

CITY OF COTTAGE GROVE, OREGON
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
FISCAL YEAR ENDED JUNE 30, 2018
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, 2018
 Table of Contents

	<u>Page</u>
INTRODUCTORY SECTION	
Principal City Officials	i
FINANCIAL SECTION	
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 15
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet - Governmental Funds	18
Reconciliation of the Balance Sheet to the Statement of Net Position	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	21
Balance Sheet - Proprietary Funds	22
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	23
Statement of Cash Flows - Proprietary Funds	24 - 25
Notes to the Financial Statements	26 - 49
Required Supplementary Information:	
Schedule of the Proportionate Share of the Net Pension Liability	50
Schedule of Pension Contributions	50
Schedule of Proportionate Share of Net OPEB/RHIA (Asset) Liability	50
Schedule of OPEB Contributions	50
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	
General Fund	51
Street Fund	52
Other Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Debt Service Fund	53
Combining and Individual Fund Statements and Schedules:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	54
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	55

CITY OF COTTAGE GROVE, OREGON
 Financial Statements and Supplemental Information
 For the Fiscal Year Ended June 30, 2018

Table of Contents, continued

	<u>Page</u>
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	56
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	57
Nonmajor Capital Projects Funds:	
Combining Balance Sheet	58
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	59
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	
Assessment Fund	60
Police Communication Fund	61
Bicycle and Footpath Fund	62
Rehabilitation Loan Fund	63
Narcotics Forfeiture Fund	64
Building Inspection Program Fund	65
Industrial Park Fund	66
Street Systems Development Fund	67
Parks Systems Development Fund	68
General Reserve Fund	69
Special Trust Fund	70
Proprietary Funds:	
Water Operations:	
Combining Balance Sheet	71
Combining Statement of Revenues, Expenses, and Changes in Net Position	72
Combining Statement of Cash Flows	73 - 74
Wastewater Operations:	
Combining Balance Sheet	75
Combining Statement of Revenues, Expenses, and Changes in Net Position	76
Combining Statement of Cash Flows	77 - 78

CITY OF COTTAGE GROVE, OREGON
Financial Statements and Supplemental Information
For the Fiscal Year Ended June 30, 2018

Table of Contents, continued

	<u>Page</u>
Storm Drain Operations:	
Combining Balance Sheet	79
Combining Statement of Revenues, Expenses, and Changes in Net Position	80
Combining Statement of Cash Flows	81 - 82
Water Operations:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:	
Water Fund	83
Water Systems Development Fund	84
Water Reserve Fund	85
Wastewater Operations:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:	
Wastewater Fund	86
Wastewater Systems Development Charge Fund	87
Wastewater Reserve Fund	88
Storm Drain Operations:	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	
Storm Drainage Utility Fund	89
Storm Drainage Systems Development Fund	90
Storm Drainage Reserve Fund	91
 COMPLIANCE SECTION	
Independent Auditor's Report Required by Oregon State Regulations	92 - 93

INTRODUCTORY SECTION

CITY OF COTTAGE GROVE, OREGON

Principal City Officials

June 30, 2018

ELECTED OFFICIALS

Mayor

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

Term Expiration

December 31, 2018

Council Members

Jake Boone
823 Birch Avenue
Cottage Grove, OR 97424

Ward 1

December 31, 2018

Bob Ehler
235 S. 11th Street
Cottage Grove, OR 97424

Ward 2

December 31, 2020

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

Resigned
February 2018

Greg Ervin
1140 E. Van Buren Avenue
Cottage Grove, OR 97424

Ward 4

December 31, 2020

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

At-Large

December 31, 2020

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



1976 Garden Ave.
Eugene, OR 97403
541.342.5161
www.islercpa.com

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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgeted comparison schedules for the General Fund and Street Fund, the Schedule of the Proportionate Share of the Net Pension Liability and the Schedule of Pension Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the management's discussion and analysis, the Schedule of the Proportionate Share of the Net Pension Liability and the Schedule of Pension Contributions in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

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

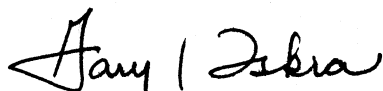
The combining and individual fund financial statements, and budget and actual schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to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

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

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards of Audits of Oregon Municipal Corporations, we have issued our report dated December 28, 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
December 28, 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, 2018

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 \$57,407,826 (reported as net position). Of this amount, \$2,978,332 represents unrestricted net position, which may be used to meet the City's obligations to citizens and creditors
- The City's net position decreased \$266,985 in governmental activities and increased \$734,867 in business type activities resulting in a total increase of \$467,882.
- The City's total debt outstanding decreased \$1,178,243 or 6% this year by scheduled principal payments and advanced refunding of a portion of the 2013 LOCAP Bonds.
- The City's overall net pension liability decreased from \$8.8 million to \$8.2 million.

Fund Level

- The City's governmental funds reported a combined fund balance of \$5.5 million, remaining essentially the same over the prior fiscal year. Of the fund balance reported, \$3.2 million is considered non-spendable, restricted, or committed. The remaining \$2.3 is available for spending at the government's discretion.
- The proprietary funds – those used to account for programs which the City charges for the services it provides, reported a combined net position of \$20.1 million, an increase of \$734,867 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, Street Fund and Debt Service 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	
	2018	2017	2018	2017	2018	2017
Current & Other Investments	\$6,542,364	\$6,384,505	\$6,523,033	\$5,306,644	\$13,065,397	\$11,691,149
Capital assets, net	38,480,619	38,260,142	31,202,839	32,103,329	69,683,458	70,363,471
Net pension asset	0	0	0	0	0	0
Total assets	45,022,983	44,644,647	37,725,872	37,409,973	82,748,855	82,054,620
Total deferred outflows of resources	2,074,691	3,240,938	945,271	1,313,024	3,019,962	4,553,962
Current liabilities	1,061,029	816,988	590,415	399,899	1,651,444	1,216,887
Long term liabilities	8,685,138	9,467,399	17,916,677	18,896,439	26,601,815	28,363,838
Total liabilities	\$9,746,167	\$10,284,387	\$18,507,092	\$19,296,338	\$28,253,259	\$29,580,725
Total deferred inflows of resources	79,859	62,570	27,873	25,349	107,732	87,919
Net position:						
Net Investment in capital assets	\$35,720,441	\$35,086,905	\$15,946,460	\$15,683,125	\$51,666,901	\$50,770,030
Restricted	1,219,899	1,694,693	1,542,694	1,204,780	2,762,593	2,899,473
Unrestricted	331,308	757,030	2,647,024	2,513,405	2,978,332	3,270,435
Total Net Position	\$37,271,648	\$37,538,628	\$20,136,178	\$19,401,310	\$57,407,826	\$56,939,938

The largest portion of the City's net position (85% percent) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the debt. Restricted net position includes \$1,542,694 for system development, \$770,724 for road maintenance and \$449,175 for other purposes. The remaining balance is unrestricted net position in the amount of \$2,978,332 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.

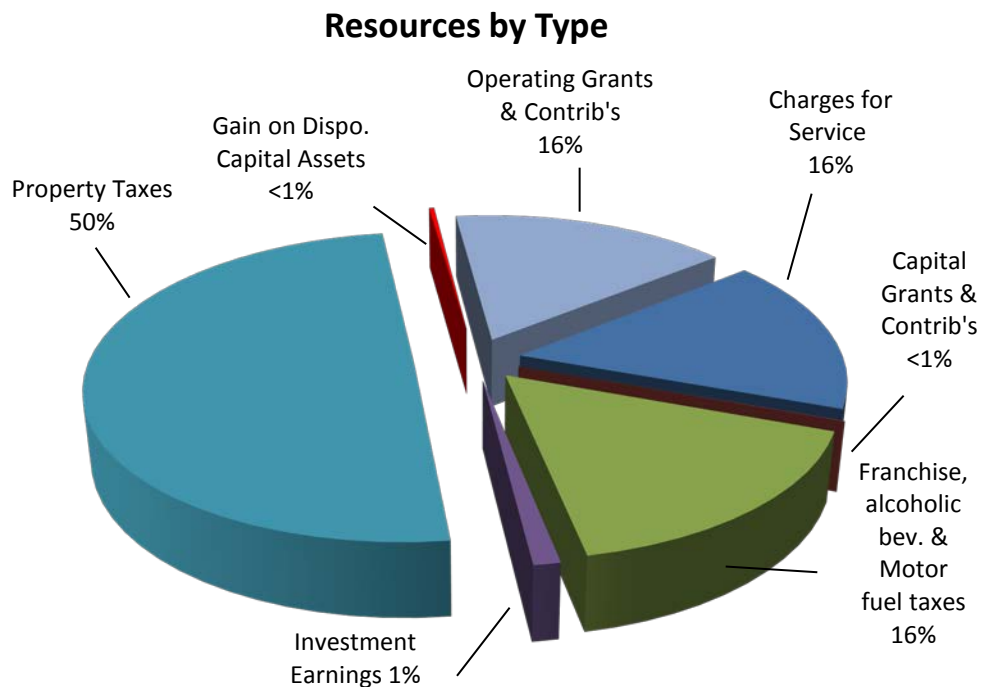
	Governmental Activities		Business-type Activities		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
REVENUES						
Program revenues						
Charges for services	\$ 1,467,636	\$ 1,660,141	\$ 7,328,775	\$ 7,013,860	\$ 8,796,411	\$ 8,674,001
Operating grants and contributions	1,460,155	1,296,836			1,460,155	1,296,836
Capital grants and contributions	27,079	21,931			27,079	21,931
General revenues						
Property taxes	4,455,279	4,371,032			4,455,279	4,371,032
Franchise fees	619,491	613,890			619,491	613,890
Alcoholic Beverage Taxes	170,209	164,010			170,209	164,010
Motor Fuel Taxes	405,419	424,795			405,419	424,795
Taxes and Other Revenues not restricted to specific programs	250,172	142,383			250,172	142,383
Gain (loss) on disposition of Capital Assets	(2,911)	2,937			(2,911)	2,937
Interest	101,673	65,434	77,393	41,899	179,066	107,333
Total revenues	\$ 8,954,202	\$ 8,763,389	\$ 7,406,168	\$ 7,055,759	\$ 16,360,370	\$ 15,819,148
EXPENSES						
Governmental activities:						
General government	\$ 3,287,897	\$ 3,082,853			\$ 3,287,897	\$ 3,082,853
Public safety	3,455,840	3,384,138			3,455,840	3,384,138
Highways and streets	900,545	1,133,836			900,545	1,133,836
Culture and recreation	923,553	877,160			923,553	877,160
Community development	693,475	607,323			693,475	607,323
Interest on long-term debt	200,046	204,315			200,046	204,315
Business- type activities:						
Water			\$ 2,809,454	\$ 2,853,816	2,809,454	2,853,816
Wastewater			2,958,077	2,498,603	2,958,077	2,498,603
Storm drainage			663,601	672,598	663,601	672,598
Total Expenses	9,461,356	9,289,625	6,431,132	6,025,017	15,892,488	15,314,642
Change in Net Position before transfers	(507,154)	(526,236)	975,036	1,030,742	467,882	504,501
Transfers in (out)	240,169	0	(240,169)	0	0	0
Change in Net Position	(266,985)	(526,236)	734,867	1,030,742	467,882	504,501
Beginning Net Position	37,538,633	38,064,869	19,401,311	18,370,568	56,939,944	56,435,437
Ending Net Position	\$ 37,271,648	\$ 37,538,628	\$ 20,136,178	\$ 19,401,310	\$ 57,407,826	\$ 56,939,938

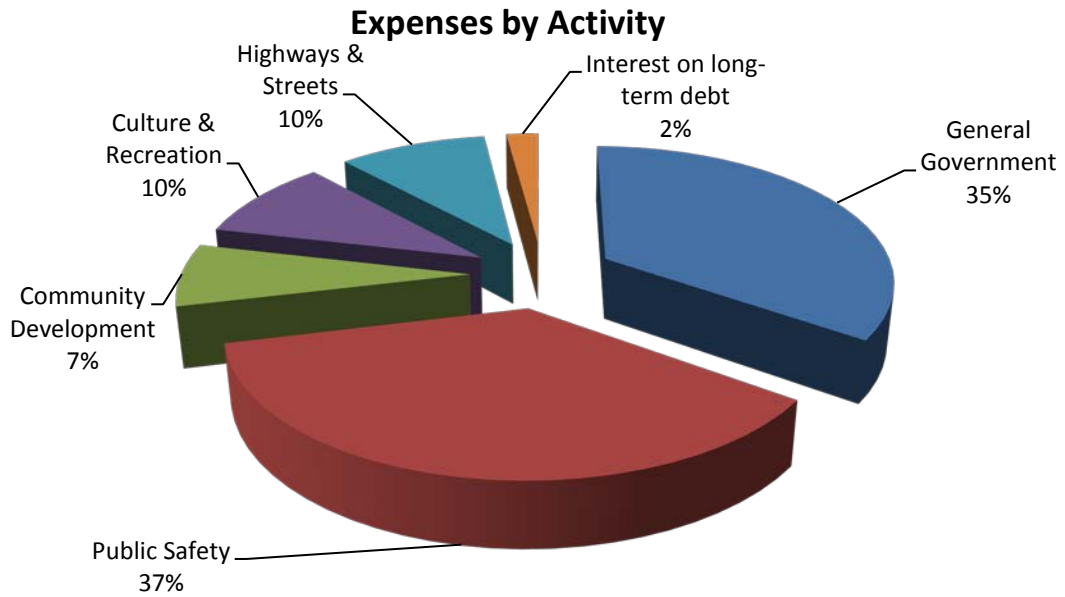
Governmental Activities

The net position for governmental activities decreased \$266,985 from the prior year. Key factors include:

- Total governmental activity expenses increased \$171,731, approximately 1.85% more than last year. The most significant decrease was in activity for Highways and Streets. There was \$233,291 less in expenditures, compared to the prior year.
- Property taxes continue to comprise approximately 50% of governmental operating revenue. For operating purposes, property tax revenues increased \$84,247. Property tax increases are controlled by state statute and allowed to increase by up to 3% per year.
- Charges for service decreased approximately \$192,505.
- Operating grants and contributions increased \$163,319. The City is a pass-through agency for Transportation Grants for South Lane Wheels.
- Capital Grants and contributions increased \$5,148.
- Overall, expenditures increased, and revenue has increased, however expenditures are greater than revenues which is a change (reduction) in Net Position of \$266,985.

Governmental Activities as of June 30, 2018



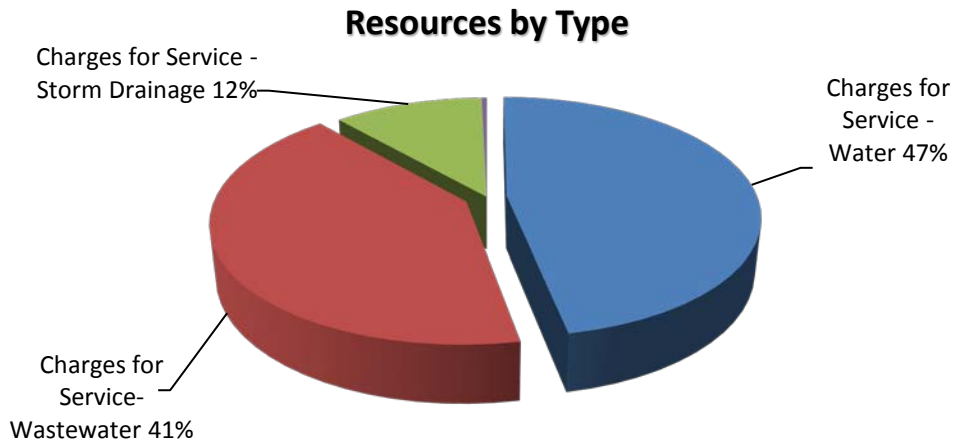


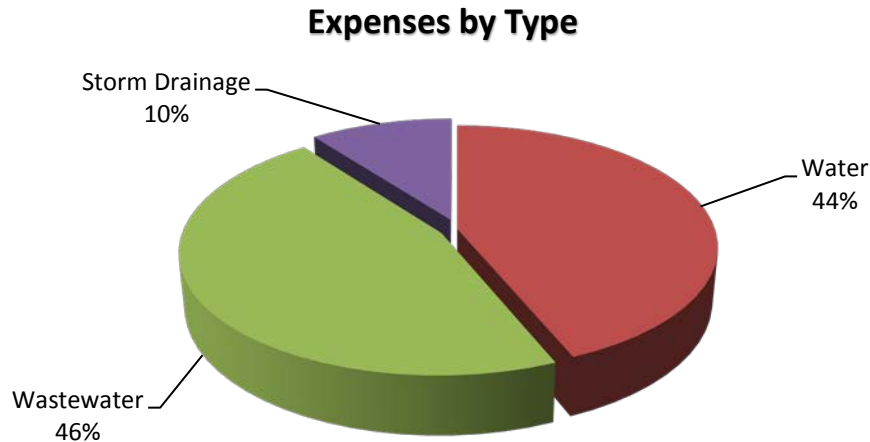
Business Activities

Business-type activities generated an increase to net position in the amount of \$734,867 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 \$341,898.
- Expenses increased \$406,117 compared to last year. This is partially attributed to increased costs for personnel, materials and services, and transfers to the respective reserve funds in the water and wastewater operations. The Storm Drain Fund reduced expenses overall.

