



CITY OF COTTAGE GROVE OREGON

Cottage Grove



1968 & 2004

CITY OF COTTAGE GROVE, OREGON

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

FISCAL YEAR ENDED JUNE 30, 2011

WITH

INDEPENDENT AUDITORS' REPORT

CITY OF COTTAGE GROVE, OREGON
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
FISCAL YEAR ENDED JUNE 30, 2011
WITH
INDEPENDENT AUDITORS' 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, 2011
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INTRODUCTORY SECTION



CITY OF COTTAGE GROVE, OREGON

Principal City Officials

June 30, 2011

ELECTED OFFICIALS

Mayor

Gary Williams
443 So. 10th Street
Cottage Grove, OR 97424

Term Expiration

December 31, 2012

Council Members

Jake Boone
823 Birch Avenue
Cottage Grove, OR 97424

Ward 1

December 31, 2014

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

Ward 2

December 31, 2012

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

Ward 3

December 31, 2014

Michael Fleck
1140 S. 10th Street
Cottage Grove, OR 97424

Ward 4

December 31, 2012

Victoria Doyle
440 Kalapuya Court
Cottage Grove, OR 97424

At-Large

December 31, 2014

Heather Murphy
1306 N. 19th Street
Cottage Grove, OR 97424

At-Large

December 31, 2012

ADMINISTRATIVE OFFICIALS

Name

Position

Richard Meyers

City Manager

Sean Kelly
Ackley, Melendy, & Kelly LLP

City Attorney

Roberta Olsen

Finance Director

Mike Grover

Police Chief

Howard Schesser

Community Development Director

Jan Wellman

Public Works Director

Pete Barrell

Community Service Director

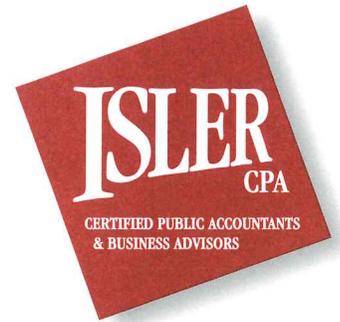
Trudy Borrevik

City Recorder



FINANCIAL SECTION





INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Cottage Grove, Oregon

An Independently Owned Member
McGLADREY ALLIANCE



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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2011, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2012, on our consideration of City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison schedules listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted principally 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 have been subjected to the auditing procedures applied to the audit of the basic financial statements and, in our opinion, are fairly stated in relation to the basic financial statements taken as a whole.

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 other supplemental information 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 other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on it.

Isler CPA

A handwritten signature in black ink that reads "Julie Arendt". The signature is written in a cursive, flowing style.

By: Julie Arendt, CPA, a member of the firm

Eugene, Oregon
February 10, 2012

CITY OF COTTAGE GROVE, OREGON

Management's Discussion and Analysis

As management of the City of Cottage Grove, Oregon, we offer the readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with the additional information furnished in the financial statements that follow.

FINANCIAL HIGHLIGHTS

Net Assets - The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$57,916,608 (net assets). Of this amount, \$7,431,018 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.

Change in Net Assets - The City's total net assets increased this year by \$582,348, or 1.01%.

The City's governmental activities reported total net assets of \$41,968,161 which is an increase of \$71,669 or .17%. The increase of net assets is contributable to the amount of capital assets not being depreciated and a decrease in accounts payable and other current liabilities. The City's business-type activities reported total net assets of \$15,948,447 which is an increase of \$510,678, or 3.3%.

The unrestricted net assets increased. Governmental Activities unrestricted net assets were decreased from \$5,777,021 in fiscal year 2010 to \$5,658,773 in fiscal year 2011, approximately 2.0% of the total unrestricted net assets. Business type activities were increased from \$1,624,311 in fiscal year 2010 to \$1,772,245, approximately 9.1% of total unrestricted net assets. Unrestricted net assets are available for spending at the City's discretion.

During the fiscal year, the City's total debt decreased by \$1,101,884. The decrease is attributable to the amount of debt incurred during the fiscal year (\$427,699) while reducing existing debt with scheduled loan payments (\$1,529,583).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The *Statement of Activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave). The governmental activities of the City include general government, public safety, highways and streets, culture and recreation, and community development. The business type activities include water, wastewater (including the golf course) and storm drainage. The government-wide financial statements can be found starting on page 13.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

CITY OF COTTAGE GROVE, OREGON

Management's Discussion and Analysis

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

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

The City maintains sixteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Street, Industrial Park, City Debt Service and Urban Renewal Agency Debt Service Funds. All of these funds are considered to be major governmental funds. Financial information from the other eleven non-major governmental funds is combined into a single aggregated presentation. Combining statements and budgetary comparisons for governmental and business-type funds can be found starting on page 44.

Proprietary Funds. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent is that the costs of providing the services to the general public on a continuing basis be financed primarily through user charges. These funds represent three segments of operations: Water, Wastewater, and Storm Drainage. The basic proprietary fund financial statements can be found starting on page 67.

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

Notes to the Basic Financial Statements. The notes to the basic financial statements provide additional information that is essential to a full understanding of the financial data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 23.

Required Supplementary Information. Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board (GASB) but are not considered a part of the basic financial statements. Budgetary comparison schedules for major governmental funds are presented immediately following the notes to the basic financial statements, starting on page 42.

Other Supplementary Information. The combining statements for the non-major governmental funds and budgetary comparison schedules for both the non-major governmental funds and the proprietary funds are presented immediately following the required supplementary information, starting on page 44.

Statistical Information. We would like to direct the reader's attention to the Statistical Section, starting on page 89, for additional information including tables, graphs, and analysis of current and historical information.

CITY OF COTTAGE GROVE, OREGON

Management's Discussion and Analysis

Government-wide Financial Analysis

Net assets. The City's combined net assets were \$57,916,608 at June 30, 2011. The following table reflects a Summary of Net Assets for fiscal years 2009-10 and 2010-11:

**Table 1
Summary of Net Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and Other investments	\$ 7,051,229	\$ 7,845,234	\$ 3,661,133	\$ 3,312,376	\$ 10,712,362	\$ 11,157,610
Capital assets	40,219,763	40,027,396	31,783,086	32,659,036	72,002,849	72,686,432
Total assets	<u>\$ 47,270,992</u>	<u>\$ 47,872,630</u>	<u>\$ 35,444,219</u>	<u>\$ 35,971,412</u>	<u>\$ 82,715,211</u>	<u>\$ 83,844,042</u>
Current liabilities	\$ 505,518	\$ 1,144,810	\$ 617,466	\$ 581,820	\$ 1,122,984	\$ 1,726,630
Long term liabilities	4,797,313	4,831,328	18,878,306	19,951,823	23,675,619	24,783,151
Total liabilities	<u>\$ 5,302,831</u>	<u>\$ 5,976,138</u>	<u>\$ 19,495,772</u>	<u>\$ 20,533,643</u>	<u>\$ 24,798,603</u>	<u>\$ 26,509,781</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 35,675,794	\$ 35,457,421	\$ 13,188,813	\$ 13,058,044	\$ 48,864,607	\$ 48,515,465
Restricted	633,594	662,050	987,389	775,414	1,620,983	1,437,464
Unrestricted	5,658,773	5,777,021	1,772,245	1,624,311	7,431,018	7,401,332
Total net assets	<u>\$ 41,968,161</u>	<u>\$ 41,896,492</u>	<u>\$ 15,948,447</u>	<u>\$ 15,437,769</u>	<u>\$ 57,916,608</u>	<u>\$ 57,334,261</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Cottage Grove's net assets exceeded liabilities by \$33,118,005 at the close of the fiscal year, an increase of approximately 7.4% from the previous year. The largest portion of the City's net assets (84% percent) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the debt. The remaining balance is unrestricted net assets in the amount of \$7,431,018, and may be used to meet the City's ongoing obligations to citizens and creditors.

