



CITY OF COTTAGE GROVE, OREGON
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

CITY OF COTTAGE GROVE, OREGON
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
FISCAL YEAR ENDED JUNE 30, 2017
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, 2017
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INTRODUCTORY SECTION

CITY OF COTTAGE GROVE, OREGON

Principal City Officials

June 30, 2017

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



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Eugene, OR 97403
541.342.5161
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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, 2017, 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, 2017, 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 January 31, 2018, 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
January 31, 2018



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, 2017

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 \$56,939,938 (reported as net position). Of this amount, \$3,408,282 represents unrestricted net position, which may be used to meet the City's obligations to citizens and creditors
- The City's net position decreased \$526,241 in governmental activities and increased \$1,030,742 in business type activities resulting in a total increase of \$504,501.
- The City's total debt outstanding decreased \$1,316,573 or 6.3% this year by scheduled principal payments.
- The City's overall increase to the net pension liability and compensated absences was \$ 5,444,720.

Fund Level

- The City's governmental funds reported a combined fund balance of \$5.5 million, an increase of \$647,908 from the prior fiscal year. Of the fund balance reported, \$3.4 million is considered non-spendable or restricted. The remaining \$2.1 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 \$19.4 million, an increase of \$1 million 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, the net difference (net position) and deferred outflows and inflows related to pensions. The net position is further separated into amounts restricted for specific purposes, unrestricted. 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	
	2017	2016	2017	2016	2017	2016
Current & Other Investments	\$6,384,505	\$5,677,816	\$5,306,644	\$5,433,243	\$11,691,149	\$11,111,059
Capital assets, net	38,260,142	38,923,837	32,103,329	31,914,515	70,363,471	70,838,352
Net pension asset	0	0	0	0	0	0
Total assets	<u>44,644,647</u>	<u>44,601,653</u>	<u>37,409,973</u>	<u>37,347,758</u>	<u>82,054,620</u>	<u>81,949,411</u>
Total deferred outflows of resources	<u>3,240,938</u>	<u>561,493</u>	<u>1,313,024</u>	<u>260,468</u>	<u>4,553,962</u>	<u>821,961</u>
Current liabilities	816,988	765,431	399,899	535,102	1,216,887	1,300,533
Long term liabilities	9,467,399	5,784,449	18,896,439	18,448,161	28,363,838	24,232,610
Total liabilities	<u>\$10,284,387</u>	<u>\$6,549,880</u>	<u>\$19,296,338</u>	<u>\$18,983,263</u>	<u>\$29,580,725</u>	<u>\$25,533,143</u>
Total deferred inflows of resources	<u>62,570</u>	<u>548,397</u>	<u>25,349</u>	<u>254,395</u>	<u>87,919</u>	<u>802,792</u>
Net position:						
Net Investment in capital assets	\$35,086,905	\$36,817,152	\$15,683,125	\$14,447,980	\$50,770,030	\$51,265,132
Restricted	1,694,693	1,556,846	1,204,780	862,302	2,899,473	2,419,148
Unrestricted	757,030	(309,129)	2,513,405	3,060,286	3,270,435	2,751,157
Total Net Position	<u>\$37,538,628</u>	<u>\$38,064,869</u>	<u>\$19,401,310</u>	<u>\$18,370,568</u>	<u>\$56,939,938</u>	<u>\$56,435,437</u>

The largest portion of the City's net position (89% 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 \$1,204,780 for system development, \$1,295,566 for road maintenance and \$399,127 for other purposes. The remaining balance is unrestricted net position in the amount of \$3,270,435 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	
	2017	2016	2017	2016	2017	2016
REVENUES						
Program revenues						
Charges for services	\$ 1,660,141	\$ 1,146,192	\$ 7,013,860	\$ 6,595,469	\$ 8,674,001	\$ 7,741,661
Operating grants and contributions	1,296,836	1,213,917			1,296,836	1,213,917
Capital grants and contributions	21,931	218,374			21,931	218,374
General revenues						
Property taxes	4,371,032	4,205,016			4,371,032	4,205,016
Franchise fees	613,890	594,996			613,890	594,996
Alcoholic Beverage Taxes	164,010	154,675			164,010	154,675
Motor Fuel Taxes	424,795	412,476			424,795	412,476
Taxes and Other Revenues not restricted to specific programs	142,378	119,708			142,378	119,708
Gain (loss) on disposition of Capital Assets	2,937	117,916			2,937	117,916
Interest	65,434	39,091	41,899	23,860	107,333	62,951
Total revenues	\$ 8,763,384	\$ 8,222,361	\$ 7,055,759	\$ 6,619,329	\$ 15,819,143	\$ 14,841,690
EXPENSES						
Governmental activities:						
General government	\$ 3,082,853	\$ 3,489,638			\$ 3,082,853	\$ 3,489,638
Public safety	3,384,138	3,271,855			3,384,138	3,271,855
Highways and streets	1,133,836	1,140,654			1,133,836	1,140,654
Culture and recreation	877,160	825,482			877,160	825,482
Community development	607,323	930,662			607,323	930,662
Interest on long-term debt	204,315	204,197			204,315	204,197
Business- type activities:						
Water			\$ 2,853,816	\$ 3,088,737	2,853,816	3,088,737
Wastewater			2,498,603	2,904,620	2,498,603	2,904,620
Storm drainage			672,598	681,966	672,598	681,966
Total Expenses	9,289,625	9,862,488	6,025,017	6,675,323	15,314,642	16,537,811
Change in Net Position before transfers	(526,241)	(1,640,127)	1,030,742	(55,994)	504,501	(1,696,121)
Transfers in (out)	0	3,250	0	(3,250)	0	0
Change in Net Position	(526,241)	(1,636,877)	1,030,742	(59,244)	504,501	(1,696,121)
*Beginning Net Position	38,064,869	39,701,746	18,370,568	18,429,812	56,435,437	58,131,558
Ending Net Position	\$ 37,538,628	\$ 38,064,869	\$ 19,401,310	\$ 18,370,568	\$ 56,939,938	\$ 56,435,437

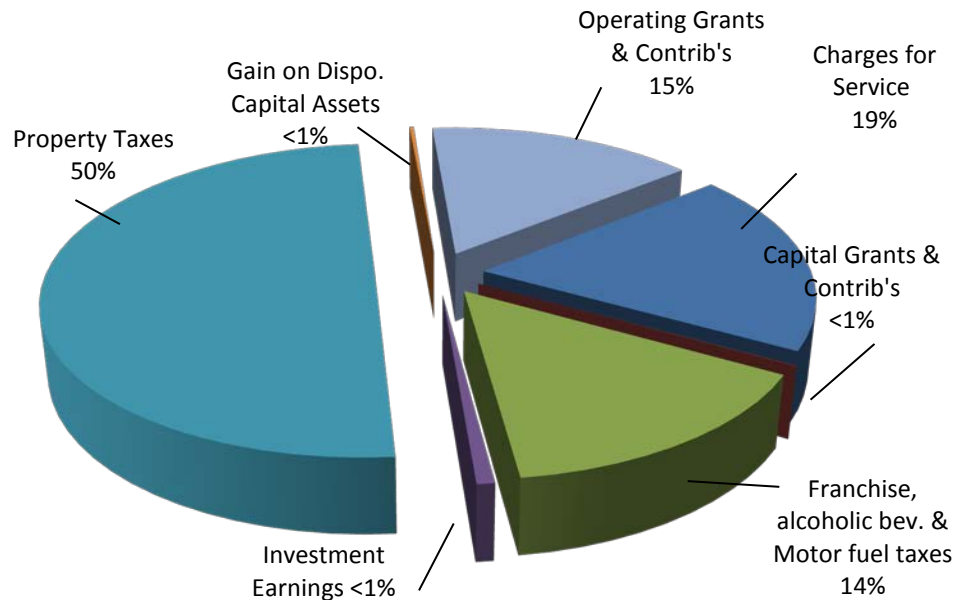
Governmental Activities

The net position for governmental activities decreased \$526,241 from the prior year. Key factors include:

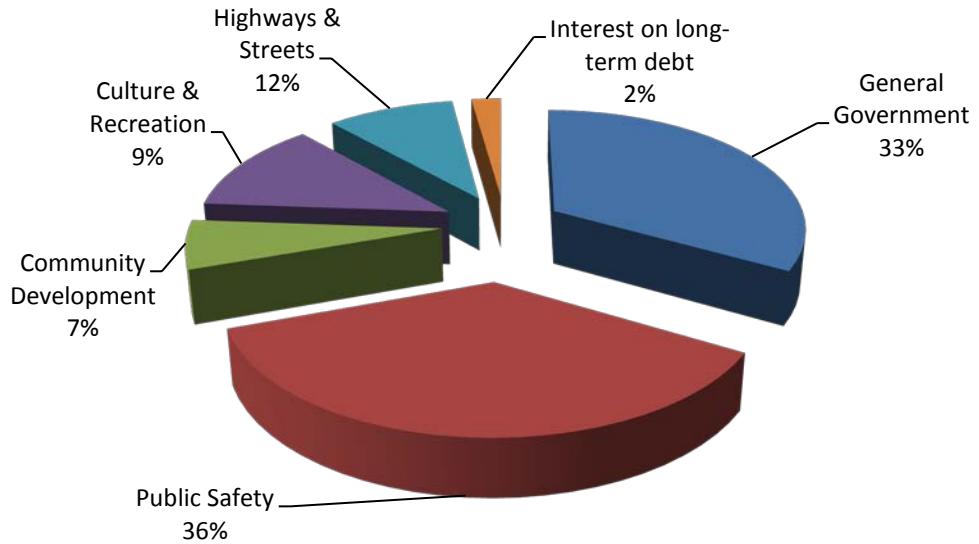
- Total governmental activity expenses decreased \$572,863 approximately 6% more than last year. The most significant decrease was in activity for General Government. There was \$406,785 less in expenditures, over the prior year.
- Property taxes comprise approximately 50% of governmental operating revenue. For operating purposes, property tax revenues increased \$166,016. Property tax increases are controlled by state statute and allowed to increase by up to 3% per year.
- Charges for service increased approximately \$513,950.
- Operating grants and contributions increased \$82,919. The City is a pass-through agency for Transportation Grants for South Lane Wheels.
- Capital Grants and contributions decreased \$196,443.
- Overall, expenditures are down, and revenue has increased, however expenditures are greater than revenues which is a change (reduction) in Net Position of \$526,241.

Governmental Activities as of June 30, 2017

Resources by Type



Expenses by Activity



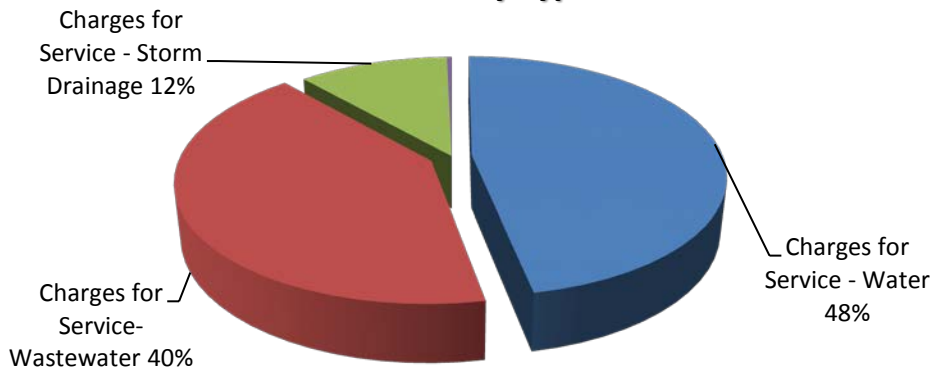
Business Activities

Business-type activities generated an increase to net position in the amount of \$1,030,742 from the prior year. Key activities during the fiscal year included:

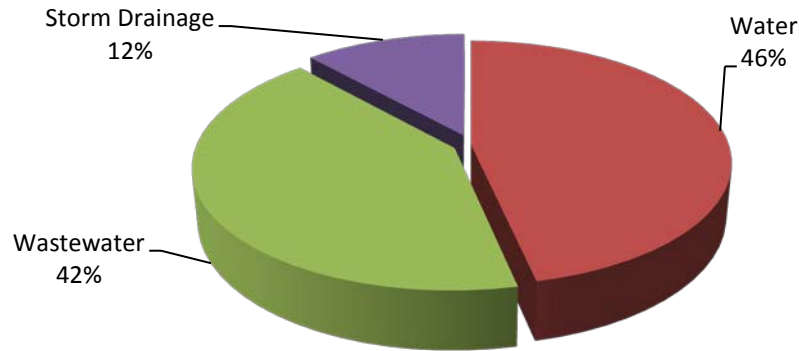
- Charges for Water, Wastewater, and Storm drain were increased in conjunction with a five-year plan developed by FCS Group and implemented by the City Council to meet the City’s ongoing infrastructure demands. Charges for services increased by \$418,391.
- Expenses decreased \$650,306 compared to last year. This is partially attributed to decreased costs for personnel, and materials and services in each operation.

Business Activities as of June 30, 2017

Resources by Type



Expenses by Type



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 \$5,517,952. Approximately 38% of this total amount (\$2,073,846) constitutes unassigned fund balance. The remainder of the fund balance is non-spendable (\$3,000), restricted (\$1,694,693), or committed (\$1,746,413).

The main operating fund for the City is the General Fund. At the end of fiscal year 2017 the unassigned fund balance was \$2,073,846. 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 an increase in total fund balance of \$152,043 during fiscal year 2017. Transfers to other funds were a total of \$702,005. Of that amount, \$561,355 was for operations of the Police Communications Fund, \$25,000 to supplement the Building Inspection Program Fund, and \$115,650 to the General Reserve Fund. Actual revenue received compared to budget estimates increased 3.24%, which was more in 2017 compared to 2016 and expenditures as a percent of budget increased to 82.6% which is more than the previous year.

In the Street Fund, the fund balance increased by \$181,104 during fiscal year 2017. Beginning fund balance was approximately \$281,492 more than anticipated. State highway taxes exceeded budgeted amounts by approximately 6.2% and local fuel taxes exceeded budget estimations by approximately 28.7%; no Federal Urban Aid money was received. Expenditures were 47% of the budgeted amount.