Business Activities as of June 30, 2018





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 \$5,509,662. Approximately 43% of this total amount (\$2,373,000) constitutes unassigned fund balance. The remainder of the fund balance is non-spendable (\$3,000), restricted (\$1,219,897), or committed (\$1,913,765).

The main operating fund for the City is the General Fund. At the end of fiscal year 2018 the unassigned fund balance was \$2,422,358. 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 43% of the total General Fund operating expenditures.

The general fund had an increase in total fund balance of \$348,512 during fiscal year 2018. Transfers to other funds were a total of \$1,081,725. Of that amount, \$500,250 was for operations of the Police Communications Fund, \$10,810 to supplement the Building Inspection Program Fund, \$190,000 to the General Reserve Fund, \$25,500 to the Industrial Park Fund, and \$355,165 to the newly re-established Debt Service Fund. Actual revenue received compared to budget estimates increased 8%, which was more in 2018 compared to 2017 and expenditures as a percent of budget increased to 86% which is approximately 4% more than the previous year.

In the Street Fund, the fund balance decreased by \$524,844 during fiscal year 2018. Beginning fund balance was approximately \$158,300 more than anticipated. State highway taxes exceeded budgeted amounts by approximately 12% and local fuel taxes exceeded budget estimations by approximately 23%; no Federal Urban Aid money was received. Expenditures were 62% of the budgeted amount, an increase of 15% over the previous year.

The Industrial Park Fund ending fund balance was \$116,209; this is an increase of \$79,484. Two lots in the industrial park were sold in fiscal year 17-18, making it possible to continue to meet debt obligations. The City continues to market one additional lot for sale. Outstanding debt will continue to be addressed and paid as required.

Proprietary Funds

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

The combined water operations had an increase in total net position of \$459,222. The combined wastewater operations had an increase in total net position of \$27,843. The operating revenues increased by \$76,950 over the prior year in water operations. Wastewater operations revenue increased over the prior year \$181,383. Utility rates for both the water and wastewater funds were increased. Sales in the water fund were \$23,694 more than expected and charges for service in the wastewater fund were \$37,996 more than expected and of that amount the Charges for Services from the operation of the golf course exceeded budget estimates by \$32,787.

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, 2018. By resolution of the City Council, funds in the amount of \$4,500 were transferred from the Non-departmental Contingency line item, to the Community Promotion department within the General Fund to meet expenditure requirements, leaving a balance of \$325,422 in the Contingency line item.

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

- The General Fund revenues exceeded projections by 8% (\$521,566), not including cash carryover.
- The Police Department under expended its budget by \$209,349. This can be contributed partly to personnel expense for overtime budgeted only 63% spent, costs for materials and services such as fuel and lubricants, 72% spent and capital outlay for vehicles only 68% spent.

- General Fund department expenditures ranged from a low of 67% (Youth Peer Court) spent to a high of 99% spent (Maintenance). The average spent was 89% of budgeted funds. Staffing expense in the Youth Peer Court fund decreased in conjunction with the number of cases referred to Peer Court decreasing. This created significant cost reduction 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, 2018 amounts to \$69,665,460 (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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$26,646,479	\$26,710,167	\$ 2,134,988	\$ 2,134,988	\$28,781,467	\$28,845,155
Buildings	3,388,923	3,525,243	1,452,903	1,528,572	4,841,826	5,051,335
Land improvements			293,876	377,880	293,876	377,880
Motor vehicles and equipment	486,326	452,070	866,180	774,034	1,352,506	1,228,582
Office furniture and equipment	16,058	23,358	1,993	4,044	18,051	27,405
Infrastructure	7,643,218	6,977,619	24,953,433	25,894,915	32,596,651	32,872,534
Construction in progress	320,217	610,836	1,460,866	1,330,995	1,781,083	1,941,831
Utility Systems						
Total	<u>\$38,501,221</u>	<u>\$38,299,295</u>	<u>\$31,164,239</u>	<u>\$32,045,428</u>	<u>\$69,665,460</u>	<u>\$70,344,722</u>

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

Governmental Activities-

- Building Improvements recognized at the Community Center included a repaired roof. Vehicles purchased include a new excavator, partially allocated to governmental activities, and three new police vehicles with upfit. A new police K-9 was placed into service. The Row River Road crosswalk was completed, as well as waterline and street improvements on Gateway, 6th Street, and Mosby Creek Road, partially allocated to governmental activities.

Business Type Activities-

- Equipment purchases include a new excavator, partially allocated to business type activities, a new Greensmaster mower for Middlefield Golf Course, and a new pump for the Anthony Pump Station.
- Infrastructure includes the addition of the Row River Road crosswalk, waterline and street improvements on Gateway, 6th Street, and Mosby Creek Road, partially allocated to business type activities.
- Construction in progress includes the Taylor Avenue Pump Station, Knox Hill Pump Station, Holly Pump Station, Cottage Grove Museum Improvements, Cottage Grove Armory improvements, Fillmore Street Stormwater Project, Riverview Terrace Water Project, Ash Avenue Waterline Project, Library Lighting Project, Bridge Maintenance, Bike Path Lighting, City Shop building, and other projects.

Change in Capital Assets

	Governmental Activities		Business-type Activities		Total Government	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$38,299,298	\$38,982,293	\$32,045,429	\$31,837,315	\$70,344,727	\$70,819,608
Additions & Reclass.	1,559,990	147,624	514,784	1,592,517	2,074,774	1,740,141
Depreciation	(797,168)	(830,619)	(1,393,765)	(1,384,403)	(2,190,933)	(2,215,022)
Deletions & Reclass.	(560,899)	0	(2,209)	0	(563,108)	0
Ending balance	<u>\$38,501,221</u>	<u>\$38,299,298</u>	<u>\$31,164,239</u>	<u>\$32,045,429</u>	<u>\$69,665,460</u>	<u>\$70,344,727</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 \$18,396,453. Of that amount, \$1,540,658 is a general obligation bond to pay the City's unfunded actuarial liability in the Public Employees Retirement System. Portions of the 2013 LOCAP Bond issue were advanced refunded, with Bond Series 2017 being issued. New debt was incurred during the fiscal year for the purchase of three police vehicles and upfit in the amount of \$86,850. Further information may be found in Note 8 of the Notes to the Basic Financial Statements.

Outstanding Debt at Year-end

	<u>2018</u>	<u>2017</u>
Governmental Activities		
PERS UAL refinancing	\$ 1,287,990	\$ 1,312,854
2013 LOCAP -Industrial Park	153,944	660,000
Bond Series 2017 – Industrial Park	215,040	0
2013 LOCAP -Fiber	83,592	335,000
Bond Series 2017 - Fiber	224,478	0
LOCAP -Premium	0	46,990

	<u>2018</u>	<u>2017</u>
Bond Series 2017 – Premium	72,945	0
Optical/Wireless Equipment	437,330	505,207
Police Vehicle	30,893	61,119
Police Vehicles - 2018	72,758	0
Armory Building	101,570	152,356
Street Sweeper	96,391	133,534
Tiger Mower	3,850	5,334
Sub-total	<u>\$ 2,780,781</u>	<u>\$ 3,212,394</u>

	<u>2018</u>	<u>2017</u>
Business-type Activities		
PERS UAL refinancing	\$ 252,668	\$ 257,546
Water system improvement	809,096	2,926,527
LOCAP -Water	1,644,648	5,140,000
Bond Series 2017 – Water	4,863,756	0
LOCAP -Wastewater	2,570,915	5,445,000
Bond Series 2017 – Wastewater	2,318,404	0
LOCAP -Storm	270,775	1,080,000
Bond Series 2017 - Storm	720,945	0
LOCAP –Golf Course	241,127	495,000
Bond Series 2017 – Golf Course	202,378	0
LOCAP –Premium	0	566,071
Bond Series 2017 – Premium	1,343,463	0
Middlefield Golf Course/ Residence	224,385	242,430
Water/Wastewater Equipment	153,113	209,729
Sub-total	<u>15,615,673</u>	<u>16,362,303</u>
Total	<u>18,396,453</u>	<u>19,574,696</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 \$31,346,365. The outstanding debt of \$1,287,990 is counted within the statutory limitation, as the remaining debt, is either wholly or partially financed by revenues other than a general tax levy.

Key Economic Factors and Budget Information for the Future

As of June 30, 2018, Oregon's and Lane County's unemployment rates were 4.0 percent and 4.3 percent respectively. Tax collections in 2017-2018 totaled \$ 4,515,181. The City's permanent tax rate remains at \$7.2087 per \$1,000 of valuation. The City's assessed value increased \$2,800,728 above the assessed property value cap of 3% due to new development and construction.

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 2018-19 budget preparation was projected at 2%, and anticipates an annexation value increase of \$597,900.

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 2019. 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 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 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 significantly over the past year and is expected to continue to increase.

All of these factors were considered when preparing the budget for fiscal year 2018-2019.

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, telephone (541) 942-3346.

BASIC FINANCIAL STATEMENTS

CITY OF COTTAGE GROVE, OREGON

Statement of Net Position

June 30, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 5,825,470	\$ 5,670,157	\$ 11,495,627
Accounts, net	716,894	683,853	1,400,747
Inventories	<u>-</u>	<u>169,023</u>	<u>169,023</u>
Total current assets	<u>6,542,364</u>	<u>6,523,033</u>	<u>13,065,397</u>
Noncurrent assets:			
Internal balances	(38,600)	38,600	-
Net OPEB/RHIA asset	17,998	-	17,998
Capital assets not being depreciated	26,966,696	3,595,853	30,562,549
Capital assets, net of accumulated depreciation	<u>11,534,525</u>	<u>27,568,386</u>	<u>39,102,911</u>
Total noncurrent assets	<u>38,480,619</u>	<u>31,202,839</u>	<u>69,683,458</u>
Total Assets	<u>45,022,983</u>	<u>37,725,872</u>	<u>82,748,855</u>
Deferred Outflow of Resources	<u>2,074,691</u>	<u>945,271</u>	<u>3,019,962</u>
Liabilities			
Current Liabilities:			
Accounts payable	360,502	133,453	493,955
Payroll and related accruals	334,983	81,584	416,567
Deposits	21,724	44,580	66,304
Unearned revenue	-	47,906	47,906
Accrued interest payable	31,338	157,299	188,637
Compensated absences	<u>312,482</u>	<u>125,593</u>	<u>438,075</u>
Total current liabilities	<u>1,061,029</u>	<u>590,415</u>	<u>1,651,444</u>
Noncurrent liabilities:			
Net pension liability	5,904,358	2,301,004	8,205,362
Due within one year	264,937	1,099,942	1,364,879
Due in more than one year	<u>2,515,843</u>	<u>14,515,731</u>	<u>17,031,574</u>
Total noncurrent liabilities	<u>8,685,138</u>	<u>17,916,677</u>	<u>26,601,815</u>
Total liabilities	<u>9,746,167</u>	<u>18,507,092</u>	<u>28,253,259</u>
Deferred Inflow of Resources	<u>79,859</u>	<u>27,873</u>	<u>107,732</u>
Net Position			
Net investment in capital assets	35,720,441	15,946,460	51,666,901
Restricted for:			
Law enforcement	307,607	-	307,607
System development	-	1,542,694	1,542,694
Road maintenance	770,724	-	770,724
Permanent trust fund	25,357	-	25,357
Industrial park	116,211	-	116,211
Unrestricted	<u>331,308</u>	<u>2,647,024</u>	<u>2,978,332</u>
Total Net Position	<u>\$ 37,271,648</u>	<u>\$ 20,136,178</u>	<u>\$ 57,407,826</u>

See accompanying notes to financial statements.

CITY OF COTTAGE GROVE, OREGON

Statement of Activities

For the Year ended June 30, 2018

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	\$ 2,980,437	\$ 823,378	\$ 655,710	\$ 27,079	\$ (1,474,270)	\$ -	\$ (1,474,270)
Public Safety	3,455,840	287,265	-	-	(3,168,575)	-	(3,168,575)
Highways and Streets	1,208,005	6,183	747,096	-	(454,726)	-	(454,726)
Culture and Recreation	923,553	-	57,349	-	(866,204)	-	(866,204)
Community Development	693,475	350,810	-	-	(342,665)	-	(342,665)
Debt Service - Interest	200,046	-	-	-	(200,046)	-	(200,046)
Total Governmental Activities	<u>9,461,356</u>	<u>1,467,636</u>	<u>1,460,155</u>	<u>27,079</u>	<u>(6,506,486)</u>	<u>-</u>	<u>(6,506,486)</u>
Business-type Activities							
Water Operations	2,809,454	3,441,936	-	-	-	632,482	632,482
Wastewater Operations	2,958,077	2,987,944	-	-	-	29,867	29,867
Storm Drainage Operations	663,601	898,895	-	-	-	235,294	235,294
Total Business-type Activities	<u>6,431,132</u>	<u>7,328,775</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>897,643</u>	<u>897,643</u>
Total Activities	<u>\$ 15,892,488</u>	<u>\$ 8,796,411</u>	<u>\$ 1,460,155</u>	<u>\$ 27,079</u>	<u>(6,506,486)</u>	<u>897,643</u>	<u>(5,608,843)</u>
General revenues:							
Property taxes					4,455,279	-	4,455,279
Franchise fees					619,491	-	619,491
Alcoholic beverage taxes					170,209	-	170,209
Motor fuel taxes					405,419	-	405,419
Other taxes					238,699	-	238,699
Miscellaneous					74	-	74
Gain (loss) on disposition of capital assets					(2,911)	-	(2,911)
Insurance proceeds					11,399	-	11,399
Interest and investment earnings					101,673	77,393	179,066
Transfers in (out)					240,169	(240,169)	-
Total general revenues and transfers					<u>6,239,501</u>	<u>(162,776)</u>	<u>6,076,725</u>
Change in net position					(266,985)	734,867	467,882
Net position, beginning					<u>37,538,633</u>	<u>19,401,311</u>	<u>56,939,944</u>
Net position, ending					<u>\$ 37,271,648</u>	<u>\$ 20,136,178</u>	<u>\$ 57,407,826</u>

See accompanying notes to financial statements.

CITY OF COTTAGE GROVE, OREGON

Governmental Funds

Balance Sheet

June 30, 2018

	General Fund (001)	Street Fund (004)	Debt Service Fund (817)	Nonmajor Governmental Funds	Total
Assets					
Cash and cash equivalents	\$ 2,600,410	\$ 748,172	\$ -	\$ 2,476,888	\$ 5,825,470
Accounts	237,756	129,522	-	58,223	425,501
Property taxes	258,149	-	-	-	258,149
Grants/contracts	14,500	-	-	-	14,500
Loan	-	-	-	18,744	18,744
Total Assets	<u>\$ 3,110,815</u>	<u>\$ 877,694</u>	<u>\$ -</u>	<u>\$ 2,553,855</u>	<u>\$ 6,542,364</u>
Liabilities					
Accounts payable	\$ 113,418	\$ 96,736	\$ -	\$ 150,348	\$ 360,502
Payroll and related accruals	295,166	10,235	-	29,582	334,983
Deposits	21,724	-	-	-	21,724
Advance from other fund	-	-	-	38,600	38,600
Total Liabilities	<u>430,308</u>	<u>106,971</u>	<u>-</u>	<u>218,530</u>	<u>755,809</u>
Deferred Inflows of Resources					
Unavailable revenues	<u>258,149</u>	<u>-</u>	<u>-</u>	<u>18,744</u>	<u>276,893</u>
Fund Balance					
Nonspendable	-	-	-	3,000	3,000
Restricted	-	770,723	-	449,174	1,219,897
Committed	-	-	-	1,913,765	1,913,765
Unassigned	<u>2,422,358</u>	<u>-</u>	<u>-</u>	<u>(49,358)</u>	<u>2,373,000</u>
Total Fund Balances	<u>2,422,358</u>	<u>770,723</u>	<u>-</u>	<u>2,316,581</u>	<u>5,509,662</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,110,815</u>	<u>\$ 877,694</u>	<u>\$ -</u>	<u>\$ 2,553,855</u>	<u>\$ 6,542,364</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, 2018

Total Government Fund Balances		\$ 5,509,662
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	26,966,696	
Capital assets being depreciated	33,941,821	
Accumulated depreciation	<u>(22,407,296)</u>	38,501,221
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	276,893	
Deferred inflow related to pensions	(71,523)	
Deferred inflow related to OPEB/RHIA	(8,336)	
Deferred outflow related to pensions	2,052,907	
Deferred outflow related to OPEB/RHIA	21,784	
Net OPEB obligation/asset	17,998	
Net pension asset/liability	<u>(5,904,358)</u>	(3,614,635)
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds:		
Accrued interest payable	(31,338)	
Compensated absences	(312,482)	
Long-term debt	<u>(2,780,780)</u>	<u>(3,124,600)</u>
Net Position of Governmental Activities in the Statement of Net Position		<u>\$ 37,271,648</u>

See accompanying notes to financial statements.