CITY OF COTTAGE GROVE, OREGON

Management's Discussion and Analysis

The following table summarizes revenues and expenses for fiscal years 2009-10 and 2010-11:

Table 2

Governmental and Proprietary Activities

	Governmental Activities		Business-type Activities		Total Government	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
REVENUES						
Program revenues						
Charges for services	\$ 461,967	\$ 439,636	\$ 5,356,731	\$ 4,942,912	\$ 5,818,698	\$ 5,382,548
Operating grants and contributions		29,292	4,467	15,057	4,467	44,439
Capital grants and contributions	48,474	831,834			48,474	831,834
General revenues						
Property taxes	3,886,067	3,900,441			3,886,067	3,900,441
Franchise fees	423,445	410,375			423,445	410,375
Alcoholic Beverage Taxes	111,254	106,839			111,254	106,839
Motor Fuel Taxes	353,988	340,204			353,988	340,204
Taxes and Other Revenues not restricted to specific programs	1,817,513	1,429,404			1,817,513	1,429,404
Donations	301,315				301,315	
Interest	59,846	48,307	21,228	59,979	81,074	108,286
Total revenues	\$ 7,463,869	\$ 7,536,332	\$ 5,382,426	\$ 5,017,948	\$ 12,846,295	\$ 12,554,280
EXPENSES						
Governmental activities:						
General government	\$ 1,554,300	\$ 1,497,736			\$ 1,554,300	\$ 1,497,736
Public safety	2,697,310	2,767,500			2,697,310	2,767,500
Highways and streets	1,231,363	1,229,574			1,231,363	1,229,574
Culture and recreation	711,944	745,106			711,944	745,106
Community development	847,335	2,039,720			847,335	2,039,720
Interest on long-term debt	156,947	224,149			156,947	224,149
Business type activities:						
Water			2,280,278	2,348,922	2,280,278	2,348,922
Wastewater			2,353,304	2,301,446	2,353,304	2,301,446
Storm drainage			431,166	263,584	431,166	263,584
Total Expenses	7,199,199	8,503,785	5,064,748	4,913,966	\$ 12,263,947	\$ 13,417,751
Change in net assets before transfers and internal balances	264,669	(967,453)	317,678	103,982	582,348	(863,471)
Transfers		207,014		(207,014)		
Internal balances						
Change in net assets	264,669	(760,439)	317,678	(103,032)	582,347	(863,471)
Beginning net assets	41,896,492	42,656,931	15,437,769	15,540,801	57,334,261	58,361,873
Prior Period Adjustments	(193,000)		193,000	(164,141)	(0)	(164,141)
Ending net assets	\$ 41,968,161	\$ 41,896,492	\$ 15,948,447	\$ 15,437,769	\$ 57,916,608	\$ 57,334,261

CITY OF COTTAGE GROVE, OREGON

Management's Discussion and Analysis

Governmental activities. Governmental activities increased the City's net assets by \$264,669. The majority of this increase is due to a reduction in accounts payable and other current liabilities.

Business-type activities. Business-type activities increased the City's net assets by \$317,678. Capital assets net of accumulated depreciation were increased.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

At the end of the fiscal year, the City of Cottage Grove's governmental funds reported combined ending fund balances of \$4,686,106. Approximately 33% of this total amount (\$1,564,082) constitutes unassigned fund balance. The remainder of the fund balance is either non spendable (\$25,081), restricted (\$1,149,696), committed (\$1,939,711) or assigned (\$7,536).

The main operating fund for the City is the General Fund. At the end of fiscal year 2011 the unassigned fund balance was \$1,713,931. 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 29.3% of the total General Fund operating expenditures.

The general fund had an increase in total fund balance of \$154,957 during fiscal year 2011. Key factors in this increase are:

- The beginning fund balance, property taxes, franchise fees, were all more than expected in FY 10-11. The fund balance was more as the amount of actual expenditures was less than anticipated. Additional property tax was received due to the refund of Urban Renewal taxes. Franchise fees were on the rise due to increases in various utility rates.

In the Street Fund, the fund balance increased by \$128,617 during fiscal year 2011. Beginning fund balance was as expected. State highway taxes and local fuel taxes exceeded budget estimations.

The Industrial Park Fund ending fund balance was \$459,464. A number of lots have been either foreclosed upon or returned to the City. The City will be marketing the lots for sale. Outstanding debt will continue to be addressed and paid as required.

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

The combined water operations had an increase in total net assets of \$330,489. The combined wastewater operations had an increase in total net assets of \$50,916. The operating income of the water and wastewater operations increased over the prior year. Utility rates for both the water and wastewater funds were raised. Sales in the water fund were as expected, however charges for service in the wastewater fund were 5.4% less than expected. Operational costs for staff, fuel, materials and purchased services also increased.

CITY OF COTTAGE GROVE, OREGON

Management's Discussion and Analysis

GENERAL FUND BUDGETARY HIGHLIGHTS

There was a \$853,925 difference between the original budget and final amended budget. The City Council adopted various resolutions totaling this amount to recognize a special purpose grant and a donation, as well as appropriate contingency amounts. The most significant of these were in the Wastewater Department which received an unanticipated grant in the amount of \$472,510 from the Oregon Department of Energy to upgrade the digesters and the wastewater plant; and donated funds in the amount of \$300,000 which were received from the Bohemia Foundation for the purpose of making improvements to Bohemia Park.

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

- The General Fund revenues exceeded projections by 10.3%. Additional refunded Urban Renewal taxes were received which had not been budgeted. Delinquent property taxes had been estimated lower due to the downturn in the local economy; however 26.4% more than the estimate was received. Franchise fees were, on average, 4.7% higher.
- The Community Development Department under expended its budget by \$414,661. The South Lane Mental Health facility was divided over different fiscal years. At the time the budget was prepared, costs were not solidified. Only \$80,359 of a \$300,000 budgeted line item was spent FY 10-11 on the project. A grant request from the State of Oregon for work to be done on expanding the Urban Growth Boundary was in the amount of \$40,000. The grant was approved for \$30,000. A transportation growth management grant was anticipated in the amount of \$165,000 which was not funded.
- The Non-Departmental department budget at the beginning of FY 10-11 had a budgeted contingency of \$274,519. During the course of the year, the City Council adopted various resolutions to reappropriate the contingency line item to different departments within the General Fund. The balance at YE in the contingency line item had been reduced to \$62,869.

