total bonds and notes payable	3,510,478	253,557	(262,100)	3,501,935	256,363
Compensated absences	<u>305,188</u>	<u>296,627</u>	<u>(305,188)</u>	<u>296,627</u>	<u>-</u>
Total Governmental Activities	<u>\$ 3,815,666</u>	<u>\$ 550,184</u>	<u>\$ (567,288)</u>	<u>\$ 3,798,562</u>	<u>\$ 256,363</u>
Business-type Activities					
Bonds and notes payable:					
Bonds	\$ 14,072,022	\$ -	\$ (809,781)	\$ 13,262,241	\$ 844,695
Premium	636,830	-	(35,380)	601,450	-
Notes and loans	<u>3,542,799</u>	<u>154,765</u>	<u>(171,920)</u>	<u>3,525,644</u>	<u>206,790</u>
Total bonds and notes payable	18,251,651	154,765	(1,017,081)	17,389,335	1,051,485
Compensated Absences	<u>108,619</u>	<u>100,556</u>	<u>(108,619)</u>	<u>100,556</u>	<u>-</u>
Total Business-type Activities	<u>\$ 18,360,270</u>	<u>\$ 255,321</u>	<u>\$ (1,125,700)</u>	<u>\$ 17,489,891</u>	<u>\$ 1,051,485</u>

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2016

Note 7 - Long-Term Liabilities, continued

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. Final maturity is March 15, 2033. 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.

\$ 1,075,000

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%.

1,336,794

Total bonds payable - Governmental activities

\$ 2,411,794

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. Final maturity is March 15, 2033. 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.

\$ 13,000,000

Limited Tax Pension Obligations, Series 2002A and Series 2002B. (See description of terms above).

262,241

Total bonds payable - Business-type activities

\$ 13,262,241

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2016

Note 7 - Long-Term Liabilities, continued

General obligation bonded debt requirements are summarized below:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 103,938	\$ 173,648	\$ 844,695	\$ 536,753
2018	74,864	178,482	879,878	503,911
2019	75,367	184,839	899,976	479,003
2020	87,885	179,181	932,432	450,737
2021	154,500	117,781	975,500	401,484
2022-2026	995,840	430,726	5,539,160	1,336,580
2027-2031	564,400	128,762	2,835,600	300,410
2032-2036	190,000	52,219	355,000	14,300
2037-2041	165,000	18,169	-	-
Total	\$ 2,411,794	\$ 1,463,807	\$ 13,262,241	\$ 4,023,178

C - Notes and Loans Payable - Governmental Activities

Note payable obligation for optical and wireless networking equipment, secured by the asset, payable in semi-annual installments of \$31,523 including interest at an effective rate of 4.8% per annum, maturing in fiscal year 2029. \$ 569,699

On June 26, 2015, the City entered into a lease/purchase agreement with U.S. Bancorp Government Leasing and Finance, Inc. The agreement requires quarterly payments of \$7,829 including 2.19% interest beginning September 26, 2015, due June 29, 2019. The financing agreement is for the acquisition of vehicles and equipment. 90,692

On September 30, 2015, the City entered into a second lease/purchase agreement with U.S. Bancorp Government Leasing and Finance, Inc. The agreement requires semi-annual payments of \$28,736 including 2.139% interest beginning March 30, 2016, due September 30, 2020. The financing agreement is for the acquisition of vehicles and equipment. 176,681

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. 203,142

Total notes and loans payable - Governmental activities \$ 1,040,214

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

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2017	\$ 152,425	\$ 34,117	\$ 186,542
2018	155,659	30,882	186,541
2019	158,933	27,609	186,542
2020	130,750	24,475	155,225
2021	62,027	21,716	83,743
2022-2026	240,844	74,390	315,234
2027-2031	139,576	13,874	153,450
Total	\$ 1,040,214	\$ 227,063	\$ 1,267,277

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2016

Note 7 - Long-Term Liabilities, continued

D - Notes and Loans Payable - Business-type activities

In June of 2007, the City received a \$375,000 loan for the purchase of a property adjacent to the Middlefield Golf Course and the residence thereon. This loan is repayable over 20 years in semiannual payments of approximately \$15,007, including interest at 4.975%. The loan is unsecured.	\$	259,571
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.		2,131,678
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.		935,000
Note payable to Banner Bank dated March 11, 2016; original amount of \$78,900; semi-annual payments of \$8,427.09 including 2.42% interest, beginning September 1, 2016, due March 1, 2021. The loan is for the purchase of equipment.		78,900
In August 2014 the City received a \$72,460 loan from Umpqua Bank for the purchase of a loader. The loan is payable semi-annually payments of \$7,859.71 beginning May 21, 2015 including 2.971% interest, due November 21, 2019.		51,856
On September 30, 2015, the City entered into a second lease/purchase agreement with U.S. Bancorp Government Leasing and Finance, Inc. The agreement requires semi-annual payments of \$28,736.36 including 2.139% interest beginning March 30, 2016, due September 30, 2020. The financing agreement is for the acquisition of vehicles and equipment.		<u>68,639</u>
Total loans payable - Business - type activities	\$	<u><u>3,525,644</u></u>

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

Year Ending June 30,	Business-type Activities		
	Principal	Interest	Total
2017	\$ 206,790	\$ 164,870	\$ 371,660
2018	212,597	156,485	369,082
2019	223,671	147,671	371,342
2020	222,216	138,369	360,585
2021	217,531	129,718	347,249
2022-2026	1,118,660	493,926	1,612,586
2027-2031	912,134	227,296	1,139,430
2032-2036	412,045	47,189	459,234
Total	<u>\$ 3,525,644</u>	<u>\$ 1,505,524</u>	<u>\$ 5,031,168</u>

Note 8 - Pension Plans

A - Plan Description

Employees of the City are provided with pensions through the Oregon Public Employees Retirement System (OPERS) a cost-sharing multiple-employer defined benefit pension plan. The Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available Comprehensive Annual Financial Report and Actuarial Valuation that can be obtained at http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2016

Note 8 - Pension Plans, continued

B - Benefits Provided

1 - Tier One/Tier Two Retirement Benefit ORS Chapter 238

Pension Benefits

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

Death Benefits

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- the member was employed by a PERS employer at the time of death,
- the member died within 120 days after termination of PERS-covered employment,
- the member died as a result of injury sustained while employed in a PERS-covered job, or
- the member was on an official leave of absence from a PERS-covered job at the time of death.

Disability Benefits

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

Benefit Changes

After Retirement Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

2 - OPSRP Pension Program (OPSRP DB)

Pension Benefits.

The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

Police and Fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60, or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2016

Note 8 - Pension Plans, continued

A member of the OPSRP Pension Program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

Death Benefits

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability Benefits

A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit Changes After Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

3 - OPSRP Individual Account Program (OPSRP IAP)

Pension Benefits

An IAP member becomes vested on the date the employee account is established or on the date the rollover account is established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Recordkeeping

OPERS contracts with VOYA Financial to maintain IAP participant records.

C - Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation as subsequently modified by 2015 legislated changes in benefit provisions. The rates, based on a percentage of payroll, first became effectively July 1, 2015. Employer contributions for the year ended June 30, 2016 were \$553,803, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2016 were 17.64 percent for Tier One/Tier Two General Service Member, 17.64 percent for Tier One/Tier Two Police and Fire, 9.15 percent for OPSRP Pension Program General Service Members, 13.26 percent for OPSRP Pension Program Police and Fire Members, and 6 percent for OPSRP Individual Account Program.

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2016

Note 8 - Pension Plans, continued

D - Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the City reported a liability of \$3,341,340 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of December 31, 2013 rolled forward to June 30, 2015. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015, the City's proportion was 0.05819669 percent, which was increased from its proportion of 0.05426189 percent measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized pension expense of \$2,835,688. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Difference between expected and actual experience	\$ 180,182	\$ -
Net difference between projected and actual earnings on investments	-	700,418
Changes in proportionate share	67,556	-
Differences between employer contributions and employer's proportionate share of system contributions	<u>20,420</u>	<u>102,374</u>
Total (prior to post-MD contributions)	268,158	802,792
Contributions subsequent to MD	<u>553,803</u>	-
Total	<u>\$ 821,961</u>	<u>\$ 802,792</u>

Deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Deferred Outflows</u>		<u>Deferred Inflows</u>	
Amortization Period		Amortization Period	
2017	\$ 615,779	2017	\$ 357,461
2018	61,976	2018	357,461
2019	61,976	2019	357,461
2020	59,708	2020	(278,896)
2021	<u>22,522</u>	2021	<u>9,305</u>
Total	<u>\$ 821,961</u>	Total	<u>\$ 802,792</u>

E - Actuarial Assumptions

The employer contribution rates effective July 1, 2013, through June 30, 2015 and effective July 1, 2015, through June 30, 2017, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2016

Note 8 - Pension Plans, continued

E. - Actuarial Assumptions, continued

The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2013
Measurement Date	June 30, 2015
Experience Study Report	2014, published September 2015
Actuarial Cost Method	Entry Age normal
Actuarial Assumptions:	
Inflation Rate	2.75 percent
Long-Term Expected Rate of Return	7.75 percent
Discount Rate	7.75 percent
Project Salary Increases	3.75 percent overall payroll growth
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and grade COLA
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation. Active Members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (65% for males; 90% for females) of the RP-2000 statistic combined disabled mortality sex-distinct table.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2016

Note 8 - Pension Plans, continued

E. - Actuarial Assumptions, continued

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class/Strategy	Assumed Asset Allocation		
	Low Range	High Range	Target
Cash	0.0 %	3.0 %	0.0 %
Debt Securities	15.0 %	25.0 %	20.0 %
Public Equity	32.5 %	42.5 %	37.5 %
Private Equity	16.0 %	24.0 %	20.0 %
Real Estate	9.5 %	15.5 %	12.5 %
Alternative Equity	0.0 %	10.0 %	10.0 %
Opportunity Portfolio	0.0 %	3.0 %	0.0 %
Total			<u>100.0 %</u>