CITY OF COTTAGE GROVE, OREGON

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year ended June 30, 2018

	<u>General Fund (001)</u>	<u>Street Fund (004)</u>	<u>Debt Service Fund (817)</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues					
Property taxes	\$ 4,515,181	\$ -	\$ -	\$ -	\$ 4,515,181
Franchise taxes	619,491	-	-	-	619,491
Local fuels tax	-	405,419	-	-	405,419
Alcohol taxes	157,983	-	-	-	157,983
Room tax	124,683	-	-	-	124,683
Other taxes	13,436	-	-	-	13,436
Marijuana Tax	114,016	-	-	-	114,016
Licenses and permits	25,576	-	-	-	25,576
Intergovernmental revenues	204,561	632,659	-	153,158	990,378
Charges for services	29,923	-	-	317,572	347,495
Administration and engineering fees	586,484	-	-	-	586,484
Fines and forfeitures	114,222	-	-	25,949	140,171
Investment earnings	51,727	15,728	-	34,221	101,676
Contributions and donations	295	-	-	150,864	151,159
Miscellaneous	181,394	6,183	-	33,639	221,216
Special assessments	-	-	-	130,396	130,396
Grants and contracts	314,874	-	-	45,985	360,859
Total Revenues	<u>7,053,846</u>	<u>1,059,989</u>	<u>-</u>	<u>891,784</u>	<u>9,005,619</u>
Expenditures					
Current:					
General Government	1,854,232	-	745	491,502	2,346,479
Public Safety	2,675,150	-	-	675,276	3,350,426
Highways and streets	-	1,515,588	-	122,653	1,638,241
Culture and recreation	672,276	-	-	49,733	722,009
Community Development	529,200	-	-	161,076	690,276
Debt service:					
Debt Service - Principal	-	-	295,771	(19,300)	276,471
Debt Service - Interest	-	-	200,046	-	200,046
Total Expenditures	<u>5,730,858</u>	<u>1,515,588</u>	<u>496,562</u>	<u>1,480,940</u>	<u>9,223,948</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,322,988</u>	<u>(455,599)</u>	<u>(496,562)</u>	<u>(589,156)</u>	<u>(218,329)</u>
Other Financing Sources (uses)					
Proceeds from sale of capital assets	-	-	-	111,786	111,786
Loan proceeds	86,850	-	-	-	86,850
Refunding debt issued	224,477	-	-	215,040	439,517
Premium on refunding debt issued	38,439	-	-	36,879	75,318
Payment to refunding agent	(262,916)	-	-	(251,920)	(514,836)
Insurance proceeds	11,399	-	-	-	11,399
Transfers in	9,000	-	496,562	745,860	1,251,422
Transfers out	<u>(1,081,725)</u>	<u>(69,245)</u>	<u>-</u>	<u>(100,453)</u>	<u>(1,251,423)</u>
Total Other Financing Source (Uses)	<u>(974,476)</u>	<u>(69,245)</u>	<u>496,562</u>	<u>757,192</u>	<u>210,033</u>
Net Change in Fund Balances	348,512	(524,844)	-	168,036	(8,296)
Beginning Fund Balance	<u>2,073,846</u>	<u>1,295,567</u>	<u>-</u>	<u>2,148,545</u>	<u>5,517,958</u>
Ending Fund Balance	<u>\$ 2,422,358</u>	<u>\$ 770,723</u>	<u>\$ -</u>	<u>\$ 2,316,581</u>	<u>\$ 5,509,662</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, 2018

Net Change in Fund Balances - Total Governmental Funds \$ (8,296)

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	\$ (797,168)	
Expenditures for capital assets	1,115,614	
Net book value of capital assets sold/disposal	<u>(114,696)</u>	203,750

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		(59,902)
--	--	----------

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		(17,434)
Change in net pension and OPEB assets/liabilities/deferred inflows and deferred outflowsC		(814,891)

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.

Issuance of debt	(86,850)	
Deferred charge on refunding transferred from enterprise funds	240,170	
Debt service principal payments	<u>276,468</u>	<u>429,788</u>

Change in Net Position of Governmental Activities \$ (266,985)

See accompanying notes to financial statements.

CITY OF COTTAGE GROVE, OREGON

Proprietary Funds

Balance Sheet

June 30, 2018

	<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	\$ 2,591,612	\$ 1,021,929	\$ 2,056,616	\$ 5,670,157
Receivables - net	303,355	295,972	84,526	683,853
Inventories	<u>135,214</u>	<u>33,809</u>	<u>-</u>	<u>169,023</u>
Total current assets	<u>3,030,181</u>	<u>1,351,710</u>	<u>2,141,142</u>	<u>6,523,033</u>
Noncurrent assets:				
Interfund loan receivable	-	-	38,600	38,600
Capital assets	<u>14,141,948</u>	<u>14,205,024</u>	<u>2,817,267</u>	<u>31,164,239</u>
Total noncurrent assets	<u>14,141,948</u>	<u>14,205,024</u>	<u>2,855,867</u>	<u>31,202,839</u>
Total assets	<u>17,172,129</u>	<u>15,556,734</u>	<u>4,997,009</u>	<u>37,725,872</u>
Deferred outflow				
Related to pensions	406,459	333,161	60,424	800,044
Related to bond refunding	<u>89,900</u>	<u>42,533</u>	<u>12,794</u>	<u>145,227</u>
Total assets and deferred outflows	<u>\$ 17,668,488</u>	<u>\$ 15,932,428</u>	<u>\$ 5,070,227</u>	<u>\$ 38,671,143</u>
Liabilities and Net Position				
Liabilities				
Current liabilities:				
Accounts payable	\$ 69,164	\$ 55,730	\$ 8,559	\$ 133,453
Payroll and related accruals	40,121	34,569	6,894	81,584
Accrued interest payable	81,271	65,283	10,745	157,299
Deposits	43,080	1,500	-	44,580
Compensated absences payable	53,009	62,557	10,027	125,593
Unearned revenue	-	47,906	-	47,906
Current portion of long-term debt	<u>553,932</u>	<u>461,218</u>	<u>84,792</u>	<u>1,099,942</u>
Total current liabilities	<u>840,577</u>	<u>728,763</u>	<u>121,017</u>	<u>1,690,357</u>
Noncurrent liabilities:				
Long-term debt, net of current portion	7,709,689	5,726,916	1,079,126	14,515,731
Net pension liability	<u>1,169,016</u>	<u>958,204</u>	<u>173,784</u>	<u>2,301,004</u>
Total noncurrent liabilities	<u>8,878,705</u>	<u>6,685,120</u>	<u>1,252,910</u>	<u>16,816,735</u>
Total Liabilities	<u>9,719,282</u>	<u>7,413,883</u>	<u>1,373,927</u>	<u>18,507,092</u>
Deferred inflow				
Deferred inflow related to pensions	<u>14,161</u>	<u>11,607</u>	<u>2,105</u>	<u>27,873</u>
Net Position				
Net investment in capital assets	6,104,421	8,153,557	1,688,482	15,946,460
Restricted for system development	944,309	165,060	433,325	1,542,694
Unrestricted	<u>886,315</u>	<u>188,321</u>	<u>1,572,388</u>	<u>2,647,024</u>
Total Net Position	<u>7,935,045</u>	<u>8,506,938</u>	<u>3,694,195</u>	<u>20,136,178</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 17,668,488</u>	<u>\$ 15,932,428</u>	<u>\$ 5,070,227</u>	<u>\$ 38,671,143</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, 2018

	<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	\$ 3,440,037	\$ 2,965,565	\$ 898,290	\$ 7,303,892
Grants and contracts	-	2,589	-	2,589
Miscellaneous	1,899	19,790	605	22,294
Total Operating Revenues	<u>3,441,936</u>	<u>2,987,944</u>	<u>898,895</u>	<u>7,328,775</u>
Operating Expenses				
Personal Services	1,143,487	1,077,483	180,602	2,401,572
Materials and Services	758,016	994,045	188,386	1,940,447
Depreciation expense	543,885	607,288	242,592	1,393,765
Total Operating Expenses	<u>2,445,388</u>	<u>2,678,816</u>	<u>611,580</u>	<u>5,735,784</u>
Operating Income (Loss)	<u>996,548</u>	<u>309,128</u>	<u>287,315</u>	<u>1,592,991</u>
Non-operating revenues (expenses)				
Interest expense	(301,586)	(246,874)	(42,755)	(591,215)
Investment earnings	35,002	12,399	29,992	77,393
Debt issuance costs	(62,480)	(32,387)	(9,266)	(104,133)
Total non-operating revenues (expenses)	<u>(329,064)</u>	<u>(266,862)</u>	<u>(22,029)</u>	<u>(617,955)</u>
Income (loss) before transfers	667,484	42,266	265,286	975,036
Transfers in	486,423	186,093	261,042	933,558
Transfers out	<u>(694,685)</u>	<u>(200,516)</u>	<u>(278,526)</u>	<u>(1,173,727)</u>
Change in Net Position	459,222	27,843	247,802	734,867
Beginning Net Position	<u>7,475,823</u>	<u>8,479,095</u>	<u>3,446,393</u>	<u>19,401,311</u>
Ending Net Position	<u>\$ 7,935,045</u>	<u>\$ 8,506,938</u>	<u>\$ 3,694,195</u>	<u>\$ 20,136,178</u>

See accompanying notes to financial statements.

CITY OF COTTAGE GROVE, OREGON

Proprietary Funds

Statement of Cash Flows

For the Year Ended June 30, 2018

	Business-Type Activities - Enterprise Funds			
	Water Operations	Wastewater Operations	Storm Drain Operations	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 3,423,318	\$ 2,952,328	\$ 892,681	\$ 7,268,327
Cash payments to employees	(977,707)	(886,342)	(166,476)	(2,030,525)
Cash payments to suppliers for goods and services	<u>(729,916)</u>	<u>(972,345)</u>	<u>(184,034)</u>	<u>(1,886,295)</u>
Net cash provided (used) by operating activities	<u>1,715,695</u>	<u>1,093,641</u>	<u>542,171</u>	<u>3,351,507</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	-	-	7,072	7,072
Transfers out	-	(7,073)	-	(7,073)
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>(7,073)</u>	<u>26,372</u>	<u>19,299</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(237,513)	(91,093)	(183,969)	(512,575)
Principal paid on capital debt	(458,022)	(584,304)	(61,120)	(1,103,446)
Interest paid on capital debt	(322,771)	(218,217)	(38,588)	(579,576)
Debt issuance costs paid	<u>(62,480)</u>	<u>(32,387)</u>	<u>(9,266)</u>	<u>(104,133)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,080,786)</u>	<u>(926,001)</u>	<u>(292,943)</u>	<u>(2,299,730)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	<u>35,002</u>	<u>12,399</u>	<u>29,992</u>	<u>77,393</u>
Net change in cash and cash equivalents	669,911	172,966	305,592	1,148,469
Cash and cash equivalents at beginning of year	<u>1,921,701</u>	<u>848,963</u>	<u>1,751,024</u>	<u>4,521,688</u>
Cash and cash equivalents at end of year	<u>\$ 2,591,612</u>	<u>\$ 1,021,929</u>	<u>\$ 2,056,616</u>	<u>\$ 5,670,157</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, 2018

	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)	\$ 996,548	\$ 309,128	\$ 287,315	\$ 1,592,991
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation	543,885	607,288	242,592	1,393,765
(Increase) decrease in current assets:				
Receivables - net	(18,618)	(36,741)	(6,214)	(61,573)
Inventories	(5,683)	(664)	-	(6,347)
Net pension asset/liability	(150,063)	(33,983)	(49,085)	(233,131)
Deferred outflows related to pensions	277,002	180,926	55,052	512,980
Increase (decrease) in current liabilities:				
Accounts payable	35,313	22,364	4,352	62,029
Other liabilities	(1,530)	1,125	-	(405)
Payroll and related	29,884	27,033	5,217	62,134
Compensated absences	7,991	15,483	3,066	26,540
Deferred inflows related to pensions	<u>966</u>	<u>1,682</u>	<u>(124)</u>	<u>2,524</u>
Net cash provided (used) by operating activities	<u>\$ 1,715,695</u>	<u>\$ 1,093,641</u>	<u>\$ 542,171</u>	<u>\$ 3,351,507</u>

See accompanying notes to financial statements.

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2018

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 City'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.
- *Debt Service Fund.* This fund is used to accumulate resources via transfers from other funds in order to make debt service principal and interest payments for all debt obligations of the City.

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, 2018

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, 2018

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, 2018

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 a future period and so will not be recognized as a an outflow of resources (expense/ expenditure) until then. The City reports deferred outflows relating to pensions, other post employment benefits (OPEB) and bond refundings.

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 a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City reports unavailable revenue from property taxes and loans receivable as deferred inflows on the governmental funds balance sheet. The City also reports deferred amounts related to pensions and OPEB.

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, 2018

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, 2018

Note 1 - Summary of Significant Accounting Policy, continued

P. Interfund Services Provided and Used

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

Note 2 - Stewardship, Compliance, and Accountability

A - Budgetary Information

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

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

B - Bicycle and Footpath Deficit Fund Equity

The City's Bicycle and Footpath fund had a negative fund balance of \$49,358 as of June 30, 2018. 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 8.

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2018

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, 2018 cash and cash equivalents consisted of the following:

	<u>Fair Value</u>
Investments in the State Treasurer's Local Government Investment Fund (LGIP)	\$ 10,402,940
Deposits in financial institutions	1,090,922
Cash on hand	<u>1,765</u>
Total cash and cash equivalents	<u>\$ 11,495,627</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, 2018, was \$1,193,484. 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, 2018

Note 4 - Receivables

Receivables of the enterprise funds are reported net of an allowance for doubtful accounts as follows:

	Business-Type Activities		
	Receivable	Allowance	Net
Water sales	\$ 307,652	\$ (4,297)	\$ 303,355
Wastewater charges	298,459	(2,487)	295,972
Storm drain charges	85,523	(997)	84,526
Total	\$ 691,634	\$ (7,781)	\$ 683,853

Receivables of governmental funds are considered fully collectible; accordingly, no allowance for credit losses is recognized. Receivables include the following:

	Governmental Activities		
	Receivable	Allowance	Net
Accounts	\$ 425,501	\$ -	\$ 425,501
Property taxes	258,149	-	258,149
Grants/contracts	14,500	-	14,500
Loan	18,744	-	18,744
Total	\$ 716,894	\$ -	\$ 716,894

Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	Governmental Activities:			
	2017	Additions and Reclassifications	Deletions and Reclassifications	2018
Capital assets, not being depreciated:				
Land	\$ 26,710,167	\$ 36,500	\$ (100,188)	\$ 26,646,479
Construction in progress	610,837	153,759	(444,379)	320,217
Total capital assets, not being depreciated	27,321,004	190,259	(544,567)	26,966,696
Capital assets being depreciated:				
Buildings and improvements	5,515,265	33,479	-	5,548,744
Motor vehicles and equipment	1,890,366	186,571	(90,645)	1,986,292
Office furniture and equipment	348,524	-	-	348,524
Infrastructure	24,908,579	1,149,681	-	26,058,260
Total capital assets being depreciated	32,662,734	1,369,731	(90,645)	33,941,820
Less accumulated depreciation for:				
Buildings and improvements	1,990,021	169,800	-	2,159,821
Motor vehicles and equipment	1,438,295	135,984	(74,313)	1,499,966
Office furniture and equipment	325,167	7,299	-	332,466
Infrastructure	17,930,957	484,085	-	18,415,042
Total accumulated depreciation	21,684,440	797,168	(74,313)	22,407,295
Total capital assets, being depreciated, net	10,978,294	572,563	(16,332)	11,534,525
Governmental activities capital assets, net	\$ 38,299,298	\$ 762,822	\$ (560,899)	\$ 38,501,221

Depreciation expense was charged to governmental activities as follows:

General government	\$ 149,562
Highways and streets	307,460
Public safety	89,392
Culture and recreation	250,754
Total depreciation expense -governmental activities	\$ 797,168