CITY OF COTTAGE GROVE, OREGON

Management's Discussion and Analysis

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City of Cottage Grove's investment in capital assets for its governmental and business type activities as of June 30, 2011 amounts to \$72,002,849 (net of accumulated depreciation). This investment in capital assets includes land, buildings, motor vehicles and equipment, office furniture and equipment, infrastructure and construction in progress.

The following table summarizes capital assets for fiscal years 2009-10 and 2010-11:

Table 3

Capital Assets at Year-end (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total Government	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	26,438,798	\$ 26,438,798	2,113,002	\$ 2,113,002	28,551,800	\$28,551,800
Buildings	2,812,735	2,897,590	1,362,383	1,337,019	4,175,118	4,234,609
Land improvements		-	882,000	966,000	882,000	966,000
Motor vehicles and equipment	333,572	310,274	413,091	461,880	746,663	772,154
Office furniture and equipment	24,003	22,275		-	24,003	22,275
Infrastructure	9,395,997	9,947,321	1,343,569	1,451,756	10,739,566	11,399,077
Construction in progress	1,214,658	411,138		-	1,214,658	411,138
Utility Systems		-	25,669,041	26,329,379	25,669,041	26,329,379
Total	<u>\$40,219,763</u>	<u>\$40,027,396</u>	<u>\$31,783,086</u>	<u>\$ 32,659,036</u>	<u>\$72,002,849</u>	<u>\$72,686,432</u>

CITY OF COTTAGE GROVE, OREGON

Management's Discussion and Analysis

CAPITAL ASSET AND DEBT ADMINISTRATION, continued

Major capital asset events during the current fiscal year included the following: The construction of a storage building at the City Shop to house the vector truck and various equipment; replacement of three waterlines located at S. 11th, Adams Avenue, and "H" Street; and a major upgrade in the Police Department's emergency communications system. The construction in progress includes the Chambers Covered Railroad Bridge, Armory, Trailhead Park, Phase II, and Bohemia Park.

Table 4

Change in Capital Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Beginning balance	40,027,396	\$ 40,369,561	32,659,036	\$ 33,506,584	\$ 72,686,432	\$ 73,876,145
Prior Period Adjustment	0	-		(164,141)		(164,141)
Additions	1,319,134	3,423,172	116,410	331,612	1,435,544	3,754,784
Depreciation	(984,112)	(882,503)	(991,760)	(1,013,933)	(1,975,872)	(1,896,436)
Deletions	(142,655)	(2,882,834)	(600)	(1,086)	(143,255)	(2,883,920)
Ending balance	<u>\$ 40,219,763</u>	<u>\$ 40,027,396</u>	<u>\$ 31,783,086</u>	<u>\$ 32,659,036</u>	<u>\$ 72,002,849</u>	<u>\$ 72,686,432</u>

Additional information on the City's capital assets can be found in the notes to the basic financial statements – Note 5, pages 32-33.

CITY OF COTTAGE GROVE, OREGON

Management's Discussion and Analysis

CAPITAL ASSET AND DEBT ADMINISTRATION, continued

Long-term debt. At the end of the fiscal year, the City of Cottage Grove had total long-term debt outstanding of \$23,341,067. \$1,734,809 was a general obligation debt to pay the City's unfunded actuarial liability in the Public Employees Retirement System. A total of \$316,035 was owed on a lease purchase agreement for improvements at the Public Works shop facility. Additional Long-term debt totaling \$423,875 was incurred. Included in the debt was the purchase of the Armory building from the Oregon Military Department. The loan is interest free and is being repaid by the General Fund over the next nine years. The City also received a loan to finance the purchase of a 2010 police vehicle.

The following table summarizes outstanding debt for fiscal years 2009-10 and 2010-11:

Table 5
Outstanding Debt at Year-end

	<u>2011</u>	<u>2010</u>
Governmental Activities		
PERS UAL refinancing	\$ 1,734,809	\$ 1,759,238
Industrial Park	998,324	1,043,687
City shop remodel	316,035	433,540
Trail Head Park	37,882	112,373
Street Sweeper	56,765	93,575
Optical/Wireless Equipment	946,354	1,089,076
Vactor and Greens Roller	29,925	38,486
Police Vehicle	28,876	
Armory Building	394,999	
Sub-total	<u>\$ 4,543,969</u>	<u>4,569,975</u>
Business-type Activities		
Water system improvement	9,747,131	10,320,566
Wastewater improvement	7,785,875	8,171,948
Middlefield Golf Course	723,960	754,385
Middlefield Golf Course/ Residence	333,410	346,126
Middlefield – Golf Carts	3,894	7,968
Water/wastewater Equipment	202,828	271,982
Sub-total	<u>18,797,098</u>	<u>19,872,975</u>
Total	<u>\$ 23,341,067</u>	<u>\$ 24,442,950</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 \$26,835,805. Only \$2,361,927 of the outstanding debt is counted within the statutory limitation as the remaining debt is either wholly or partially financed by revenues other than a general tax levy.

Additional information on the City's long-term debt can be found in the notes to the basic financial statements – Note 7, pages 35 through 39.

CITY OF COTTAGE GROVE, OREGON

Management's Discussion and Analysis

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The General Fund budget increased spending for the 2011-12 budget by \$571,960. This is approximately an 8% increase. This increase is directly related to the addition of a full-time police officer in the Police Department, and improvements to be made to Bohemia Park

Assessed value growth for the 2011 budget preparation was projected at 2%, and anticipates there will not be any annexations of property to the city. An uncollectible allowance of 6.5% was used.

The amounts available for appropriation in the General Fund budget were estimated to be \$7,620,869 in resources and a carryover of \$1,450,000. The actual carryover for the General Fund budget is \$1,722,493.

General Fund property tax revenues are expected to be \$3,710,000, approximately \$292,000 less than actual for 2011. Franchise fees are expected to be \$12,500 less than budgeted in 2011, however franchise revenues were in excess of budgeted amounts in 2011 by 5.8%.

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

The System Development Charges are adjusted annually using the construction cost index of the previous 12-month period. However, residential construction is continued at a rate of one or two permits per month. It is difficult to predict when or if the residential market will return to its previous levels. System Development Charge Fees, as well as Water, Wastewater, and Storm Drainage Utility rates were studied and adjustments were made based upon the recommendation of an outside consulting firm.