Asset Class	Target Allocation	Compounded Annual Return (Geometric)
Core Fixed Income	7.20 %	4.50 %
Short-Term Bonds	8.00 %	3.70 %
Intermediate-Term Bonds	3.00 %	4.10 %
High Yield Bonds	1.80 %	6.66 %
Large Cap US Equities	11.65 %	7.20 %
Mid Cap US Equities	3.88 %	7.30 %
Small Cap US Equities	2.27 %	7.45 %
Developed Foreign Equities	14.21 %	6.90 %
Emerging Foreign Equities	5.49 %	7.40 %
Private Equities	20.00 %	8.26 %
Opportunity Funds/Absolute Return	5.00 %	6.01 %
Real Estate (Property)	13.75 %	6.51 %
Real Estate (REITS)	2.50 %	6.76 %
Commodities	1.25 %	6.07 %
Total	<u>100.00 %</u>	
Assumed Inflation - mean		2.75 %

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2016

Note 8 - Pension Plans, continued

E. - Actuarial Assumptions, continued

Depletion Date Projection

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for PERS:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is our independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage-point lower (6.75 percent) or one percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
Proportionate Share of Net Pension Liability (Asset)	\$ 8,064,201	\$ 3,341,340	\$ (638,790)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2016

Note 8 - Pension Plans, continued

E. - Actuarial Assumptions, continued

Changes in Plan Provisions During the Measurement Period

The Oregon Supreme Court on April 30, 2015, ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. OPERS will make restoration payments to those benefit recipients.

OPERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire. This change in benefit terms were reflected in the current valuation.

Changes in Plan Provisions Subsequent to Measurement Date

There were no changes subsequent to the June 30, 2015 measurement date.

Note 9 - Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for risks of loss including workers' compensation, property damage, general liability, automobile liability, boiler and machinery, inland marine, public official bond, and employee dishonesty coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Note 10 - Contingent Liabilities

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

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



REQUIRED SUPPLEMENTARY INFORMATION



CITY OF COTTAGE GROVE, OREGON

Required Supplementary Information

Year Ended June 30, 2016

Schedule of the Proportionate Share of the Net Pension Liability

Oregon Public Employees Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability (asset)	0.058 %	0.054 %	0.054 %
Proportionate share of the net pension liability (asset)	\$ 3,341,340	\$ (1,229,962)	\$ 2,769,064
Covered payroll	\$ 4,038,370	\$ 3,948,874	\$ 4,058,662
Proportionate share of the pension liability (asset) as a percentage of its covered employee payroll	82.74 %	(31.15)%	68.23 %
Plan net position as a percentage of the total pension liability	91.90 %	103.60 %	91.97 %

Schedule of Pension Contributions

Oregon Public Employees Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 553,803	\$ 590,234	\$ 632,210
Contributions in relation to the contractually required contribution	<u>553,803</u>	<u>590,234</u>	<u>632,210</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 4,038,370	\$ 3,948,874	\$ 4,009,403
Contributions as a percentage of covered employee payroll	13.71 %	14.95 %	15.77 %

Notes to Required Supplementary Information

Changes in Benefit Terms

The Oregon Supreme Court on April 30, 2015, ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. OPERS will make restoration payments to those benefit recipients.

OPERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire.

This change in benefit terms was not included in the net pension liability (asset) proportionate shares provided by OPERS for the years ending June 30, 2015 and June 30, 2014.

Changes of Assumptions

Details and a comprehensive list of changes in methods and assumptions can be found in the 2012 and 2014 Experience Study for the System, which were published on September 18, 2013 and September 23, 2015. These reports can be found at: http://www.oregon.gov/pers/Pages/section/financial_reports/mercerc_reports.aspx.

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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Property taxes	\$ 4,139,000	\$ 4,139,000	\$ 4,199,845	\$ 60,845
Franchise taxes	514,000	514,000	594,996	80,996
Alcohol taxes	139,000	139,000	141,669	2,669
Room tax	108,600	108,600	119,708	11,108
Other taxes	12,000	12,000	14,187	2,187
Licenses and permits	21,025	21,025	15,270	(5,755)
Intergovernmental revenues	184,170	184,170	188,382	4,212
Charges for services	601,581	601,581	504,876	(96,705)
Fines and forfeitures	78,800	78,800	122,398	43,598
Investment earnings	15,500	15,500	23,042	7,542
Contributions and donations	121,900	121,900	161,060	39,160
Grants and contracts	<u>351,980</u>	<u>351,980</u>	<u>240,403</u>	<u>(111,577)</u>
Total revenues	<u>6,287,556</u>	<u>6,287,556</u>	<u>6,325,836</u>	<u>38,280</u>
Expenditures:				
General Government:				
City Council	46,350	46,350	37,515	8,835
City Manager	371,070	371,070	350,812	20,258
Finance	363,045	363,045	307,278	55,767
Public Safety:				
Police Operations	2,619,978	2,619,978	2,293,030	326,948
Municipal Court	76,295	76,295	74,237	2,058
Court Support Services	63,900	71,900	69,515	2,385
Youth Peer Court	23,693	23,693	19,622	4,071
Building Maintenance	186,940	186,940	184,094	2,846
Culture and Recreation:				
Parks	125,930	138,430	131,101	7,329
Engineering	234,985	234,985	149,451	85,534
Broadband Services	732,030	804,030	802,369	1,661
Community Development:				
Community Development	709,885	709,885	568,211	141,674
Library	372,440	374,440	355,720	18,720
Community Center	144,255	144,255	141,634	2,621
Community Promotions	117,450	122,450	116,768	5,682
Non-Departmental	857,795	857,795	305,143	552,652
Contingency	<u>341,817</u>	<u>219,267</u>	<u>-</u>	<u>219,267</u>
Total expenditures	<u>7,387,858</u>	<u>7,364,808</u>	<u>5,906,500</u>	<u>1,458,308</u>
Excess revenues over (under) expenditures	<u>(1,100,302)</u>	<u>(1,077,252)</u>	<u>419,336</u>	<u>1,496,588</u>
Other financing sources (uses):				
Transfers in	31,550	31,550	31,550	-
Transfers out	(670,628)	(693,678)	(670,628)	23,050
Proceeds from loans	<u>89,380</u>	<u>89,380</u>	<u>58,267</u>	<u>(31,113)</u>
Total other financing sources (uses)	<u>(549,698)</u>	<u>(572,748)</u>	<u>(580,811)</u>	<u>(8,063)</u>
Net change in fund balances	<u>(1,650,000)</u>	<u>(1,650,000)</u>	<u>(161,475)</u>	<u>1,488,525</u>
Fund Balance:				
Beginning of year	<u>1,650,000</u>	<u>1,650,000</u>	<u>2,083,278</u>	<u>433,278</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,921,803</u>	<u>\$ 1,921,803</u>
Reconciliation to GAAP Basis:				
Donated capital assets			218,375	
Capital outlay			<u>(218,375)</u>	
GAAP Fund Balance - end of year			<u>\$ 1,921,803</u>	

CITY OF COTTAGE GROVE, OREGON

Street Fund (004)

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Local fuels tax	\$ 320,000	\$ 320,000	\$ 412,476	\$ 92,476
Intergovernmental revenues	618,275	618,275	577,471	(40,804)
Miscellaneous	1,000	1,000	4,894	3,894
Investment earnings	<u>1,200</u>	<u>1,200</u>	<u>5,418</u>	<u>4,218</u>
Total revenues	<u>940,475</u>	<u>940,475</u>	<u>1,000,259</u>	<u>59,784</u>
Expenditures:				
Street Maintenance	544,835	544,835	436,969	107,866
Street Sweeping	112,655	112,655	75,454	37,201
Streets capital improvements	854,000	854,000	296,309	557,691
Non-departmental:				
Materials and Services	107,120	107,120	105,530	1,590
Debt Service - Principal	44,925	44,925	28,518	16,407
Debt Service - Interest	710	710	80	630
Contingency	<u>241,445</u>	<u>241,445</u>	<u>-</u>	<u>241,445</u>
Total expenditures	<u>1,905,690</u>	<u>1,905,690</u>	<u>942,860</u>	<u>962,830</u>
Excess of revenues over (under) expenditures	(965,215)	(965,215)	57,399	1,022,614
Other financing sources (uses):				
Transfers out	(19,300)	(19,300)	(19,300)	-
Proceeds from loans	<u>230,000</u>	<u>230,000</u>	<u>195,290</u>	<u>(34,710)</u>
Net change in fund balance	(754,515)	(754,515)	233,389	987,904
Beginning fund balance	<u>754,515</u>	<u>754,515</u>	<u>881,073</u>	<u>126,558</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,114,462</u>	<u>\$ 1,114,462</u>



OTHER SUPPLEMENTARY INFORMATION



CITY OF COTTAGE GROVE, OREGON

Other Governmental Funds

Nonmajor Governmental Funds

Special Revenue Funds

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

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

Capital Projects Funds

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

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

Permanent Fund

This fund is used to report resources that are legally restricted to the extent that only earnings, 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, 2016