The Industrial Park Fund ending fund balance was \$36,724; this is a decrease of \$92,977. A lot in the industrial park was sold the previous year (2016), 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 \$532,290. The combined wastewater operations had an increase in total net position of \$309,899. The operating income increased by \$259,119 over the prior year in water operations. Wastewater operations increased over the prior year \$59,884. Utility rates for both the water and wastewater funds were increased. Sales in the water fund were only \$42,036 more than expected and charges for service in the wastewater fund were \$1,430 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, 2017. By resolution of the City Council, funds in the amount of \$250,414 were transferred from the Non-departmental Contingency line item, to various departments within the General Fund to meet expenditure requirements, leaving a balance of \$96,513 in the Contingency line item.

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

- The General Fund revenues exceeded projections by 4.9% (\$367,896), not including cash carryover.
- The Police Department under expended its budget by \$195,708. This can be contributed partly to personnel expense being within \$28,400 of the proposed budget, 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 42.3% (Engineering) spent to a high of 98.5% spent (City Council). The average spent was 90.6% of budgeted funds. Staffing was budgeted for but not hired until the last month of fiscal year 16-17 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, 2017 amounts to \$70,344,723 (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	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$26,710,167	\$26,710,167	\$ 2,134,988	\$ 2,129,788	\$28,845,155	\$28,839,955
Buildings	3,525,243	3,680,834	1,528,572	1,591,289	5,053,815	5,272,123
Land improvements			377,880	461,885	377,880	461,885
Motor vehicles and equipment	452,070	558,030	774,034	563,381	1,,226,104	1,121,411
Office furniture and equipment	23,358	31,612	4,044	6,102	27,402	37,714
Infrastructure	6,977,619	7,468,829	25,894,915	4,826,549	32,872,534	12,295,378
Construction in progress	610,836	532,821	1,330,995	46,236	1,941,831	579,057
Utility Systems				22,212,085		22,212,085
Total	\$38,299,293	\$38,982,293	\$32,045,428	\$32,870,515	\$70,344,721	\$70,819,608

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

Governmental Activities-

- Building Improvements were recognized at the Armory with the HVAC system. A new 2017 dump truck was purchased with a portion being allocated; Two F350 Ford pickup trucks were purchased with a portion being allocated; a Chemtrol System was installed.

Business Type Activities-

- Purchased land easement at East Washington and North 19th Street.
- Equipment purchases include a new dump trailer, three Ford F350 pickup trucks, one allocated wholly to Business Type Activities, and two were partially allocated; a new 2017 Dump Truck partially allocated; a new Kubota Mower; installed a Free Chlorine System at the Water Treatment Plant; painted the Wastewater Treatment Plant; new Golf Carts out at Middlefield Golf Course; a new JD Terraincut Mower for the Golf Course; a Chlorine Analyzer and Effluent Auto Sampler for the Wastewater Treatment Plant.
- Construction in progress includes the Taylor Avenue Pump Station; Cottage Grove Museum Improvements; Cottage Grove Armory improvements; Fillmore Street Stormwater Project; Row River Road Crosswalk; Riverview Terrace water project and the Ash Avenue Waterline Project. 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	
	2017	2016	2017	2016	2017	2016
Beginning balance	\$38,982,293	\$38,739,828	\$31,837,315	\$32,870,519	\$70,819,608	\$71,610,347
Additions & Reclass.	147,624	1,061,707	1,592,517	332,882	1,740,141	1,394,589
Depreciation	(830,619)	(819,242)	(1,384,403)	(1,366,086)	(2,215,022)	(2,185,328)
Deletions	0	0	0	0	0	0
Ending balance	<u>\$38,299,298</u>	<u>\$38,982,293</u>	<u>\$32,045,429</u>	<u>\$31,837,315</u>	<u>\$70,344,727</u>	<u>\$70,819,608</u>

Further information may be found in Note 5 of the Notes to the Basic Financial Statements.

Debt Administration

At the end of the fiscal year, the City of Cottage Grove had total long-term debt outstanding of \$19,574,696. Of that amount, \$1,570,400 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 equipment in the amount of \$60,000.

Outstanding Debt at Year-end

	2017	2016
Governmental Activities		
PERS UAL refinancing	\$ 1,312,854	\$ 1,336,794
LOCAP -Industrial Park	660,000	725,000
LOCAP -Fiber	335,000	350,000
LOCAP -Premium	46,990	49,927
Optical/Wireless Equipment	505,207	569,699
Police Vehicle	61,119	90,692
Armory Building	152,356	203,142
Street Sweeper	133,534	169,896
Tiger Mower	5,334	6,785
Sub-total	<u>\$ 3,212,394</u>	<u>\$ 3,501,935</u>
Business-type Activities		
PERS UAL refinancing	\$ 257,546	\$ 262,241
Water system improvement	2,926,527	3,066,679
LOCAP -Water	5,140,000	5,430,000
LOCAP -Wastewater	5,445,000	5,905,000
LOCAP -Storm	1,080,000	1,130,000
LOCAP -Golf Course	495,000	535,000
LOCAP -Premium	566,071	601,451
Middlefield Golf Course/ Residence	242,430	259,571
Water/Wastewater Equipment	209,729	199,394
Sub-total	<u>16,362,303</u>	<u>17,389,336</u>
Total	<u><u>19,574,696</u></u>	<u><u>\$20,891,271</u></u>

State statutes limit the amount of general obligation debt an Oregon city may issue to 3% of total real market value of all taxable property within its boundary. The current debt limitation for the City of Cottage Grove is \$28,569,024. The outstanding debt of \$1,312,854 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 2017-18 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 2017-18.

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 E. Main Street, Cottage Grove, OR 97424, (541) 942-3346.

BASIC FINANCIAL STATEMENTS

CITY OF COTTAGE GROVE, OREGON

Statement of Net Position

June 30, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 5,694,205	\$ 4,521,688	\$ 10,215,893
Accounts receivable, net	292,330	622,280	914,610
Property taxes receivable	318,051	-	318,051
Grant/contract receivables	79,919	-	79,919
Inventories	-	162,676	162,676
	<u>6,384,505</u>	<u>5,306,644</u>	<u>11,691,149</u>
Total current assets			
Noncurrent assets:			
Internal balances	(57,900)	57,900	-
Loans receivable	18,744	-	18,744
Capital assets not being depreciated	27,321,004	3,465,984	30,786,988
Capital assets, net of accumulated depreciation	<u>10,978,294</u>	<u>28,579,445</u>	<u>39,557,739</u>
	<u>38,260,142</u>	<u>32,103,329</u>	<u>70,363,471</u>
Total noncurrent assets			
	<u>44,644,647</u>	<u>37,409,973</u>	<u>82,054,620</u>
Total Assets			
Deferred Outflows of Resources			
Related to pensions	<u>3,240,938</u>	<u>1,313,024</u>	<u>4,553,962</u>
Liabilities			
Current Liabilities:			
Accounts payable	428,270	71,424	499,694
Payroll and related accruals	47,008	19,450	66,458
Deposits	15,324	46,110	61,434
Unearned revenue	-	46,781	46,781
Accrued interest payable	31,338	117,080	148,418
Compensated absences	<u>295,048</u>	<u>99,054</u>	<u>394,102</u>
	<u>816,988</u>	<u>399,899</u>	<u>1,216,887</u>
Total current liabilities			
Noncurrent liabilities:			
Net pension liability	6,255,006	2,534,135	8,789,141
Due within one year	230,524	1,104,041	1,334,565
Due in more than one year	<u>2,981,869</u>	<u>15,258,263</u>	<u>18,240,132</u>
	<u>9,467,399</u>	<u>18,896,439</u>	<u>28,363,838</u>
Total noncurrent liabilities			
	<u>10,284,387</u>	<u>19,296,338</u>	<u>29,580,725</u>
Total liabilities			
Deferred Inflows of Resources			
Related to pensions	<u>62,570</u>	<u>25,349</u>	<u>87,919</u>
Net Position			
Net investment in capital assets	35,086,905	15,683,125	50,770,030
Restricted for:			
Law enforcement	319,316	-	319,316
System development	-	1,204,780	1,204,780
Road maintenance	1,295,566	-	1,295,566
Permanent trust fund	22,367	-	22,367
Bicycle and Footpath	20,720	-	20,720
Industrial park	36,724	-	36,724
Unrestricted	<u>757,030</u>	<u>2,513,405</u>	<u>3,270,435</u>
	<u>\$ 37,538,628</u>	<u>\$ 19,401,310</u>	<u>\$ 56,939,938</u>
Total Net Position			

See accompanying notes to financial statements.

CITY OF COTTAGE GROVE, OREGON

Statement of Activities

For the Year ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General Government	\$ (3,082,853)	\$ 787,310	\$ 527,688	\$ 21,931	\$ (1,745,924)	\$ -	\$ (1,745,924)
Public Safety	(3,384,138)	296,693	-	-	(3,087,445)	-	(3,087,445)
Highways and Streets	(1,133,836)	24,376	686,032	-	(423,428)	-	(423,428)
Culture and Recreation	(877,160)	-	83,116	-	(794,044)	-	(794,044)
Community Development	(607,323)	551,762	-	-	(55,561)	-	(55,561)
Debt Service - Interest	(204,315)	-	-	-	(204,315)	-	(204,315)
Total Governmental Activities	<u>(9,289,625)</u>	<u>1,660,141</u>	<u>1,296,836</u>	<u>21,931</u>	<u>(6,310,717)</u>	<u>-</u>	<u>(6,310,717)</u>
Business-type Activities							
Water Operations	(2,853,816)	3,364,986	-	-	-	511,170	511,170
Wastewater Operations	(2,498,603)	2,806,561	-	-	-	307,958	307,958
Storm Drainage Operations	(672,598)	842,313	-	-	-	169,715	169,715
Total Business-type Activities	<u>(6,025,017)</u>	<u>7,013,860</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>988,843</u>	<u>988,843</u>
Total Activities	<u>\$ (15,314,642)</u>	<u>\$ 8,674,001</u>	<u>\$ 1,296,836</u>	<u>\$ 21,931</u>	<u>(6,310,717)</u>	<u>988,843</u>	<u>(5,321,874)</u>
General revenues:							
Property taxes					4,371,032	-	4,371,032
Franchise fees					613,890	-	613,890
Alcoholic beverage taxes					164,010	-	164,010
Motor fuel taxes					424,795	-	424,795
Other taxes					142,378	-	142,378
Gain (loss) on disposition of capital assets					2,937	-	2,937
Interest and investment earnings					65,434	41,899	107,333
Total general revenues and transfers					<u>5,784,476</u>	<u>41,899</u>	<u>5,826,375</u>
Change in net position					(526,241)	1,030,742	504,501
Net position, beginning					<u>38,064,869</u>	<u>18,370,568</u>	<u>56,435,437</u>
Net position, ending					<u>\$ 37,538,628</u>	<u>\$ 19,401,310</u>	<u>\$ 56,939,938</u>

See accompanying notes to financial statements.

CITY OF COTTAGE GROVE, OREGON

Governmental Funds

Balance Sheet

June 30, 2017

	General Fund (001)	Street Fund (004)	Nonmajor Governmental Funds	Total
Assets				
Cash and cash equivalents	\$ 2,044,124	\$ 1,200,880	\$ 2,449,201	\$ 5,694,205
Accounts receivable	141,698	126,293	24,339	292,330
Property taxes receivable	318,051	-	-	318,051
Grant/contract receivables	79,919	-	-	79,919
Loans receivable	-	-	18,744	18,744
Total Assets	<u>\$ 2,583,792</u>	<u>\$ 1,327,173</u>	<u>\$ 2,492,284</u>	<u>\$ 6,403,249</u>
Liabilities				
Accounts payable	\$ 139,125	\$ 28,522	\$ 260,623	\$ 428,270
Payroll and related accruals	37,446	3,085	6,477	47,008
Deposits	15,324	-	-	15,324
Advance from other fund	-	-	57,900	57,900
Total Liabilities	<u>191,895</u>	<u>31,607</u>	<u>325,000</u>	<u>548,502</u>
Deferred Inflows of Resources				
Unavailable revenues	<u>318,051</u>	<u>-</u>	<u>18,744</u>	<u>336,795</u>
Fund Balance				
Nonspendable	-	-	3,000	3,000
Restricted	-	1,295,566	399,127	1,694,693
Committed	-	-	1,746,413	1,746,413
Unassigned	<u>2,073,846</u>	<u>-</u>	<u>-</u>	<u>2,073,846</u>
Total Fund Balances	<u>2,073,846</u>	<u>1,295,566</u>	<u>2,148,540</u>	<u>5,517,952</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,583,792</u>	<u>\$ 1,327,173</u>	<u>\$ 2,492,284</u>	<u>\$ 6,403,249</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, 2017

Total Government Fund Balances		\$ 5,517,952
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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	27,321,004	
Capital assets being depreciated	32,662,734	
Accumulated depreciation	<u>(21,684,440)</u>	38,299,298

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 and loans receivable	336,795	
Deferred inflow related to pensions	(62,570)	
Deferred outflow related to pensions	3,240,938	
Net pension asset/liability	<u>(6,255,006)</u>	(2,739,843)

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	(295,048)	
Long-term debt	<u>(3,212,393)</u>	<u>(3,538,779)</u>

Net Position of Governmental Activities in the Statement of Net Position		<u>\$ 37,538,628</u>
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CITY OF COTTAGE GROVE, OREGON

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year ended June 30, 2017

	General Fund (001)	Street Fund (004)	Nonmajor Governmental Funds	Total
Revenues				
Property taxes	\$ 4,346,087	\$ -	\$ -	\$ 4,346,087
Franchise taxes	613,890	-	-	613,890
Local fuels tax	-	424,795	-	424,795
Alcohol taxes	151,452	-	-	151,452
Room tax	130,894	-	-	130,894
Other taxes	13,722	-	-	13,722
Marijuana Tax	11,484	-	-	11,484
Licenses and permits	34,343	-	-	34,343
Intergovernmental revenues	201,163	585,388	188,553	975,104
Charges for services	62,234	-	551,680	613,914
Administration and engineering fees	534,869	-	-	534,869
Fines and forfeitures	133,769	-	-	133,769
Investment earnings	35,729	11,155	18,551	65,435
Contributions and donations	-	-	61,245	61,245
Miscellaneous	154,189	24,376	2,040	180,605
Special assessments	-	-	157,847	157,847
Grants and contracts	279,706	-	6,342	286,048
Total Revenues	<u>6,703,531</u>	<u>1,045,714</u>	<u>986,258</u>	<u>8,735,503</u>
Expenditures				
Current:				
General Government	1,661,093	-	515,008	2,176,101
Public Safety	2,517,830	-	652,427	3,170,257
Highways and streets	-	795,836	4,737	800,573
Culture and recreation	779,257	-	2,043	781,300
Community Development	566,661	-	101,783	668,444
Debt service:				
Debt Service - Principal	180,283	39,057	67,265	286,605
Debt Service - Interest	153,359	10,417	40,539	204,315
Total Expenditures	<u>5,858,483</u>	<u>845,310</u>	<u>1,383,802</u>	<u>8,087,595</u>
Excess (deficiency) of revenues over (under) expenditures	<u>845,048</u>	<u>200,404</u>	<u>(397,544)</u>	<u>647,908</u>
Other Financing Sources (uses)				
Transfers in	9,000	-	721,305	730,305
Transfers out	(702,005)	(19,300)	(9,000)	(730,305)
Total Other Financing Source (Uses)	<u>(693,005)</u>	<u>(19,300)</u>	<u>712,305</u>	<u>-</u>
Net Change in Fund Balances	152,043	181,104	314,761	647,908
Beginning Fund Balance	<u>1,921,803</u>	<u>1,114,462</u>	<u>1,833,779</u>	<u>4,870,044</u>
Ending Fund Balance	<u>\$ 2,073,846</u>	<u>\$ 1,295,566</u>	<u>\$ 2,148,540</u>	<u>\$ 5,517,952</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, 2017

Net Change in Fund Balances - Total Governmental Funds 647,908

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	\$ (830,619)	
Expenditures for capital assets	147,622	
Net book value of capital assets sold/disposal	<u>2,937</u>	(680,060)

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 24,945

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in accrued compensated absences 1,579

Change in net pension assets/liabilities/deferred inflows and deferred outflows (807,218)

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.