All of these factors were considered when preparing the budget for the 2011-12 fiscal year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS



CITY OF COTTAGE GROVE, OREGON

Statement of Net Assets

June 30, 2011

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 4,760,577	\$ 2,865,675	\$ 7,626,252
Due from other governments	11,929	-	11,929
Accounts receivable, net	512,318	419,201	931,519
Property taxes receivable	216,678	-	216,678
Inventories	-	200,877	200,877
Internal balances	(173,700)	173,700	-
Other current assets	22,081	-	22,081
Assessments receivable	487,261	-	487,261
Notes receivable	18,744	-	18,744
Net pension asset	1,179,625	-	1,179,625
Bond costs and loan fees	15,716	1,680	17,396
Capital assets not being depreciated	27,653,456	2,113,002	29,766,458
Capital assets net of accumulated depreciation	<u>12,566,307</u>	<u>29,670,084</u>	<u>42,236,391</u>
Total Assets	<u>47,270,992</u>	<u>35,444,219</u>	<u>82,715,211</u>
Liabilities			
Current liabilities:			
Accounts payable and other current liabilities	431,029	259,698	690,727
Deposits	16,073	42,503	58,576
Accrued interest payable	58,416	315,265	373,681
Compensated absences	253,344	81,208	334,552
Noncurrent liabilities:			
Due within one year	430,365	848,582	1,278,947
Due in more than one year	<u>4,113,604</u>	<u>17,948,516</u>	<u>22,062,120</u>
Total Liabilities	<u>5,302,831</u>	<u>19,495,772</u>	<u>24,798,603</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	35,675,794	13,188,813	48,864,607
Restricted for:			
Debt service	40,796	-	40,796
System development	-	987,389	987,389
Road maintenance	524,115	-	524,115
Culture and recreation	61,484	-	61,484
Ed Jenks and Memorial Tree	7,199	-	7,199
Unrestricted	<u>5,658,773</u>	<u>1,772,245</u>	<u>7,431,018</u>
Total Net Assets	<u>\$ 41,968,161</u>	<u>\$ 15,948,447</u>	<u>\$ 57,916,608</u>

See accompanying notes to financial statements.

CITY OF COTTAGE GROVE, OREGON

Statement of Activities

Year ended June 30, 2011

Functions/Programs	Program Revenues			Net (Expense) Revenue and Change in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
General government	\$ 1,554,300	\$ -	\$ -	\$ (1,249,684)		\$ (1,249,684)
Public safety	2,697,310	-	39,717	(2,597,158)		(2,597,158)
Highways and streets	1,231,363	-	8,757	(1,148,340)		(1,148,340)
Culture and recreation	711,944	-	-	(702,673)		(702,673)
Community development	847,335	-	-	(833,956)		(833,956)
Interest on long-term debt	156,947	-	-	(156,947)		(156,947)
Total Governmental Activities	7,199,199	-	48,474	(6,688,758)		(6,688,758)
Business-Type Activities						
Water	2,280,278	-	-	-	325,376	325,376
Wastewater	2,353,304	4,467	-	-	48,765	48,765
Storm drainage	431,166	-	-	-	(77,691)	(77,691)
Total Business - Type Activities	5,064,748	4,467	-	-	296,450	296,450
Total Activities	\$ 12,263,947	\$ 4,467	\$ 48,474	-	-	-
General revenues:						
Property taxes				3,886,067	-	3,886,067
Franchise taxes				423,445	-	423,445
Alcoholic beverage taxes				111,254	-	111,254
Motor fuel taxes				353,988	-	353,988
Taxes and other revenues not restricted to specific programs				1,817,513	-	1,817,513
Donations				301,315	-	301,315
Interest and investment earnings				59,846	21,228	81,074
Total general revenues and transfers				6,953,428	21,228	6,974,656
Change in net assets				264,670	317,678	582,348
Net assets, beginning (as restated)				41,703,491	15,630,769	57,334,260
Net assets, ending				\$ 41,968,161	\$ 15,948,447	\$ 57,916,608

See accompanying notes to financial statements.

CITY OF COTTAGE GROVE, OREGON

Governmental Funds

Balance Sheet

June 30, 2011

	General Fund	Street Fund	City Debt Service Fund	Other Governmental Funds	Total
Assets					
Cash and cash equivalents	\$ 1,591,074	\$ 357,765	\$ 3,337	\$ 2,808,401	\$ 4,760,577
Due from other governments	11,929	-	-	-	11,929
Accounts receivable	405,524	106,109	-	487,946	999,579
Property taxes receivable	216,678	-	-	-	216,678
Notes receivable	-	-	-	18,744	18,744
Other current assets	8,562	-	-	13,519	22,081
Total Assets	\$ 2,233,767	\$ 463,874	\$ 3,337	\$ 3,328,610	\$ 6,029,588
Liabilities					
Accounts payable and other current liabilities	\$ 279,555	\$ 59,498	\$ -	\$ 91,976	\$ 431,029
Deposits	15,041	-	-	1,032	16,073
Interfund loan payable	-	-	-	173,700	173,700
Deferred revenue	216,678	-	-	506,002	722,680
Total Liabilities	\$ 511,274	\$ 59,498	\$ -	\$ 772,710	\$ 1,343,482
Fund Balance					
Nonspendable	8,562	-	-	16,519	25,081
Restricted	-	404,376	-	745,320	1,149,696
Committed	-	-	-	1,939,711	1,939,711
Assigned	-	-	3,337	4,199	7,536
Unassigned	1,713,931	-	-	(149,849)	1,564,082
Total Fund Balances	\$ 1,722,493	\$ 404,376	\$ 3,337	\$ 2,555,900	\$ 4,686,106
Total Liabilities and Fund Balances	\$ 2,233,767	\$ 463,874	\$ 3,337	\$ 3,328,610	\$ 6,029,588

CITY OF COTTAGE GROVE, OREGON

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Assets
June 30, 2011

Total Government Fund Balances \$ 4,686,106

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

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

Capital assets not being depreciated	27,653,456	
Capital assets being depreciated	29,147,887	
Accumulated depreciation	<u>(16,581,580)</u>	40,219,763

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

Deferred revenue	722,680	
Bond cost	15,716	
Net pension asset	<u>1,179,625</u>	1,918,021

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	(58,416)	
Compensated absences	(253,344)	
Long-term debt	<u>(4,543,969)</u>	<u>(4,855,729)</u>

Net Assets of Governmental Activities in the Statement of Net Assets \$ 41,968,161