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2018

Note 5 - Capital Assets, continued

	Business-type Activities:			2018
	2017	Additions and Reclassifications	Deletions and Reclassifications	
Capital assets, not being depreciated:				
Land	\$ 2,134,988	\$ -	\$ -	\$ 2,134,988
Construction in progress	1,330,996	132,078	(2,209)	1,460,865
Total capital assets, not being depreciated	3,465,984	132,078	(2,209)	3,595,853
Capital assets being depreciated:				
Land improvements	1,260,000	-	-	1,260,000
Infrastructure	41,229,916	194,945	-	41,424,861
Building and improvements	2,271,414	-	-	2,271,414
Equipment	1,743,777	167,136	-	1,910,913
Motor vehicles	724,670	20,625	(26,737)	718,558
Office furniture and equipment	21,149	-	-	21,149
Total capital assets being depreciated	47,250,926	382,706	(26,737)	47,606,895
Less accumulated depreciation for:				
Land improvements	882,120	84,004	-	966,124
Infrastructure	15,335,001	1,136,426	-	16,471,427
Building and improvements	745,322	73,189	-	818,511
Equipment	1,125,231	77,832	-	1,203,063
Motor vehicles	566,704	20,261	(26,737)	560,228
Office furniture and equipment	17,103	2,053	-	19,156
Total accumulated depreciation	18,671,481	1,393,765	(26,737)	20,038,509
Total capital assets, being depreciated, net	28,579,445	(1,011,059)	-	27,568,386
Business-type activities capital assets, net	\$ 32,045,429	\$ (878,981)	\$ (2,209)	\$ 31,164,239

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

Water	\$ 543,885
Wastewater	607,288
Storm drain	242,592
Total depreciation expense -business-type activities	\$ 1,393,765

Note 6 - Deferred Inflows and Deferred Outflows

Deferred inflows and deferred outflows include the following in the Statement of Net Position:

	Deferred Outflows		Deferred Inflows	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
Related to pensions	\$ 2,052,907	\$ 800,044	\$ 71,523	\$ 27,873
Related to OPEB/RHIA	21,784	-	8,336	-
Related to bond refunding	-	145,227	-	-
Total	\$ 2,074,691	\$ 945,271	\$ 79,859	\$ 27,873

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2018

Note 7 - Fund Balances

On the Balance Sheet - Governmental Funds, balances were reported in the aggregate in the classifications defined by GASB Statement No. 54, Fund Balance Reporting and Governmental fund type definitions. Fund balances by classification for year-ended June 30, 2018 were as follows:

	<u>General</u>	<u>Street</u>	<u>Other Funds</u>	<u>Total</u>
Nonspendable:				
Permanent fund principal	\$ -	\$ -	\$ 3,000	\$ 3,000
Restricted:				
Street improvements	-	770,723	-	770,723
Police communications	-	-	118,647	118,647
Narcotics forfeitures	-	-	188,961	188,961
Industrial park	-	-	116,209	116,209
Special trust	-	-	25,357	25,357
Total restricted	<u>-</u>	<u>770,723</u>	<u>449,174</u>	<u>1,219,897</u>
Committed:				
Assessments	-	-	157,596	157,596
Rehabilitation loan funds	-	-	9,477	9,477
Building inspection	-	-	127,528	127,528
Streets system development	-	-	1,139,947	1,139,947
Parks system development	-	-	263,749	263,749
General reserves	-	-	215,468	215,468
Total committed	<u>-</u>	<u>-</u>	<u>1,913,765</u>	<u>1,913,765</u>
Unassigned	<u>2,422,358</u>	<u>-</u>	<u>(49,358)</u>	<u>2,373,000</u>
Total fund balances	<u>\$ 2,422,358</u>	<u>\$ 770,723</u>	<u>\$ 2,316,581</u>	<u>\$ 5,509,662</u>

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2018

Note 8 - Interfund Receivables, Payables and Transfers

A - Interfund loan

Interfund loan receivable and payable is as follows:

Receivable Fund	Payable Fund	Amount
Storm Drain	Bicycle and Footpath	<u>\$ 38,600</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	\$ 1,081,725
Street Fund (004)	-	69,245
Debt Service Fund (817)	<u>496,562</u>	<u>-</u>
Total Major Governmental Funds:	<u>505,562</u>	<u>1,150,970</u>
Nonmajor Governmental Funds:		
Industrial Park Fund (502)	25,500	56,566
Police Communication Fund (006)	500,250	12,414
Bicycle and Footpath Fund (011)	19,300	28,300
Narcotics Forfeiture (007)	-	1,636
Building Inspection Program (013)	10,810	1,537
General Reserve Fund (731)	<u>190,000</u>	<u>-</u>
Total Nonmajor Governmental Funds	<u>745,860</u>	<u>100,453</u>
Proprietary Funds:		
Water Fund (202)	386,423	100,000
Water Reserve Fund (732)	100,000	594,685
Wastewater Fund (302)	91,093	95,000
Wastewater Reserve Fund (735)	95,000	105,516
Storm Drainage Utility Fund (402)	183,969	70,000
Storm Drainage Reserve Fund (736)	<u>77,073</u>	<u>208,526</u>
Total Proprietary Funds	<u>933,558</u>	<u>1,173,727</u>
Governmental Activities deferred charge on refunding	<u>240,170</u>	<u>-</u>
Total All Funds	<u><u>\$ 2,425,150</u></u>	<u><u>\$ 2,425,150</u></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, 2018

Note 9 - Long-Term Liabilities

A - Changes in Long-Term Liabilities

Transactions for the year ended June 30, 2018 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>LOCAP Refunding</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities						
Bonds and notes payable:						
LOCAP - 2013	\$ 995,000	\$ -	\$ (50,000)	\$ (707,464)	\$ 237,536	\$ -
Refunding Obligations 2017	-	439,518	-	-	439,518	50,000
PERS bond	1,312,854	-	(24,864)	-	1,287,990	25,367
Premium	46,990	74,768	(1,823)	(46,990)	72,945	-
Notes and loans	<u>857,549</u>	<u>86,850</u>	<u>(201,607)</u>	<u>-</u>	<u>742,792</u>	<u>189,570</u>
Total bonds and notes payable	3,212,393	601,136	(278,294)	(754,454)	2,780,781	264,937
Compensated absences	<u>295,048</u>	<u>17,434</u>	<u>-</u>	<u>-</u>	<u>312,482</u>	<u>-</u>
Total Governmental Activities	<u>\$ 3,507,441</u>	<u>\$ 618,570</u>	<u>\$ (278,294)</u>	<u>\$ (754,454)</u>	<u>\$ 3,093,263</u>	<u>\$ 264,937</u>
Business-type Activities						
Bonds and notes payable:						
LOCAP 2013	\$ 12,160,000	\$ -	\$ (875,000)	\$ (6,557,535)	\$ 4,727,465	\$ -
Refunding Obligations 2017	-	8,105,482	-	-	8,105,482	950,000
PERS bond	257,546	-	(4,878)	-	252,668	4,976
Premium	566,071	1,377,049	(33,587)	(566,071)	1,343,462	-
Notes and loans	<u>3,378,686</u>	<u>-</u>	<u>(223,568)</u>	<u>(1,968,522)</u>	<u>1,186,596</u>	<u>144,966</u>
Total bonds and notes payable	16,362,303	9,482,531	(1,137,033)	(9,092,128)	15,615,673	1,099,942
Compensated Absences	<u>99,054</u>	<u>26,539</u>	<u>-</u>	<u>-</u>	<u>125,593</u>	<u>-</u>
Total Business-type Activities	<u>\$ 16,461,357</u>	<u>\$ 9,509,070</u>	<u>\$ (1,137,033)</u>	<u>\$ (9,092,128)</u>	<u>\$ 15,741,266</u>	<u>\$ 1,099,942</u>

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2018

Note 9 - Long-Term Liabilities, continued

B - LOCAP and Pension Obligations

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. \$ 237,536

Full faith and credit refunding obligations series 2017. On December 13, 2017, the City advance refunded \$7,265,000 of the LOCAP 2013 financing agreement and current refunded the \$1,968,522 Business Oregon loan (2009). The refunding obligation of \$8,545,000 (par value) of full faith and credit refunding obligations, series 2017 have 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 Mellon 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 were removed from the City's financial statements during the year ending June 30, 2018. Governmental activities reports \$439,518 of the par value while enterprise funds report the remaining \$8,105,482. 439,518

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%. 1,287,990

Total LOCAP and pension obligations - Governmental activities \$ 1,965,044

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. \$ 4,727,465

Full faith and credit refunding obligations series 2017 as described above. Of the total refunding, \$8,105,482 was allocated to enterprise funds (see description of terms above) 8,105,482

Limited Tax Pension Obligations, Series 2002A and Series 2002B. (See description of terms above). 252,668

Total LOCAP and pension obligations - Business-type activities \$ 13,085,615

Governmental activities bonded debt requirements are summarized below:

Year Ending June 30,	Governmental Activities			
	LOCAP 2013 and Refunding Obligations 2017		PERS Bond	
	Principal	Interest	Principal	Interest
2019	\$ 50,000	\$ 27,580	\$ 25,367	\$ 147,014
2020	50,000	26,080	37,885	142,856
2021	50,000	24,080	104,500	83,456
2022	55,000	21,980	121,220	76,298
2023	33,850	20,203	137,940	67,994
2024-2028	199,854	73,109	861,078	173,497
2029-2033	233,350	24,758	-	-
2034-2038	5,000	100	-	-
Total	<u>\$ 677,054</u>	<u>\$ 217,890</u>	<u>\$ 1,287,990</u>	<u>\$ 691,115</u>

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2018

Note 9 - Long-Term Liabilities, continued

Enterprise fund bonded debt requirements are summarized below:

Year Ending June 30,	LOCAP 2013 and Refunding Obligations 2017		PERS Bond	
	Principal	Interest	Principal	Interest
2019	\$ 950,000	\$ 537,345	\$ 4,976	\$ 28,840
2020	985,000	507,870	7,432	28,025
2021	1,015,000	467,869	20,500	16,372
2022	1,060,000	426,370	23,780	14,967
2023	1,096,149	383,247	27,060	13,339
2024-2028	5,225,149	1,093,761	168,920	34,035
2029-2033	2,341,649	219,741	-	-
2034-2038	160,000	3,200	-	-
Total	<u>\$ 12,832,947</u>	<u>\$ 3,639,403</u>	<u>\$ 252,668</u>	<u>\$ 135,578</u>

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.	\$ 437,330
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.	30,893
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.	172,999
In September 2010, the City entered into a \$394,999 zero interest note with the Oregon Military Department ("OMD") to purchase the Armory building. This is a nine-year loan being repaid by the General Fund.	<u>101,570</u>
Total notes and loans payable - Governmental activities	<u>\$ 742,792</u>

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

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2019	\$ 189,570	\$ 29,136	\$ 218,706
2020	161,856	25,285	187,141
2021	73,043	21,835	94,878
2022	43,658	19,388	63,046
2023	45,809	17,238	63,047
2024-2028	228,856	45,288	274,144
Total	<u>\$ 742,792</u>	<u>\$ 158,170</u>	<u>\$ 900,962</u>

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2018

Note 9 - 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.	\$	224,386
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.		42,818
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.		809,096
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.		48,424
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.		22,930
On September 30, 2015, the City entered into a second lease/purchase agreement with U.S. Bancorp Government Leasing and Finance, Inc. The agreement requires semi-annual payments of \$28,736.36 including 2.139% interest beginning March 30, 2016, due September 30, 2020. The financing agreement is for the acquisition of vehicles and equipment.		<u>38,942</u>
 Total loans payable - Business - type activities	\$	<u><u>1,186,596</u></u>

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

Year Ending June 30,	Business-type Activities		
	Principal	Interest	Total
2019	\$ 144,966	\$ 55,371	\$ 200,337
2020	143,143	49,379	192,522
2021	133,022	44,498	177,520
2022	107,480	37,771	145,251
2023	106,395	32,432	138,827
2024-2028	<u>551,590</u>	<u>73,191</u>	<u>624,781</u>
Total	<u>\$ 1,186,596</u>	<u>\$ 292,642</u>	<u>\$ 1,479,238</u>

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2018

Note 10 - Employee Retirement Systems and Pension Plans

State of Oregon Employees Retirement System

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 Oregon PERS website.

Benefits provided under ORS 238 - Tier One / Tier Two

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. All monthly pension and annuity benefits except unit purchases are eligible for post-retirement adjustments. As a result of the Senate Bills 822 and 861 and the Oregon Supreme Court Decision in *Moro v. State of Oregon*, automatic post-retirement adjustments are based on a blended COLA rate.

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2018

Note 10 - Employee Retirement Systems and Pension Plans, continued

Benefits provided under Chapter 238A - 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.

Defined Contribution Plan - 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.

Contributions. PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation, as subsequently modified by 2015 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2015. The contribution rates in effect for the fiscal year ended June 30, 2018 were 21.57% for Tier One/Tier Two covered members, 11.10% for OPSRP Pension Program General Service Members, and 15.14% for OPSRP Pension Program Police and Fire Members. Employer contributions for the year ended June 30, 2018 were \$576,868, excluding amounts to fund employer specific liabilities.

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2018

Note 10 - Employee Retirement Systems and Pension Plans, continued

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

At June 30, 2018, the City reported a liability of \$8,205,362 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of December 31, 2015 rolled forward to June 30, 2017. 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, 2017, the City's proportion was 0.06087047 percent, which was increased from its proportion of 0.05854618 percent measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized pension expense of \$1,128,710. At June 30, 2018, 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	\$ 396,815	\$ -
Changes of assumptions	1,495,691	-
Net difference between projected and actual earnings on investments	84,534	-
Changes in proportionate share	208,713	-
Differences between employer contributions and employer's proportionate share of system contributions	<u>9,076</u>	<u>99,397</u>
Total (prior to post-MD contributions)	2,194,829	99,397
Contributions subsequent to MD	<u>658,122</u>	-
Total	<u>\$ 2,852,951</u>	<u>\$ 99,397</u>

Deferred outflows of resources related to pensions of \$658,122 resulting from the City's contributions subsequent to the measurement date will be recognized as either a reduction of the net pension liability or an increase in the net pension asset in the year ended June 30, 2019. Net deferred outflows (inflows) of resources of \$2,095,432 will be recognized in pension expense as follows:

Amortization Period	
2019	\$ 417,793
2020	1,081,120
2021	740,719
2022	(164,741)
2023	<u>20,541</u>
Total	<u>\$ 2,095,432</u>

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2018

Note 10 - Employee Retirement Systems and Pension Plans, continued

Actuarial Assumptions. The employer contribution rates effective July 1, 2017, through June 30, 2019, 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.

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

Valuation Date	December 31, 2015
Measurement Date	June 30, 2017
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, 2018

Note 10 - Employee Retirement Systems and Pension Plans, 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, 2018

Note 10 - Employee Retirement Systems and Pension Plans, 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)	\$ 13,983,436	\$ 8,205,362	\$ 3,373,823

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

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) for the System, which was published on September 23, 2015, and can be found at <http://www.oregon.gov/PERS/Documents/Financials/Actuarial/2015/Experience-Study.pdf>.

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.

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2018

Note 11 - Other Post - Employment Benefits (OPEB) - Retirement Health Insurance Account Plan

Plan Description. The City contribute to the PERS Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer other post-employment benefit plan administered by PERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. ORS 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants hired after August 29, 2003. PERS issues publicly available financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700.

Benefits Provided. Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the RHIA established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 38.410. To be eligible to receive this monthly payment toward the premium cost, the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May1, 1991.

Contributions. PERS funding policy provides for 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. Employer contribution rates for the period were based on the December 31, 2015 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2017. The City's contribution rates for the period were 0.50% for Tier One/Tier Two members, and 0.43% for OPSRP members. The City's total contributions for the year ended June 30, 2018 was \$21,470.

OPEB Assets, Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the City reported \$17,998 for its proportionate share of the net OPEB asset (liability). The net OPEB asset (liability) was measured as of June 30, 2017, and the total OPEB asset used to calculate the net OPEB asset (liability) was determined by an actuarial valuation as of December 31, 2015 rolled forward to June 30, 2017. The City's proportion of the net OPEB asset (liability) was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the City's proportion was 0.04312464 percent, which was an increase from its proportion measured as of June 30, 2017. The OPEB asset is reported in Governmental Activities.

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2018

Note 11 - Other Post - Employment Benefits (OPEB) - Retirement Health Insurance Account Plan, continued

For the year ended June 30, 2018, the City recognized OPEB expense (income) of \$4,550. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Net difference between projected and actual earnings on investment	\$ -	\$ 8,336
Changes in proportionate shares	314	-
Contributions subsequent to the MD	<u>21,470</u>	<u>-</u>
	<u>\$ 21,784</u>	<u>\$ 8,336</u>

The \$21,470 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense (income) as follows:

<u>Fiscal year ending June 30</u>	<u>Deferred outflows and (inflows) of resources</u>
2019	\$ (1,968)
2020	(1,968)
2021	(2,002)
2022	<u>(2,084)</u>
Total	<u>\$ (8,022)</u>

Actuarial assumptions. See actuarial valuations included in Note 8 E. Pension plans except adding healthy retirees participation at 38% and disabled retirees participation at 20%.

Long-term expected rate of return. See long-term expected rate of return included in Note 8 F. Pension plans.