Debt service principal payments 286,605

Change in Net Position of Governmental Activities \$ (526,241)

See accompanying notes to financial statements.

CITY OF COTTAGE GROVE, OREGON

Proprietary Funds

Balance Sheet

June 30, 2017

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Water Operations</u>	<u>Wastewater Operations</u>	<u>Storm Drainage Operations</u>	<u>Total</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,921,703	\$ 848,961	\$ 1,751,024	\$ 4,521,688
Receivables - net	284,737	259,231	78,312	622,280
Inventories	<u>129,531</u>	<u>33,145</u>	<u>-</u>	<u>162,676</u>
Total current assets	<u>2,335,971</u>	<u>1,141,337</u>	<u>1,829,336</u>	<u>5,306,644</u>
Noncurrent assets:				
Interfund loan receivable	-	-	57,900	57,900
Capital assets	<u>14,448,320</u>	<u>14,721,219</u>	<u>2,875,890</u>	<u>32,045,429</u>
Total noncurrent assets	<u>14,448,320</u>	<u>14,721,219</u>	<u>2,933,790</u>	<u>32,103,329</u>
Total assets	<u>16,784,291</u>	<u>15,862,556</u>	<u>4,763,126</u>	<u>37,409,973</u>
Deferred outflow				
Related to pensions	<u>683,461</u>	<u>514,087</u>	<u>115,476</u>	<u>1,313,024</u>
Total assets and deferred outflows	<u>\$ 17,467,752</u>	<u>\$ 16,376,643</u>	<u>\$ 4,878,602</u>	<u>\$ 38,722,997</u>
Liabilities and Net Position				
Liabilities				
Current liabilities:				
Accounts payable	\$ 33,851	\$ 33,366	\$ 4,207	\$ 71,424
Payroll and related accruals	10,237	7,536	1,677	19,450
Accrued interest payable	85,403	27,647	4,030	117,080
Deposits	44,610	1,500	-	46,110
Compensated absences payable	45,018	47,074	6,962	99,054
Unearned revenue	-	46,781	-	46,781
Current portion of long-term debt	<u>523,456</u>	<u>491,746</u>	<u>88,839</u>	<u>1,104,041</u>
Total current liabilities	<u>742,575</u>	<u>655,650</u>	<u>105,715</u>	<u>1,503,940</u>
Noncurrent liabilities:				
Long-term debt, net of current portion	7,917,078	6,239,788	1,101,397	15,258,263
Net pension liability	<u>1,319,079</u>	<u>992,187</u>	<u>222,869</u>	<u>2,534,135</u>
Total noncurrent liabilities	<u>9,236,157</u>	<u>7,231,975</u>	<u>1,324,266</u>	<u>17,792,398</u>
Total Liabilities	<u>9,978,732</u>	<u>7,887,625</u>	<u>1,429,981</u>	<u>19,296,338</u>
Deferred inflow				
Deferred inflow related to pensions	<u>13,195</u>	<u>9,925</u>	<u>2,229</u>	<u>25,349</u>
Net Position				
Net investment in capital assets	6,007,786	7,989,685	1,685,654	15,683,125
Restricted for system development	688,213	119,367	397,200	1,204,780
Unrestricted	<u>779,826</u>	<u>370,041</u>	<u>1,363,538</u>	<u>2,513,405</u>
Total Net Position	<u>7,475,825</u>	<u>8,479,093</u>	<u>3,446,392</u>	<u>19,401,310</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 17,467,752</u>	<u>\$ 16,376,643</u>	<u>\$ 4,878,602</u>	<u>\$ 38,722,997</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, 2017

	<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	\$ 3,357,023	\$ 2,778,644	\$ 826,327	\$ 6,961,994
Miscellaneous	7,963	27,917	15,986	51,866
Total Operating Revenues	3,364,986	2,806,561	842,313	7,013,860
Operating Expenses				
Personal Services	1,125,823	864,419	193,494	2,183,736
Materials and Services	828,643	766,041	192,566	1,787,250
Capital Outlay	892	892	892	2,676
Depreciation expense	537,279	606,650	240,475	1,384,404
Total Operating Expenses	2,492,637	2,238,002	627,427	5,358,066
Operating Income (Loss)	872,349	568,559	214,886	1,655,794
Non-operating revenues (expenses)				
Interest expense	(361,179)	(260,601)	(45,171)	(666,951)
Investment earnings	21,120	5,409	15,370	41,899
Total non-operating revenues (expenses)	(340,059)	(255,192)	(29,801)	(625,052)
Income (loss) before transfers	532,290	313,367	185,085	1,030,742
Transfers in	1,589,431	215,367	141,338	1,946,136
Transfers out	(1,589,431)	(218,835)	(137,870)	(1,946,136)
Change in Net Position	532,290	309,899	188,553	1,030,742
Beginning Net Position	6,943,535	8,169,194	3,257,839	18,370,568
Ending Net Position	\$ 7,475,825	\$ 8,479,093	\$ 3,446,392	\$ 19,401,310

See accompanying notes to financial statements.

CITY OF COTTAGE GROVE, OREGON

Proprietary Funds

Statement of Cash Flows

For the Year Ended June 30, 2017

	Business-Type Activities - Enterprise Funds			
	Water Operations	Wastewater Operations	Storm Drain Operations	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 3,348,173	\$ 2,785,951	\$ 831,371	\$ 6,965,495
Cash payments to employees	(1,049,369)	(872,741)	(182,264)	(2,104,374)
Cash payments to suppliers for goods and services	<u>(846,524)</u>	<u>(739,377)</u>	<u>(196,103)</u>	<u>(1,782,004)</u>
Net cash provided (used) by operating activities	<u>1,452,280</u>	<u>1,173,833</u>	<u>453,004</u>	<u>3,079,117</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	-	-	3,468	3,468
Transfers out	-	(3,468)	-	(3,468)
Repayment of interfund loan	<u>-</u>	<u>-</u>	<u>19,300</u>	<u>19,300</u>
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>(3,468)</u>	<u>22,768</u>	<u>19,300</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(1,359,279)	(171,900)	(61,338)	(1,592,517)
Principal paid on capital debt	(434,134)	(556,629)	(60,890)	(1,051,653)
Interest paid on capital debt	(379,465)	(280,587)	(48,342)	(708,394)
Loan proceeds	<u>-</u>	<u>60,000</u>	<u>-</u>	<u>60,000</u>
Net cash provided (used) by capital and related financing activities	<u>(2,172,878)</u>	<u>(949,116)</u>	<u>(170,570)</u>	<u>(3,292,564)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	<u>21,120</u>	<u>5,409</u>	<u>15,370</u>	<u>41,899</u>
Net change in cash and cash equivalents	(699,478)	226,658	320,572	(152,248)
Cash and cash equivalents at beginning of year	<u>2,621,181</u>	<u>622,303</u>	<u>1,430,452</u>	<u>4,673,936</u>
Cash and cash equivalents at end of year	<u>\$ 1,921,703</u>	<u>\$ 848,961</u>	<u>\$ 1,751,024</u>	<u>\$ 4,521,688</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, 2017

	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)	\$ 872,349	\$ 568,559	\$ 214,886	\$ 1,655,794
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation	537,278	606,650	240,475	1,384,403
(Increase) decrease in current assets:				
Receivables - net	(16,813)	(21,473)	(10,942)	(49,228)
Inventories	17,961	5,618	-	23,579
Net pension asset/liability	796,190	545,784	133,335	1,475,309
Deferred outflows related to pensions	(554,832)	(226,872)	(59,476)	(841,180)
Increase (decrease) in current liabilities:				
Accounts payable	(31,055)	20,438	(2,645)	(13,262)
Other liabilities	(3,895)	2,363	-	(1,532)
Payroll and related	(51,191)	(52,837)	(8,814)	(112,842)
Compensated absences	(1,277)	332	(557)	(1,502)
Deferred inflows related to pensions	<u>(112,435)</u>	<u>(274,729)</u>	<u>(53,258)</u>	<u>(440,422)</u>
Net cash provided (used) by operating activities	<u>\$ 1,452,280</u>	<u>\$ 1,173,833</u>	<u>\$ 453,004</u>	<u>\$ 3,079,117</u>

See accompanying notes to financial statements.

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2017

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, 2017

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 property tax revenues to be available if they are collected before the end of the 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, debt service expenditures and compensated absences are recorded only when payment is due.

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2017

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, 2017

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 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, 2017

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, 2017

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. Excess of expenditures over appropriations

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

Fund	Appropriation Level	Over Expenditure Amount
Building Inspection Program Fund	Materials and services	\$ 147,621

The over-expenditure was a result of unexpected building permit activity in June 2017; revenues exceeded budget by a similar amount. Due to the timing of the expenditures, the City was unable to prepare a budget modification.

C - Bicycle and Footpath Deficit Fund Equity

The City's Bicycle and Footpath fund had a negative fund balance of \$20,720 as of June 30, 2017. 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, 2017

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, 2017 cash and cash equivalents consisted of the following:

	<u>Fair Value</u>
Investments in the State Treasurer's Local Government Investment Fund (LGIP)	\$ 8,520,520
Deposits in financial institutions	1,686,930
Cash with Lane County	6,683
Cash on hand	<u>1,765</u>
Total cash and cash equivalents	<u>\$ 10,215,898</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, 2017, 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, 2017

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	\$ 289,047	\$ (4,310)	\$ 284,737
Wastewater charges	261,731	(2,500)	259,231
Storm drain charges	<u>79,312</u>	<u>(1,000)</u>	<u>78,312</u>
Total	<u>\$ 630,090</u>	<u>\$ (7,810)</u>	<u>\$ 622,280</u>

Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Governmental Activities:</u>			
	<u>2016</u>	<u>Additions and Reclassifications</u>	<u>Deletions and Reclassifications</u>	<u>2017</u>
Capital assets, not being depreciated:				
Land	\$ 26,710,167	\$ -	\$ -	\$ 26,710,167
Construction in progress	<u>532,821</u>	<u>78,016</u>	<u>-</u>	<u>610,837</u>
Total capital assets, not being depreciated	<u>27,242,988</u>	<u>78,016</u>	<u>-</u>	<u>27,321,004</u>
Capital assets being depreciated:				
Buildings and improvements	5,503,602	11,663	-	5,515,265
Motor vehicles and equipment	1,958,600	57,945	(126,179)	1,890,366
Office furniture and equipment	348,524	-	-	348,524
Infrastructure	<u>24,908,579</u>	<u>-</u>	<u>-</u>	<u>24,908,579</u>
Total capital assets being depreciated	<u>32,719,305</u>	<u>69,608</u>	<u>(126,179)</u>	<u>32,662,734</u>
Less accumulated depreciation for:				
Buildings and improvements	1,822,768	167,253	-	1,990,021
Motor vehicles and equipment	1,400,570	163,904	(126,179)	1,438,295
Office furniture and equipment	316,912	8,255	-	325,167
Infrastructure	<u>17,439,750</u>	<u>491,207</u>	<u>-</u>	<u>17,930,957</u>
Total accumulated depreciation	<u>20,980,000</u>	<u>830,619</u>	<u>(126,179)</u>	<u>21,684,440</u>
Total capital assets, being depreciated, net	<u>11,739,305</u>	<u>(761,011)</u>	<u>-</u>	<u>10,978,294</u>
Governmental activities capital assets, net	<u>\$ 38,982,293</u>	<u>\$ (682,995)</u>	<u>\$ -</u>	<u>\$ 38,299,298</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 300,073
Highways and streets	334,756
Public safety	99,931
Culture and recreation	<u>95,859</u>
Total depreciation expense -governmental activities	<u>\$ 830,619</u>