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Projects Funds	Permanent Fund - Special Trust Fund	Total Nonmajor Governmental Funds
Assets				
Current assets:				
Cash and cash equivalents	\$ 664,230	\$ 1,240,125	\$ 59,522	\$ 1,963,877
Accounts receivable	25,719	-	4	25,723
Loans receivable	<u>18,744</u>	<u>-</u>	<u>-</u>	<u>18,744</u>
Total assets	<u>\$ 708,693</u>	<u>\$ 1,240,125</u>	<u>\$ 59,526</u>	<u>\$ 2,008,344</u>
Liabilities				
Current liabilities:				
Accounts payable	\$ 37,963	\$ -	\$ 1,779	\$ 39,742
Payroll and related accruals	38,879	-	-	38,879
Advance from other fund	<u>77,200</u>	<u>-</u>	<u>-</u>	<u>77,200</u>
Total liabilities	<u>154,042</u>	<u>-</u>	<u>1,779</u>	<u>155,821</u>
Deferred inflow related to pensions	<u>18,744</u>	<u>-</u>	<u>-</u>	<u>18,744</u>
Total deferred inflows of resources	<u>18,744</u>	<u>-</u>	<u>-</u>	<u>18,744</u>
Fund Balances				
Nonspendable	-	-	3,000	3,000
Restricted	387,637	-	54,747	442,384
Committed	163,146	1,240,125	-	1,403,271
Unassigned	<u>(14,876)</u>	<u>-</u>	<u>-</u>	<u>(14,876)</u>
Total fund balances	<u>535,907</u>	<u>1,240,125</u>	<u>57,747</u>	<u>1,833,779</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 708,693</u>	<u>\$ 1,240,125</u>	<u>\$ 59,526</u>	<u>\$ 2,008,344</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, 2016

	<u>Total Nonmajor Special Revenue Funds</u>	<u>Total Nonmajor Capital Projects Funds</u>	<u>Permanent Fund -Special Trust Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:				
Intergovernmental revenues	\$ 156,903	\$ -	\$ -	\$ 156,903
Charges for services	180,386	-	-	180,386
Fines and forfeitures	15,799	-	-	15,799
Investment earnings	3,501	6,821	308	10,630
Contributions and donations	-	-	11,154	11,154
Miscellaneous	5,438	-	-	5,438
Special assessments	-	174,494	-	174,494
Total Revenues	<u>362,027</u>	<u>181,315</u>	<u>11,462</u>	<u>554,804</u>
Expenditures:				
Current:				
General Government	190,242	3,071	-	193,313
Public Safety	667,296	-	-	667,296
Highways and streets	5,486	5	-	5,491
Culture and recreation	-	80	-	80
Community Development	344,625	-	3,751	348,376
Capital Outlay	-	62,580	10,000	72,580
Debt service:				
Principal	62,306	-	-	62,306
Interest	42,602	-	-	42,602
Total Expenditures	<u>1,312,557</u>	<u>65,736</u>	<u>13,751</u>	<u>1,392,044</u>
Excess of revenues over (under) expenditures	<u>(950,530)</u>	<u>115,579</u>	<u>(2,289)</u>	<u>(837,240)</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	126,925	-	-	126,925
Transfers in	584,928	105,000	-	689,928
Transfers out	(31,550)	-	-	(31,550)
Total other financing sources (uses)	<u>680,303</u>	<u>105,000</u>	<u>-</u>	<u>785,303</u>
Net change in fund balance	(270,227)	220,579	(2,289)	(51,937)
Fund balance at beginning of year	806,134	1,019,546	60,036	1,885,716
Fund balance at end of year	<u>\$ 535,907</u>	<u>\$ 1,240,125</u>	<u>\$ 57,747</u>	<u>\$ 1,833,779</u>

CITY OF COTTAGE GROVE, OREGON

Nonmajor Special Revenue Funds

Combining Balance Sheet

June 30, 2016

	Assessment Fund (005)	Police Communication Fund (006)	Bicycle and Footpath Fund (011)	Rehabilitation Loan Fund (020)	Narcotics Forfeiture (007)	Building Inspection Program (013)	Industrial Park Fund (502)	Total Nonmajor Special Revenue Funds
Assets								
Cash and cash equivalents	\$ 153,696	\$ 80,439	\$ 61,871	\$ 9,355	\$ 188,632	\$ 40,536	\$ 129,701	\$ 664,230
Accounts receivable	-	25,201	518	-	-	-	-	25,719
Loans receivable	-	-	-	18,744	-	-	-	18,744
Total assets	<u>\$ 153,696</u>	<u>\$ 105,640</u>	<u>\$ 62,389</u>	<u>\$ 28,099</u>	<u>\$ 188,632</u>	<u>\$ 40,536</u>	<u>\$ 129,701</u>	<u>\$ 708,693</u>
Liabilities								
Accounts payable	\$ -	262	65	-	-	\$ 37,636	-	\$ 37,963
Payroll and related accruals	-	36,074	-	-	-	2,805	-	38,879
Advance from other fund	-	-	77,200	-	-	-	-	77,200
Total liabilities	-	36,336	77,265	-	-	40,441	-	154,042
Deferred Inflows of Resources								
Unavailable revenues	-	-	-	18,744	-	-	-	18,744
Fund Balance								
Restricted	-	69,304	-	-	188,632	-	129,701	387,637
Committed	153,696	-	-	9,355	-	95	-	163,146
Unassigned	-	-	(14,876)	-	-	-	-	(14,876)
Total Fund Balances	<u>153,696</u>	<u>69,304</u>	<u>(14,876)</u>	<u>9,355</u>	<u>188,632</u>	<u>95</u>	<u>129,701</u>	<u>535,907</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 153,696</u>	<u>\$ 105,640</u>	<u>\$ 62,389</u>	<u>\$ 28,099</u>	<u>\$ 188,632</u>	<u>\$ 40,536</u>	<u>\$ 129,701</u>	<u>\$ 708,693</u>

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, 2016

	Assessment Fund (005)	Police Communication Fund (006)	Bicycle and Footpath Fund (011)	Rehabilitation Loan Fund (020)	Narcotics Forfeiture (007)	Building Inspection Program (013)	Industrial Park Fund (502)	Total Nonmajor Special Revenue Funds
Revenues:								
Intergovernmental revenues	\$ -	\$ 136,070	\$ 20,833	\$ -	\$ -	\$ -	\$ -	\$ 156,903
Charges for services	-	-	-	-	-	180,386	-	180,386
Investment earnings	830	506	434	54	958	19	700	3,501
Miscellaneous	-	-	-	-	4,900	538	-	5,438
Fines and forfeitures	-	-	-	-	15,799	-	-	15,799
Total Revenues	830	136,576	21,267	54	21,657	180,943	700	362,027
Expenditures:								
Current:								
General Government	-	-	-	-	-	190,242	-	190,242
Public Safety	-	639,679	-	-	27,617	-	-	667,296
Highways and streets	-	-	5,486	-	-	-	-	5,486
Community	-	-	-	-	-	-	-	-
Development	-	-	-	343,740	-	-	885	344,625
Debt service:								
Principal	-	1,837	-	-	242	227	60,000	62,306
Interest	-	9,579	-	-	1,262	1,186	30,575	42,602
Total Expenditures	-	651,095	5,486	343,740	29,121	191,655	91,460	1,312,557
Revenues over (under) expenditures	830	(514,519)	15,781	(343,686)	(7,464)	(10,712)	(90,760)	(950,530)
Other financing sources (uses):								
Transfers in	-	562,548	19,300	-	-	3,080	-	584,928
Transfers out	-	-	(9,000)	(22,550)	-	-	-	(31,550)
Proceeds from sale of capital assets	-	-	-	-	-	-	126,925	126,925
Net change in fund balance	830	48,029	26,081	(366,236)	(7,464)	(7,632)	36,165	(270,227)
Beginning fund balance	152,866	21,275	(40,957)	375,591	196,096	7,727	93,536	806,134
Ending fund balance	\$ 153,696	\$ 69,304	\$ (14,876)	\$ 9,355	\$ 188,632	\$ 95	\$ 129,701	\$ 535,907

CITY OF COTTAGE GROVE, OREGON

Nonmajor Capital Project Funds

Combining Balance Sheet

June 30, 2016

	<u>Street Systems Development Fund (608)</u>	<u>Parks Systems Development Fund (610)</u>	<u>General Reserve Fund (731)</u>	<u>Total Nonmajor Capital Projects Funds</u>
Assets				
Cash and cash equivalents	\$ 969,217	\$ 169,242	\$ 101,666	\$ 1,240,125
Total assets	<u>\$ 969,217</u>	<u>\$ 169,242</u>	<u>\$ 101,666</u>	<u>\$ 1,240,125</u>
Fund Balance				
Committed	\$ 969,217	\$ 169,242	\$ 101,666	\$ 1,240,125
Total Fund Balance	<u>\$ 969,217</u>	<u>\$ 169,242</u>	<u>\$ 101,666</u>	<u>\$ 1,240,125</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, 2016

	<u>Street Systems Development Fund (608)</u>	<u>Parks Systems Development Fund (610)</u>	<u>General Reserve Fund (731)</u>	<u>Total Nonmajor Capital Projects Funds</u>
Revenues:				
Investment earnings	\$ 5,225	\$ 908	\$ 688	\$ 6,821
Special assessments	150,348	24,146	-	174,494
Total Revenues	<u>155,573</u>	<u>25,054</u>	<u>688</u>	<u>181,315</u>
Expenditures:				
Current:				
General Government	-	-	3,071	3,071
Highways and streets	5	-	-	5
Culture and recreation	-	80	-	80
Capital Outlay	-	-	62,580	62,580
Total Expenditures	<u>5</u>	<u>80</u>	<u>65,651</u>	<u>65,736</u>
Excess of revenues over (under) expenditures	<u>155,568</u>	<u>24,974</u>	<u>(64,963)</u>	<u>115,579</u>
Other financing sources (uses):				
Transfers in	-	-	105,000	105,000
Net change in fund balance	155,568	24,974	40,037	220,579
Beginning fund balance	<u>813,649</u>	<u>144,268</u>	<u>61,629</u>	<u>1,019,546</u>
Ending fund balance	<u>\$ 969,217</u>	<u>\$ 169,242</u>	<u>\$ 101,666</u>	<u>\$ 1,240,125</u>

CITY OF COTTAGE GROVE, OREGON

Assessment Fund (005)