Depletion date projection. GASB 75 generally requires that a blended discount rate be used to measure the Total OPEB 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 (fair market value of assets) 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 75 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB 75 (paragraph 82) 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.

Discount rate. The discount rate used to measure the total OPEB liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the RHIA 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 OPEB plan investments for the RHIA plan was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the City of Cottage Grove's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the City's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 7.50 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
City's proportionate share of Net OPEB liability (asset)	<u>\$ 2,509</u>	<u>\$ (17,998)</u>	<u>\$ (35,440)</u>

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2018

Note 11 - Other Post - Employment Benefits (OPEB) - Retirement Health Insurance Account Plan, continued

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

Changes in Assumption 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 71. 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.aspx>.

Changes in Plan Provisions Subsequent to Measurement Date. At its July 28, 2017 meeting, the PERS Board lowered the investment return assumption to 7.2%. The rate takes effect January 1, 2018.

Note 12 - 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 13 - 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 14 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, 2018, 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 15 - Future adoption of GASB pronouncements

The City will implement new GASB pronouncements no later than the required effective date. The City is currently evaluating whether or not the following new GASB pronouncements will have a significant impact to the City's financial statements.

GASB Statement No. 84, *Fiduciary Activities*. This statement was issued January 2017 to establish criteria for identifying fiduciary activities of all state and local governments. GASB 84 will be effective for the City, fiscal year ending June 30, 2020.

GASB Statement No. 87, *Leases*. This Statement was Issued June 2017 to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments and increases the usefulness of governments' financial statements. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB Statement No. 87 will be effective for the City for fiscal year ending June 30, 2021.

GASB Statement No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*. This statement was issued June 2018 to establish accounting requirements for interest cost incurred before the end of a construction period. The objectives of the Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 will be effective for the City for fiscal year ending June 30, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COTTAGE GROVE, OREGON

Required Supplementary Information

Year Ended June 30, 2018

Schedule of the Proportionate Share of the Net Pension Liability

Oregon Public Employees Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.060 %	0.059 %	0.058 %	0.054 %
Proportionate share of the net pension liability (asset)	\$ 8,205,352	\$ 8,789,141	\$ 3,341,340	\$ (1,229,962)
Covered payroll	\$ 4,457,525	\$ 4,198,300	\$ 4,038,370	\$ 3,949,874
Proportionate share of the pension liability (asset) as a percentage of its covered employee payroll	184.08 %	209.35 %	82.74 %	(31.14)%
Plan net position as a percentage of the total pension liability	83.10 %	80.50 %	91.90 %	103.60 %

Schedule of Pension Contributions

Oregon Public Employees Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 658,122	\$ 566,535	\$ 553,803	\$ 590,234
Contributions in relation to the contractually required contribution	<u>658,122</u>	<u>566,535</u>	<u>553,803</u>	<u>590,234</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 4,457,525	\$ 4,198,300	\$ 4,038,370	\$ 3,948,874
Contributions as a percentage of covered employee payroll	14.76 %	13.49 %	13.71 %	14.95 %

Schedule of Proportionate Share of the Net OPEB RHIA (Asset) Liability

Oregon Public Employee Retirement System

	<u>2018</u>	<u>2017</u>
Proportion of the net OPEB (asset) liability	0.04 %	0.04 %
Proportionate share of the net OPEB liability (asset)	\$ (17,998)	\$ 11,281
Covered payroll	\$ 4,457,525	\$ 4,198,300
Proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	(0.40)%	0.27 %
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	108.90 %	94.20 %

Schedule of OPEB Contributions

Oregon Public Employee Retirement System

	<u>2018</u>	<u>2017</u>
Contractual required contribution	\$ 21,470	\$ 18,523
Contributions in relation to the contractually required contribution	<u>(21,470)</u>	<u>(18,523)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	4,457,525	4,198,300
Contributions as a percentage of covered payroll	0.48 %	0.44 %

Note: Only the information for the years available is presented in the above schedules.

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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Property taxes	\$ 4,385,000	\$ 4,385,000	\$ 4,515,181	\$ 130,181
Franchise taxes	542,000	542,000	619,491	77,491
Alcohol taxes	155,000	155,000	157,983	2,983
Room tax	122,000	122,000	124,683	2,683
Other taxes	12,000	12,000	13,436	1,436
Marijuana Tax	15,000	15,000	114,016	99,016
Licenses and permits	22,050	22,050	25,576	3,526
Intergovernmental revenues	196,220	196,220	204,561	8,341
Charges for services	508,560	508,560	616,407	107,847
Fines and forfeitures	87,600	87,600	114,222	26,622
Investment earnings	15,000	15,000	51,727	36,727
Contributions and donations	127,200	127,200	181,689	54,489
Grants and contracts	330,900	344,650	314,874	(29,776)
Total revenues	<u>6,518,530</u>	<u>6,532,280</u>	<u>7,053,846</u>	<u>521,566</u>
Expenditures:				
General Government:				
City Council	36,500	36,500	33,899	2,601
City Manager	385,280	385,280	380,439	4,841
Finance	380,880	380,880	344,770	36,110
Public Safety:				
Police Operations	2,713,714	2,713,714	2,504,365	209,349
Municipal Court	82,205	82,205	79,309	2,896
Court Support Services	76,150	76,150	72,936	3,214
Youth Peer Court	27,640	27,640	18,539	9,101
Maintenance	355,705	365,585	361,607	3,978
Culture and Recreation:				
Engineering	314,485	314,485	238,232	76,253
Broadband Services	338,290	338,290	289,499	48,791
Community Development:				
Community Development	627,699	627,699	523,516	104,183
Library	446,335	446,335	402,576	43,759
Community Center	152,550	152,550	145,186	7,364
Community Promotions	122,200	136,950	130,198	6,752
Non-Departmental	243,400	243,400	203,682	39,718
Contingency	329,922	325,422	-	325,422
Total expenditures	<u>6,632,955</u>	<u>6,653,085</u>	<u>5,728,753</u>	<u>924,332</u>
Excess revenues over (under) expenditures	<u>(114,425)</u>	<u>(120,805)</u>	<u>1,325,093</u>	<u>1,445,898</u>
Other financing sources (uses):				
Transfers in	9,000	9,000	9,000	-
Transfers out	(1,102,700)	(1,102,700)	(1,081,725)	20,975
Refunding debt proceeds	-	-	224,477	224,477
Refunding debt premium	-	-	38,439	38,439
Payment to refunding bond escrow agent	-	-	(262,916)	(262,916)
Bond issuance costs	-	-	(2,105)	(2,105)
Proceeds from loans	126,000	126,000	86,850	(39,150)
Insurance proceeds	-	6,380	11,399	5,019
Total other financing sources (uses)	<u>(967,700)</u>	<u>(961,320)</u>	<u>(976,581)</u>	<u>(15,261)</u>
Net change in fund balances	<u>(1,082,125)</u>	<u>(1,082,125)</u>	<u>348,512</u>	<u>1,430,637</u>
Fund Balance:				
Beginning of year	<u>1,659,700</u>	<u>1,659,700</u>	<u>2,073,846</u>	<u>414,146</u>
End of year	<u>\$ 577,575</u>	<u>\$ 577,575</u>	<u>\$ 2,422,358</u>	<u>\$ 1,844,783</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Local fuels tax	\$ 330,000	\$ 330,000	\$ 405,419	\$ 75,419
Intergovernmental revenues	1,027,415	1,027,415	632,659	(394,756)
Miscellaneous	1,000	1,000	6,183	5,183
Investment earnings	<u>3,000</u>	<u>3,000</u>	<u>15,728</u>	<u>12,728</u>
Total revenues	<u>1,361,415</u>	<u>1,361,415</u>	<u>1,059,989</u>	<u>(301,426)</u>
Expenditures:				
Street Maintenance	574,530	574,530	478,935	95,595
Street Sweeping	114,185	114,185	54,975	59,210
Streets capital improvements	1,324,955	1,324,955	867,409	457,546
Non-departmental:				
Materials and Services	119,250	119,250	114,269	4,981
Contingency	<u>296,500</u>	<u>296,500</u>	<u>-</u>	<u>296,500</u>
Total expenditures	<u>2,429,420</u>	<u>2,429,420</u>	<u>1,515,588</u>	<u>913,832</u>
Excess of revenues over (under) expenditures	(1,068,005)	(1,068,005)	(455,599)	612,406
Other financing sources (uses):				
Transfers out	<u>(69,245)</u>	<u>(69,245)</u>	<u>(69,245)</u>	<u>-</u>
Net change in fund balance	(1,137,250)	(1,137,250)	(524,844)	612,406
Beginning fund balance	<u>1,137,250</u>	<u>1,137,250</u>	<u>1,295,567</u>	<u>158,317</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 770,723</u>	<u>\$ 770,723</u>

OTHER SUPPLEMENTARY INFORMATION

CITY OF COTTAGE GROVE, OREGON

Debt Service Fund (817)

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Expenditures:				
Non-departmental:				
Debt Service - Principal	\$ 1,510,723	\$ 1,510,723	\$ 1,399,217	\$ 111,506
Debt Service - Interest	<u>953,777</u>	<u>953,777</u>	<u>780,367</u>	<u>173,410</u>
Total expenditures	<u>2,464,500</u>	<u>2,464,500</u>	<u>2,179,584</u>	<u>284,916</u>
Excess of revenues over (under) expenditures	(2,464,500)	(2,464,500)	(2,179,584)	284,916
Other financing sources (uses):				
Transfers in	<u>2,464,500</u>	<u>2,464,500</u>	<u>2,179,584</u>	<u>(284,916)</u>
Net change in fund balance	-	-	-	-
Beginning fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Reconciliation to GAAP basis:			-	
Principal			(1,103,446)	
Interest expense			(578,921)	
Materials and Services			(655)	
Transfers in			<u>1,683,022</u>	
GAAP fund balance - end of year			<u>\$ -</u>	

For budgetary basis, all debt service principal and interest payments are recognized as expenditures in the Debt Service Fund. For GAAP, the amounts relating to enterprise funds are reclassified to the enterprise fund with a corresponding decrease in transfers in from the enterprise funds.

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, 2018

	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	\$ 764,279	\$ 1,680,382	\$ 32,227	\$ 2,476,888
Accounts	58,210	-	13	58,223
Loan	18,744	-	-	18,744
Total assets	<u>\$ 841,233</u>	<u>\$ 1,680,382</u>	<u>\$ 32,240</u>	<u>\$ 2,553,855</u>
Liabilities				
Current liabilities:				
Accounts payable	\$ 85,247	\$ 61,218	\$ 3,883	\$ 150,348
Payroll and related accruals	29,582	-	-	29,582
Advance from other fund	38,600	-	-	38,600
Total liabilities	<u>153,429</u>	<u>61,218</u>	<u>3,883</u>	<u>218,530</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	423,817	-	25,357	449,174
Committed	294,601	1,619,164	-	1,913,765
Unassigned	(49,358)	-	-	(49,358)
Total fund balances	<u>669,060</u>	<u>1,619,164</u>	<u>28,357</u>	<u>2,316,581</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 841,233</u>	<u>\$ 1,680,382</u>	<u>\$ 32,240</u>	<u>\$ 2,553,855</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, 2018

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Projects Funds	Permanent Fund -Special Trust Fund	Total Nonmajor Governmental Funds
Revenues:				
Grants and contracts	\$ 35,000	\$ -	\$ 10,985	\$ 45,985
Intergovernmental revenues	153,158	-	-	153,158
Charges for services	317,572	-	-	317,572
Fines and forfeitures	25,949	-	-	25,949
Investment earnings	10,426	23,665	130	34,221
Contributions and donations	-	-	150,864	150,864
Miscellaneous	33,639	-	-	33,639
Special assessments	-	130,396	-	130,396
Total Revenues	<u>575,744</u>	<u>154,061</u>	<u>161,979</u>	<u>891,784</u>
Expenditures:				
Current:				
General Government	325,793	165,709	-	491,502
Public Safety	675,275	-	-	675,275
Highways and streets	122,653	-	-	122,653
Culture and recreation	-	49,733	-	49,733
Community Development	2,087	-	158,990	161,077
Debt service:				
Principal	(19,300)	-	-	(19,300)
Total Expenditures	<u>1,106,508</u>	<u>215,442</u>	<u>158,990</u>	<u>1,480,940</u>
Excess of revenues over (under) expenditures	<u>(530,764)</u>	<u>(61,381)</u>	<u>2,989</u>	<u>(589,156)</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	111,786	-	-	111,786
Transfers in	555,860	190,000	-	745,860
Transfers out	(100,453)	-	-	(100,453)
Refunding debt issued	215,040	-	-	215,040
Premium on refunding debt issued	36,879	-	-	36,879
Payment to refunded bond escrow agent	(251,920)	-	-	(251,920)
Total other financing sources (uses)	<u>567,192</u>	<u>190,000</u>	<u>-</u>	<u>757,192</u>
Net change in fund balance	36,428	128,619	2,989	168,036
Fund balance at beginning of year	<u>632,632</u>	<u>1,490,545</u>	<u>25,368</u>	<u>2,148,545</u>
Fund balance at end of year	<u>\$ 669,060</u>	<u>\$ 1,619,164</u>	<u>\$ 28,357</u>	<u>\$ 2,316,581</u>

CITY OF COTTAGE GROVE, OREGON

Nonmajor Special Revenue Funds

Combining Balance Sheet

June 30, 2018

	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	\$ 157,596	\$ 116,208	\$ 24,838	\$ 9,477	\$ 188,961	\$ 150,990	\$ 116,209	\$ 764,279
Accounts	-	24,363	612	-	-	33,235	-	58,210
Loan	-	-	-	18,744	-	-	-	18,744
Total assets	\$ 157,596	\$ 140,571	\$ 25,450	\$ 28,221	\$ 188,961	\$ 184,225	\$ 116,209	\$ 841,233
Liabilities								
Accounts payable	\$ -	\$ 813	\$ 36,208	\$ -	\$ -	\$ 48,226	\$ -	\$ 85,247
Payroll and related accruals	-	21,111	-	-	-	8,471	-	29,582
Advance from other fund	-	-	38,600	-	-	-	-	38,600
Total liabilities	-	21,924	74,808	-	-	56,697	-	153,429
Deferred Inflows of Resources								
Unavailable revenues	-	-	-	18,744	-	-	-	18,744
Fund Balance								
Restricted	-	118,647	-	-	188,961	-	116,209	423,817
Committed	157,596	-	-	9,477	-	127,528	-	294,601
Unassigned	-	-	(49,358)	-	-	-	-	(49,358)
Total Fund Balances	157,596	118,647	(49,358)	9,477	188,961	127,528	116,209	669,060
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 157,596	\$ 140,571	\$ 25,450	\$ 28,221	\$ 188,961	\$ 184,225	\$ 116,209	\$ 841,233

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, 2018

	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
Revenues:								
Intergovernmental revenues	\$ -	\$ 146,768	\$ 6,390	\$ -	\$ -	\$ -	\$ -	\$ 153,158
Charges for services	-	-	-	-	-	317,572	-	317,572
Investment earnings	2,416	1,249	885	145	3,069	1,884	778	10,426
Miscellaneous	-	327	-	-	-	33,238	74	33,639
Fines and forfeitures	-	-	-	-	25,949	-	-	25,949
Grants and contracts	-	-	35,000	-	-	-	-	35,000
Total Revenues	2,416	148,344	42,275	145	29,018	352,694	852	575,744
Expenditures:								
Current:								
General Government	-	-	-	-	-	325,793	-	325,793
Public Safety	-	655,255	-	-	20,020	-	-	675,275
Highways and streets	-	-	122,653	-	-	-	-	122,653
Community Development	-	-	-	-	-	-	2,087	2,087
Debt service:								
Principal	-	-	(19,300)	-	-	-	-	(19,300)
Total Expenditures	-	655,255	103,353	-	20,020	325,793	2,087	1,106,508
Revenues over (under) expenditures	2,416	(506,911)	(61,078)	145	8,998	26,901	(1,235)	(530,764)
Other financing sources (uses):								
Transfers in	-	500,250	19,300	-	-	10,810	25,500	555,860
Transfers out	-	(12,414)	(28,300)	-	(1,636)	(1,537)	(56,566)	(100,453)
Proceeds from sale of capital assets	-	-	-	-	-	-	111,786	111,786
Refunding debt issued	-	-	-	-	-	-	215,040	215,040
Premium on refunding debt issued	-	-	-	-	-	-	36,879	36,879
Payment to refunding agent	-	-	-	-	-	-	(251,920)	(251,920)
Total other financing sources (uses)	-	487,836	(9,000)	-	(1,636)	9,273	80,719	567,192
Net change in fund balance	2,416	(19,075)	(70,078)	145	7,362	36,174	79,484	36,428
Beginning fund balance	155,180	137,722	20,720	9,332	181,599	91,354	36,725	632,632
Ending fund balance	\$ 157,596	\$ 118,647	\$ (49,358)	\$ 9,477	\$ 188,961	\$ 127,528	\$ 116,209	\$ 669,060