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2017

Note 5 - Capital Assets, continued

	Business-type Activities:			2017
	2016	Additions and Reclassifications	Deletions and Reclassifications	
Capital assets, not being depreciated:				
Land	\$ 2,129,788	\$ 5,200	\$ -	\$ 2,134,988
Construction in progress	46,236	1,284,760	-	1,330,996
Total capital assets, not being depreciated	<u>2,176,024</u>	<u>1,289,960</u>	<u>-</u>	<u>3,465,984</u>
Capital assets being depreciated:				
Land improvements	1,260,000	-	-	1,260,000
Infrastructure	5,973,128	-	-	5,973,128
Utility systems	35,256,788	-	-	35,256,788
Building and improvements	2,259,589	11,825	-	2,271,414
Equipment	1,620,914	126,014	(3,150)	1,743,778
Motor vehicles	573,941	164,718	(13,989)	724,670
Office furniture and equipment	21,147	-	-	21,147
Total capital assets being depreciated	<u>46,965,507</u>	<u>302,557</u>	<u>(17,139)</u>	<u>47,250,925</u>
Less accumulated depreciation for:				
Land improvements	798,115	84,005	-	882,120
Infrastructure	1,146,579	-	-	1,146,579
Utility systems	13,044,703	1,143,719	-	14,188,422
Building and improvements	668,300	74,542	-	742,842
Equipment	1,060,312	70,548	(3,150)	1,127,710
Motor vehicles	571,162	9,531	(13,989)	566,704
Office furniture and equipment	15,045	2,058	-	17,103
Total accumulated depreciation	<u>17,304,216</u>	<u>1,384,403</u>	<u>(17,139)</u>	<u>18,671,480</u>
Total capital assets, being depreciated, net	<u>29,661,291</u>	<u>(1,081,846)</u>	<u>-</u>	<u>28,579,445</u>
Business-type activities capital assets, net	<u>\$ 31,837,315</u>	<u>\$ 208,114</u>	<u>\$ -</u>	<u>\$ 32,045,429</u>

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

Water	\$ 537,279
Wastewater	606,650
Storm drain	<u>240,474</u>
Total depreciation expense -business-type activities	<u>\$ 1,384,403</u>

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2017

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>\$ 57,900</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)	\$ 9,000	\$ 702,005
Street Fund (004)	-	19,300
Total Major Governmental Funds:	<u>9,000</u>	<u>721,305</u>
Nonmajor Governmental Funds:		
Police Communication Fund (006)	561,355	-
Bicycle and Footpath Fund (011)	19,300	9,000
Building Inspection Program (013)	25,000	-
General Reserve Fund (731)	<u>115,650</u>	<u>-</u>
Total Nonmajor Governmental Funds	<u>721,305</u>	<u>9,000</u>
Proprietary Funds:		
Water Fund (202)	1,499,431	90,000
Water Reserve Fund (732)	90,000	1,499,431
Wastewater Fund (302)	175,367	43,468
Wastewater Reserve Fund (735)	40,000	175,367
Storm Drainage Utility Fund (402)	61,338	80,000
Storm Drainage Reserve Fund (736)	<u>80,000</u>	<u>57,870</u>
Total Proprietary Funds	<u>1,946,136</u>	<u>1,946,136</u>
Total All Funds	<u>\$ 2,676,441</u>	<u>\$ 2,676,441</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, 2017

Note 7 - Long-Term Liabilities

A - Changes in Long-Term Liabilities

Transactions for the year ended June 30, 2017 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	\$ 2,411,794	\$ -	\$ (103,939)	\$ 2,307,855	\$ 74,864
Premium	49,927	-	(2,937)	46,990	-
Notes and loans	<u>1,040,214</u>	<u>-</u>	<u>(182,665)</u>	<u>857,549</u>	<u>155,660</u>
Total bonds and notes payable	3,501,935	-	(289,541)	3,212,394	230,524
Compensated absences	<u>296,627</u>	<u>295,048</u>	<u>(296,627)</u>	<u>295,048</u>	<u>-</u>
Total Governmental Activities	<u>\$ 3,798,562</u>	<u>\$ 295,048</u>	<u>\$ (586,168)</u>	<u>\$ 3,507,442</u>	<u>\$ 230,524</u>
Business-type Activities					
Bonds and notes payable:					
Bonds	\$ 13,262,241	\$ -	\$ (844,696)	\$ 12,417,545	\$ 879,878
Premium	601,450	-	(35,379)	566,071	-
Notes and loans	<u>3,525,644</u>	<u>60,000</u>	<u>(206,958)</u>	<u>3,378,686</u>	<u>224,163</u>
Total bonds and notes payable	17,389,335	60,000	(1,087,033)	16,362,302	1,104,041
Compensated Absences	<u>100,556</u>	<u>99,054</u>	<u>(100,556)</u>	<u>99,054</u>	<u>-</u>
Total Business-type Activities	<u>\$ 17,489,891</u>	<u>\$ 159,054</u>	<u>\$ (1,187,589)</u>	<u>\$ 16,461,356</u>	<u>\$ 1,104,041</u>

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2017

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.

\$ 995,000

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%.

1,312,855

Total bonds payable - Governmental activities

\$ 2,307,855

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.

\$ 12,160,000

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

257,545

Total bonds payable - Business-type activities

\$ 12,417,545

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2017

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
2018	\$ 74,864	\$ 178,482	\$ 879,878	\$ 503,911
2019	75,366	184,839	899,975	479,003
2020	87,885	179,181	932,432	450,737
2021	154,500	117,781	975,500	401,484
2022	176,220	108,523	1,018,780	361,080
2023-2027	1,081,160	368,335	5,423,840	1,087,794
2028-2032	352,860	96,456	2,107,140	198,817
2033-2037	170,000	44,769	180,000	3,600
2038-2042	135,000	11,794	-	-
Total	\$ 2,307,855	\$ 1,290,160	\$ 12,417,545	\$ 3,486,426

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. \$ 505,206

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. 61,119

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. 138,868

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. 152,356

Total notes and loans payable - Governmental activities \$ 857,549

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

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2018	\$ 155,660	\$ 30,882	\$ 186,542
2019	158,933	27,609	186,542
2020	130,750	24,475	155,225
2021	62,027	21,716	83,743
2022	43,658	19,388	63,046
2023-2027	252,708	62,526	315,234
2028-2032	53,813	6,349	60,162
Total	\$ 857,549	\$ 192,945	\$ 1,050,494

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2017

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. \$ 242,430

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 \$15,000, 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. 2,052,876

Note payable to Banner Bank dated July 18, 2016; original amount of \$60,000, payable in 10 semi-annual installments beginning February 1, 2017 of \$6,427.47 including 2.47% interest, due August 1, 2021 for the acquisition of mowers. 54,384

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. 873,651

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. 63,805

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. 37,591

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. 53,949

Total loans payable - Business - type activities \$ 3,378,686

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
2018	\$ 224,163	\$ 157,774	\$ 381,937
2019	235,528	148,669	384,197
2020	234,372	139,068	373,440
2021	229,923	130,112	360,035
2022	210,239	119,734	329,973
2023-2027	1,172,703	438,891	1,611,594
2028-2032	817,606	185,971	1,003,577
2033-2037	254,152	23,895	278,047
Total	<u>\$ 3,378,686</u>	<u>\$ 1,344,114</u>	<u>\$ 4,722,800</u>

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2017

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.

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.

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2017

Note 8 - Pension Plans, continued

B - Benefits Provided (continued)

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.

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.

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2017

Note 8 - Pension Plans, continued

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, 2014 actuarial valuation which became effective July 1, 2016. The rates in effect for the fiscal year ended June 30, 2017 were 17.64% for Tier One/Tier Two covered members, 9.15% for OPSRP Pension Program General Service Members, and 13.26% for OPSRP Pension Program Police and Fire Members. Employer contributions for the year ended June 30, 2017 were \$566,535, excluding amounts to fund employer specific liabilities.

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

At June 30, 2017, the City reported a liability of \$8,789,141 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of December 31, 2014 rolled forward to June 30, 2016. 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, 2016, the City's proportion was 0.05854618 percent, which was increased from its proportion of 0.05819669 percent measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of \$1,000,924. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 290,783	\$ -
Changes of assumptions	1,874,513	-
Net difference between projected and actual earnings on investments	1,736,365	-
Changes in proportionate share	71,018	-
Differences between employer contributions and employer's proportionate share of system contributions	<u>14,748</u>	<u>87,919</u>
Total (prior to post-MD contributions)	3,987,427	87,919
Contributions subsequent to MD	<u>566,535</u>	-
Total	<u>\$ 4,553,962</u>	<u>\$ 87,919</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	
2018	\$ 1,304,822	2018	\$ 36,026
2019	738,287	2019	36,026
2020	1,343,928	2020	3,756
2021	1,024,132	2021	11,311
2022	<u>142,793</u>	2022	<u>800</u>
Total	<u>\$ 4,553,962</u>	Total	<u>\$ 87,919</u>

E - Actuarial Assumptions

The employer contribution rates 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, 2017

Note 8 - Pension Plans, continued

E. - Actuarial Assumptions, continued

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2014
Measurement Date	June 30, 2016
Experience Study Report	2014, published September 2015
Actuarial Cost Method	Entry Age normal
Actuarial Assumptions:	
Inflation Rate	2.5% (reduced from 2.75%)
Long-Term Expected Rate of Return	7.5% (reduced from 7.75%)
Discount Rate	7.5% (reduced from 7.75%)
Project Salary Increases	3.5% (reduced from 3.75%)
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and grade COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service.
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 (70% for males; 95% 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, 2017

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 2015 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	13.5 %	21.5 %	17.5 %
Real Estate	9.5 %	15.5 %	12.5 %
Alternative Equity	0.0 %	12.5 %	12.5 %
Opportunity Portfolio	0.0 %	3.0 %	0.0 %
Total			<u>100.0 %</u>

Asset Class	Target Allocation	Compounded Annual Return (Geometric)
Core Fixed Income	8.00 %	4.00 %
Short-Term Bonds	8.00 %	3.61 %
Bank/Leveraged loans	3.00 %	5.42 %
High Yield Bonds	1.00 %	6.20 %
Large/Mid Cap US Equities	15.75 %	6.70 %
Small Cap US Equities	1.30 %	6.99 %
Micro Cap US Equities	1.30 %	7.01 %
Developed Foreign Equities	13.13 %	6.73 %
Emerging Foreign Equities	4.12 %	7.25 %
No-US Small Cap Equities	1.88 %	7.22 %
Private Equities	17.50 %	7.97 %
Real Estate (Property)	10.00 %	5.84 %
Real Estate (REITS)	2.50 %	6.69 %
Hedge Fund of Funds - Diversified	2.50 %	4.64 %
Hedge Fund - Event-driven	0.63 %	6.72 %
Timber	1.88 %	5.85 %
Farmland	1.88 %	6.37 %
Infrastructure	3.75 %	7.13 %
Commodities	<u>1.88 %</u>	4.58 %
Total	<u>100.00 %</u>	
Assumed Inflation - mean		2.50 %

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2017

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 7.50 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 7.50 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 (6.50 percent) or one percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate Share of Net Pension Liability (Asset)	<u>\$ 14,191,532</u>	<u>\$ 8,789,141</u>	<u>\$ 4,273,687</u>

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, 2017

Note 8 - Pension Plans, continued

E. - Actuarial Assumptions, continued

Changes in Plan Assumptions and Other Inputs

Changes in actuarial methods and assumptions implemented since the December 31, 2013 valuation are described in the 2014 experience Study (study), published September 2015.

Changes in assumptions from that Study are reported in the table of actuarial methods and assumptions on page xx. Modifications to the allocation of actuarial accrued liabilities, administrative expense assumptions, healthcare cost inflation, and mortality tables can be found in the Study at: <http://www.oregon.gov/PERS/Pages/Financials/Actuarial-Presentations-and-reports.aspz>.

Changes in Plan Provisions Subsequent to Measurement Date

At its July 28, 2017 meeting, the PERS Board lowered the investment return assumption to 7.20%. The rate takes effect January 1, 2018.

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.

Note 11 Tax Abatements

The City of Cottage Grove enters into property tax abatement agreements with local businesses under the Oregon Enterprise Zone Act. Under the Act, localities may grant property tax abatements of up to 50 percent of a business' property tax bill for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the City.

For the fiscal year ended June 30, 2017, the City abated property taxes totaling \$5,777 under this program, for the benefit of King Estate Winery Limited Partnership. Taxes without the exemption would have amounted to \$15,394.

Note 12 - Subsequent events

On December 13, 2017, the City advance refunded \$7,265,000 of LOCAP financing agreement and current refunded the \$1,968,522 2009 Business Oregon loan. The refunding obligation of \$8,545,000 (par value) of full faith and credit refunding obligations, series 2017 with an interest rates ranging between 3.00% and 5.00%. The refunding obligations were issued at a premium of \$1,451,818; issuance costs and underwriter discount and contingency was \$113,765 resulting in net proceeds of \$9,883,053. In addition, the City provided \$84,000 toward the closing of the transaction. A portion of the proceeds was used to provide funds to establish an irrevocable escrow deposit between the City and The Bank of New York Mellow Trust Company (escrow agent) to refund the Business Oregon loan and defease the 2013 LOCAP financing agreement. The advance refunding met the requirements of an in-substance debt defeasance and the refunded portion of the LOCAP financing agreement will be removed from the City's financial statements in the year ending June 30, 2018.