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Investment earnings	\$ 400	\$ 400	\$ 830	\$ 430
Total revenues	<u>400</u>	<u>400</u>	<u>830</u>	<u>430</u>
Expenditures:				
Materials and Services	164,595	164,595	-	164,595
Capital Outlay	<u>1,029,035</u>	<u>1,029,035</u>	<u>-</u>	<u>1,029,035</u>
Total expenditures	<u>1,193,630</u>	<u>1,193,630</u>	<u>-</u>	<u>1,193,630</u>
Excess of revenues over (under) expenditures	(1,193,230)	(1,193,230)	830	1,194,060
Other financing sources (uses):				
Proceeds from loans	<u>1,040,515</u>	<u>1,040,515</u>	<u>-</u>	<u>(1,040,515)</u>
Net change in fund balance	(152,715)	(152,715)	830	153,545
Beginning fund balance	<u>152,715</u>	<u>152,715</u>	<u>152,866</u>	<u>151</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 153,696</u>	<u>\$ 153,696</u>

CITY OF COTTAGE GROVE, OREGON

Police Communication Fund (006)

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental revenues	\$ 133,920	\$ 133,920	\$ 136,070	\$ 2,150
Investment earnings	25	25	506	481
Total revenues	<u>133,945</u>	<u>133,945</u>	<u>136,576</u>	<u>2,631</u>
Expenditures:				
Police Support Services	427,155	427,155	398,993	28,162
911 Services	258,863	258,863	240,633	18,230
Debt Service - Principal	<u>11,475</u>	<u>11,475</u>	<u>11,469</u>	<u>6</u>
Total expenditures	<u>697,493</u>	<u>697,493</u>	<u>651,095</u>	<u>46,398</u>
Excess of revenues over (under) expenditures	(563,548)	(563,548)	(514,519)	49,029
Other financing sources (uses):				
Transfers in	<u>562,548</u>	<u>562,548</u>	<u>562,548</u>	<u>-</u>
Net change in fund balance	(1,000)	(1,000)	48,029	49,029
Beginning fund balance	<u>1,000</u>	<u>1,000</u>	<u>21,275</u>	<u>20,275</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,304</u>	<u>\$ 69,304</u>

CITY OF COTTAGE GROVE, OREGON

Bicycle and Footpath Fund (011)

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Grants and contracts	\$ 70,000	\$ 70,000	\$ -	\$ (70,000)
Intergovernmental revenues	20,240	20,240	20,833	593
Investment earnings	<u>50</u>	<u>50</u>	<u>434</u>	<u>384</u>
Total revenues	<u>90,290</u>	<u>90,290</u>	<u>21,267</u>	<u>(69,023)</u>
Expenditures:				
Material and Services	27,185	27,185	5,486	21,699
Capital Outlay	94,000	94,000	-	94,000
Debt Service - Principal	19,300	19,300	19,300	-
Contingency	<u>5,860</u>	<u>5,860</u>	<u>-</u>	<u>5,860</u>
Total expenditures	<u>146,345</u>	<u>146,345</u>	<u>24,786</u>	<u>121,559</u>
Excess of revenues over (under) expenditures	(56,055)	(56,055)	(3,519)	52,536
Other financing sources (uses):				
Transfers in	19,300	19,300	19,300	-
Transfers out	<u>(9,000)</u>	<u>(9,000)</u>	<u>(9,000)</u>	<u>-</u>
Net change in fund balance	(45,755)	(45,755)	6,781	52,536
Beginning fund balance	<u>45,755</u>	<u>45,755</u>	<u>55,543</u>	<u>9,788</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,324</u>	<u>\$ 62,324</u>
Reconciliation to GAAP basis:				
Due to other funds			<u>(77,200)</u>	
GAAP fund balance - end of year			<u>\$ (14,876)</u>	

CITY OF COTTAGE GROVE, OREGON

Rehabilitation Loan Fund (020)

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Investment earnings	\$ 1,840	\$ 1,840	\$ 54	\$ (1,786)
Total revenues	<u>1,840</u>	<u>1,840</u>	<u>54</u>	<u>(1,786)</u>
Expenditures:				
Materials and Services	<u>431,290</u>	<u>431,290</u>	<u>343,740</u>	<u>87,550</u>
Total expenditures	<u>431,290</u>	<u>431,290</u>	<u>343,740</u>	<u>87,550</u>
Excess of revenues over (under) expenditures	(429,450)	(429,450)	(343,686)	85,764
Other financing sources (uses):				
Transfers out	<u>(22,550)</u>	<u>(22,550)</u>	<u>(22,550)</u>	<u>-</u>
Net change in fund balance	(452,000)	(452,000)	(366,236)	85,764
Beginning fund balance	<u>452,000</u>	<u>452,000</u>	<u>375,591</u>	<u>(76,409)</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,355</u>	<u>\$ 9,355</u>

CITY OF COTTAGE GROVE, OREGON

Narcotics Forfeiture (007)

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Investment earnings	\$ 600	\$ 600	\$ 958	\$ 358
Miscellaneous	-	-	4,900	4,900
Fines and forfeitures	-	-	15,799	15,799
Total revenues	<u>600</u>	<u>600</u>	<u>21,657</u>	<u>21,057</u>
Expenditures:				
Personnel Services	16,025	16,025	-	16,025
Materials and Services	46,425	46,425	4,164	42,261
Capital Outlay	100,000	100,000	23,446	76,554
Debt Service - Principal	1,520	1,520	1,511	9
Contingency	26,630	26,630	-	26,630
Total expenditures	<u>190,600</u>	<u>190,600</u>	<u>29,121</u>	<u>161,479</u>
Net change in fund balance	(190,000)	(190,000)	(7,464)	182,536
Beginning fund balance	<u>190,000</u>	<u>190,000</u>	<u>196,096</u>	<u>6,096</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 188,632</u>	<u>\$ 188,632</u>

CITY OF COTTAGE GROVE, OREGON

Building Inspection Program (013)

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 315,200	\$ 315,200	\$ 180,386	\$ (134,814)
Investment earnings	-	-	19	19
Miscellaneous	-	-	538	538
Total revenues	<u>315,200</u>	<u>315,200</u>	<u>180,943</u>	<u>(134,257)</u>
Expenditures:				
Personnel Services	47,935	47,935	35,613	12,322
Materials and Services	268,915	268,915	154,622	114,293
Debt Service - Principal	1,430	1,430	1,420	10
Total expenditures	<u>318,280</u>	<u>318,280</u>	<u>191,655</u>	<u>126,625</u>
Excess of revenues over (under) expenditures	(3,080)	(3,080)	(10,712)	(7,632)
Other financing sources (uses):				
Transfers in	<u>3,080</u>	<u>3,080</u>	<u>3,080</u>	<u>-</u>
Net change in fund balance	-	-	(7,632)	(7,632)
Beginning fund balance	-	-	7,727	7,727
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95</u>	<u>\$ 95</u>

CITY OF COTTAGE GROVE, OREGON

Industrial Park Fund (502)

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Investment earnings	\$ 300	\$ 300	\$ 700	\$ 400
Total revenues	<u>300</u>	<u>300</u>	<u>700</u>	<u>400</u>
Expenditures:				
Materials and Services	1,875	1,875	885	990
Debt Service - Principal	<u>90,575</u>	<u>90,575</u>	<u>90,575</u>	<u>-</u>
Total expenditures	<u>92,450</u>	<u>92,450</u>	<u>91,460</u>	<u>990</u>
Excess of revenues over (under) expenditures	(92,150)	(92,150)	(90,760)	1,390
Other financing sources (uses):				
Proceeds from sale of capital assets	<u>-</u>	<u>-</u>	<u>126,925</u>	<u>126,925</u>
Net change in fund balance	(92,150)	(92,150)	36,165	128,315
Beginning fund balance	<u>92,150</u>	<u>92,150</u>	<u>93,536</u>	<u>1,386</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 129,701</u>	<u>\$ 129,701</u>

CITY OF COTTAGE GROVE, OREGON
Street Systems Development Fund (608)
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Special assessments	\$ 40,000	\$ 40,000	\$ 150,348	\$ 110,348
Investment earnings	<u>2,000</u>	<u>2,000</u>	<u>5,225</u>	<u>3,225</u>
Total revenues	<u>42,000</u>	<u>42,000</u>	<u>155,573</u>	<u>113,573</u>
Expenditures:				
Materials and Services	5	5	5	-
Capital Outlay	<u>850,960</u>	<u>850,960</u>	<u>-</u>	<u>850,960</u>
Total expenditures	<u>850,965</u>	<u>850,965</u>	<u>5</u>	<u>850,960</u>
Net change in fund balance	(808,965)	(808,965)	155,568	964,533
Beginning fund balance	<u>808,965</u>	<u>808,965</u>	<u>813,649</u>	<u>4,684</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 969,217</u>	<u>\$ 969,217</u>

CITY OF COTTAGE GROVE, OREGON
Parks Systems Development Fund (610)
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Special assessments	\$ 10,000	\$ 10,000	\$ 24,146	\$ 14,146
Investment earnings	<u>200</u>	<u>200</u>	<u>908</u>	<u>708</u>
Total revenues	<u>10,200</u>	<u>10,200</u>	<u>25,054</u>	<u>14,854</u>
Expenditures:				
Materials and Services	80	80	80	-
Capital Outlay	<u>151,875</u>	<u>151,875</u>	<u>-</u>	<u>151,875</u>
Total expenditures	<u>151,955</u>	<u>151,955</u>	<u>80</u>	<u>151,875</u>
Net change in fund balance	(141,755)	(141,755)	24,974	166,729
Beginning fund balance	<u>141,755</u>	<u>141,755</u>	<u>144,268</u>	<u>2,513</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 169,242</u>	<u>\$ 169,242</u>

CITY OF COTTAGE GROVE, OREGON

General Reserve Fund (731)