CITY OF COTTAGE GROVE, OREGON

Nonmajor Capital Project Funds

Combining Balance Sheet

June 30, 2018

	<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	\$ 1,139,947	\$ 263,749	\$ 276,686	\$ 1,680,382
Total assets	<u>\$ 1,139,947</u>	<u>\$ 263,749</u>	<u>\$ 276,686</u>	<u>\$ 1,680,382</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ 61,218	\$ 61,218
Fund Balance				
Committed	1,139,947	263,749	215,468	1,619,164
Total Liabilities and Fund Balances	<u>\$ 1,139,947</u>	<u>\$ 263,749</u>	<u>\$ 276,686</u>	<u>\$ 1,680,382</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, 2018

	<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	\$ 16,886	\$ 4,026	\$ 2,753	\$ 23,665
Special assessments	<u>73,047</u>	<u>57,349</u>	<u>-</u>	<u>130,396</u>
Total Revenues	<u>89,933</u>	<u>61,375</u>	<u>2,753</u>	<u>154,061</u>
Expenditures:				
Current:				
General Government	-	-	165,709	165,709
Culture and recreation	<u>-</u>	<u>49,733</u>	<u>-</u>	<u>49,733</u>
Total Expenditures	<u>-</u>	<u>49,733</u>	<u>165,709</u>	<u>215,442</u>
Excess of revenues over (under) expenditures	<u>89,933</u>	<u>11,642</u>	<u>(162,956)</u>	<u>(61,381)</u>
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>-</u>	<u>190,000</u>	<u>190,000</u>
Net change in fund balance	89,933	11,642	27,044	128,619
Beginning fund balance	<u>1,050,014</u>	<u>252,107</u>	<u>188,424</u>	<u>1,490,545</u>
Ending fund balance	<u>\$ 1,139,947</u>	<u>\$ 263,749</u>	<u>\$ 215,468</u>	<u>\$ 1,619,164</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Investment earnings	\$ 800	\$ 800	\$ 2,416	\$ 1,616
Total revenues	<u>800</u>	<u>800</u>	<u>2,416</u>	<u>1,616</u>
Expenditures:				
Materials and Services	203,345	203,345	-	203,345
Capital Outlay	<u>1,068,370</u>	<u>1,068,370</u>	<u>-</u>	<u>1,068,370</u>
Total expenditures	<u>1,271,715</u>	<u>1,271,715</u>	<u>-</u>	<u>1,271,715</u>
Excess of revenues over (under) expenditures	<u>(1,270,915)</u>	<u>(1,270,915)</u>	<u>2,416</u>	<u>1,273,331</u>
Other financing sources (uses):				
Net change in fund balance	(1,270,915)	(1,270,915)	2,416	1,273,331
Beginning fund balance	<u>154,885</u>	<u>154,885</u>	<u>155,180</u>	<u>295</u>
Ending fund balance	<u>\$ (1,116,030)</u>	<u>\$ (1,116,030)</u>	<u>\$ 157,596</u>	<u>\$ 1,273,626</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental revenues	\$ 146,805	\$ 146,805	\$ 146,768	\$ (37)
Investment earnings	200	200	1,249	1,049
Miscellaneous	-	-	327	327
Total revenues	<u>147,005</u>	<u>147,005</u>	<u>148,344</u>	<u>1,339</u>
Expenditures:				
Police Support Services	436,695	436,695	404,068	32,627
911 Services	<u>272,560</u>	<u>272,560</u>	<u>251,187</u>	<u>21,373</u>
Total expenditures	<u>709,255</u>	<u>709,255</u>	<u>655,255</u>	<u>54,000</u>
Excess of revenues over (under) expenditures	(562,250)	(562,250)	(506,911)	55,339
Other financing sources (uses):				
Transfers in	500,250	500,250	500,250	-
Transfers out	<u>(12,415)</u>	<u>(12,415)</u>	<u>(12,414)</u>	<u>1</u>
Net change in fund balance	(74,415)	(74,415)	(19,075)	55,340
Beginning fund balance	<u>82,000</u>	<u>82,000</u>	<u>137,722</u>	<u>55,722</u>
Ending fund balance	<u>\$ 7,585</u>	<u>\$ 7,585</u>	<u>\$ 118,647</u>	<u>\$ 111,062</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Grants and contracts	\$ 70,000	\$ 70,000	\$ 35,000	\$ (35,000)
Intergovernmental revenues	25,685	25,685	6,390	(19,295)
Investment earnings	<u>250</u>	<u>250</u>	<u>885</u>	<u>635</u>
Total revenues	<u>95,935</u>	<u>95,935</u>	<u>42,275</u>	<u>(53,660)</u>
Expenditures:				
Material and Services	36,540	36,540	22,891	13,649
Capital Outlay	94,000	109,000	99,762	9,238
Contingency	<u>18,625</u>	<u>3,625</u>	<u>-</u>	<u>3,625</u>
Total expenditures	<u>149,165</u>	<u>149,165</u>	<u>122,653</u>	<u>26,512</u>
Excess of revenues over (under) expenditures	(53,230)	(53,230)	(80,378)	(27,148)
Other financing sources (uses):				
Transfers in	19,300	19,300	19,300	-
Transfers out	<u>(28,300)</u>	<u>(28,300)</u>	<u>(28,300)</u>	<u>-</u>
Net change in fund balance	(62,230)	(62,230)	(89,378)	(27,148)
Beginning fund balance	<u>62,230</u>	<u>62,230</u>	<u>78,620</u>	<u>16,390</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(10,758)</u>	<u>\$ (10,758)</u>
Reconciliation to GAAP basis:				
Due to other funds			<u>(38,600)</u>	
GAAP fund balance - end of year			<u>\$ (49,358)</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Investment earnings	\$ 10	\$ 10	\$ 145	\$ 135
Total revenues	<u>10</u>	<u>10</u>	<u>145</u>	<u>135</u>
Expenditures:				
Materials and Services	<u>9,380</u>	<u>9,380</u>	<u>-</u>	<u>9,380</u>
Total expenditures	<u>9,380</u>	<u>9,380</u>	<u>-</u>	<u>9,380</u>
Excess of revenues over (under) expenditures	<u>(9,370)</u>	<u>(9,370)</u>	<u>145</u>	<u>9,515</u>
Other financing sources (uses):				
Net change in fund balance	(9,370)	(9,370)	145	9,515
Beginning fund balance	<u>9,370</u>	<u>9,370</u>	<u>9,332</u>	<u>(38)</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,477</u>	<u>\$ 9,477</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Investment earnings	\$ 500	\$ 500	\$ 3,069	\$ 2,569
Fines and forfeitures	-	-	25,949	25,949
Total revenues	<u>500</u>	<u>500</u>	<u>29,018</u>	<u>28,518</u>
Expenditures:				
Personnel Services	16,175	16,175	-	16,175
Materials and Services	47,210	47,210	2,210	45,000
Capital Outlay	100,000	100,000	17,810	82,190
Contingency	20,475	20,475	-	20,475
Total expenditures	<u>183,860</u>	<u>183,860</u>	<u>20,020</u>	<u>163,840</u>
Excess of revenues over (under) expenditures	(183,360)	(183,360)	8,998	192,358
Other financing sources (uses):				
Transfers out	<u>(1,640)</u>	<u>(1,640)</u>	<u>(1,636)</u>	<u>4</u>
Net change in fund balance	(185,000)	(185,000)	7,362	192,362
Beginning fund balance	<u>185,000</u>	<u>185,000</u>	<u>181,599</u>	<u>(3,401)</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 188,961</u>	<u>\$ 188,961</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 315,000	\$ 315,000	\$ 317,572	\$ 2,572
Investment earnings	-	-	1,884	1,884
Miscellaneous	-	-	33,238	33,238
Total revenues	<u>315,000</u>	<u>315,000</u>	<u>352,694</u>	<u>37,694</u>
Expenditures:				
Personnel Services	47,070	107,070	89,451	17,619
Materials and Services	<u>277,200</u>	<u>277,200</u>	<u>236,342</u>	<u>40,858</u>
Total expenditures	<u>324,270</u>	<u>384,270</u>	<u>325,793</u>	<u>58,477</u>
Excess of revenues over (under) expenditures	(9,270)	(69,270)	26,901	96,171
Other financing sources (uses):				
Transfers in	10,810	10,810	10,810	-
Transfers out	<u>(1,540)</u>	<u>(1,540)</u>	<u>(1,537)</u>	<u>3</u>
Net change in fund balance	-	(60,000)	36,174	96,174
Beginning fund balance	-	<u>60,000</u>	<u>91,354</u>	<u>31,354</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 127,528</u>	<u>\$ 127,528</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Investment earnings	\$ 15	\$ 15	\$ 778	\$ 763
Miscellaneous	-	-	74	74
Total revenues	<u>15</u>	<u>15</u>	<u>852</u>	<u>837</u>
Expenditures:				
Materials and Services	1,145	1,145	70	1,075
Bond issuance costs	-	-	2,017	(2,017)
Contingency	200,000	200,000	-	200,000
Total expenditures	<u>201,145</u>	<u>201,145</u>	<u>2,087</u>	<u>199,058</u>
Excess of revenues over (under) expenditures	(201,130)	(201,130)	(1,235)	199,895
Other financing sources (uses):				
Transfers in	25,500	25,500	25,500	-
Transfers out	(61,095)	(61,095)	(56,566)	4,529
Proceeds from sale of capital assets	200,000	200,000	111,786	(88,214)
Refunding debt issued	-	-	215,040	215,040
Premium on refunding debt issued	-	-	36,879	36,879
Payment to refunding agent	-	-	(251,920)	(251,920)
Net change in fund balance	<u>(36,725)</u>	<u>(36,725)</u>	<u>79,484</u>	<u>116,209</u>
Beginning fund balance	<u>36,725</u>	<u>36,725</u>	<u>36,725</u>	<u>-</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 116,209</u>	<u>\$ 116,209</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Special assessments	\$ 12,000	\$ 12,000	\$ 73,047	\$ 61,047
Investment earnings	<u>1,150</u>	<u>1,150</u>	<u>16,886</u>	<u>15,736</u>
Total revenues	<u>13,150</u>	<u>13,150</u>	<u>89,933</u>	<u>76,783</u>
Expenditures:				
Materials and Services	84,405	84,405	-	84,405
Capital Outlay	827,010	827,010	-	827,010
Land Acquisition	<u>85,000</u>	<u>85,000</u>	<u>-</u>	<u>85,000</u>
Total expenditures	<u>996,415</u>	<u>996,415</u>	<u>-</u>	<u>996,415</u>
Net change in fund balance	(983,265)	(983,265)	89,933	1,073,198
Beginning fund balance	<u>983,265</u>	<u>983,265</u>	<u>1,050,014</u>	<u>66,749</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,139,947</u>	<u>\$ 1,139,947</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Special assessments	\$ 15,000	\$ 15,000	\$ 57,349	\$ 42,349
Investment earnings	<u>800</u>	<u>800</u>	<u>4,026</u>	<u>3,226</u>
Total revenues	<u>15,800</u>	<u>15,800</u>	<u>61,375</u>	<u>45,575</u>
Expenditures:				
Materials and Services	7,010	7,010	325	6,685
Capital Outlay	<u>202,330</u>	<u>202,330</u>	<u>49,408</u>	<u>152,922</u>
Total expenditures	<u>209,340</u>	<u>209,340</u>	<u>49,733</u>	<u>159,607</u>
Net change in fund balance	(193,540)	(193,540)	11,642	205,182
Beginning fund balance	<u>193,540</u>	<u>193,540</u>	<u>252,107</u>	<u>58,567</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 263,749</u>	<u>\$ 263,749</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Investment earnings	\$ 250	\$ 250	\$ 2,753	\$ 2,503
Total revenues	<u>250</u>	<u>250</u>	<u>2,753</u>	<u>2,503</u>
Expenditures:				
Materials and Services	4,000	4,000	3,974	26
Capital Outlay	<u>358,355</u>	<u>358,355</u>	<u>161,735</u>	<u>196,620</u>
Total expenditures	<u>362,355</u>	<u>362,355</u>	<u>165,709</u>	<u>196,646</u>
Excess of revenues over (under) expenditures	(362,105)	(362,105)	(162,956)	199,149
Other financing sources (uses):				
Transfers in	<u>190,000</u>	<u>190,000</u>	<u>190,000</u>	<u>-</u>
Net change in fund balance	(172,105)	(172,105)	27,044	199,149
Beginning fund balance	<u>172,105</u>	<u>172,105</u>	<u>188,424</u>	<u>16,319</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 215,468</u>	<u>\$ 215,468</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Grants and contracts	\$ 775	\$ 775	\$ 10,985	\$ 10,210
Investment earnings	250	250	130	(120)
Contributions and donations	<u>384,900</u>	<u>384,900</u>	<u>150,864</u>	<u>(234,036)</u>
Total revenues	<u>385,925</u>	<u>385,925</u>	<u>161,979</u>	<u>(223,946)</u>
Expenditures:				
Materials and Services	391,543	391,543	153,725	237,818
Capital Outlay	<u>16,000</u>	<u>16,000</u>	<u>5,264</u>	<u>10,736</u>
Total expenditures	<u>407,543</u>	<u>407,543</u>	<u>158,989</u>	<u>248,554</u>
Net change in fund balance	(21,618)	(21,618)	2,990	24,608
Beginning fund balance	<u>21,618</u>	<u>21,618</u>	<u>25,367</u>	<u>3,749</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,357</u>	<u>\$ 28,357</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, 2018

	<u>Water Fund (202)</u>	<u>Water Systems Development Fund (602)</u>	<u>Water Reserve Fund (732)</u>	<u>Total</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 655,884	\$ 944,309	\$ 991,419	\$ 2,591,612
Receivables - net	155,405	-	147,950	303,355
Inventories	<u>135,214</u>	<u>-</u>	<u>-</u>	<u>135,214</u>
Total current assets	<u>946,503</u>	<u>944,309</u>	<u>1,139,369</u>	<u>3,030,181</u>
Noncurrent assets:				
Capital assets	<u>14,141,948</u>	<u>-</u>	<u>-</u>	<u>14,141,948</u>
Total noncurrent assets	<u>14,141,948</u>	<u>-</u>	<u>-</u>	<u>14,141,948</u>
Total assets	<u>15,088,451</u>	<u>944,309</u>	<u>1,139,369</u>	<u>17,172,129</u>
Deferred outflows				
Related to pensions	406,459	-	-	406,459
Related to bond refunding	<u>-</u>	<u>-</u>	<u>89,900</u>	<u>89,900</u>
Total deferred outflows	<u>406,459</u>	<u>-</u>	<u>89,900</u>	<u>496,359</u>
Total assets and deferred outflows	<u>\$ 15,494,910</u>	<u>\$ 944,309</u>	<u>\$ 1,229,269</u>	<u>\$ 17,668,488</u>
Liabilities and Net Position				
Liabilities				
Current liabilities:				
Accounts payable	\$ 56,603	\$ -	\$ 12,561	\$ 69,164
Payroll and related accruals	40,121	-	-	40,121
Accrued interest payable	81,271	-	-	81,271
Deposits	43,080	-	-	43,080
Compensated absences payable	53,009	-	-	53,009
Current portion of long-term debt	<u>202,382</u>	<u>-</u>	<u>351,550</u>	<u>553,932</u>
Total current liabilities	<u>476,466</u>	<u>-</u>	<u>364,111</u>	<u>840,577</u>
Noncurrent liabilities:				
Long-term debt, net of current portion	2,706,831	-	5,002,858	7,709,689
Net pension liability	<u>1,169,016</u>	<u>-</u>	<u>-</u>	<u>1,169,016</u>
Total noncurrent liabilities	<u>3,875,847</u>	<u>-</u>	<u>5,002,858</u>	<u>8,878,705</u>
Total Liabilities	<u>4,352,313</u>	<u>-</u>	<u>5,366,969</u>	<u>9,719,282</u>
Deferred inflows				
Related to pensions	<u>14,161</u>	<u>-</u>	<u>-</u>	<u>14,161</u>
Net Position				
Net investment in capital assets	11,368,929	-	(5,264,508)	6,104,421
Restricted for system development	-	944,309	-	944,309
Unrestricted	<u>(240,493)</u>	<u>-</u>	<u>1,126,808</u>	<u>886,315</u>
Total Net Position	<u>11,128,436</u>	<u>944,309</u>	<u>(4,137,700)</u>	<u>7,935,045</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 15,494,910</u>	<u>\$ 944,309</u>	<u>\$ 1,229,269</u>	<u>\$ 17,668,488</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, 2018