As a result of the advance refunding, the City reduced its total debt service requirements by \$998,056 which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of 767,865.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COTTAGE GROVE, OREGON

Required Supplementary Information

Year Ended June 30, 2017

Schedule of the Proportionate Share of the Net Pension Liability

Oregon Public Employees Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.059 %	0.058 %	0.054 %
Proportionate share of the net pension liability (asset)	\$ 8,789,141	\$ 3,341,340	\$ (1,229,962)
Covered payroll	\$ 4,198,300	\$ 4,038,370	\$ 3,948,874
Proportionate share of the pension liability (asset) as a percentage of its covered employee payroll	209.35 %	82.74 %	(31.15)%
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>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 566,535	\$ 553,803	\$ 590,234
Contributions in relation to the contractually required contribution	<u>566,535</u>	<u>553,803</u>	<u>590,234</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 4,198,300	\$ 4,038,370	\$ 3,948,874
Contributions as a percentage of covered employee payroll	13.49 %	13.71 %	14.95 %

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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Property taxes	\$ 4,254,800	\$ 4,254,800	\$ 4,346,087	\$ 91,287
Franchise taxes	538,000	538,000	613,890	75,890
Alcohol taxes	142,000	142,000	151,452	9,452
Room tax	110,000	110,000	130,894	20,894
Other taxes	13,500	13,500	13,722	222
Marijuana Tax	15,000	15,000	11,484	(3,516)
Licenses and permits	21,850	21,850	34,343	12,493
Intergovernmental revenues	190,520	190,520	201,163	10,643
Charges for services	554,376	554,376	597,103	42,727
Fines and forfeitures	81,600	81,600	133,769	52,169
Investment earnings	11,500	11,500	35,729	24,229
Contributions and donations	132,500	132,500	154,189	21,689
Grants and contracts	266,489	269,989	279,706	9,717
Total revenues	<u>6,332,135</u>	<u>6,335,635</u>	<u>6,703,531</u>	<u>367,896</u>
Expenditures:				
General Government:				
City Council	35,250	35,250	34,732	518
City Manager	373,050	373,050	360,855	12,195
Finance	341,302	341,302	324,681	16,621
Public Safety:				
Police Operations	2,574,025	2,574,025	2,378,317	195,708
Municipal Court	79,785	79,785	78,251	1,534
Court Support Services	76,000	76,000	70,381	5,619
Youth Peer Court	27,042	27,042	20,454	6,588
Building Maintenance	202,765	202,765	177,082	25,683
Culture and Recreation:				
Parks	133,110	137,635	133,613	4,022
Engineering	294,435	294,435	124,627	169,808
Broadband Services	448,335	448,335	385,498	62,837
Community Development:				
Community Development	709,869	713,369	562,360	151,009
Library	417,775	417,775	387,308	30,467
Community Center	146,450	146,450	141,420	5,030
Community Promotions	118,350	125,484	121,216	4,268
Non-Departmental	910,230	1,148,985	557,688	591,297
Contingency	346,927	96,513	-	96,513
Total expenditures	<u>7,234,700</u>	<u>7,238,200</u>	<u>5,858,483</u>	<u>1,379,717</u>
Excess revenues over (under) expenditures	<u>(902,565)</u>	<u>(902,565)</u>	<u>845,048</u>	<u>1,747,613</u>
Other financing sources (uses):				
Transfers in	9,000	9,000	9,000	-
Transfers out	<u>(702,005)</u>	<u>(702,005)</u>	<u>(702,005)</u>	<u>-</u>
Total other financing sources (uses)	<u>(693,005)</u>	<u>(693,005)</u>	<u>(693,005)</u>	<u>-</u>
Net change in fund balances	<u>(1,595,570)</u>	<u>(1,595,570)</u>	<u>152,043</u>	<u>1,747,613</u>
Fund Balance:				
Beginning of year	<u>1,545,570</u>	<u>1,545,570</u>	<u>1,921,803</u>	<u>376,233</u>
End of year	<u>\$ (50,000)</u>	<u>\$ (50,000)</u>	<u>\$ 2,073,846</u>	<u>\$ 2,123,846</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Local fuels tax	\$ 330,000	\$ 330,000	\$ 424,795	\$ 94,795
Intergovernmental revenues	651,040	651,040	585,388	(65,652)
Miscellaneous	1,000	1,000	24,376	23,376
Investment earnings	<u>1,200</u>	<u>1,200</u>	<u>11,155</u>	<u>9,955</u>
Total revenues	<u>983,240</u>	<u>983,240</u>	<u>1,045,714</u>	<u>62,474</u>
Expenditures:				
Street Maintenance	536,955	536,955	429,894	107,061
Street Sweeping	111,000	111,000	98,727	12,273
Streets capital improvements	805,900	805,900	165,808	640,092
Non-departmental:				
Materials and Services	103,715	104,580	101,371	3,209
Debt Service - Principal	49,390	49,390	49,373	17
Debt Service - Interest	140	140	137	3
Contingency	<u>189,810</u>	<u>188,945</u>	<u>-</u>	<u>188,945</u>
Total expenditures	<u>1,796,910</u>	<u>1,796,910</u>	<u>845,310</u>	<u>951,600</u>
Excess of revenues over (under) expenditures	(813,670)	(813,670)	200,404	1,014,074
Other financing sources (uses):				
Transfers out	<u>(19,300)</u>	<u>(19,300)</u>	<u>(19,300)</u>	<u>-</u>
Net change in fund balance	(832,970)	(832,970)	181,104	1,014,074
Beginning fund balance	<u>832,970</u>	<u>832,970</u>	<u>1,114,462</u>	<u>281,492</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,295,566</u>	<u>\$ 1,295,566</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, 2017

	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	\$ 931,935	\$ 1,490,952	\$ 26,314	\$ 2,449,201
Accounts receivable	24,132	-	207	24,339
Loans receivable	18,744	-	-	18,744
Total assets	<u>\$ 974,811</u>	<u>\$ 1,490,952</u>	<u>\$ 26,521</u>	<u>\$ 2,492,284</u>
Liabilities				
Current liabilities:				
Accounts payable	\$ 259,063	\$ 406	\$ 1,154	\$ 260,623
Payroll and related accruals	6,477	-	-	6,477
Advance from other fund	57,900	-	-	57,900
Total liabilities	<u>323,440</u>	<u>406</u>	<u>1,154</u>	<u>325,000</u>
Deferred inflow related to pensions	18,744	-	-	18,744
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	376,760	-	22,367	399,127
Committed	255,867	1,490,546	-	1,746,413
Total fund balances	<u>632,627</u>	<u>1,490,546</u>	<u>25,367</u>	<u>2,148,540</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 974,811</u>	<u>\$ 1,490,952</u>	<u>\$ 26,521</u>	<u>\$ 2,492,284</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, 2017

	<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:				
Grants and contracts	\$ -	\$ -	\$ 6,342	\$ 6,342
Intergovernmental revenues	188,553	-	-	188,553
Charges for services	551,680	-	-	551,680
Investment earnings	5,773	12,481	297	18,551
Contributions and donations	-	-	61,245	61,245
Miscellaneous	540	500	1,000	2,040
Special assessments	-	<u>157,847</u>	-	<u>157,847</u>
Total Revenues	<u>746,546</u>	<u>170,828</u>	<u>68,884</u>	<u>986,258</u>
Expenditures:				
Current:				
General Government	484,428	30,580	-	515,008
Public Safety	652,427	-	-	652,427
Highways and streets	1,303	3,434	-	4,737
Culture and recreation	-	2,043	-	2,043
Community Development	519	-	101,264	101,783
Debt service:				
Principal	67,265	-	-	67,265
Interest	<u>40,539</u>	-	-	<u>40,539</u>
Total Expenditures	<u>1,246,481</u>	<u>36,057</u>	<u>101,264</u>	<u>1,383,802</u>
Excess of revenues over (under) expenditures	<u>(499,935)</u>	<u>134,771</u>	<u>(32,380)</u>	<u>(397,544)</u>
Other financing sources (uses)				
Transfers in	605,655	115,650	-	721,305
Transfers out	<u>(9,000)</u>	-	-	<u>(9,000)</u>
Total other financing sources (uses)	<u>596,655</u>	<u>115,650</u>	-	<u>712,305</u>
Net change in fund balance	96,720	250,421	(32,380)	314,761
Fund balance at beginning of year	<u>535,907</u>	<u>1,240,125</u>	<u>57,747</u>	<u>1,833,779</u>
Fund balance at end of year	<u>\$ 632,627</u>	<u>\$ 1,490,546</u>	<u>\$ 25,367</u>	<u>\$ 2,148,540</u>

CITY OF COTTAGE GROVE, OREGON

Nonmajor Special Revenue Funds

Combining Balance Sheet

June 30, 2017

	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	\$ 155,180	\$ 120,472	\$ 78,668	\$ 9,331	\$ 184,591	\$ 346,969	\$ 36,724	\$ 931,935
Accounts receivable	-	23,623	509	-	-	-	-	24,132
Loans receivable	-	-	-	18,744	-	-	-	18,744
Total assets	\$ 155,180	\$ 144,095	\$ 79,177	\$ 28,075	\$ 184,591	\$ 346,969	\$ 36,724	\$ 974,811
Liabilities								
Accounts payable	\$ -	\$ 313	\$ 557	\$ -	\$ 2,995	\$ 255,198	\$ -	\$ 259,063
Payroll and related accruals	-	6,062	-	-	-	415	-	6,477
Advance from other fund	-	-	57,900	-	-	-	-	57,900
Total liabilities	-	6,375	58,457	-	2,995	255,613	-	323,440
Deferred Inflows of Resources								
Unavailable revenues	-	-	-	18,744	-	-	-	18,744
Fund Balance								
Restricted	-	137,720	20,720	-	181,596	-	36,724	376,760
Committed	155,180	-	-	9,331	-	91,356	-	255,867
Total Fund Balances	155,180	137,720	20,720	9,331	181,596	91,356	36,724	632,627
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 155,180	\$ 144,095	\$ 79,177	\$ 28,075	\$ 184,591	\$ 346,969	\$ 36,724	\$ 974,811

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, 2017

	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	\$ -	\$ 162,640	\$ 25,913	\$ -	\$ -	\$ -	\$ -	\$ 188,553
Charges for services	-	-	-	-	-	551,680	-	551,680
Investment earnings	1,484	836	686	90	1,795	379	503	5,773
Miscellaneous	-	458	-	-	-	82	-	540
Total Revenues	1,484	163,934	26,599	90	1,795	552,141	503	746,546
Expenditures:								
Current:								
General Government	-	-	-	-	-	484,428	-	484,428
Public Safety	-	645,142	-	-	7,285	-	-	652,427
Highways and streets	-	-	1,303	-	-	-	-	1,303
Community Development	-	-	-	114	-	-	405	519
Debt service:								
Principal	-	1,804	-	-	238	223	65,000	67,265
Interest	-	9,927	-	-	1,308	1,229	28,075	40,539
Total Expenditures	-	656,873	1,303	114	8,831	485,880	93,480	1,246,481
Revenues over (under) expenditures	1,484	(492,939)	25,296	(24)	(7,036)	66,261	(92,977)	(499,935)
Other financing sources (uses):								
Transfers in	-	561,355	19,300	-	-	25,000	-	605,655
Transfers out	-	-	(9,000)	-	-	-	-	(9,000)
Total other financing sources (uses)	-	561,355	10,300	-	-	25,000	-	596,655
Net change in fund balance	1,484	68,416	35,596	(24)	(7,036)	91,261	(92,977)	96,720
Beginning fund balance	153,696	69,304	(14,876)	9,355	188,632	95	129,701	535,907
Ending fund balance	\$ 155,180	\$ 137,720	\$ 20,720	\$ 9,331	\$ 181,596	\$ 91,356	\$ 36,724	\$ 632,627

CITY OF COTTAGE GROVE, OREGON

Nonmajor Capital Project Funds

Combining Balance Sheet

June 30, 2017

	<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	\$ 1,050,015	\$ 252,107	\$ 188,830	\$ 1,490,952
Total assets	<u>\$ 1,050,015</u>	<u>\$ 252,107</u>	<u>\$ 188,830</u>	<u>\$ 1,490,952</u>
Accounts payable	\$ -	\$ -	\$ 406	\$ 406
Total liabilities	<u>-</u>	<u>-</u>	<u>406</u>	<u>406</u>
Fund Balance				
Committed	\$ 1,050,015	\$ 252,107	\$ 188,424	\$ 1,490,546
Total Fund Balance	<u>\$ 1,050,015</u>	<u>\$ 252,107</u>	<u>\$ 188,424</u>	<u>\$ 1,490,546</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, 2017

	<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	\$ 9,501	\$ 1,792	\$ 1,188	\$ 12,481
Special assessments	74,731	83,116	-	157,847
Miscellaneous	-	-	500	500
Total Revenues	<u>84,232</u>	<u>84,908</u>	<u>1,688</u>	<u>170,828</u>
Expenditures:				
Current:				
General Government	-	-	30,580	30,580
Highways and streets	3,434	-	-	3,434
Culture and recreation	-	2,043	-	2,043
Total Expenditures	<u>3,434</u>	<u>2,043</u>	<u>30,580</u>	<u>36,057</u>
Excess of revenues over (under) expenditures	<u>80,798</u>	<u>82,865</u>	<u>(28,892)</u>	<u>134,771</u>
Other financing sources (uses):				
Transfers in	-	-	115,650	115,650
Net change in fund balance	80,798	82,865	86,758	250,421
Beginning fund balance	<u>969,217</u>	<u>169,242</u>	<u>101,666</u>	<u>1,240,125</u>
Ending fund balance	<u>\$ 1,050,015</u>	<u>\$ 252,107</u>	<u>\$ 188,424</u>	<u>\$ 1,490,546</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Investment earnings	\$ 500	\$ 500	\$ 1,484	\$ 984
Total revenues	<u>500</u>	<u>500</u>	<u>1,484</u>	<u>984</u>
Expenditures:				
Materials and Services	195,760	195,760	-	195,760
Capital Outlay	<u>1,028,525</u>	<u>1,028,525</u>	<u>-</u>	<u>1,028,525</u>
Total expenditures	<u>1,224,285</u>	<u>1,224,285</u>	<u>-</u>	<u>1,224,285</u>
Excess of revenues over (under) expenditures	(1,223,785)	(1,223,785)	1,484	1,225,269
Other financing sources (uses):				
Proceeds from loans	<u>1,070,270</u>	<u>1,070,270</u>	<u>-</u>	<u>(1,070,270)</u>
Net change in fund balance	(153,515)	(153,515)	1,484	154,999
Beginning fund balance	<u>153,515</u>	<u>153,515</u>	<u>153,696</u>	<u>181</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 155,180</u>	<u>\$ 155,180</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental revenues	\$ 132,451	\$ 132,451	\$ 162,640	\$ 30,189
Investment earnings	25	25	836	811
Miscellaneous	-	-	458	458
Total revenues	<u>132,476</u>	<u>132,476</u>	<u>163,934</u>	<u>31,458</u>
Expenditures:				
Police Support Services	433,039	433,039	402,994	30,045
911 Services	260,817	260,817	242,095	18,722
Debt Service - Principal	11,790	11,790	11,784	6
Total expenditures	<u>705,646</u>	<u>705,646</u>	<u>656,873</u>	<u>48,773</u>
Excess of revenues over (under) expenditures	(573,170)	(573,170)	(492,939)	80,231
Other financing sources (uses):				
Transfers in	<u>561,355</u>	<u>561,355</u>	<u>561,355</u>	-
Net change in fund balance	(11,815)	(11,815)	68,416	80,231
Beginning fund balance	<u>11,815</u>	<u>11,815</u>	<u>69,304</u>	<u>57,489</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137,720</u>	<u>\$ 137,720</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, 2017