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Investment earnings	\$ 100	\$ 100	\$ 688	\$ 588
Total revenues	<u>100</u>	<u>100</u>	<u>688</u>	<u>588</u>
Expenditures:				
Materials and Services	18,000	18,000	3,071	14,929
Capital Outlay	<u>135,100</u>	<u>135,100</u>	<u>62,580</u>	<u>72,520</u>
Total expenditures	<u>153,100</u>	<u>153,100</u>	<u>65,651</u>	<u>87,449</u>
Excess of revenues over (under) expenditures	(153,000)	(153,000)	(64,963)	88,037
Other financing sources (uses):				
Transfers in	<u>105,000</u>	<u>105,000</u>	<u>105,000</u>	<u>-</u>
Net change in fund balance	(48,000)	(48,000)	40,037	88,037
Beginning fund balance	<u>50,000</u>	<u>50,000</u>	<u>61,629</u>	<u>11,629</u>
Ending fund balance	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 101,666</u>	<u>\$ 99,666</u>

CITY OF COTTAGE GROVE, OREGON

Special Trust Fund (825)

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Investment earnings	\$ 65	\$ 65	\$ 308	\$ 243
Contributions and donations	<u>1,100</u>	<u>1,100</u>	<u>11,154</u>	<u>10,054</u>
Total revenues	<u>1,165</u>	<u>1,165</u>	<u>11,462</u>	<u>10,297</u>
Expenditures:				
Materials and Services	7,827	7,827	3,751	4,076
Capital Outlay	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Total expenditures	<u>17,827</u>	<u>17,827</u>	<u>13,751</u>	<u>4,076</u>
Net change in fund balance	(16,662)	(16,662)	(2,289)	14,373
Beginning fund balance	<u>16,662</u>	<u>16,662</u>	<u>60,036</u>	<u>43,374</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,747</u>	<u>\$ 57,747</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 is 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, 2016

	Water Fund (202)	Water Systems Development Fund (602)	Water Reserve Fund (732)	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 562,147	\$ 413,211	\$ 1,645,823	\$ 2,621,181
Receivables - net	139,709	-	128,215	267,924
Inventories	<u>147,492</u>	<u>-</u>	<u>-</u>	<u>147,492</u>
Total current assets	<u>849,348</u>	<u>413,211</u>	<u>1,774,038</u>	<u>3,036,597</u>
Noncurrent assets:				
Capital assets	<u>13,626,319</u>	<u>-</u>	<u>-</u>	<u>13,626,319</u>
Total noncurrent assets	<u>13,626,319</u>	<u>-</u>	<u>-</u>	<u>13,626,319</u>
Total assets	<u>14,475,667</u>	<u>413,211</u>	<u>1,774,038</u>	<u>16,662,916</u>
Deferred outflows				
Related to pensions	<u>128,629</u>	<u>-</u>	<u>-</u>	<u>128,629</u>
Total assets and deferred outflows	<u>\$ 14,604,296</u>	<u>\$ 413,211</u>	<u>\$ 1,774,038</u>	<u>\$ 16,791,545</u>
Liabilities and Net Position				
Liabilities				
Current liabilities:				
Accounts payable	\$ 34,912	\$ -	\$ 29,994	\$ 64,906
Payroll and related accruals	61,428	-	-	61,428
Accrued interest payable	89,325	-	-	89,325
Other liabilities	48,505	-	-	48,505
Compensated absences payable	46,295	-	-	46,295
Current portion of long-term debt	<u>145,703</u>	<u>-</u>	<u>354,818</u>	<u>500,521</u>
Total current liabilities	<u>426,168</u>	<u>-</u>	<u>384,812</u>	<u>810,980</u>
Noncurrent liabilities:				
Long-term debt, net of current portion	3,062,330	-	5,326,181	8,388,511
Net pension liability	<u>522,889</u>	<u>-</u>	<u>-</u>	<u>522,889</u>
Total noncurrent liabilities	<u>3,585,219</u>	<u>-</u>	<u>5,326,181</u>	<u>8,911,400</u>
Total Liabilities	<u>4,011,387</u>	<u>-</u>	<u>5,710,993</u>	<u>9,722,380</u>
Deferred inflows				
Related to pensions	<u>125,630</u>	<u>-</u>	<u>-</u>	<u>125,630</u>
Net Position				
Net investment in capital assets	10,418,286	-	(5,680,999)	4,737,287
Restricted for system development	-	413,211	-	413,211
Unrestricted	<u>48,993</u>	<u>-</u>	<u>1,744,044</u>	<u>1,793,037</u>
Total Net Position	<u>10,467,279</u>	<u>413,211</u>	<u>(3,936,955)</u>	<u>6,943,535</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 14,604,296</u>	<u>\$ 413,211</u>	<u>\$ 1,774,038</u>	<u>\$ 16,791,545</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, 2016

	<u>Water Fund (202)</u>	<u>Water Systems Development Fund (602)</u>	<u>Water Reserve Fund (732)</u>	<u>Total</u>
Operating Revenues				
Charges for services	\$ 1,659,375	\$ 102,693	\$ 1,323,634	\$ 3,085,702
State grants	-	-	12,250	12,250
Miscellaneous	4,806	-	3,109	7,915
Total Operating Revenues	<u>1,664,181</u>	<u>102,693</u>	<u>1,338,993</u>	<u>3,105,867</u>
Operating Expenses				
Personal Services	1,448,863	-	-	1,448,863
Materials and Services	526,663	1,659	191,055	719,377
Depreciation expense	544,894	-	-	544,894
Total Operating Expenses	<u>2,520,420</u>	<u>1,659</u>	<u>191,055</u>	<u>2,713,134</u>
Operating Income (Loss)	<u>(856,239)</u>	<u>101,034</u>	<u>1,147,938</u>	<u>392,733</u>
Nonoperating revenues (expenses)				
Interest expense	(10,931)	-	(364,671)	(375,602)
Investment earnings	2,700	2,204	8,480	13,384
Total non-operating revenues (expenses)	<u>(8,231)</u>	<u>2,204</u>	<u>(356,191)</u>	<u>(362,218)</u>
Income (loss) before transfers	(864,470)	103,238	791,747	30,515
Transfers in	303,680	-	100,000	403,680
Transfers out	(100,000)	-	(303,680)	(403,680)
Change in Net Position	(660,790)	103,238	588,067	30,515
Beginning Net Position	<u>11,128,069</u>	<u>309,973</u>	<u>(4,525,022)</u>	<u>6,913,020</u>
Ending Net Position	<u>\$ 10,467,279</u>	<u>\$ 413,211</u>	<u>\$ (3,936,955)</u>	<u>\$ 6,943,535</u>

CITY OF COTTAGE GROVE, OREGON

Water Operations Combined

Combining Statement of Cash Flows

For the Year Ended June 30, 2016

	<u>Water Fund (202)</u>	<u>Water Systems Development Fund (602)</u>	<u>Water Reserve Fund (732)</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 1,657,091	\$ 102,693	\$ 1,341,562	\$ 3,101,346
Cash payments to employees	(1,012,236)	-	-	(1,012,236)
Cash payments to suppliers for goods and services	<u>(526,686)</u>	<u>(1,659)</u>	<u>(163,656)</u>	<u>(692,001)</u>
Net cash provided (used) by operating activities	<u>118,169</u>	<u>101,034</u>	<u>1,177,906</u>	<u>1,397,109</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	303,680	-	100,000	403,680
Transfers out	<u>(100,000)</u>	<u>-</u>	<u>(303,680)</u>	<u>(403,680)</u>
Net cash provided (used) by noncapital financing activities	<u>203,680</u>	<u>-</u>	<u>(203,680)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(167,106)	-	-	(167,106)
Principal paid on capital debt	(133,733)	-	(275,715)	(409,448)
Interest paid on capital debt	(13,441)	-	(379,035)	(392,476)
Loan proceeds	<u>-</u>	<u>-</u>	<u>7,500</u>	<u>7,500</u>
Net cash provided (used) by capital and related financing activities	<u>(314,280)</u>	<u>-</u>	<u>(647,250)</u>	<u>(961,530)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	<u>2,700</u>	<u>2,204</u>	<u>8,480</u>	<u>13,384</u>
Net change in cash and cash equivalents	10,269	103,238	335,456	448,963
Cash and cash equivalents:				
Beginning of year	<u>551,878</u>	<u>309,973</u>	<u>1,310,367</u>	<u>2,172,218</u>
End of year	<u>\$ 562,147</u>	<u>\$ 413,211</u>	<u>\$ 1,645,823</u>	<u>\$ 2,621,181</u>

CITY OF COTTAGE GROVE, OREGON

Water Operations Combined

Combining Statement of Cash Flows, continued

For the Year Ended June 30, 2016

	<u>Water Fund (202)</u>	<u>Water Systems Development Fund (602)</u>	<u>Water Reserve Fund (732)</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (856,239)	\$ 101,034	\$ 1,147,938	\$ 392,733
Adjustments:				
Depreciation	544,894	-	-	544,894
Change in operating accounts:				
Receivables - net	(7,090)	-	2,569	(4,521)
Inventories	5,713	-	-	5,713
Net pension asset/liability	703,041	-	-	703,041
Deferred outflow related to pensions	(30,420)	-	-	(30,420)
Accounts payable	(2,366)	-	27,399	25,033
Other liabilities	(3,370)	-	-	(3,370)
Payroll and related	(8,191)	-	-	(8,191)
Compensated absences	(9,633)	-	-	(9,633)
Deferred inflow related to pensions	<u>(218,170)</u>	<u>-</u>	<u>-</u>	<u>(218,170)</u>
 Net cash provided (used) by operating activities	 <u>\$ 118,169</u>	 <u>\$ 101,034</u>	 <u>\$ 1,177,906</u>	 <u>\$ 1,397,109</u>