CITY OF COTTAGE GROVE, OREGON

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances

Year ended June 30, 2011

	General Fund	Street Fund	City Debt Service Fund	Other Governmental Funds	Total
Revenues					
Intergovernmental revenues	\$ 628,714	\$ 471,085	\$ -	\$ 142,394	\$ 1,242,193
Charges for services	36,737	-	-	206,028	242,765
Property taxes	4,002,666	-	-	-	4,002,666
Franchise taxes	423,445	-	-	-	423,445
Licenses and permits	6,119	-	-	-	6,119
Fines and forfeitures	134,522	-	-	-	134,522
Special assessments	-	-	-	78,561	78,561
Local fuels tax	-	353,988	-	-	353,988
Interest	22,552	1,350	589	-	39,644
Miscellaneous	156,803	57,542	-	15,153	248,471
Room tax	81,586	-	-	34,126	115,712
Administration and engineering fees	404,991	-	-	-	404,991
Total Revenue	5,898,135	883,965	589	476,262	7,258,951
Expenditures					
Current:					
General government	1,214,920	-	-	3,700	1,218,620
Public safety	2,073,655	-	-	579,662	2,653,317
Highways and streets	-	546,294	-	19,701	565,995
Culture and recreation	645,696	-	-	23,862	669,558
Community development	586,479	-	-	260,856	847,335
Debt service:					
Principal	221,037	-	187,303	45,365	453,705
Interest	60,844	-	39,741	63,134	163,719
Capital outlay	1,044,971	106,165	-	55,981	1,207,117
Total Expenditures	5,847,602	652,459	227,044	1,052,261	7,779,366
Excess (deficiency) of revenues over (under) expenditures	50,533	231,506	(226,455)	(575,999)	(520,415)
Other Financing Sources (uses)					
Issuance of debt	427,699	-	-	-	427,699
Donations	300,140	-	-	1,175	301,315
Transfers in	-	-	227,055	537,795	764,850
Transfers out	(623,415)	(102,889)	-	(38,546)	(764,850)
Total Other Financing Source (Uses)	104,424	(102,889)	227,055	500,424	729,014
Net Change in Fund Balances	154,957	128,617	600	(75,575)	208,599
Beginning Fund Balance, as restated	1,567,536	275,759	2,737	2,631,475	4,477,507
Ending Fund Balance	1,722,493	404,376	3,337	2,555,900	4,686,106

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, 2011

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

Net Change in Fund Balances - Total Governmental Funds

\$ 208,599

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

Current year depreciation	\$ (984,112)	
Expenditures for capital assets	\$ 1,176,679	
Loss on disposal of capital assets	<u>(200)</u>	192,367

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 deferred revenue	(96,397)
----------------------------	----------

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

Change in accrued interest	6,772
Change in accrued absences	(3,288)

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

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

Debt service principal payments	453,705	
Issuance of debt	(427,699)	<u>26,006</u>

Change in Net Assets of Governmental Activities \$ 264,670

CITY OF COTTAGE GROVE, OREGON

Proprietary Funds

Balance Sheet

June 30, 2011

Business-Type Activities - Enterprise Fund

	<u>Water Operations</u>	<u>Wastewater Operations</u>	<u>Storm Drainage Operations</u>	<u>Total</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,118,562	\$ 521,009	\$ 1,226,104	\$ 2,865,675
Receivables - net	214,450	171,423	33,328	419,201
Inventories	<u>162,945</u>	<u>37,932</u>	<u>-</u>	<u>200,877</u>
Total current assets	<u>1,495,957</u>	<u>730,364</u>	<u>1,259,432</u>	<u>3,485,753</u>
Noncurrent assets:				
Interfund loan receivable	-	-	173,700	173,700
Loan fees, net of amortization	-	1,680	-	1,680
Capital assets not being depreciated	135,530	1,945,481	31,991	2,113,002
Capital assets net of accumulated depreciation	<u>14,253,929</u>	<u>14,101,508</u>	<u>1,314,647</u>	<u>29,670,084</u>
Total noncurrent assets	<u>14,389,459</u>	<u>16,048,669</u>	<u>1,520,338</u>	<u>31,958,466</u>
Total assets	<u>\$ 15,885,416</u>	<u>\$ 16,779,033</u>	<u>\$ 2,779,770</u>	<u>\$ 35,444,219</u>
Liabilities and Net Assets				
Liabilities				
Current liabilities:				
Accounts payable and other current liabilities	\$ 103,182	\$ 94,578	\$ 61,938	\$ 259,698
Deposits	41,978	525	-	42,503
Accrued interest payable	225,113	90,152	-	315,265
Compensated absences	41,992	34,783	4,433	81,208
Current portion of long-term debt	<u>339,732</u>	<u>475,162</u>	<u>33,688</u>	<u>848,582</u>
Total current liabilities	751,997	695,200	100,059	1,547,256
Noncurrent liabilities				
Noncurrent portion of long-term debt	<u>9,420,789</u>	<u>8,465,982</u>	<u>61,745</u>	<u>17,948,516</u>
Total Liabilities	<u>10,172,786</u>	<u>9,161,182</u>	<u>161,804</u>	<u>19,495,772</u>
Net Assets				
Invested in capital assets, net of related debt	4,642,328	7,199,847	1,346,638	13,188,813
Restricted for:				
System development	35,739	248,989	702,661	987,389
Unrestricted	<u>1,034,563</u>	<u>169,015</u>	<u>568,667</u>	<u>1,772,245</u>
Total Net Assets	<u>5,712,630</u>	<u>7,617,851</u>	<u>2,617,966</u>	<u>15,948,447</u>
Total Liabilities and Net Assets	<u>\$ 15,885,416</u>	<u>\$ 16,779,033</u>	<u>\$ 2,779,770</u>	<u>\$ 35,444,219</u>

See accompanying notes to financial statements.

CITY OF COTTAGE GROVE, OREGON

Proprietary Funds

Statement of Revenues, Expenses, and Changes in Net Assets

For the Year Ended June 30, 2011

Business-Type Activities - Enterprise Fund

	<u>Water Operations</u>	<u>Wastewater Operations</u>	<u>Storm Drainage Operations</u>	<u>Total</u>
Operating Revenues				
Charges for Services	\$ 2,547,821	\$ 2,296,031	\$ 352,868	\$ 5,196,720
Special assessments	17,854	23,763	-	41,617
Miscellaneous	39,979	77,808	607	118,394
Grants and contracts	-	4,467	-	4,467
Total Operating Revenues	<u>2,605,654</u>	<u>2,402,069</u>	<u>353,475</u>	<u>5,361,198</u>
Operating Expenses				
Cost of sales and services	575,217	680,781	135,292	1,391,290
Administration	806,703	802,271	186,630	1,795,604
Depreciation	428,235	487,856	75,669	991,760
Amortization	-	120	-	120
Total Operating Expenses	<u>1,810,155</u>	<u>1,971,028</u>	<u>397,591</u>	<u>4,178,774</u>
Operating Income (Loss)	<u>795,499</u>	<u>431,041</u>	<u>(44,116)</u>	<u>1,182,424</u>
Non-operating income (expenses)				
Investment earnings	5,113	2,151	13,964	21,228
Loss on disposal of capital assets	(200)	(200)	(200)	(600)
Interest income(expense)	<u>(469,923)</u>	<u>(382,076)</u>	<u>(33,375)</u>	<u>(885,374)</u>
Total non-operating income (expenses)	<u>(465,010)</u>	<u>(380,125)</u>	<u>(19,611)</u>	<u>(864,746)</u>
Change in Net Assets	330,489	50,916	(63,727)	317,678
Beginning Net Assets	5,382,141	7,566,935	2,488,693	15,437,769
Prior period adjustment	-	-	193,000	193,000
Ending Net Assets	<u>\$ 5,712,630</u>	<u>\$ 7,617,851</u>	<u>\$ 2,617,966</u>	<u>\$ 15,948,447</u>

See accompanying notes to financial statements.