	<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	37,570	37,570	25,913	(11,657)
Investment earnings	<u>50</u>	<u>50</u>	<u>686</u>	<u>636</u>
Total revenues	<u>107,620</u>	<u>107,620</u>	<u>26,599</u>	<u>(81,021)</u>
Expenditures:				
Material and Services	36,215	36,215	1,303	34,912
Capital Outlay	79,000	79,000	-	79,000
Debt Service - Principal	19,300	19,300	19,300	-
Contingency	<u>28,830</u>	<u>28,830</u>	<u>-</u>	<u>28,830</u>
Total expenditures	<u>163,345</u>	<u>163,345</u>	<u>20,603</u>	<u>142,742</u>
Excess of revenues over (under) expenditures	(55,725)	(55,725)	5,996	61,721
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	(45,425)	(45,425)	16,296	61,721
Beginning fund balance	<u>45,425</u>	<u>45,425</u>	<u>62,324</u>	<u>16,899</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	78,620	<u>\$ 78,620</u>
Reconciliation to GAAP basis:				
Due to other funds			<u>(57,900)</u>	
GAAP fund balance - end of year			<u>\$ 20,720</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Investment earnings	\$ 100	\$ 100	\$ 90	\$ (10)
Total revenues	<u>100</u>	<u>100</u>	<u>90</u>	<u>(10)</u>
Expenditures:				
Materials and Services	<u>10,100</u>	<u>10,100</u>	<u>114</u>	<u>9,986</u>
Total expenditures	<u>10,100</u>	<u>10,100</u>	<u>114</u>	<u>9,986</u>
Excess of revenues over (under) expenditures	<u>(10,000)</u>	<u>(10,000)</u>	<u>(24)</u>	<u>9,976</u>
Other financing sources (uses):				
Net change in fund balance	(10,000)	(10,000)	(24)	9,976
Beginning fund balance	<u>10,000</u>	<u>10,000</u>	<u>9,355</u>	<u>(645)</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,331</u>	<u>\$ 9,331</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Investment earnings	\$ 130	\$ 130	\$ 1,795	\$ 1,665
Total revenues	<u>130</u>	<u>130</u>	<u>1,795</u>	<u>1,665</u>
Expenditures:				
Personnel Services	16,025	16,025	-	16,025
Materials and Services	45,000	45,000	7,278	37,722
Capital Outlay	100,000	100,000	-	100,000
Debt Service - Principal	1,560	1,560	1,553	7
Contingency	13,295	13,295	-	13,295
Total expenditures	<u>175,880</u>	<u>175,880</u>	<u>8,831</u>	<u>167,049</u>
Net change in fund balance	(175,750)	(175,750)	(7,036)	168,714
Beginning fund balance	<u>175,750</u>	<u>175,750</u>	<u>188,632</u>	<u>12,882</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 181,596</u>	<u>\$ 181,596</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 315,000	\$ 315,000	\$ 551,680	\$ 236,680
Investment earnings	-	-	379	379
Miscellaneous	-	-	82	82
Total revenues	<u>315,000</u>	<u>315,000</u>	<u>552,141</u>	<u>237,141</u>
Expenditures:				
Personnel Services	48,580	45,580	43,870	1,710
Materials and Services	270,500	292,930	440,551	(147,621)
Debt Service - Principal	1,490	1,490	1,459	31
Total expenditures	<u>320,570</u>	<u>340,000</u>	<u>485,880</u>	<u>(145,880)</u>
Excess of revenues over (under) expenditures	(5,570)	(25,000)	66,261	91,261
Other financing sources (uses):				
Transfers in	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Net change in fund balance	19,430	-	91,261	91,261
Beginning fund balance	-	-	95	95
Ending fund balance	<u>\$ 19,430</u>	<u>\$ -</u>	<u>\$ 91,356</u>	<u>\$ 91,356</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Investment earnings	\$ 300	\$ 300	\$ 503	\$ 203
Total revenues	<u>300</u>	<u>300</u>	<u>503</u>	<u>203</u>
Expenditures:				
Materials and Services	1,840	1,840	405	1,435
Debt Service - Principal	<u>93,075</u>	<u>93,075</u>	<u>93,075</u>	<u>-</u>
Total expenditures	<u>94,915</u>	<u>94,915</u>	<u>93,480</u>	<u>1,435</u>
Excess of revenues over (under) expenditures	<u>(94,615)</u>	<u>(94,615)</u>	<u>(92,977)</u>	<u>1,638</u>
Other financing sources (uses):				
Net change in fund balance	(94,615)	(94,615)	(92,977)	1,638
Beginning fund balance	<u>128,400</u>	<u>128,400</u>	<u>129,701</u>	<u>1,301</u>
Ending fund balance	<u>\$ 33,785</u>	<u>\$ 33,785</u>	<u>\$ 36,724</u>	<u>\$ 2,939</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Special assessments	\$ 12,000	\$ 12,000	\$ 74,731	\$ 62,731
Investment earnings	<u>1,150</u>	<u>1,150</u>	<u>9,501</u>	<u>8,351</u>
Total revenues	<u>13,150</u>	<u>13,150</u>	<u>84,232</u>	<u>71,082</u>
Expenditures:				
Materials and Services	77,840	77,840	1,804	76,036
Capital Outlay	<u>763,015</u>	<u>763,015</u>	<u>1,630</u>	<u>761,385</u>
Total expenditures	<u>840,855</u>	<u>840,855</u>	<u>3,434</u>	<u>837,421</u>
Net change in fund balance	(827,705)	(827,705)	80,798	908,503
Beginning fund balance	<u>827,705</u>	<u>827,705</u>	<u>969,217</u>	<u>141,512</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,050,015</u>	<u>\$ 1,050,015</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Special assessments	\$ 12,000	\$ 12,000	\$ 83,116	\$ 71,116
Investment earnings	<u>400</u>	<u>400</u>	<u>1,792</u>	<u>1,392</u>
Total revenues	<u>12,400</u>	<u>12,400</u>	<u>84,908</u>	<u>72,508</u>
Expenditures:				
Materials and Services	15	15	12	3
Capital Outlay	<u>171,205</u>	<u>171,205</u>	<u>2,031</u>	<u>169,174</u>
Total expenditures	<u>171,220</u>	<u>171,220</u>	<u>2,043</u>	<u>169,177</u>
Net change in fund balance	(158,820)	(158,820)	82,865	241,685
Beginning fund balance	<u>158,820</u>	<u>158,820</u>	<u>169,242</u>	<u>10,422</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 252,107</u>	<u>\$ 252,107</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Investment earnings	\$ 100	\$ 100	\$ 1,188	\$ 1,088
Miscellaneous	-	-	500	500
Total revenues	<u>100</u>	<u>100</u>	<u>1,688</u>	<u>1,588</u>
Expenditures:				
Materials and Services	6,000	6,000	3,789	2,211
Capital Outlay	<u>117,250</u>	<u>117,250</u>	<u>26,791</u>	<u>90,459</u>
Total expenditures	<u>123,250</u>	<u>123,250</u>	<u>30,580</u>	<u>92,670</u>
Excess of revenues over (under) expenditures	(123,150)	(123,150)	(28,892)	94,258
Other financing sources (uses):				
Transfers in	<u>115,650</u>	<u>115,650</u>	<u>115,650</u>	-
Net change in fund balance	(7,500)	(7,500)	86,758	94,258
Beginning fund balance	<u>7,500</u>	<u>7,500</u>	<u>101,666</u>	<u>94,166</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 188,424</u>	<u>\$ 188,424</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Grants and contracts	-	\$ 189,250	\$ 6,342	\$ (182,908)
Investment earnings	\$ 100	100	297	197
Contributions and donations	21,100	31,100	61,245	30,145
Miscellaneous	-	-	1,000	1,000
Total revenues	<u>21,200</u>	<u>220,450</u>	<u>68,884</u>	<u>(151,566)</u>
Expenditures:				
Materials and Services	36,772	225,152	55,708	169,444
Capital Outlay	<u>41,122</u>	<u>51,992</u>	<u>45,556</u>	<u>6,436</u>
Total expenditures	<u>77,894</u>	<u>277,144</u>	<u>101,264</u>	<u>175,880</u>
Net change in fund balance	(56,694)	(56,694)	(32,380)	24,314
Beginning fund balance	<u>56,694</u>	<u>56,694</u>	<u>57,747</u>	<u>1,053</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,367</u>	<u>\$ 25,367</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, 2017

	Water Fund (202)	Water Systems Development Fund (602)	Water Reserve Fund (732)	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 595,064	\$ 688,213	\$ 638,426	\$ 1,921,703
Receivables - net	142,993	-	141,744	284,737
Inventories	129,531	-	-	129,531
	<u>867,588</u>	<u>688,213</u>	<u>780,170</u>	<u>2,335,971</u>
Total current assets				
Noncurrent assets:				
Capital assets	<u>14,448,320</u>	-	-	<u>14,448,320</u>
	<u>14,448,320</u>	-	-	<u>14,448,320</u>
Total noncurrent assets				
	<u>15,315,908</u>	<u>688,213</u>	<u>780,170</u>	<u>16,784,291</u>
Total assets				
Deferred outflows				
Related to pensions	<u>683,461</u>	-	-	<u>683,461</u>
Total assets and deferred outflows	<u>\$ 15,999,369</u>	<u>\$ 688,213</u>	<u>\$ 780,170</u>	<u>\$ 17,467,752</u>
Liabilities and Net Position				
Liabilities				
Current liabilities:				
Accounts payable	\$ 33,789	\$ -	\$ 62	\$ 33,851
Payroll and related accruals	10,237	-	-	10,237
Accrued interest payable	85,403	-	-	85,403
Deposits	44,610	-	-	44,610
Compensated absences payable	45,018	-	-	45,018
Current portion of long-term debt	152,113	-	371,343	523,456
	<u>371,170</u>	<u>-</u>	<u>371,405</u>	<u>742,575</u>
Total current liabilities				
Noncurrent liabilities:				
Long-term debt, net of current portion	2,913,238	-	5,003,840	7,917,078
Net pension liability	1,319,079	-	-	1,319,079
	<u>4,232,317</u>	<u>-</u>	<u>5,003,840</u>	<u>9,236,157</u>
Total noncurrent liabilities				
	<u>4,603,487</u>	<u>-</u>	<u>5,375,245</u>	<u>9,978,732</u>
Total Liabilities				
Deferred inflows				
Related to pensions	<u>13,195</u>	-	-	<u>13,195</u>
Net Position				
Net investment in capital assets	11,382,969	-	(5,375,183)	6,007,786
Restricted for system development	-	688,213	-	688,213
Unrestricted	<u>(282)</u>	<u>-</u>	<u>780,108</u>	<u>779,826</u>
	<u>11,382,687</u>	<u>688,213</u>	<u>(4,595,075)</u>	<u>7,475,825</u>
Total Net Position				
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 15,999,369</u>	<u>\$ 688,213</u>	<u>\$ 780,170</u>	<u>\$ 17,467,752</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, 2017

	<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	\$ 1,723,744	\$ 270,434	\$ 1,362,845	\$ 3,357,023
Miscellaneous	<u>7,963</u>	<u>-</u>	<u>-</u>	<u>7,963</u>
Total Operating Revenues	<u>1,731,707</u>	<u>270,434</u>	<u>1,362,845</u>	<u>3,364,986</u>
Operating Expenses				
Personal Services	1,125,823	-	-	1,125,823
Materials and Services	554,101	74	274,468	828,643
Capital Outlay	892	-	-	892
Depreciation expense	<u>537,279</u>	<u>-</u>	<u>-</u>	<u>537,279</u>
Total Operating Expenses	<u>2,218,095</u>	<u>74</u>	<u>274,468</u>	<u>2,492,637</u>
Operating Income (Loss)	<u>(486,388)</u>	<u>270,360</u>	<u>1,088,377</u>	<u>872,349</u>
Nonoperating revenues (expenses)				
Interest expense	(13,929)	-	(347,250)	(361,179)
Investment earnings	<u>6,294</u>	<u>4,642</u>	<u>10,184</u>	<u>21,120</u>
Total non-operating revenues (expenses)	<u>(7,635)</u>	<u>4,642</u>	<u>(337,066)</u>	<u>(340,059)</u>
Income (loss) before transfers	(494,023)	275,002	751,311	532,290
Transfers in	1,499,431	-	90,000	1,589,431
Transfers out	<u>(90,000)</u>	<u>-</u>	<u>(1,499,431)</u>	<u>(1,589,431)</u>
Change in Net Position	915,408	275,002	(658,120)	532,290
Beginning Net Position	<u>10,467,279</u>	<u>413,211</u>	<u>(3,936,955)</u>	<u>6,943,535</u>
Ending Net Position	<u>\$ 11,382,687</u>	<u>\$ 688,213</u>	<u>\$ (4,595,075)</u>	<u>\$ 7,475,825</u>

CITY OF COTTAGE GROVE, OREGON

Water Operations Combined

Combining Statement of Cash Flows

For the Year Ended June 30, 2017

	<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	\$ 1,728,423	\$ 270,434	\$ 1,349,316	\$ 3,348,173
Cash payments to employees	(1,049,369)	-	-	(1,049,369)
Cash payments to suppliers for goods and services	<u>(542,050)</u>	<u>(74)</u>	<u>(304,400)</u>	<u>(846,524)</u>
Net cash provided (used) by operating activities	<u>137,004</u>	<u>270,360</u>	<u>1,044,916</u>	<u>1,452,280</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	1,499,431	-	90,000	1,589,431
Transfers out	<u>(90,000)</u>	<u>-</u>	<u>(1,499,431)</u>	<u>(1,589,431)</u>
Net cash provided (used) by noncapital financing activities	<u>1,409,431</u>	<u>-</u>	<u>(1,409,431)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(1,359,279)	-	-	(1,359,279)
Principal paid on capital debt	(142,682)	-	(291,452)	(434,134)
Interest paid on capital debt	<u>(17,851)</u>	<u>-</u>	<u>(361,614)</u>	<u>(379,465)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,519,812)</u>	<u>-</u>	<u>(653,066)</u>	<u>(2,172,878)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	<u>6,294</u>	<u>4,642</u>	<u>10,184</u>	<u>21,120</u>
Net change in cash and cash equivalents	32,917	275,002	(1,007,397)	(699,478)
Cash and cash equivalents:				
Beginning of year	<u>562,147</u>	<u>413,211</u>	<u>1,645,823</u>	<u>2,621,181</u>
End of year	<u>\$ 595,064</u>	<u>\$ 688,213</u>	<u>\$ 638,426</u>	<u>\$ 1,921,703</u>