CITY OF COTTAGE GROVE, OREGON

Wastewater Operations Combined

Combining Balance Sheet

June 30, 2016

	Wastewater Fund (302)	Wastewater Systems Development Charge Fund (604)	Wastewater Reserve Fund (735)	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 249,143	\$ 80,145	\$ 293,015	\$ 622,303
Receivables - net	142,415	-	95,343	237,758
Inventories	<u>38,763</u>	<u>-</u>	<u>-</u>	<u>38,763</u>
 Total current assets	 <u>430,321</u>	 <u>80,145</u>	 <u>388,358</u>	 <u>898,824</u>
Noncurrent assets:				
Capital assets	<u>15,155,969</u>	<u>-</u>	<u>-</u>	<u>15,155,969</u>
 Total noncurrent assets	 <u>15,155,969</u>	 <u>-</u>	 <u>-</u>	 <u>15,155,969</u>
Total assets	<u>15,586,290</u>	<u>80,145</u>	<u>388,358</u>	<u>16,054,793</u>
Deferred outflows				
Related to pensions	<u>109,814</u>	<u>-</u>	<u>-</u>	<u>109,814</u>
Total assets and deferred outflows	<u>\$ 15,696,104</u>	<u>\$ 80,145</u>	<u>\$ 388,358</u>	<u>\$ 16,164,607</u>
Liabilities and Net Position				
Liabilities				
Current liabilities:				
Accounts payable	\$ 12,928	\$ -	\$ -	\$ 12,928
Payroll and related accruals	60,373	-	-	60,373
Accrued interest payable	29,523	-	-	29,523
Other liabilities	45,918	-	-	45,918
Compensated absences payable	46,742	-	-	46,742
Current portion of long-term debt	<u>17,106</u>	<u>-</u>	<u>449,783</u>	<u>466,889</u>
Total current liabilities	<u>212,590</u>	<u>-</u>	<u>449,783</u>	<u>662,373</u>
Noncurrent liabilities:				
Long-term debt, net of current portion	340,166	-	6,439,218	6,779,384
Net pension liability	<u>446,403</u>	<u>-</u>	<u>-</u>	<u>446,403</u>
Total noncurrent liabilities	<u>786,569</u>	<u>-</u>	<u>6,439,218</u>	<u>7,225,787</u>
Total Liabilities	<u>999,159</u>	<u>-</u>	<u>6,889,001</u>	<u>7,888,160</u>
Deferred inflows				
Related to pensions	<u>107,253</u>	<u>-</u>	<u>-</u>	<u>107,253</u>
Net Position				
Net investment in capital assets	14,798,697	-	(6,889,001)	7,909,696
Restricted for system development	-	80,145	-	80,145
Unrestricted	<u>(209,005)</u>	<u>-</u>	<u>388,358</u>	<u>179,353</u>
Total Net Position	<u>14,589,692</u>	<u>80,145</u>	<u>(6,500,643)</u>	<u>8,169,194</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 15,696,104</u>	<u>\$ 80,145</u>	<u>\$ 388,358</u>	<u>\$ 16,164,607</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, 2016

	Wastewater Fund (302)	Wastewater Systems Development Charge Fund (604)	Wastewater Reserve Fund (735)	Total
Operating Revenues				
Charges for services	\$ 1,729,089	\$ 17,459	\$ 972,852	\$ 2,719,400
Miscellaneous	27,268	-	9	27,277
Total Operating Revenues	<u>1,756,357</u>	<u>17,459</u>	<u>972,861</u>	<u>2,746,677</u>
Operating Expenses				
Personal Services	1,319,091	-	-	1,319,091
Materials and Services	663,287	2,965	49,819	716,071
Depreciation expense	591,052	-	-	591,052
Total Operating Expenses	<u>2,573,430</u>	<u>2,965</u>	<u>49,819</u>	<u>2,626,214</u>
Operating Income (Loss)	<u>(817,073)</u>	<u>14,494</u>	<u>923,042</u>	<u>120,463</u>
Nonoperating revenues (expenses)				
Interest expense	(45,327)	-	(233,079)	(278,406)
Investment earnings	1,252	428	1,311	2,991
Total non-operating revenues (expenses)	<u>(44,075)</u>	<u>428</u>	<u>(231,768)</u>	<u>(275,415)</u>
Income (loss) before transfers	(861,148)	14,922	691,274	(154,952)
Transfers in	138,577	-	40,000	178,577
Transfers out	<u>(43,250)</u>	<u>-</u>	<u>(138,577)</u>	<u>(181,827)</u>
Change in Net Position	(765,821)	14,922	592,697	(158,202)
Beginning Net Position	<u>15,355,513</u>	<u>65,223</u>	<u>(7,093,340)</u>	<u>8,327,396</u>
Ending Net Position	<u>\$ 14,589,692</u>	<u>\$ 80,145</u>	<u>\$ (6,500,643)</u>	<u>\$ 8,169,194</u>

CITY OF COTTAGE GROVE, OREGON

Wastewater Operations Combined

Combining Statement of Cash Flows

For the Year Ended June 30, 2016

	<u>Wastewater Fund (302)</u>	<u>Wastewater Systems Development Charge Fund (604)</u>	<u>Wastewater Reserve Fund (735)</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 1,749,126	\$ 17,459	\$ 966,156	\$ 2,732,741
Cash payments to employees	(933,329)	-	-	(933,329)
Cash payments to suppliers for goods and services	<u>(669,896)</u>	<u>(6,097)</u>	<u>(52,342)</u>	<u>(728,335)</u>
Net cash provided (used) by operating activities	<u>145,901</u>	<u>11,362</u>	<u>913,814</u>	<u>1,071,077</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	138,577	-	40,000	178,577
Transfers out	<u>(43,250)</u>	<u>-</u>	<u>(138,577)</u>	<u>(181,827)</u>
Net cash provided (used) by noncapital financing activities	<u>95,327</u>	<u>-</u>	<u>(98,577)</u>	<u>(3,250)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(135,066)	-	-	(135,066)
Principal paid on capital debt	(21,491)	-	(502,414)	(523,905)
Interest paid on capital debt	(45,750)	-	(251,404)	(297,154)
Issuance of debt	<u>-</u>	<u>-</u>	<u>92,885</u>	<u>92,885</u>
Net cash provided (used) by capital and related financing activities	<u>(202,307)</u>	<u>-</u>	<u>(660,933)</u>	<u>(863,240)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	<u>1,252</u>	<u>428</u>	<u>1,311</u>	<u>2,991</u>
Net change in cash and cash equivalents	40,173	11,790	155,615	207,578
Cash and cash equivalents:				
Beginning of year	<u>208,970</u>	<u>68,355</u>	<u>137,400</u>	<u>414,725</u>
End of year	<u>\$ 249,143</u>	<u>\$ 80,145</u>	<u>\$ 293,015</u>	<u>\$ 622,303</u>

CITY OF COTTAGE GROVE, OREGON

Wastewater Operations Combined

Combining Statement of Cash Flows, continued

For the Year Ended June 30, 2016

	<u>Wastewater Fund (302)</u>	<u>Wastewater Systems Development Charge Fund (604)</u>	<u>Wastewater Reserve Fund (735)</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (817,073)	\$ 14,494	\$ 923,042	\$ 120,463
Adjustments:				
Depreciation	591,052	-	-	591,052
Change in operating accounts:				
Receivables - net	(21,974)	-	(6,705)	(28,679)
Deferred outflow	(202,086)	-	-	(202,086)
Inventories	247	-	-	247
Net pension asset/liability	608,498	-	-	608,498
Accounts payable	(6,856)	(3,132)	(2,523)	(12,511)
Other liabilities	14,743	-	-	14,743
Deferred inflow	(24,685)	-	-	(24,685)
Compensated absences	3,043	-	-	3,043
Payroll and related accruals	<u>992</u>	<u>-</u>	<u>-</u>	<u>992</u>
 Net cash provided (used) by operating activities	 <u>\$ 145,901</u>	 <u>\$ 11,362</u>	 <u>\$ 913,814</u>	 <u>\$ 1,071,077</u>

CITY OF COTTAGE GROVE, OREGON

Storm Drain Operations Combined

Combining Balance Sheet

June 30, 2016

	<u>Storm Drainage Utility Fund (402)</u>	<u>Storm Drainage Systems Development Fund (606)</u>	<u>Storm Drainage Reserve Fund (736)</u>	<u>Total</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 86,696	\$ 292,284	\$ 1,051,472	\$ 1,430,452
Receivables - net	<u>26,505</u>	<u>-</u>	<u>40,865</u>	<u>67,370</u>
Total current assets	<u>113,201</u>	<u>292,284</u>	<u>1,092,337</u>	<u>1,497,822</u>
Noncurrent assets:				
Internal balances	-	77,200	-	77,200
Capital assets	<u>3,055,027</u>	<u>-</u>	<u>-</u>	<u>3,055,027</u>
Total noncurrent assets	<u>3,055,027</u>	<u>77,200</u>	<u>-</u>	<u>3,132,227</u>
Total assets	<u>3,168,228</u>	<u>369,484</u>	<u>1,092,337</u>	<u>4,630,049</u>
Deferred outflows				
Related to pensions	<u>22,025</u>	<u>-</u>	<u>-</u>	<u>22,025</u>
Total assets and deferred outflows	<u>\$ 3,190,253</u>	<u>\$ 369,484</u>	<u>\$ 1,092,337</u>	<u>\$ 4,652,074</u>
Liabilities and Net Position				
Liabilities				
Current liabilities:				
Accounts payable	\$ 875	\$ 538	\$ 5,439	\$ 6,852
Payroll and related accruals	10,491	-	-	10,491
Accrued interest payable	4,297	-	-	4,297
Compensated absences payable	7,519	-	-	7,519
Current portion of long-term debt	<u>-</u>	<u>-</u>	<u>84,075</u>	<u>84,075</u>
Total current liabilities	<u>23,182</u>	<u>538</u>	<u>89,514</u>	<u>113,234</u>
Noncurrent liabilities:				
Long-term debt, net of current portion	23,186	-	1,146,769	1,169,955
Net pension liability	<u>89,534</u>	<u>-</u>	<u>-</u>	<u>89,534</u>
Total noncurrent liabilities	<u>112,720</u>	<u>-</u>	<u>1,146,769</u>	<u>1,259,489</u>
Total Liabilities	<u>135,902</u>	<u>538</u>	<u>1,236,283</u>	<u>1,372,723</u>
Deferred inflows				
Related to pensions	<u>21,512</u>	<u>-</u>	<u>-</u>	<u>21,512</u>
Net Position				
Net investment in capital assets	3,031,841	-	(1,230,844)	1,800,997
Restricted for system development	-	368,946	-	368,946
Unrestricted	<u>998</u>	<u>-</u>	<u>1,086,898</u>	<u>1,087,896</u>
Total Net Position	<u>3,032,839</u>	<u>368,946</u>	<u>(143,946)</u>	<u>3,257,839</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 3,190,253</u>	<u>\$ 369,484</u>	<u>\$ 1,092,337</u>	<u>\$ 4,652,074</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, 2016