CITY OF COTTAGE GROVE, OREGON

Proprietary Funds

Statement of Cash Flows

For the Year Ended June 30, 2011

Business-Type Activities - Enterprise Funds

	<u>Water Operations</u>	<u>Wastewater Operations</u>	<u>Storm Drain Operations</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 2,585,496	\$ 2,408,673	\$ 349,063	\$ 5,343,232
Cash payments to employees	(798,837)	(794,604)	(178,622)	(1,772,063)
Cash payments to suppliers for good and services	<u>(571,206)</u>	<u>(701,950)</u>	<u>(92,149)</u>	<u>(1,365,305)</u>
Net cash provided (used) by operating activities	<u>1,215,453</u>	<u>912,119</u>	<u>78,292</u>	<u>2,205,864</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Repayment of interfund loan	<u>-</u>	<u>-</u>	<u>79,300</u>	<u>79,300</u>
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>79,300</u>	<u>79,300</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(45,134)	(4,078)	(67,198)	(116,410)
Principal paid on capital debt	(580,456)	(462,999)	(32,423)	(1,075,878)
Interest paid on capital debt	<u>(486,803)</u>	<u>(386,628)</u>	<u>(33,375)</u>	<u>(906,806)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,112,393)</u>	<u>(853,705)</u>	<u>(132,996)</u>	<u>(2,099,094)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	<u>5,113</u>	<u>2,151</u>	<u>13,964</u>	<u>21,228</u>
Net change in cash and cash equivalents	108,173	60,565	38,560	207,298
Cash and cash equivalents:				
Cash and cash equivalents at beginning of year	<u>1,010,389</u>	<u>460,444</u>	<u>1,187,544</u>	<u>2,658,377</u>
Cash and cash equivalents at end of year	<u>\$ 1,118,562</u>	<u>\$ 521,009</u>	<u>\$ 1,226,104</u>	<u>\$ 2,865,675</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, 2011

	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)	\$ 795,499	\$ 431,041	\$ (44,116)	\$ 1,182,424
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation and amortization	428,235	487,976	75,670	991,881
(Increase) decrease in assets:				
Receivables - net	(20,158)	6,604	(4,412)	(17,966)
Inventories	(4,894)	(5,023)	-	(9,917)
Increase (decrease) in liabilities:				
Deposits	3,660	525	-	4,185
Accounts payable and other current liabilities	13,111	(9,004)	51,150	55,257
Net cash provided (used) by operating activities	<u>\$ 1,215,453</u>	<u>\$ 912,119</u>	<u>\$ 78,292</u>	<u>\$ 2,205,864</u>

See accompanying notes to financial statements.

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2011

Note 1. - Summary of Significant Accounting Policies

A. Description of Reporting Entity

The City is a municipal corporation governed by an elected mayor and six-member council. As required by GAAP, these financial statements present the government and its component unit (Cottage Grove Urban Renewal Agency), entities for which the government is considered to be financially accountable.

Cottage Grove Urban Renewal Agency – The Agency was formed to plan, direct, and manage certain projects within Cottage Grove. Pursuant to ORS 457.055 and under Lane County's order no. 86-8-27-1H, the City Council has been appointed governing body of the Agency. The Urban Renewal Agency Capital Projects Fund and Urban Renewal Agency Debt Service Fund are reported as governmental fund types.

Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The Cottage Grove Urban Renewal Agency has a June 30 year-end. The Cottage Grove Urban Renewal Agency is governed by the City Council of the City of Cottage Grove.

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 assets and the statement of activities display information about the City as a whole. These statements include all the financial activities of the City, except for fiduciary activities. 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, proprietary, and fiduciary, even though the latter are excluded from government-wide financial statements. Major individual funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column in the financial section of the basic financial statements and are detailed in the supplemental information.

C. Basis of Presentation

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

GASB 34 sets forth minimum criteria (percentage of the assets liabilities, revenues or expenditures/expenses of either fund category or the governmental and proprietary combined) for the determination of major funds. Non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2011

Note 1. - Summary of Significant Accounting Policies continued

C. Basis of Presentation, continued

The City reports the following major governmental funds:

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

Additionally, the City reports the following non-major governmental funds within the governmental fund type:

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

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

- *Water Operations*

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

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

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

- *Wastewater Operations*

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

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

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

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2011

Note 1. - Summary of Significant Accounting Policies continued

C. Basis of Presentation, continued

- *Storm Drain Operations*

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

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

A deferred revenue liability 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 deferred 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 assets, with a full accrual basis of accounting, revenue must be recognized as soon as it is earned regardless of its availability. Thus, the liability created on the governmental fund balance sheet for unavailable deferred revenue is eliminated.

Note that deferred revenues also arise outside the scope of measurement focus and bases 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 deferred revenue on the statement of net assets.

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2011

Note 1. - Summary of Significant Accounting Policies continued

D. Measurement Focus and Basis of Accounting, continued

Similar to the way its revenues are recorded, governmental funds only record those expenditures that affect current financial resources. Principal and interest on general long-term debt are recorded as fund liabilities only when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Vested compensated absences are recorded as expenditures only to the extent that they are expended to be liquidated with expendable financial resources such as any unused reimbursable leave outstanding at the time of an employee's resignation or retirement. In the government-wide financial statements, however, with a full accrual basis of accounting, all expenditures affecting the economic resource status of the government must be recognized. Thus, the expense and related accrued liability for long-term portions of debt and compensated absences must be included.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental 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 non-operating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the City's Water, Wastewater, and Storm Drain are charges to customers for sales and services. The Water, Wastewater, and Storm Drain Funds also recognize fees intended to recover the cost of connecting new customers to the City's utility systems as operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and overheads, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2011

Note 1.- Summary of Significant Accounting Policy, continued

G. Receivables and Payables

Property taxes receivable in the governmental fund types, which have been collected within sixty days following year end, are considered measurable and available and are recognized as revenues in governmental funds.

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

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

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

H. Inventories

Inventories in the Water and Wastewater Funds consist of expendable supplies held for maintenance and improvements. Inventories are stated at cost on a first-in/first-out basis and charged to expenses 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 assets and is provided on the straight-line basis over the following estimated useful lives:

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

Monthly depreciation is taken from the month of the fiscal year the assets are acquired. Gains or losses from sales or retirements of capital assets are included in operations of the current period.

J. Deferred Revenue

Deferred revenues represent uncollected property taxes and other revenues not deemed available to finance operations of the current period.