CITY OF COTTAGE GROVE, OREGON

Water Operations Combined

Combining Statement of Cash Flows, continued

For the Year Ended June 30, 2017

	<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)	\$ (486,388)	\$ 270,360	\$ 1,088,377	\$ 872,349
Adjustments:				
Depreciation	537,278	-	-	537,278
Change in operating accounts:				
Receivables - net	(3,284)	-	(13,529)	(16,813)
Inventories	17,961	-	-	17,961
Net pension asset/liability	796,190	-	-	796,190
Deferred outflow related to pensions	(554,832)	-	-	(554,832)
Accounts payable	(1,123)	-	(29,932)	(31,055)
Other liabilities	(3,895)	-	-	(3,895)
Payroll and related	(51,191)	-	-	(51,191)
Compensated absences	(1,277)	-	-	(1,277)
Deferred inflow related to pensions	<u>(112,435)</u>	<u>-</u>	<u>-</u>	<u>(112,435)</u>
 Net cash provided (used) by operating activities	 <u>\$ 137,004</u>	 <u>\$ 270,360</u>	 <u>\$ 1,044,916</u>	 <u>\$ 1,452,280</u>

CITY OF COTTAGE GROVE, OREGON

Wastewater Operations Combined

Combining Balance Sheet

June 30, 2017

	Wastewater Fund (302)	Wastewater Systems Development Charge Fund (604)	Wastewater Reserve Fund (735)	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 304,638	\$ 119,895	\$ 424,428	\$ 848,961
Receivables - net	151,528	-	107,703	259,231
Inventories	33,145	-	-	33,145
Total current assets	<u>489,311</u>	<u>119,895</u>	<u>532,131</u>	<u>1,141,337</u>
Noncurrent assets:				
Capital assets	<u>14,721,219</u>	-	-	<u>14,721,219</u>
Total noncurrent assets	<u>14,721,219</u>	-	-	<u>14,721,219</u>
Total assets	<u>15,210,530</u>	<u>119,895</u>	<u>532,131</u>	<u>15,862,556</u>
Deferred outflows				
Related to pensions	<u>514,087</u>	-	-	<u>514,087</u>
Total assets and deferred outflows	<u>\$ 15,724,617</u>	<u>\$ 119,895</u>	<u>\$ 532,131</u>	<u>\$ 16,376,643</u>
Liabilities and Net Position				
Liabilities				
Current liabilities:				
Accounts payable	\$ 31,466	\$ 528	\$ 1,372	\$ 33,366
Payroll and related accruals	7,536	-	-	7,536
Accrued interest payable	27,647	-	-	27,647
Deposits	1,500	-	-	1,500
Unearned revenue	46,781	-	-	46,781
Compensated absences payable	47,074	-	-	47,074
Current portion of long-term debt	19,834	-	471,912	491,746
Total current liabilities	<u>181,838</u>	<u>528</u>	<u>473,284</u>	<u>655,650</u>
Noncurrent liabilities:				
Long-term debt, net of current portion	318,548	-	5,921,240	6,239,788
Net pension liability	992,187	-	-	992,187
Total noncurrent liabilities	<u>1,310,735</u>	-	<u>5,921,240</u>	<u>7,231,975</u>
Total Liabilities	<u>1,492,573</u>	<u>528</u>	<u>6,394,524</u>	<u>7,887,625</u>
Deferred inflows				
Related to pensions	<u>9,925</u>	-	-	<u>9,925</u>
Net Position				
Net investment in capital assets	14,382,837	-	(6,393,152)	7,989,685
Restricted for system development	-	119,367	-	119,367
Unrestricted	<u>(160,718)</u>	-	<u>530,759</u>	<u>370,041</u>
Total Net Position	<u>14,222,119</u>	<u>119,367</u>	<u>(5,862,393)</u>	<u>8,479,093</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 15,724,617</u>	<u>\$ 119,895</u>	<u>\$ 532,131</u>	<u>\$ 16,376,643</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, 2017

	Wastewater Fund (302)	Wastewater Systems Development Charge Fund (604)	Wastewater Reserve Fund (735)	Total
Operating Revenues				
Charges for services	\$ 1,724,277	\$ 43,030	\$ 1,011,337	\$ 2,778,644
Miscellaneous	27,917	-	-	27,917
Total Operating Revenues	<u>1,752,194</u>	<u>43,030</u>	<u>1,011,337</u>	<u>2,806,561</u>
Operating Expenses				
Personal Services	864,419	-	-	864,419
Materials and Services	739,048	4,683	22,310	766,041
Capital Outlay	892	-	-	892
Depreciation expense	606,650	-	-	606,650
Total Operating Expenses	<u>2,211,009</u>	<u>4,683</u>	<u>22,310</u>	<u>2,238,002</u>
Operating Income (Loss)	<u>(458,815)</u>	<u>38,347</u>	<u>989,027</u>	<u>568,559</u>
Nonoperating revenues (expenses)				
Interest expense	(43,537)	-	(217,064)	(260,601)
Investment earnings	2,880	875	1,654	5,409
Total non-operating revenues (expenses)	<u>(40,657)</u>	<u>875</u>	<u>(215,410)</u>	<u>(255,192)</u>
Income (loss) before transfers	(499,472)	39,222	773,617	313,367
Transfers in	175,367	-	40,000	215,367
Transfers out	<u>(43,468)</u>	<u>-</u>	<u>(175,367)</u>	<u>(218,835)</u>
Change in Net Position	(367,573)	39,222	638,250	309,899
Beginning Net Position	14,589,692	80,145	(6,500,643)	8,169,194
Ending Net Position	<u>\$ 14,222,119</u>	<u>\$ 119,367</u>	<u>\$ (5,862,393)</u>	<u>\$ 8,479,093</u>

CITY OF COTTAGE GROVE, OREGON

Wastewater Operations Combined

Combining Statement of Cash Flows

For the Year Ended June 30, 2017

	<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	\$ 1,743,944	\$ 43,030	\$ 998,977	\$ 2,785,951
Cash payments to employees	(872,741)	-	-	(872,741)
Cash payments to suppliers for goods and services	<u>(714,284)</u>	<u>(4,155)</u>	<u>(20,938)</u>	<u>(739,377)</u>
Net cash provided (used) by operating activities	<u>156,919</u>	<u>38,875</u>	<u>978,039</u>	<u>1,173,833</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	175,367	-	40,000	215,367
Transfers out	<u>(43,468)</u>	<u>-</u>	<u>(175,367)</u>	<u>(218,835)</u>
Net cash provided (used) by noncapital financing activities	<u>131,899</u>	<u>-</u>	<u>(135,367)</u>	<u>(3,468)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(171,900)	-	-	(171,900)
Principal paid on capital debt	(18,890)	-	(537,739)	(556,629)
Interest paid on capital debt	(45,413)	-	(235,174)	(280,587)
Issuance of debt	<u>-</u>	<u>-</u>	<u>60,000</u>	<u>60,000</u>
Net cash provided (used) by capital and related financing activities	<u>(236,203)</u>	<u>-</u>	<u>(712,913)</u>	<u>(949,116)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	<u>2,880</u>	<u>875</u>	<u>1,654</u>	<u>5,409</u>
Net change in cash and cash equivalents	55,495	39,750	131,413	226,658
Cash and cash equivalents:				
Beginning of year	<u>249,143</u>	<u>80,145</u>	<u>293,015</u>	<u>622,303</u>
End of year	<u><u>\$ 304,638</u></u>	<u><u>\$ 119,895</u></u>	<u><u>\$ 424,428</u></u>	<u><u>\$ 848,961</u></u>

CITY OF COTTAGE GROVE, OREGON

Wastewater Operations Combined

Combining Statement of Cash Flows, continued

For the Year Ended June 30, 2017

	<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)	\$ (458,815)	\$ 38,347	\$ 989,027	\$ 568,559
Adjustments:				
Depreciation	606,650	-	-	606,650
Change in operating accounts:				
Receivables - net	(9,113)	-	(12,360)	(21,473)
Deferred outflow	(226,872)	-	-	(226,872)
Inventories	5,618	-	-	5,618
Net pension asset/liability	545,784	-	-	545,784
Accounts payable	18,538	528	1,372	20,438
Other liabilities	2,363	-	-	2,363
Deferred inflow	(274,729)	-	-	(274,729)
Compensated absences	332	-	-	332
Payroll and related accruals	<u>(52,837)</u>	<u>-</u>	<u>-</u>	<u>(52,837)</u>
 Net cash provided (used) by operating activities	 <u>\$ 156,919</u>	 <u>\$ 38,875</u>	 <u>\$ 978,039</u>	 <u>\$ 1,173,833</u>

CITY OF COTTAGE GROVE, OREGON

Storm Drain Operations Combined

Combining Balance Sheet

June 30, 2017

	<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	\$ 62,756	\$ 339,828	\$ 1,348,440	\$ 1,751,024
Receivables - net	<u>30,881</u>	<u>-</u>	<u>47,431</u>	<u>78,312</u>
Total current assets	<u>93,637</u>	<u>339,828</u>	<u>1,395,871</u>	<u>1,829,336</u>
Noncurrent assets:				
Internal balances	-	57,900	-	57,900
Capital assets	<u>2,875,890</u>	<u>-</u>	<u>-</u>	<u>2,875,890</u>
Total noncurrent assets	<u>2,875,890</u>	<u>57,900</u>	<u>-</u>	<u>2,933,790</u>
Total assets	<u>2,969,527</u>	<u>397,728</u>	<u>1,395,871</u>	<u>4,763,126</u>
Deferred outflows				
Related to pensions	<u>115,476</u>	<u>-</u>	<u>-</u>	<u>115,476</u>
Total assets and deferred outflows	<u>\$ 3,085,003</u>	<u>\$ 397,728</u>	<u>\$ 1,395,871</u>	<u>\$ 4,878,602</u>
Liabilities and Net Position				
Liabilities				
Current liabilities:				
Accounts payable	\$ 693	\$ 528	\$ 2,986	\$ 4,207
Payroll and related accruals	1,677	-	-	1,677
Accrued interest payable	4,030	-	-	4,030
Compensated absences payable	6,962	-	-	6,962
Current portion of long-term debt	<u>432</u>	<u>-</u>	<u>88,407</u>	<u>88,839</u>
Total current liabilities	<u>13,794</u>	<u>528</u>	<u>91,393</u>	<u>105,715</u>
Noncurrent liabilities:				
Long-term debt, net of current portion	22,339	-	1,079,058	1,101,397
Net pension liability	<u>222,869</u>	<u>-</u>	<u>-</u>	<u>222,869</u>
Total noncurrent liabilities	<u>245,208</u>	<u>-</u>	<u>1,079,058</u>	<u>1,324,266</u>
Total Liabilities	<u>259,002</u>	<u>528</u>	<u>1,170,451</u>	<u>1,429,981</u>
Deferred inflows				
Related to pensions	<u>2,229</u>	<u>-</u>	<u>-</u>	<u>2,229</u>
Net Position				
Net investment in capital assets	2,853,119	-	(1,167,465)	1,685,654
Restricted for system development	-	397,200	-	397,200
Unrestricted	<u>(29,347)</u>	<u>-</u>	<u>1,392,885</u>	<u>1,363,538</u>
Total Net Position	<u>2,823,772</u>	<u>397,200</u>	<u>225,420</u>	<u>3,446,392</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 3,085,003</u>	<u>\$ 397,728</u>	<u>\$ 1,395,871</u>	<u>\$ 4,878,602</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, 2017

	<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	\$ 314,749	\$ 30,358	\$ 481,220	\$ 826,327
Miscellaneous	<u>3,770</u>	<u>-</u>	<u>12,216</u>	<u>15,986</u>
Total Operating Revenues	<u>318,519</u>	<u>30,358</u>	<u>493,436</u>	<u>842,313</u>
Operating Expenses				
Personal Services	193,494	-	-	193,494
Materials and Services	72,908	4,969	114,689	192,566
Capital Outlay	892	-	-	892
Depreciation expense	<u>240,475</u>	<u>-</u>	<u>-</u>	<u>240,475</u>
Total Operating Expenses	<u>507,769</u>	<u>4,969</u>	<u>114,689</u>	<u>627,427</u>
Operating Income (Loss)	<u>(189,250)</u>	<u>25,389</u>	<u>378,747</u>	<u>214,886</u>
Nonoperating revenues (expenses)				
Interest expense	(2,285)	-	(42,886)	(45,171)
Investment earnings	<u>1,130</u>	<u>2,865</u>	<u>11,375</u>	<u>15,370</u>
Total non-operating revenues (expenses)	<u>(1,155)</u>	<u>2,865</u>	<u>(31,511)</u>	<u>(29,801)</u>
Income (loss) before transfers	(190,405)	28,254	347,236	185,085
Transfers in	61,338	-	80,000	141,338
Transfers out	<u>(80,000)</u>	<u>-</u>	<u>(57,870)</u>	<u>(137,870)</u>
Change in Net Position	(209,067)	28,254	369,366	188,553
Beginning Net Position	<u>3,032,839</u>	<u>368,946</u>	<u>(143,946)</u>	<u>3,257,839</u>
Ending Net Position	<u>\$ 2,823,772</u>	<u>\$ 397,200</u>	<u>\$ 225,420</u>	<u>\$ 3,446,392</u>

CITY OF COTTAGE GROVE, OREGON

Storm Drain Operations Combined

Combining Statement of Cash Flows

For the Year Ended June 30, 2017

	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	\$ 314,143	\$ 30,358	\$ 486,870	\$ 831,371
Cash payments to employees	(182,264)	-	-	(182,264)
Cash payments to suppliers for goods and services	(73,982)	(4,979)	(117,142)	(196,103)
Net cash provided (used) by operating activities	<u>57,897</u>	<u>25,379</u>	<u>369,728</u>	<u>453,004</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	61,338	-	80,000	141,338
Transfers out	(80,000)	-	(57,870)	(137,870)
Repayment of interfund loan	-	19,300	-	19,300
Net cash provided (used) by noncapital financing activities	<u>(18,662)</u>	<u>19,300</u>	<u>22,130</u>	<u>22,768</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(61,338)	-	-	(61,338)
Principal paid on capital debt	(415)	-	(60,475)	(60,890)
Interest paid on capital debt	(2,552)	-	(45,790)	(48,342)
Net cash provided (used) by capital and related financing activities	<u>(64,305)</u>	<u>-</u>	<u>(106,265)</u>	<u>(170,570)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	<u>1,130</u>	<u>2,865</u>	<u>11,375</u>	<u>15,370</u>
Net change in cash and cash equivalents	(23,940)	47,544	296,968	320,572
Cash and cash equivalents:				
Beginning of year	<u>86,696</u>	<u>292,284</u>	<u>1,051,472</u>	<u>1,430,452</u>
End of year	<u>\$ 62,756</u>	<u>\$ 339,828</u>	<u>\$ 1,348,440</u>	<u>\$ 1,751,024</u>