	<u>Storm Drainage Utility Fund (402)</u>	<u>Storm Drainage Systems Development Fund (606)</u>	<u>Storm Drainage Reserve Fund (736)</u>	<u>Total</u>
Operating Revenues				
Charges for services	\$ 287,222	\$ 13,763	\$ 439,335	\$ 740,320
Miscellaneous	<u>2,603</u>	<u>-</u>	<u>2</u>	<u>2,605</u>
Total Operating Revenues	<u>289,825</u>	<u>13,763</u>	<u>439,337</u>	<u>742,925</u>
Operating Expenses				
Personal Services	249,794	-	-	249,794
Materials and Services	62,376	4,661	88,387	155,424
Depreciation expense	<u>230,140</u>	<u>-</u>	<u>-</u>	<u>230,140</u>
Total Operating Expenses	<u>542,310</u>	<u>4,661</u>	<u>88,387</u>	<u>635,358</u>
Operating Income (Loss)	<u>(252,485)</u>	<u>9,102</u>	<u>350,950</u>	<u>107,567</u>
Nonoperating revenues (expenses)				
Interest expense	(2,585)	-	(44,024)	(46,609)
Investment earnings	<u>448</u>	<u>1,471</u>	<u>5,566</u>	<u>7,485</u>
Total non-operating revenues (expenses)	<u>(2,137)</u>	<u>1,471</u>	<u>(38,458)</u>	<u>(39,124)</u>
Income (loss) before transfers	(254,622)	10,573	312,492	68,443
Transfers in	30,710	-	100,000	130,710
Transfers out	<u>(100,000)</u>	<u>-</u>	<u>(30,710)</u>	<u>(130,710)</u>
Change in Net Position	(323,912)	10,573	381,782	68,443
Beginning Net Position	<u>3,356,751</u>	<u>358,373</u>	<u>(525,728)</u>	<u>3,189,396</u>
Ending Net Position	<u>\$ 3,032,839</u>	<u>\$ 368,946</u>	<u>\$ (143,946)</u>	<u>\$ 3,257,839</u>

CITY OF COTTAGE GROVE, OREGON

Storm Drain Operations Combined

Combining Statement of Cash Flows

For the Year Ended June 30, 2016

	Storm Drainage Utility Fund (402)	Storm Drainage Systems Development Fund (606)	Storm Drainage Reserve Fund (736)	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 288,602	\$ 13,763	\$ 437,391	\$ 739,756
Cash payments to employees	(173,380)	-	-	(173,380)
Cash payments to suppliers for goods and services	<u>(63,087)</u>	<u>(7,255)</u>	<u>(85,471)</u>	<u>(155,813)</u>
Net cash provided (used) by operating activities	<u>52,135</u>	<u>6,508</u>	<u>351,920</u>	<u>410,563</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	30,710	-	100,000	130,710
Transfers out	<u>(100,000)</u>	<u>-</u>	<u>(30,710)</u>	<u>(130,710)</u>
Net cash provided (used) by noncapital financing activities	<u>(69,290)</u>	<u>-</u>	<u>69,290</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(30,710)	-	-	(30,710)
Principal paid on capital debt	(423)	-	(47,926)	(48,349)
Interest paid on capital debt	(2,205)	-	(46,929)	(49,134)
Loan proceeds	-	-	54,380	54,380
Repayment of interfund loan	<u>-</u>	<u>19,300</u>	<u>-</u>	<u>19,300</u>
Net cash provided (used) by capital and related financing activities	<u>(33,338)</u>	<u>19,300</u>	<u>(40,475)</u>	<u>(54,513)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	<u>448</u>	<u>1,471</u>	<u>5,566</u>	<u>7,485</u>
Net change in cash and cash equivalents	(50,045)	27,279	386,301	363,535
Cash and cash equivalents:				
Beginning of year	<u>136,741</u>	<u>265,005</u>	<u>665,171</u>	<u>1,066,917</u>
End of year	<u>\$ 86,696</u>	<u>\$ 292,284</u>	<u>\$ 1,051,472</u>	<u>\$ 1,430,452</u>

CITY OF COTTAGE GROVE, OREGON

Storm Drain Operations Combined

Combining Statement of Cash Flows, continued

For the Year Ended June 30, 2016

	Storm Drainage Utility Fund (402)	Storm Drainage Systems Development Fund (606)	Storm Drainage Reserve Fund (736)	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (252,485)	\$ 9,102	\$ 350,950	\$ 107,567
Adjustments:				
Depreciation	230,140	-	-	230,140
(Increase) decrease in current assets:				
Receivables - net	(1,223)	-	(1,946)	(3,169)
Net pension asset/liability	120,996	-	-	120,996
Deferred outflow	(38,529)	-	-	(38,529)
Increase (decrease) in current liabilities:				
Accounts payable	(711)	(2,594)	2,916	(389)
Payroll and related accruals	(26)	-	-	(26)
Deferred inflow	(4,554)	-	-	(4,554)
Compensated absences	(1,473)	-	-	(1,473)
Net cash provided (used) by operating activities	<u>\$ 52,135</u>	<u>\$ 6,508</u>	<u>\$ 351,920</u>	<u>\$ 410,563</u>

CITY OF COTTAGE GROVE, OREGON

Water Fund (202)

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 1,635,885	\$ 1,635,885	\$ 1,659,375	\$ 23,490
Investment earnings	1,500	1,500	2,700	1,200
Miscellaneous	<u>1,250</u>	<u>1,250</u>	<u>4,806</u>	<u>3,556</u>
Total revenues	<u>1,638,635</u>	<u>1,638,635</u>	<u>1,666,881</u>	<u>28,246</u>
Expenditures:				
Water Distribution	923,455	923,455	802,756	120,699
Water Production	612,390	612,390	552,948	59,442
Non-departmental:				
Materials and Services	175,850	175,850	163,800	12,050
Debt Service - Principal	2,580	2,580	2,577	3
Debt Service - Interest	13,525	13,525	13,514	11
Contingency	<u>332,205</u>	<u>332,205</u>	<u>-</u>	<u>332,205</u>
Total expenditures	<u>2,060,005</u>	<u>2,060,005</u>	<u>1,535,595</u>	<u>524,410</u>
Excess of revenues over (under) expenditures	(421,370)	(421,370)	131,286	552,656
Other financing sources (uses):				
Transfers out	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Net change in fund balance	(521,370)	(521,370)	31,286	552,656
Beginning fund balance	<u>521,370</u>	<u>521,370</u>	<u>525,725</u>	<u>4,355</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	557,011	<u>\$ 557,011</u>
Reconciliation to GAAP basis:				
Inventories			147,492	
Capital assets			13,626,319	
Deferred outflow related to pensions			128,629	
Accrued interest payable			(89,325)	
Net pension liability			(522,889)	
Long-term liabilities			(3,254,328)	
Deferred inflow related to pensions			<u>(125,630)</u>	
GAAP fund balance - end of year			<u>\$ 10,467,279</u>	

CITY OF COTTAGE GROVE, OREGON
Water Systems Development Fund (602)
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 50,000	\$ 50,000	\$ 102,693	\$ 52,693
Investment earnings	<u>200</u>	<u>200</u>	<u>2,204</u>	<u>2,004</u>
Total revenues	<u>50,200</u>	<u>50,200</u>	<u>104,897</u>	<u>54,697</u>
Expenditures:				
Materials and Services	1,660	1,660	1,659	1
Capital Outlay	<u>322,060</u>	<u>322,060</u>	<u>-</u>	<u>322,060</u>
Total expenditures	<u>323,720</u>	<u>323,720</u>	<u>1,659</u>	<u>322,061</u>
Net change in fund balance	(273,520)	(273,520)	103,238	376,758
Beginning fund balance	<u>273,520</u>	<u>273,520</u>	<u>309,973</u>	<u>36,453</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 413,211</u>	<u>\$ 413,211</u>

CITY OF COTTAGE GROVE, OREGON

Water Reserve Fund (732)

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 1,310,590	\$ 1,310,590	\$ 1,323,634	\$ 13,044
Investment earnings	1,000	1,000	8,480	7,480
Miscellaneous	200	200	3,109	2,909
State grants	<u>12,250</u>	<u>12,250</u>	<u>12,250</u>	<u>-</u>
Total revenues	<u>1,324,040</u>	<u>1,324,040</u>	<u>1,347,473</u>	<u>23,433</u>
Expenditures:				
Materials and Services	298,825	298,825	190,692	108,133
Capital Outlay	1,115,500	1,115,500	167,317	948,183
Debt Service - Principal	415,800	415,800	412,288	3,512
Debt Service - Interest	379,830	379,830	379,188	642
Contingency	<u>498,650</u>	<u>498,650</u>	<u>-</u>	<u>498,650</u>
Total expenditures	<u>2,708,605</u>	<u>2,708,605</u>	<u>1,149,485</u>	<u>1,559,120</u>
Excess of revenues over (under) expenditures	(1,384,565)	(1,384,565)	197,988	1,582,553
Other financing sources (uses):				
Transfers in	100,000	100,000	100,000	-
Proceeds from loans	<u>-</u>	<u>-</u>	<u>7,500</u>	<u>7,500</u>
Net change in fund balance	(1,284,565)	(1,284,565)	305,488	1,590,053
Beginning fund balance	<u>1,284,565</u>	<u>1,284,565</u>	<u>1,438,556</u>	<u>153,991</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,744,044</u>	<u>\$ 1,744,044</u>
Reconciliation to GAAP basis:				
Long-term liabilities			<u>(5,680,999)</u>	
GAAP fund balance - end of year			<u>\$ (3,936,955)</u>	