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2011

Note 1.- Summary of Significant Accounting Policy, continued

K. Compensated absences

Accumulated vested vacation pay is accrued as it is earned. For governmental funds, accumulated vested vacation pay is maintained separately and represents a reconciling item between the fund-level and government-wide presentations. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

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

L. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. 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. Bond issuance costs are treated as period costs in the year of issue and are shown as other financial uses.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financial sources while discounts on debt proceeds received are reported as debt service expenditures.

M. Nets Assets and Fund Equity

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

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

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

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

Committed - the City Council passes an ordinance that places specific constraints on how the resources may be used. The City Commission 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.

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2011

Note 1.- Summary of Significant Accounting Policy, continued

M. Nets Assets and Fund Equity, continued

Fund balances by classification for the year ended June 30, 2011 are as follows:

	<u>General Fund</u>	<u>Street Fund</u>	<u>City Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable					
Prepays and deposits	\$ 8,562	\$ -	\$ -	\$ 13,519	\$ 22,081
Permanent balance	-	-	-	3,000	3,000
Restricted for:					
Road maintenance	-	404,376	-	-	404,376
Emergency phone system	-	-	-	12,185	12,185
Drug enforcement training	-	-	-	181,580	181,580
Building permit programs	-	-	-	4,426	4,426
Industrial park management	-	-	-	459,464	459,464
Urban renewal debt service	-	-	-	87,665	87,665
Committed to:					
Local improvement districts	-	-	-	150,138	150,138
Small business loans	-	-	-	9,569	9,569
Construction rehabilitation loans	-	-	-	444,531	444,531
Capital projects	-	-	-	1,335,473	1,335,473
Assigned to:					
Library books and trees	-	-	-	4,199	4,199
Debt service	-	-	3,337	-	3,337
Unassigned:	<u>1,713,931</u>	<u>-</u>	<u>-</u>	<u>(149,849)</u>	<u>1,564,082</u>
Total fund balances	<u>\$ 1,722,493</u>	<u>\$ 404,376</u>	<u>\$ 3,337</u>	<u>\$ 2,555,900</u>	<u>\$ 4,686,106</u>

N. Use of Restricted Assets

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

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2011

Note 1.- Summary of Significant Accounting Policy, continued

O. Interfund Services Provided and Used

Sales and purchases of goods and services between funds are reported at a price approximating their external exchange value. Engineering and administrative services are reported between functions and are included within materials and services. These services are reported as internal charges on the government-wide financial statements.

P. Implementation of New Accounting Guidance

During the year, management early implemented GASB Statement 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which is effective for financial statements for periods beginning after December 15, 2011. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA, issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This statement also supersedes Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, thereby eliminating the election provided in paragraph 7 of that statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements.

Note 2. - Stewardship, compliance, and accountability

A. Budgetary information

Budgets are prepared and adopted, and expenditures are appropriated, in accordance with Oregon Local Budget Law. The budgetary level of control is appropriated by fund and department for the General Fund and Street Fund. All other funds are appropriated by object (i.e. personal services, materials and services, capital outlay, debt service, interfund transfers, and contingency). Appropriations lapse as of the year end. The City does not use encumbrance accounting.

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

B. Excess of expenditures over appropriations

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

<u>Fund</u>	<u>Appropriation Level</u>	<u>Over Expenditure Amount</u>
General Fund	Parks	\$ 252,999

C. Bicycle Footpath deficit fund equity.

The City's Bicycle Footpath fund had a negative fund balance of \$149,849 as of June 30, 2011. This fund accounts for revenue received from the City's state gasoline tax. During May 2010, the City made an emergency interfund loan between the Storm Drainage System Development fund and the Bicycle Footpath fund to complete the covered bridge project. Consequently, as a result of the use of the modified accrual basis of accounting, the City had a negative fund balance at year-end. The deficit was funded by the Storm Drainage System Development fund via an interfund loan.

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2011

Note 3. - Cash and cash equivalents

At June 30, 2011 investments included in cash and cash equivalents consist of the following:

	<u>Fair Value</u>
Investments in the State Treasurer's Local Government Investment Fund	\$ 6,791,944
Deposits in financial institutions	832,343
Cash on hand	<u>1,965</u>
Total cash and cash equivalents	<u>\$ 7,626,252</u>

A. Interest rate risk

The City does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. In accordance with its investment policy, the government manages its exposure to declines in fair values by limiting the weighted average maturity of its investments portfolio in accordance with ORS 294.035. As of June 30, 2011, 54.94% of the investments in the LGIP mature within 93 days, 22.62% mature from 94 days to one year, 21.94% mature from one year to three years, and 0.5% are in defaulted securities.

B. Credit risk

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

C. Concentration of credit risk

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

The Oregon State Treasurer maintains the Oregon Short Term Fund (OSTF), of which the Local Government Investment Pool (LGIP) is a part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. LGIP was created to offer a short-term investment alternative to Oregon local governments and it is not registered with the U.S. Securities and Exchange Commission. The investments are regulated by the OSTF and approved by the Oregon Investment Council (ORS 294.805 to 294.895). At June 30, 2011, the fair value of the City's deposits with the LGIP approximates cost. The OSTF financial statements are available at <http://www.ost.state.or.us/>.

The LGIP's portfolio concentration of credit risk at June 30, 2011 included: Corporate Notes (45.8%), U.S. Treasury and Agency Securities (38.5%), Government Guaranteed Corporate Securities (10.6%), Commercial Paper (2.7%), Bank Notes (1.2%), Certificates of Deposits (.6%) and Municipal Bonds (0.6%). The credit risk associated with the investments was: AAA rating (48.0%), AA rating (18.2%), A rating (32.5%), BBB rating (0.2%), not rated (.6%), and ratings withdrawn (0.5%).

D. Custodial credit risk – deposits

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

The City's total bank balance, at June 30, 2011, shown on the bank statements was \$913,102. Of these deposits, \$500,000 was covered by federal depository insurance. The remaining balance of \$413,102 was covered by the PFCP.

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2011

Note 4 -Receivables

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

Allowance related to water sales	\$	4,310
Allowance related to wastewater charges		2,500
Allowance related to storm drain charges		<u>1,000</u>
Total allowance of the current fiscal year	\$	<u><u>7,810</u></u>