CITY OF COTTAGE GROVE, OREGON

Storm Drain Operations Combined

Combining Statement of Cash Flows, continued

For the Year Ended June 30, 2017

	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)	\$ (189,250)	\$ 25,389	\$ 378,747	\$ 214,886
Adjustments:				
Depreciation	240,475	-	-	240,475
(Increase) decrease in current assets:				
Receivables - net	(4,376)	-	(6,566)	(10,942)
Net pension asset/liability	133,335	-	-	133,335
Deferred outflow	(59,476)	-	-	(59,476)
Increase (decrease) in current liabilities:				
Accounts payable	(182)	(10)	(2,453)	(2,645)
Payroll and related accruals	(8,814)	-	-	(8,814)
Deferred inflow	(53,258)	-	-	(53,258)
Compensated absences	(557)	-	-	(557)
 Net cash provided (used) by operating activities	 <u>\$ 57,897</u>	 <u>\$ 25,379</u>	 <u>\$ 369,728</u>	 <u>\$ 453,004</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 1,644,605	\$ 1,644,605	\$ 1,723,744	\$ 79,139
Investment earnings	3,000	3,000	6,294	3,294
Miscellaneous	<u>1,500</u>	<u>1,500</u>	<u>7,963</u>	<u>6,463</u>
Total revenues	<u>1,649,105</u>	<u>1,649,105</u>	<u>1,738,001</u>	<u>88,896</u>
Expenditures:				
Water Distribution	944,110	944,110	804,428	139,682
Water Production	624,380	624,380	558,159	66,221
Non-departmental:				
Materials and Services	182,385	182,385	176,469	5,916
Debt Service - Principal	2,535	2,535	2,531	4
Debt Service - Interest	14,010	14,010	14,004	6
Contingency	<u>297,100</u>	<u>297,100</u>	<u>-</u>	<u>297,100</u>
Total expenditures	<u>2,064,520</u>	<u>2,064,520</u>	<u>1,555,591</u>	<u>508,929</u>
Excess of revenues over (under) expenditures	(415,415)	(415,415)	182,410	597,825
Other financing sources (uses):				
Transfers out	<u>(90,000)</u>	<u>(90,000)</u>	<u>(90,000)</u>	<u>-</u>
Net change in fund balance	(505,415)	(505,415)	92,410	597,825
Beginning fund balance	<u>505,415</u>	<u>505,415</u>	<u>557,011</u>	<u>51,596</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	649,421	<u>\$ 649,421</u>
Reconciliation to GAAP basis:				
Inventories			129,531	
Capital assets			14,448,320	
Deferred outflow related to pensions			683,461	
Accrued interest payable			(85,403)	
Net pension liability			(1,319,079)	
Long-term debt, net of current portion			(3,065,351)	
Compensated absences payable			(45,018)	
Deferred inflow related to pensions			<u>(13,195)</u>	
GAAP fund balance - end of year			<u>\$ 11,382,687</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 50,000	\$ 50,000	\$ 270,434	\$ 220,434
Investment earnings	<u>800</u>	<u>800</u>	<u>4,642</u>	<u>3,842</u>
Total revenues	<u>50,800</u>	<u>50,800</u>	<u>275,076</u>	<u>224,276</u>
Expenditures:				
Materials and Services	75	75	74	1
Capital Outlay	<u>415,645</u>	<u>415,645</u>	<u>-</u>	<u>415,645</u>
Total expenditures	<u>415,720</u>	<u>415,720</u>	<u>74</u>	<u>415,646</u>
Net change in fund balance	(364,920)	(364,920)	275,002	639,922
Beginning fund balance	<u>364,920</u>	<u>364,920</u>	<u>413,211</u>	<u>48,291</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 688,213</u>	<u>\$ 688,213</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 1,346,520	\$ 1,346,520	\$ 1,362,845	\$ 16,325
Investment earnings	<u>2,000</u>	<u>2,000</u>	<u>10,184</u>	<u>8,184</u>
Total revenues	<u>1,348,520</u>	<u>1,348,520</u>	<u>1,373,029</u>	<u>24,509</u>
Expenditures:				
Materials and Services	324,570	324,570	268,670	55,900
Capital Outlay	1,056,500	1,403,500	1,364,924	38,576
Debt Service - Principal	431,610	431,610	431,603	7
Debt Service - Interest	361,775	361,775	361,768	7
Contingency	<u>933,025</u>	<u>586,025</u>	<u>-</u>	<u>586,025</u>
Total expenditures	<u>3,107,480</u>	<u>3,107,480</u>	<u>2,426,965</u>	<u>680,515</u>
Excess of revenues over (under) expenditures	(1,758,960)	(1,758,960)	(1,053,936)	705,024
Other financing sources (uses):				
Transfers in	<u>90,000</u>	<u>90,000</u>	<u>90,000</u>	<u>-</u>
Net change in fund balance	(1,668,960)	(1,668,960)	(963,936)	705,024
Beginning fund balance	<u>1,668,960</u>	<u>1,668,960</u>	<u>1,744,044</u>	<u>75,084</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	780,108	<u>\$ 780,108</u>
Reconciliation to GAAP basis:				
Long-term debt			<u>(5,375,183)</u>	
GAAP fund balance - end of year			<u>\$ (4,595,075)</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 1,755,125	\$ 1,755,125	\$ 1,724,277	\$ (30,848)
Investment earnings	1,000	1,000	2,880	1,880
Miscellaneous	<u>14,490</u>	<u>14,490</u>	<u>27,917</u>	<u>13,427</u>
Total revenues	<u>1,770,615</u>	<u>1,770,615</u>	<u>1,755,074</u>	<u>(15,541)</u>
Expenditures:				
Wastewater Collections	348,760	370,260	326,200	44,060
Wastewater Treatment Plant	753,175	753,175	666,401	86,774
Middlefield Golf Course	464,320	464,320	378,065	86,255
Non-departmental:				
Materials and Services	178,250	192,250	185,436	6,814
Debt Service - Principal	58,580	58,580	58,891	(311)
Debt Service - Interest	43,860	43,860	43,537	323
Contingency	<u>200,905</u>	<u>165,405</u>	<u>-</u>	<u>165,405</u>
Total expenditures	<u>2,047,850</u>	<u>2,047,850</u>	<u>1,658,530</u>	<u>389,320</u>
Net change in fund balance	(277,235)	(277,235)	96,544	373,779
Beginning fund balance	<u>277,235</u>	<u>277,235</u>	<u>272,339</u>	<u>(4,896)</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	368,883	<u>\$ 368,883</u>
Reconciliation to GAAP basis:				
Inventories			33,145	
Capital assets			14,721,219	
Deferred outflow related to pensions			514,087	
Accrued interest payable			(27,647)	
Net pension liability			(992,187)	
Long-term debt, net of current portion			(338,382)	
Compensated absences payable			(47,074)	
Deferred inflow related to pensions			<u>(9,925)</u>	
GAAP fund balance - end of year			<u>\$ 14,222,119</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 10,000	\$ 10,000	\$ 43,030	\$ 33,030
Investment earnings	<u>250</u>	<u>250</u>	<u>875</u>	<u>625</u>
Total revenues	<u>10,250</u>	<u>10,250</u>	<u>43,905</u>	<u>33,655</u>
Expenditures:				
Materials and Services	15,700	15,700	4,683	11,017
Capital Outlay	<u>66,470</u>	<u>66,470</u>	<u>-</u>	<u>66,470</u>
Total expenditures	<u>82,170</u>	<u>82,170</u>	<u>4,683</u>	<u>77,487</u>
Net change in fund balance	(71,920)	(71,920)	39,222	111,142
Beginning fund balance	<u>71,920</u>	<u>71,920</u>	<u>80,145</u>	<u>8,225</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119,367</u>	<u>\$ 119,367</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 1,074,485	\$ 1,074,485	\$ 1,011,337	\$ (63,148)
Investment earnings	250	250	1,654	1,404
Miscellaneous	<u>100</u>	<u>100</u>	<u>-</u>	<u>(100)</u>
Total revenues	<u>1,074,835</u>	<u>1,074,835</u>	<u>1,012,991</u>	<u>(61,844)</u>
Expenditures:				
Materials and Services	442,210	442,210	15,880	426,330
Capital Outlay	2,735,500	2,735,500	181,585	2,553,915
Debt Service - Principal	553,455	553,455	497,739	55,716
Debt Service - Interest	347,125	347,125	235,386	111,739
Contingency	<u>716,010</u>	<u>716,010</u>	<u>-</u>	<u>716,010</u>
Total expenditures	<u>4,794,300</u>	<u>4,794,300</u>	<u>930,590</u>	<u>3,863,710</u>
Excess of revenues over (under) expenditures	(3,719,465)	(3,719,465)	82,401	3,801,866
Other financing sources (uses):				
Proceeds from loans	<u>2,560,000</u>	<u>2,560,000</u>	<u>60,000</u>	<u>(2,500,000)</u>
Net change in fund balance	(1,159,465)	(1,159,465)	142,401	1,301,866
Beginning fund balance	<u>1,159,465</u>	<u>1,159,465</u>	<u>388,358</u>	<u>(771,107)</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	530,759	<u>\$ 530,759</u>
Reconciliation to GAAP basis:				
Long-term debt			<u>(6,393,152)</u>	
GAAP fund balance - end of year			<u>\$ (5,862,393)</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 310,310	\$ 310,310	\$ 314,749	\$ 4,439
Investment earnings	500	500	1,130	630
Miscellaneous	<u>300</u>	<u>300</u>	<u>3,770</u>	<u>3,470</u>
Total revenues	<u>311,110</u>	<u>311,110</u>	<u>319,649</u>	<u>8,539</u>
Expenditures:				
Materials and Services	86,720	90,720	74,055	16,665
Personnel Services	188,390	188,390	173,450	14,940
Debt Service - Principal	2,720	2,720	2,712	8
Contingency	<u>51,700</u>	<u>47,700</u>	<u>-</u>	<u>47,700</u>
Total expenditures	<u>329,530</u>	<u>329,530</u>	<u>250,217</u>	<u>79,313</u>
Excess of revenues over (under) expenditures	(18,420)	(18,420)	69,432	87,852
Other financing sources (uses):				
Transfers out	<u>(80,000)</u>	<u>(80,000)</u>	<u>(80,000)</u>	<u>-</u>
Net change in fund balance	(98,420)	(98,420)	(10,568)	87,852
Beginning fund balance	<u>98,420</u>	<u>98,420</u>	<u>101,835</u>	<u>3,415</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	91,267	<u>\$ 91,267</u>
Reconciliation to GAAP basis:				
Capital assets			2,875,890	
Deferred outflow related to pensions			115,476	
Accrued interest payable			(4,030)	
Net pension liability			(222,869)	
Long-term debt, net of current portion			(22,771)	
Compensated absences payable			(6,962)	
Deferred inflow related to pensions			<u>(2,229)</u>	
GAAP fund balance - end of year			<u>\$ 2,823,772</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 5,000	\$ 5,000	\$ 30,358	\$ 25,358
Investment earnings	<u>150</u>	<u>150</u>	<u>2,865</u>	<u>2,715</u>
Total revenues	<u>5,150</u>	<u>5,150</u>	<u>33,223</u>	<u>28,073</u>
Expenditures:				
Materials and Services	32,785	32,785	4,969	27,816
Capital Outlay	<u>273,165</u>	<u>273,165</u>	<u>-</u>	<u>273,165</u>
Total expenditures	<u>305,950</u>	<u>305,950</u>	<u>4,969</u>	<u>300,981</u>
Excess of revenues over (under) expenditures	(300,800)	(300,800)	28,254	329,054
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	(281,500)	(281,500)	47,554	329,054
Beginning fund balance	<u>281,500</u>	<u>281,500</u>	<u>291,746</u>	<u>10,246</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	339,300	<u>\$ 339,300</u>
Reconciliation to GAAP basis:				
Internal balances			<u>57,900</u>	
GAAP fund balance - end of year			<u>\$ 397,200</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 473,345	\$ 473,345	\$ 481,220	\$ 7,875
Investment earnings	3,000	3,000	11,375	8,375
Miscellaneous	-	-	12,216	12,216
Total revenues	<u>476,345</u>	<u>476,345</u>	<u>504,811</u>	<u>28,466</u>
Expenditures:				
Materials and Services	378,030	378,030	113,876	264,154
Capital Outlay	734,800	734,800	58,682	676,118
Debt Service - Principal	78,335	78,335	60,475	17,860
Debt Service - Interest	69,540	69,540	45,791	23,749
Contingency	336,800	336,800	-	336,800
Total expenditures	<u>1,597,505</u>	<u>1,597,505</u>	<u>278,824</u>	<u>1,318,681</u>
Excess of revenues over (under) expenditures	(1,121,160)	(1,121,160)	225,987	1,347,147
Other financing sources (uses):				
Transfers in	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>	<u>-</u>
Net change in fund balance	(1,041,160)	(1,041,160)	305,987	1,347,147
Beginning fund balance	<u>1,041,160</u>	<u>1,041,160</u>	<u>1,086,898</u>	<u>45,738</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	1,392,885	<u>\$ 1,392,885</u>
Reconciliation to GAAP basis:				
Long-term debt			<u>(1,167,465)</u>	
GAAP fund balance - end of year			<u>\$ 225,420</u>	

COMPLIANCE SECTION



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INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

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, 2017, and have issued our report thereon dated January 31, 2018. 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. C.
2. Over-expenditure of \$147,621 in the Building Inspection Program Fund, Materials and Services budget line item (see footnote 2. B.)

OAR 162-10-0230 Internal Control

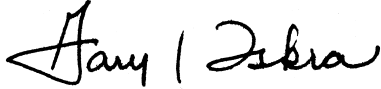
In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion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

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

ISLER CPA

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

by: Gary Iskra, CPA, a member of the firm
Eugene, Oregon
January 31, 2018