	<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	\$ 1,778,018	\$ 243,592	\$ 1,418,427	\$ 3,440,037
Miscellaneous	1,449	-	450	1,899
Total Operating Revenues	<u>1,779,467</u>	<u>243,592</u>	<u>1,418,877</u>	<u>3,441,936</u>
Operating Expenses				
Personal Services	1,143,487	-	-	1,143,487
Materials and Services	615,212	135	142,669	758,016
Depreciation expense	543,885	-	-	543,885
Total Operating Expenses	<u>2,302,584</u>	<u>135</u>	<u>142,669</u>	<u>2,445,388</u>
Operating Income (Loss)	<u>(523,117)</u>	<u>243,457</u>	<u>1,276,208</u>	<u>996,548</u>
Nonoperating revenues (expenses)				
Interest expense	(6,059)	-	(295,527)	(301,586)
Investment earnings	11,360	12,639	11,003	35,002
Debt issuance costs	(22,858)	-	(39,622)	(62,480)
Total non-operating revenues (expenses)	<u>(17,557)</u>	<u>12,639</u>	<u>(324,146)</u>	<u>(329,064)</u>
Income (loss) before transfers	(540,674)	256,096	952,062	667,484
Transfers in	386,423	-	100,000	486,423
Transfers out	<u>(100,000)</u>	<u>-</u>	<u>(594,685)</u>	<u>(694,685)</u>
Change in Net Position	(254,251)	256,096	457,377	459,222
Beginning Net Position	<u>11,382,687</u>	<u>688,213</u>	<u>(4,595,077)</u>	<u>7,475,823</u>
Ending Net Position	<u>\$ 11,128,436</u>	<u>\$ 944,309</u>	<u>\$ (4,137,700)</u>	<u>\$ 7,935,045</u>

CITY OF COTTAGE GROVE, OREGON

Water Operations Combined

Combining Statement of Cash Flows

For the Year Ended June 30, 2018

	<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	\$ 1,767,055	\$ 243,592	\$ 1,412,671	\$ 3,423,318
Cash payments to employees	(977,707)	-	-	(977,707)
Cash payments to suppliers for goods and services	<u>(599,611)</u>	<u>(135)</u>	<u>(130,170)</u>	<u>(729,916)</u>
Net cash provided (used) by operating activities	<u>189,737</u>	<u>243,457</u>	<u>1,282,501</u>	<u>1,715,695</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	286,423	-	100,000	386,423
Transfers out	<u>-</u>	<u>-</u>	<u>(386,423)</u>	<u>(386,423)</u>
Net cash provided (used) by noncapital financing activities	<u>286,423</u>	<u>-</u>	<u>(286,423)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(237,513)	-	-	(237,513)
Principal paid on capital debt	(151,539)	-	(306,483)	(458,022)
Interest paid on capital debt	(14,790)	-	(307,981)	(322,771)
Debt issuance costs paid	<u>(22,858)</u>	<u>-</u>	<u>(39,622)</u>	<u>(62,480)</u>
Net cash provided (used) by capital and related financing activities	<u>(426,700)</u>	<u>-</u>	<u>(654,086)</u>	<u>(1,080,786)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	<u>11,360</u>	<u>12,639</u>	<u>11,003</u>	<u>35,002</u>
Net change in cash and cash equivalents	60,820	256,096	352,995	669,911
Cash and cash equivalents:				
Beginning of year	<u>595,064</u>	<u>688,213</u>	<u>638,424</u>	<u>1,921,701</u>
End of year	<u>\$ 655,884</u>	<u>\$ 944,309</u>	<u>\$ 991,419</u>	<u>\$ 2,591,612</u>

CITY OF COTTAGE GROVE, OREGON

Water Operations Combined

Combining Statement of Cash Flows, continued

For the Year Ended June 30, 2018

	<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)	\$ (523,117)	\$ 243,457	\$ 1,276,208	\$ 996,548
Adjustments:				
Depreciation	543,885	-	-	543,885
Change in operating accounts:				
Receivables - net	(12,412)	-	(6,206)	(18,618)
Inventories	(5,683)	-	-	(5,683)
Net pension asset/liability	(150,063)	-	-	(150,063)
Deferred outflow related to pensions	277,002	-	-	277,002
Accounts payable	22,814	-	12,499	35,313
Other liabilities	(1,530)	-	-	(1,530)
Payroll and related	29,884	-	-	29,884
Compensated absences	7,991	-	-	7,991
Deferred inflow related to pensions	<u>966</u>	<u>-</u>	<u>-</u>	<u>966</u>
 Net cash provided (used) by operating activities	 <u>\$ 189,737</u>	 <u>\$ 243,457</u>	 <u>\$ 1,282,501</u>	 <u>\$ 1,715,695</u>

CITY OF COTTAGE GROVE, OREGON

Wastewater Operations Combined

Combining Balance Sheet

June 30, 2018

	Wastewater Fund (302)	Wastewater Systems Development Charge Fund (604)	Wastewater Reserve Fund (735)	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 368,076	\$ 165,060	\$ 488,793	\$ 1,021,929
Receivables - net	182,863	-	113,109	295,972
Inventories	33,809	-	-	33,809
Total current assets	<u>584,748</u>	<u>165,060</u>	<u>601,902</u>	<u>1,351,710</u>
Noncurrent assets:				
Capital assets	<u>14,205,024</u>	<u>-</u>	<u>-</u>	<u>14,205,024</u>
Total noncurrent assets	<u>14,205,024</u>	<u>-</u>	<u>-</u>	<u>14,205,024</u>
Total assets	<u>14,789,772</u>	<u>165,060</u>	<u>601,902</u>	<u>15,556,734</u>
Deferred outflows				
Related to pensions	333,161	-	-	333,161
Related to bond refunding	-	-	42,533	42,533
Total deferred outflows	<u>333,161</u>	<u>-</u>	<u>42,533</u>	<u>375,694</u>
Total assets and deferred outflows	<u>\$ 15,122,933</u>	<u>\$ 165,060</u>	<u>\$ 644,435</u>	<u>\$ 15,932,428</u>
Liabilities and Net Position				
Liabilities				
Current liabilities:				
Accounts payable	\$ 24,096	\$ -	\$ 31,634	\$ 55,730
Payroll and related accruals	34,569	-	-	34,569
Accrued interest payable	65,283	-	-	65,283
Deposits	1,500	-	-	1,500
Unearned revenue	47,906	-	-	47,906
Compensated absences payable	62,557	-	-	62,557
Current portion of long-term debt	20,791	-	440,427	461,218
Total current liabilities	<u>256,702</u>	<u>-</u>	<u>472,061</u>	<u>728,763</u>
Noncurrent liabilities:				
Long-term debt, net of current portion	297,729	-	5,429,187	5,726,916
Net pension liability	958,204	-	-	958,204
Total noncurrent liabilities	<u>1,255,933</u>	<u>-</u>	<u>5,429,187</u>	<u>6,685,120</u>
Total Liabilities	<u>1,512,635</u>	<u>-</u>	<u>5,901,248</u>	<u>7,413,883</u>
Deferred inflows				
Related to pensions	<u>11,607</u>	<u>-</u>	<u>-</u>	<u>11,607</u>
Net Position				
Net investment in capital assets	13,980,638	-	(5,827,081)	8,153,557
Restricted for system development	-	165,060	-	165,060
Unrestricted	<u>(381,947)</u>	<u>-</u>	<u>570,268</u>	<u>188,321</u>
Total Net Position	<u>13,598,691</u>	<u>165,060</u>	<u>(5,256,813)</u>	<u>8,506,938</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 15,122,933</u>	<u>\$ 165,060</u>	<u>\$ 644,435</u>	<u>\$ 15,932,428</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, 2018

	Wastewater Fund (302)	Wastewater Systems Development Charge Fund (604)	Wastewater Reserve Fund (735)	Total
Operating Revenues				
Charges for services	\$ 1,854,936	\$ 43,728	\$ 1,066,901	\$ 2,965,565
Grants and contracts	2,589	-	-	2,589
Miscellaneous	<u>19,538</u>	<u>-</u>	<u>252</u>	<u>19,790</u>
Total Operating Revenues	<u>1,877,063</u>	<u>43,728</u>	<u>1,067,153</u>	<u>2,987,944</u>
Operating Expenses				
Personal Services	1,077,483	-	-	1,077,483
Materials and Services	741,852	240	251,953	994,045
Depreciation expense	<u>607,288</u>	<u>-</u>	<u>-</u>	<u>607,288</u>
Total Operating Expenses	<u>2,426,623</u>	<u>240</u>	<u>251,953</u>	<u>2,678,816</u>
Operating Income (Loss)	<u>(549,560)</u>	<u>43,488</u>	<u>815,200</u>	<u>309,128</u>
Nonoperating revenues (expenses)				
Interest expense	(75,888)	-	(170,986)	(246,874)
Investment earnings	5,925	2,206	4,268	12,399
Debt issuance costs	<u>-</u>	<u>-</u>	<u>(32,387)</u>	<u>(32,387)</u>
Total non-operating revenues (expenses)	<u>(69,963)</u>	<u>2,206</u>	<u>(199,105)</u>	<u>(266,862)</u>
Income (loss) before transfers	(619,523)	45,694	616,095	42,266
Transfers in	91,093	-	95,000	186,093
Transfers out	<u>(95,000)</u>	<u>-</u>	<u>(105,516)</u>	<u>(200,516)</u>
Change in Net Position	(623,430)	45,694	605,579	27,843
Beginning Net Position	<u>14,222,121</u>	<u>119,366</u>	<u>(5,862,392)</u>	<u>8,479,095</u>
Ending Net Position	<u>\$ 13,598,691</u>	<u>\$ 165,060</u>	<u>\$ (5,256,813)</u>	<u>\$ 8,506,938</u>

CITY OF COTTAGE GROVE, OREGON

Wastewater Operations Combined

Combining Statement of Cash Flows

For the Year Ended June 30, 2018

	<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	\$ 1,846,853	\$ 43,728	\$ 1,061,747	\$ 2,952,328
Cash payments to employees	(886,342)	-	-	(886,342)
Cash payments to suppliers for goods and services	<u>(749,887)</u>	<u>(768)</u>	<u>(221,690)</u>	<u>(972,345)</u>
Net cash provided (used) by operating activities	<u>210,624</u>	<u>42,960</u>	<u>840,057</u>	<u>1,093,641</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	91,093	-	95,000	186,093
Transfers out	<u>(95,000)</u>	<u>-</u>	<u>(98,166)</u>	<u>(193,166)</u>
Net cash provided (used) by noncapital financing activities	<u>(3,907)</u>	<u>-</u>	<u>(3,166)</u>	<u>(7,073)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(91,093)	-	-	(91,093)
Principal paid on capital debt	(19,862)	-	(564,442)	(584,304)
Interest paid on capital debt	(38,252)	-	(179,965)	(218,217)
Debt issuance costs paid	<u>-</u>	<u>-</u>	<u>(32,387)</u>	<u>(32,387)</u>
Net cash provided (used) by capital and related financing activities	<u>(149,207)</u>	<u>-</u>	<u>(776,794)</u>	<u>(926,001)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	<u>5,925</u>	<u>2,206</u>	<u>4,268</u>	<u>12,399</u>
Net change in cash and cash equivalents	63,435	45,166	64,365	172,966
Cash and cash equivalents:				
Beginning of year	<u>304,641</u>	<u>119,894</u>	<u>424,428</u>	<u>848,963</u>
End of year	<u>\$ 368,076</u>	<u>\$ 165,060</u>	<u>\$ 488,793</u>	<u>\$ 1,021,929</u>

CITY OF COTTAGE GROVE, OREGON

Wastewater Operations Combined

Combining Statement of Cash Flows, continued

For the Year Ended June 30, 2018

	<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)	\$ (549,560)	\$ 43,488	\$ 815,200	\$ 309,128
Adjustments:				
Depreciation	607,288	-	-	607,288
Change in operating accounts:				
Receivables - net	(31,335)	-	(5,406)	(36,741)
Deferred outflow	180,926	-	-	180,926
Inventories	(664)	-	-	(664)
Net pension asset/liability	(33,983)	-	-	(33,983)
Accounts payable	(7,371)	(528)	30,263	22,364
Other liabilities	1,125	-	-	1,125
Deferred inflow	1,682	-	-	1,682
Compensated absences	15,483	-	-	15,483
Payroll and related accruals	<u>27,033</u>	<u>-</u>	<u>-</u>	<u>27,033</u>
 Net cash provided (used) by operating activities	 <u>\$ 210,624</u>	 <u>\$ 42,960</u>	 <u>\$ 840,057</u>	 <u>\$ 1,093,641</u>

CITY OF COTTAGE GROVE, OREGON

Storm Drain Operations Combined

Combining Balance Sheet

June 30, 2018

	<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	\$ 89,113	\$ 394,725	\$ 1,572,778	\$ 2,056,616
Receivables - net	<u>33,318</u>	<u>-</u>	<u>51,208</u>	<u>84,526</u>
Total current assets	<u>122,431</u>	<u>394,725</u>	<u>1,623,986</u>	<u>2,141,142</u>
Noncurrent assets:				
Internal balances	-	38,600	-	38,600
Capital assets	<u>2,817,267</u>	<u>-</u>	<u>-</u>	<u>2,817,267</u>
Total noncurrent assets	<u>2,817,267</u>	<u>38,600</u>	<u>-</u>	<u>2,855,867</u>
Total assets	<u>2,939,698</u>	<u>433,325</u>	<u>1,623,986</u>	<u>4,997,009</u>
Deferred outflows				
Related to pensions	60,424	-	-	60,424
Related to bond refunding	<u>-</u>	<u>-</u>	<u>12,794</u>	<u>12,794</u>
Total deferred outflows	<u>60,424</u>	<u>-</u>	<u>12,794</u>	<u>73,218</u>
Total assets and deferred outflows	<u>\$ 3,000,122</u>	<u>\$ 433,325</u>	<u>\$ 1,636,780</u>	<u>\$ 5,070,227</u>
Liabilities and Net Position				
Liabilities				
Current liabilities:				
Accounts payable	\$ 3,898	\$ -	\$ 4,661	\$ 8,559
Payroll and related accruals	6,894	-	-	6,894
Accrued interest payable	10,745	-	-	10,745
Compensated absences payable	10,027	-	-	10,027
Current portion of long-term debt	440	-	84,352	84,792
Total current liabilities	<u>32,004</u>	<u>-</u>	<u>89,013</u>	<u>121,017</u>
Noncurrent liabilities:				
Long-term debt, net of current portion	21,900	-	1,057,226	1,079,126
Net pension liability	<u>173,784</u>	<u>-</u>	<u>-</u>	<u>173,784</u>
Total noncurrent liabilities	<u>195,684</u>	<u>-</u>	<u>1,057,226</u>	<u>1,252,910</u>
Total Liabilities	<u>227,688</u>	<u>-</u>	<u>1,146,239</u>	<u>1,373,927</u>
Deferred inflows				
Related to pensions	<u>2,105</u>	<u>-</u>	<u>-</u>	<u>2,105</u>
Net Position				
Net investment in capital assets	2,817,267	-	(1,128,785)	1,688,482
Restricted for system development	-	433,325	-	433,325
Unrestricted	<u>(46,938)</u>	<u>-</u>	<u>1,619,326</u>	<u>1,572,388</u>
Total Net Position	<u>2,770,329</u>	<u>433,325</u>	<u>490,541</u>	<u>3,694,195</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 3,000,122</u>	<u>\$ 433,325</u>	<u>\$ 1,636,780</u>	<u>\$ 5,070,227</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, 2018

	<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	\$ 342,106	\$ 30,938	\$ 525,246	\$ 898,290
Miscellaneous	<u>489</u>	<u>-</u>	<u>116</u>	<u>605</u>
Total Operating Revenues	<u>342,595</u>	<u>30,938</u>	<u>525,362</u>	<u>898,895</u>
Operating Expenses				
Personal Services	180,602	-	-	180,602
Materials and Services	79,618	375	108,393	188,386
Depreciation expense	<u>242,592</u>	<u>-</u>	<u>-</u>	<u>242,592</u>
Total Operating Expenses	<u>502,812</u>	<u>375</u>	<u>108,393</u>	<u>611,580</u>
Operating Income (Loss)	<u>(160,217)</u>	<u>30,563</u>	<u>416,969</u>	<u>287,315</u>
Nonoperating revenues (expenses)				
Interest expense	(9,141)	-	(33,614)	(42,755)
Investment earnings	1,945	5,563	22,484	29,992
Debt issuance costs	<u>-</u>	<u>-</u>	<u>(9,266)</u>	<u>(9,266)</u>
Total non-operating revenues (expenses)	<u>(7,196)</u>	<u>5,563</u>	<u>(20,396)</u>	<u>(22,029)</u>
Income (loss) before transfers	(167,413)	36,126	396,573	265,286
Transfers in	183,969	-	77,073	261,042
Transfers out	<u>(70,000)</u>	<u>-</u>	<u>(208,526)</u>	<u>(278,526)</u>
Change in Net Position	(53,444)	36,126	265,120	247,802
Beginning Net Position	<u>2,823,773</u>	<u>397,199</u>	<u>225,421</u>	<u>3,446,393</u>
Ending Net Position	<u>\$ 2,770,329</u>	<u>\$ 433,325</u>	<u>\$ 490,541</u>	<u>\$ 3,694,195</u>