CITY OF COTTAGE GROVE, OREGON

Wastewater Fund (302)

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 1,782,440	\$ 1,782,440	\$ 1,729,089	\$ (53,351)
Investment earnings	400	400	1,252	852
Miscellaneous	<u>17,240</u>	<u>17,240</u>	<u>27,260</u>	<u>10,020</u>
Total revenues	<u>1,800,080</u>	<u>1,800,080</u>	<u>1,757,601</u>	<u>(42,479)</u>
Expenditures:				
Wastewater Collections	337,505	337,505	306,741	30,764
Wastewater Treatment Plant	731,250	731,250	692,078	39,172
Middlefield Golf Course	456,835	456,835	431,356	25,479
Non-departmental:				
Materials and Services	172,495	172,495	170,436	2,059
Debt Service - Principal	58,095	58,095	57,972	123
Debt Service - Interest	45,635	45,635	45,750	(115)
Contingency	<u>213,845</u>	<u>213,845</u>	<u>-</u>	<u>213,845</u>
Total expenditures	<u>2,015,660</u>	<u>2,015,660</u>	<u>1,704,333</u>	<u>311,327</u>
Net change in fund balance	(215,580)	(215,580)	53,268	268,848
Beginning fund balance	<u>215,580</u>	<u>215,580</u>	<u>219,071</u>	<u>3,491</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	272,339	<u>\$ 272,339</u>
Reconciliation to GAAP basis:				
Inventories			38,763	
Capital assets			15,155,969	
Deferred outflow related to pensions			109,814	
Accrued interest payable			(29,523)	
Net pension liability			(446,403)	
Long-term liabilities			(404,014)	
Deferred inflow related to pensions			<u>(107,253)</u>	
GAAP fund balance - end of year			<u>\$ 14,589,692</u>	

CITY OF COTTAGE GROVE, OREGON

Wastewater Systems Development Charge Fund (604)

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 10,000	\$ 10,000	\$ 17,459	\$ 7,459
Investment earnings	<u>250</u>	<u>250</u>	<u>428</u>	<u>178</u>
Total revenues	<u>10,250</u>	<u>10,250</u>	<u>17,887</u>	<u>7,637</u>
Expenditures:				
Materials and Services	14,255	14,255	2,965	11,290
Capital Outlay	<u>67,795</u>	<u>67,795</u>	<u>-</u>	<u>67,795</u>
Total expenditures	<u>82,050</u>	<u>82,050</u>	<u>2,965</u>	<u>79,085</u>
Net change in fund balance	(71,800)	(71,800)	14,922	86,722
Beginning fund balance	<u>71,800</u>	<u>71,800</u>	<u>65,223</u>	<u>(6,577)</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,145</u>	<u>\$ 80,145</u>

CITY OF COTTAGE GROVE, OREGON

Wastewater Reserve Fund (735)

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 960,020	\$ 960,020	\$ 972,852	\$ 12,832
Investment earnings	250	250	1,311	1,061
Miscellaneous	<u>100</u>	<u>100</u>	<u>9</u>	<u>(91)</u>
Total revenues	<u>960,370</u>	<u>960,370</u>	<u>974,172</u>	<u>13,802</u>
Expenditures:				
Materials and Services	120,240	120,240	52,460	67,780
Capital Outlay	474,915	474,915	132,211	342,704
Debt Service - Principal	494,135	494,135	465,925	28,210
Debt Service - Interest	273,340	273,340	251,618	21,722
Contingency	<u>739,645</u>	<u>739,645</u>	<u>-</u>	<u>739,645</u>
Total expenditures	<u>2,102,275</u>	<u>2,102,275</u>	<u>902,214</u>	<u>1,200,061</u>
Excess of revenues over (under) expenditures	(1,141,905)	(1,141,905)	71,958	1,213,863
Other financing sources (uses):				
Proceeds from loans	<u>920,605</u>	<u>920,605</u>	<u>92,885</u>	<u>(827,720)</u>
Net change in fund balance	(221,300)	(221,300)	164,843	386,143
Beginning fund balance	<u>221,300</u>	<u>221,300</u>	<u>223,515</u>	<u>2,215</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	388,358	<u>\$ 388,358</u>
Reconciliation to GAAP basis:				
Long-term liabilities			<u>(6,889,001)</u>	
GAAP fund balance - end of year			<u>\$ (6,500,643)</u>	

CITY OF COTTAGE GROVE, OREGON

Storm Drainage Utility Fund (402)

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 286,060	\$ 286,060	\$ 287,222	\$ 1,162
Investment earnings	125	125	448	323
Miscellaneous	<u>300</u>	<u>300</u>	<u>2,603</u>	<u>2,303</u>
Total revenues	<u>286,485</u>	<u>286,485</u>	<u>290,273</u>	<u>3,788</u>
Expenditures:				
Materials and Services	74,330	74,330	62,364	11,966
Personnel Services	188,385	188,385	173,354	15,031
Debt Service - Principal	2,645	2,645	2,640	5
Contingency	<u>62,645</u>	<u>62,645</u>	<u>-</u>	<u>62,645</u>
Total expenditures	<u>328,005</u>	<u>328,005</u>	<u>238,358</u>	<u>89,647</u>
Excess of revenues over (under) expenditures	(41,520)	(41,520)	51,915	93,435
Other financing sources (uses):				
Transfers out	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Net change in fund balance	(141,520)	(141,520)	(48,085)	93,435
Beginning fund balance	<u>141,520</u>	<u>141,520</u>	<u>149,920</u>	<u>8,400</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	101,835	<u>\$ 101,835</u>
Reconciliation to GAAP basis:				
Capital assets			3,055,027	
Deferred outflow related to pensions			22,025	
Accrued interest payable			(4,297)	
Net pension liability			(89,534)	
Long-term liabilities			(30,705)	
Deferred inflow related to pensions			<u>(21,512)</u>	
GAAP fund balance - end of year			<u>\$ 3,032,839</u>	

CITY OF COTTAGE GROVE, OREGON
Storm Drainage Systems Development Fund (606)
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 15,000	\$ 15,000	\$ 13,763	\$ (1,237)
Investment earnings	<u>750</u>	<u>750</u>	<u>1,471</u>	<u>721</u>
Total revenues	<u>15,750</u>	<u>15,750</u>	<u>15,234</u>	<u>(516)</u>
Expenditures:				
Materials and Services	31,955	31,955	4,661	27,294
Capital Outlay	<u>287,875</u>	<u>287,875</u>	<u>-</u>	<u>287,875</u>
Total expenditures	<u>319,830</u>	<u>319,830</u>	<u>4,661</u>	<u>315,169</u>
Excess of revenues over (under) expenditures	(304,080)	(304,080)	10,573	314,653
Other financing sources (uses):				
Proceeds from loans	<u>19,300</u>	<u>19,300</u>	<u>19,300</u>	<u>-</u>
Net change in fund balance	(284,780)	(284,780)	29,873	314,653
Beginning fund balance	<u>284,780</u>	<u>284,780</u>	<u>261,873</u>	<u>(22,907)</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	291,746	<u>\$ 291,746</u>
Reconciliation to GAAP basis:				
Internal balances			<u>77,200</u>	
GAAP fund balance - end of year			<u>\$ 368,946</u>	

CITY OF COTTAGE GROVE, OREGON

Storm Drainage Reserve Fund (736)

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 436,735	\$ 436,735	\$ 439,335	\$ 2,600
Investment earnings	2,000	2,000	5,566	3,566
Miscellaneous	<u>50</u>	<u>50</u>	<u>2</u>	<u>(48)</u>
Total revenues	<u>438,785</u>	<u>438,785</u>	<u>444,903</u>	<u>6,118</u>
Expenditures:				
Materials and Services	297,035	297,035	81,808	215,227
Capital Outlay	1,182,410	1,182,410	37,289	1,145,121
Debt Service - Principal	68,820	68,820	47,927	20,893
Debt Service - Interest	68,285	68,285	46,928	21,357
Contingency	<u>507,150</u>	<u>507,150</u>	<u>-</u>	<u>507,150</u>
Total expenditures	<u>2,123,700</u>	<u>2,123,700</u>	<u>213,952</u>	<u>1,909,748</u>
Excess of revenues over (under) expenditures	(1,684,915)	(1,684,915)	230,951	1,915,866
Other financing sources (uses):				
Transfers in	100,000	100,000	100,000	-
Proceeds from loans	<u>891,400</u>	<u>891,400</u>	<u>54,380</u>	<u>(837,020)</u>
Net change in fund balance	(693,515)	(693,515)	385,331	1,078,846
Beginning fund balance	<u>693,515</u>	<u>693,515</u>	<u>701,567</u>	<u>8,052</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	1,086,898	<u>\$ 1,086,898</u>
Reconciliation to GAAP basis:				
Long-term liabilities			<u>(1,230,844)</u>	
GAAP fund balance - end of year			<u>\$ (143,946)</u>	



COMPLIANCE SECTION





INDEPENDENT AUDITOR'S REPORT REQUIRED
BY OREGON STATE REGULATIONS

An Independently Owned Member
McGLADREY ALLIANCE

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, 2016, and have issued our report thereon dated December 30, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

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

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

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

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

1. Deficit fund balance is described in Note 2. B.

OAR 162-10-0230 Internal Control

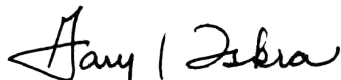
In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses, or significant deficiencies. We reported material weaknesses in our letter dated December 30, 2016.

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 cursive script that reads "Gary Iskra".

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

Eugene, Oregon
December 30, 2016