CITY OF COTTAGE GROVE, OREGON

Storm Drain Operations Combined

Combining Statement of Cash Flows

For the Year Ended June 30, 2018

	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	\$ 340,158	\$ 30,938	\$ 521,585	\$ 892,681
Cash payments to employees	(166,476)	-	-	(166,476)
Cash payments to suppliers for goods and services	(76,413)	(904)	(106,717)	(184,034)
Net cash provided (used) by operating activities	<u>97,269</u>	<u>30,034</u>	<u>414,868</u>	<u>542,171</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	183,969	-	77,073	261,042
Transfers out	(70,000)	-	(183,970)	(253,970)
Repayment of interfund loan	-	19,300	-	19,300
Net cash provided (used) by noncapital financing activities	<u>113,969</u>	<u>19,300</u>	<u>(106,897)</u>	<u>26,372</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(183,969)	-	-	(183,969)
Principal paid on capital debt	(431)	-	(60,689)	(61,120)
Interest paid on capital debt	(2,426)	-	(36,162)	(38,588)
Debt issuance costs paid	-	-	(9,266)	(9,266)
Net cash provided (used) by capital and related financing activities	<u>(186,826)</u>	<u>-</u>	<u>(106,117)</u>	<u>(292,943)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	<u>1,945</u>	<u>5,563</u>	<u>22,484</u>	<u>29,992</u>
Net change in cash and cash equivalents	26,357	54,897	224,338	305,592
Cash and cash equivalents:				
Beginning of year	<u>62,756</u>	<u>339,828</u>	<u>1,348,440</u>	<u>1,751,024</u>
End of year	<u>\$ 89,113</u>	<u>\$ 394,725</u>	<u>\$ 1,572,778</u>	<u>\$ 2,056,616</u>

CITY OF COTTAGE GROVE, OREGON

Storm Drain Operations Combined

Combining Statement of Cash Flows, continued

For the Year Ended June 30, 2018

	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)	\$ (160,217)	\$ 30,563	\$ 416,969	\$ 287,315
Adjustments:				
Depreciation	242,592	-	-	242,592
(Increase) decrease in current assets:				
Receivables - net	(2,437)	-	(3,777)	(6,214)
Net pension asset/liability	(49,085)	-	-	(49,085)
Deferred outflow	55,052	-	-	55,052
Increase (decrease) in current liabilities:				
Accounts payable	3,205	(529)	1,676	4,352
Payroll and related accruals	5,217	-	-	5,217
Deferred inflow	(124)	-	-	(124)
Compensated absences	3,066	-	-	3,066
Net cash provided (used) by operating activities	<u>\$ 97,269</u>	<u>\$ 30,034</u>	<u>\$ 414,868</u>	<u>\$ 542,171</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 1,730,510	\$ 1,730,510	\$ 1,771,821	\$ 41,311
Investment earnings	3,000	3,000	11,362	8,362
Miscellaneous	<u>1,650</u>	<u>1,650</u>	<u>1,449</u>	<u>(201)</u>
Total revenues	<u>1,735,160</u>	<u>1,735,160</u>	<u>1,784,632</u>	<u>49,472</u>
Expenditures:				
Water Distribution	956,665	956,665	875,906	80,759
Water Production	626,740	656,240	583,272	72,968
Non-departmental:				
Materials and Services	189,250	189,250	169,308	19,942
Contingency	<u>322,450</u>	<u>292,950</u>	<u>-</u>	<u>292,950</u>
Total expenditures	<u>2,095,105</u>	<u>2,095,105</u>	<u>1,628,486</u>	<u>466,619</u>
Excess of revenues over (under) expenditures	(359,945)	(359,945)	156,146	516,091
Other financing sources (uses):				
Transfers out	(267,420)	(267,420)	(117,419)	150,001
Refunding debt issued	-	-	1,780,000	1,780,000
Bond premium	-	-	301,338	301,338
Payment to refunded bond escrow agent	-	-	(2,075,141)	(2,075,141)
Debt issuance costs	<u>-</u>	<u>-</u>	<u>(22,858)</u>	<u>(22,858)</u>
Net change in fund balance	(627,365)	(627,365)	22,066	649,431
Beginning fund balance	<u>627,365</u>	<u>627,365</u>	<u>649,419</u>	<u>22,054</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	671,485	<u>\$ 671,485</u>
Reconciliation to GAAP basis:				
Inventories			135,214	
Capital assets			14,141,948	
Deferred outflow related to pensions			406,459	
Accrued interest payable			(81,271)	
Net pension liability			(1,169,016)	
Long-term debt, net of current portion			(2,909,213)	
Compensated absences payable			(53,009)	
Deferred inflow related to pensions			<u>(14,161)</u>	
GAAP fund balance - end of year			<u>\$ 11,128,436</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 80,000	\$ 80,000	\$ 243,592	\$ 163,592
Investment earnings	<u>1,200</u>	<u>1,200</u>	<u>12,639</u>	<u>11,439</u>
Total revenues	<u>81,200</u>	<u>81,200</u>	<u>256,231</u>	<u>175,031</u>
Expenditures:				
Materials and Services	76,635	76,635	135	76,500
Capital Outlay	<u>515,350</u>	<u>515,350</u>	<u>-</u>	<u>515,350</u>
Total expenditures	<u>591,985</u>	<u>591,985</u>	<u>135</u>	<u>591,850</u>
Net change in fund balance	(510,785)	(510,785)	256,096	766,881
Beginning fund balance	<u>510,785</u>	<u>510,785</u>	<u>688,213</u>	<u>177,428</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 944,309</u>	<u>\$ 944,309</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 1,384,160	\$ 1,384,160	\$ 1,407,685	\$ 23,525
Investment earnings	4,000	4,000	11,001	7,001
Miscellaneous	<u>-</u>	<u>-</u>	<u>450</u>	<u>450</u>
Total revenues	<u>1,388,160</u>	<u>1,388,160</u>	<u>1,419,136</u>	<u>30,976</u>
Expenditures:				
Materials and Services	373,710	373,710	133,354	240,356
Capital Outlay	393,015	393,015	246,828	146,187
Contingency	<u>604,410</u>	<u>604,410</u>	<u>-</u>	<u>604,410</u>
Total expenditures	<u>1,371,135</u>	<u>1,371,135</u>	<u>380,182</u>	<u>990,953</u>
Excess of revenues over (under) expenditures	17,025	17,025	1,038,954	1,021,929
Other financing sources (uses):				
Transfers in	250,000	250,000	100,000	(150,000)
Transfers out	(800,460)	(800,460)	(763,374)	37,086
Refunding debt issued	-	-	3,083,756	3,083,756
Premium on refunding debt issued	-	-	524,096	524,096
Payment to refunded bond escrow agent	-	-	(3,597,110)	(3,597,110)
Debt issuance costs	<u>-</u>	<u>-</u>	<u>(39,622)</u>	<u>(39,622)</u>
Net change in fund balance	(533,435)	(533,435)	346,700	880,135
Beginning fund balance	<u>533,435</u>	<u>533,435</u>	<u>780,108</u>	<u>246,673</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	1,126,808	<u>\$ 1,126,808</u>
Reconciliation to GAAP basis:				
Related to bond refunding			89,900	
Long-term debt			<u>(5,354,408)</u>	
GAAP fund balance - end of year			<u>\$ (4,137,700)</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 1,816,940	\$ 1,816,940	\$ 1,854,936	\$ 37,996
Investment earnings	1,500	1,500	5,926	4,426
Miscellaneous	14,840	14,840	19,538	4,698
State grants	<u>-</u>	<u>-</u>	<u>2,589</u>	<u>2,589</u>
Total revenues	<u>1,833,280</u>	<u>1,833,280</u>	<u>1,882,989</u>	<u>49,709</u>
Expenditures:				
Wastewater Collections	365,345	365,345	350,586	14,759
Wastewater Treatment Plant	777,855	777,855	686,430	91,425
Middlefield Golf Course	468,895	468,895	435,261	33,634
Non-departmental:				
Materials and Services	183,970	183,970	183,616	354
Contingency	<u>280,665</u>	<u>280,665</u>	<u>-</u>	<u>280,665</u>
Total expenditures	<u>2,076,730</u>	<u>2,076,730</u>	<u>1,655,893</u>	<u>420,837</u>
Excess of revenues over (under) expenditures	(243,450)	(243,450)	227,096	470,546
Other financing sources (uses):				
Transfers out	<u>(156,415)</u>	<u>(156,415)</u>	<u>(153,114)</u>	<u>(3,301)</u>
Net change in fund balance	(399,865)	(399,865)	73,982	467,245
Beginning fund balance	<u>399,865</u>	<u>399,865</u>	<u>368,886</u>	<u>(30,979)</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	442,868	<u>\$ 436,266</u>
Reconciliation to GAAP basis:				
Inventories			33,809	
Capital assets			14,205,024	
Deferred outflow related to pensions			333,161	
Accrued interest payable			(65,283)	
Net pension liability			(958,204)	
Long-term debt, net of current portion			(318,520)	
Compensated absences payable			(62,557)	
Deferred inflow related to pensions			<u>(11,607)</u>	
GAAP fund balance - end of year			<u>\$ 13,598,691</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 12,000	\$ 12,000	\$ 43,728	\$ 31,728
Investment earnings	<u>300</u>	<u>300</u>	<u>2,206</u>	<u>1,906</u>
Total revenues	<u>12,300</u>	<u>12,300</u>	<u>45,934</u>	<u>33,634</u>
Expenditures:				
Materials and Services	76,740	76,740	240	76,500
Capital Outlay	<u>30,240</u>	<u>30,240</u>	<u>-</u>	<u>30,240</u>
Total expenditures	<u>106,980</u>	<u>106,980</u>	<u>240</u>	<u>106,740</u>
Net change in fund balance	(94,680)	(94,680)	45,694	140,374
Beginning fund balance	<u>94,680</u>	<u>94,680</u>	<u>119,366</u>	<u>24,686</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 165,060</u>	<u>\$ 165,060</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 1,117,675	\$ 1,117,675	\$ 1,058,121	\$ (59,554)
Investment earnings	500	500	4,268	3,768
Miscellaneous	<u>-</u>	<u>-</u>	<u>252</u>	<u>252</u>
Total revenues	<u>1,118,175</u>	<u>1,118,175</u>	<u>1,062,641</u>	<u>(55,534)</u>
Expenditures:				
Materials and Services	573,730	573,730	245,192	328,538
Capital Outlay	3,182,600	3,182,600	97,854	3,084,746
Contingency	<u>126,200</u>	<u>126,200</u>	<u>-</u>	<u>126,200</u>
Total expenditures	<u>3,882,530</u>	<u>3,882,530</u>	<u>343,046</u>	<u>3,539,484</u>
Excess of revenues over (under) expenditures	(2,764,355)	(2,764,355)	719,595	3,483,950
Other financing sources (uses):				
Transfers in	-	-	50,000	50,000
Transfers out	(910,970)	(910,970)	(706,480)	204,490
Refunding debt issued	-	-	2,520,782	2,520,782
Premium on refunding debt issued	-	-	428,280	428,280
Payment to refunded bond escrow agent	-	-	(2,940,281)	(2,940,281)
Debt issuance costs	-	-	(32,387)	(32,387)
Proceeds from loans	<u>3,200,000</u>	<u>3,200,000</u>	<u>-</u>	<u>3,200,000</u>
Net change in fund balance	(475,325)	(475,325)	39,509	6,914,834
Beginning fund balance	<u>475,325</u>	<u>475,325</u>	<u>530,759</u>	<u>55,434</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	570,268	<u>\$ 6,970,268</u>
Reconciliation to GAAP basis:				
Related to bond refunding			42,533	
Long-term debt			<u>(5,869,614)</u>	
GAAP fund balance - end of year			<u>\$ (5,256,813)</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 339,015	\$ 339,015	\$ 342,106	\$ 3,091
Investment earnings	500	500	1,944	1,444
Miscellaneous	<u>300</u>	<u>300</u>	<u>489</u>	<u>189</u>
Total revenues	<u>339,815</u>	<u>339,815</u>	<u>344,539</u>	<u>4,724</u>
Expenditures:				
Materials and Services	96,110	96,110	79,618	16,492
Personnel Services	195,325	195,325	171,693	23,632
Contingency	<u>64,755</u>	<u>64,755</u>	<u>-</u>	<u>64,755</u>
Total expenditures	<u>356,190</u>	<u>356,190</u>	<u>251,311</u>	<u>104,879</u>
Excess of revenues over (under) expenditures	(16,375)	(16,375)	93,228	109,603
Other financing sources (uses):				
Transfers out	<u>(72,860)</u>	<u>(72,860)</u>	<u>(72,857)</u>	<u>3</u>
Net change in fund balance	(89,235)	(89,235)	20,371	109,606
Beginning fund balance	<u>89,235</u>	<u>89,235</u>	<u>91,268</u>	<u>2,033</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	111,639	<u>\$ 111,639</u>
Reconciliation to GAAP basis:				
Capital assets			2,817,267	
Deferred outflow related to pensions			60,424	
Accrued interest payable			(10,745)	
Net pension liability			(173,784)	
Long-term debt, net of current portion			(22,340)	
Compensated absences payable			(10,027)	
Deferred inflow related to pensions			<u>(2,105)</u>	
GAAP fund balance - end of year			<u>\$ 2,770,329</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 10,000	\$ 10,000	\$ 30,938	\$ 20,938
Investment earnings	<u>500</u>	<u>500</u>	<u>5,562</u>	<u>5,062</u>
Total revenues	<u>10,500</u>	<u>10,500</u>	<u>36,500</u>	<u>26,000</u>
Expenditures:				
Materials and Services	93,580	93,580	375	93,205
Capital Outlay	<u>256,220</u>	<u>256,220</u>	<u>-</u>	<u>256,220</u>
Total expenditures	<u>349,800</u>	<u>349,800</u>	<u>375</u>	<u>349,425</u>
Excess of revenues over (under) expenditures	(339,300)	(339,300)	36,125	375,425
Other financing sources (uses):				
Interfund loan collection	<u>19,300</u>	<u>19,300</u>	<u>19,300</u>	<u>-</u>
Net change in fund balance	(320,000)	(320,000)	55,425	375,425
Beginning fund balance	<u>320,000</u>	<u>320,000</u>	<u>339,300</u>	<u>19,300</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	394,725	<u>\$ 394,725</u>
Reconciliation to GAAP basis:				
Internal balances			<u>38,600</u>	
GAAP fund balance - end of year			<u>\$ 433,325</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 517,980	\$ 517,980	\$ 522,734	\$ 4,754
Investment earnings	4,000	4,000	22,485	18,485
Miscellaneous	<u>100</u>	<u>100</u>	<u>116</u>	<u>16</u>
Total revenues	<u>522,080</u>	<u>522,080</u>	<u>545,335</u>	<u>23,255</u>
Expenditures:				
Materials and Services	376,735	376,735	106,593	270,142
Capital Outlay	737,500	737,500	185,770	551,730
Contingency	<u>712,205</u>	<u>712,205</u>	<u>-</u>	<u>712,205</u>
Total expenditures	<u>1,826,440</u>	<u>1,826,440</u>	<u>292,363</u>	<u>1,534,077</u>
Excess of revenues over (under) expenditures	(1,304,360)	(1,304,360)	252,972	1,557,332
Other financing sources (uses):				
Transfers in	70,000	70,000	70,000	-
Transfers out	(104,295)	(104,295)	(89,779)	14,516
Refunding debt issued	-	-	720,945	720,945
Premium on refunding debt issued	-	-	122,787	122,787
Payment to refunded bond escrow agent	-	-	(841,219)	(841,219)
Debt issuance costs	<u>-</u>	<u>-</u>	<u>(9,266)</u>	<u>(9,266)</u>
Net change in fund balance	(1,338,655)	(1,338,655)	226,440	1,565,095
Beginning fund balance	<u>1,338,655</u>	<u>1,338,655</u>	<u>1,392,885</u>	<u>54,230</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	1,619,325	<u>\$ 1,619,325</u>
Reconciliation to GAAP basis:				
Related to bond refunding			12,794	
Long-term debt			<u>(1,141,578)</u>	
GAAP fund balance - end of year			<u>\$ 490,541</u>	

COMPLIANCE SECTION



1976 Garden Ave.
Eugene, OR 97403
541.342.5161
www.islercpa.com

**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, 2018, and have issued our report thereon dated December 28, 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. B.

OAR 162-10-0230 Internal Control

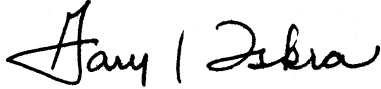
In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion 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
December 28, 2018