Note 5 - Capital Assets

A. Capital asset activity for the year ended June 30, 2011 was as follows:

<u>Governmental Activities:</u>	<u>2010</u>	<u>Additions and Reclassifications</u>	<u>Deletions and Reclassifications</u>	<u>2011</u>
Capital assets, not being depreciated:				
Land	\$ 26,438,798	\$ -	\$ -	\$ 26,438,798
Construction in progress	<u>411,138</u>	<u>945,975</u>	<u>(142,455)</u>	<u>1,214,658</u>
Total capital assets, not being depreciated	<u>26,849,936</u>	<u>945,975</u>	<u>(142,455)</u>	<u>27,653,456</u>
Capital assets being depreciated:				
Buildings and improvements	3,907,138	18,987	-	3,926,125
Motor vehicles and equipment	1,203,216	88,815	(23,032)	1,268,999
Office furniture and equipment	290,652	6,918	-	297,570
Infrastructure	<u>23,396,754</u>	<u>258,439</u>	<u>-</u>	<u>23,655,193</u>
Total capital assets being depreciated	<u>28,797,760</u>	<u>373,159</u>	<u>(23,032)</u>	<u>29,147,887</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,009,548)	(103,842)	-	(1,113,390)
Motor vehicles and equipment	(892,942)	(65,317)	22,832	(935,427)
Office furniture and equipment	(268,377)	(5,190)	-	(273,567)
Infrastructure	<u>(13,449,433)</u>	<u>(809,763)</u>	<u>-</u>	<u>(14,259,196)</u>
Total accumulated depreciation	<u>(15,620,300)</u>	<u>(984,112)</u>	<u>22,832</u>	<u>(16,581,580)</u>
Total capital assets, being depreciated, net	<u>13,177,460</u>	<u>(610,953)</u>	<u>(200)</u>	<u>12,566,307</u>
Governmental activities capital assets, net	\$ <u>40,027,396</u>	\$ <u>335,022</u>	\$ <u>(142,655)</u>	\$ <u>40,219,763</u>

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2011

Note 5. - Capital Assets, continued

Business-type Activities:	2010	Additions and Reclassifications	Deletions and Reclassifications	2011
Capital assets, not being depreciated:				
Land	\$ 2,113,002	\$ -	\$ -	\$ 2,113,002
Total capital assets, not being depreciated	<u>2,113,002</u>	<u>-</u>	<u>-</u>	<u>2,113,002</u>
Capital assets being depreciated:				
Land improvements	1,260,000	-	-	1,260,000
Infrastructure	1,614,936	-	-	1,614,936
Utility systems	34,828,925	35,619	-	34,864,544
Buildings and improvements	1,600,022	65,948	-	1,665,970
Equipment	1,192,857	-	-	1,192,857
Motor vehicles	604,873	14,843	(27,275)	592,441
Office furniture	8,867	-	-	8,867
Total capital assets being depreciated	<u>41,110,480</u>	<u>116,410</u>	<u>(27,275)</u>	<u>41,199,615</u>
Less accumulated depreciation for:				
Land improvements	(294,000)	(84,000)	-	(378,000)
Infrastructure	(163,180)	(108,187)	-	(271,367)
Utility systems	(8,499,546)	(695,957)	-	(9,195,503)
Buildings and improvements	(263,003)	(40,584)	-	(303,587)
Equipment	(771,160)	(45,408)	-	(816,568)
Motor vehicles	(564,690)	(17,624)	26,675	(555,639)
Office furniture	(8,867)	-	-	(8,867)
Total accumulated depreciation	<u>(10,564,446)</u>	<u>(991,760)</u>	<u>26,675</u>	<u>(11,529,531)</u>
Total capital assets, being depreciated, net	<u>30,546,034</u>	<u>(875,350)</u>	<u>(600)</u>	<u>29,670,084</u>
Business-type activities capital assets, net	<u>\$ 32,659,036</u>	<u>\$ (875,350)</u>	<u>\$ (600)</u>	<u>\$ 31,783,086</u>

B. Depreciation expense was charged to governmental activities as follows:

General government	\$ 232,565
Highways and streets	665,368
Public safety	43,793
Culture and recreation	42,386
Total depreciation expense -governmental activities	<u>\$ 984,112</u>

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

Water	\$ 428,235
Wastewater	487,856
Storm Drain	75,669
Total depreciation expense -business-type activities	<u>\$ 991,760</u>

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2011

Note 6. - Interfund Receivables, Payables, and Transfers

A. Interfund loans receivable

Interfund loans receivable and payable are as follows:

Receivable Fund	Payable Fund	Amount
Storm Drain	Bicycle and Footpath	<u>\$ 173,700</u>

In June 2006, the City Council authorized an interfund loan to the Industrial Park Operations Fund from the Storm Drain System Development Charges Fund, in the amount of \$60,000. The loan was repaid in fiscal year ended June 30, 2011, with interest in an amount equal to the average daily interest rates paid by the Local Government Investment Pool for the duration of the loan. The loan was made for the purpose of debt retirement for the construction of the industrial park improvements.

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

B. Interfund transfers

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

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General Fund	\$ -	\$ 623,415
Street Fund	-	102,889
City Debt Service Fund	<u>227,055</u>	<u>-</u>
Total Major Governmental Funds:	<u>227,055</u>	<u>726,304</u>
Non-major Governmental Funds:		
Police Communication Fund	388,495	9,263
Bicycle and Footpath Fund	19,300	-
General Reserve Fund	130,000	26,916
Narcotics Forfeiture Fund	-	1,221
Building Inspection Program Fund	-	1,146
Urban Renewal Agency Capital Projects Fund	<u>-</u>	<u>-</u>
Total Non-major Governmental Funds	<u>537,795</u>	<u>38,546</u>
Total All Funds	<u>\$ 764,850</u>	<u>\$ 764,850</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, 2011

Note 7. - Long-Term Obligations

A. Changes in General Long-Term Liabilities

Transactions for the year ended June 30, 2011 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Bonds and notes payable:					
Bonds	\$ 2,395,345	\$ -	\$ (33,418)	\$ 2,361,927	\$ 34,561
Loans	<u>2,174,630</u>	<u>427,699</u>	<u>(420,287)</u>	<u>2,182,042</u>	<u>395,804</u>
Total bonds and notes payable	4,569,975	427,699	(453,705)	4,543,969	430,365
Compensated absences	<u>250,056</u>	<u>253,344</u>	<u>(250,056)</u>	<u>253,344</u>	<u>253,344</u>
Total Governmental Activities	<u>\$ 4,820,031</u>	<u>\$ 681,043</u>	<u>\$ (703,761)</u>	<u>\$ 4,797,313</u>	<u>\$ 683,709</u>
Business-type Activities					
Loans	\$ 19,872,976	\$ -	\$ (1,075,878)	\$ 18,797,098	\$ 848,582
Compensated Absences	<u>78,849</u>	<u>81,208</u>	<u>(78,849)</u>	<u>81,208</u>	<u>81,208</u>
Total Business-type Activities	<u>\$ 19,951,825</u>	<u>\$ 81,208</u>	<u>\$ (1,154,727)</u>	<u>\$ 18,878,306</u>	<u>\$ 929,790</u>

B. Bonds Payable

Governmental Activities

During 2000-2001, the City of Cottage Grove issued \$700,000 of Rural Development Revenue Bonds, to finance Industrial Park Construction. The bonds are being repaid from revenues from the Industrial Park. In accordance with the loan conditions with the United States Department of Agriculture, Rural Development Department, the city is to establish a reserve account for future loan payments in the event that the City were to become delinquent or unable to make the required loan payment from the Industrial Park Operations Fund. The reserve account is to be accumulated to a minimum of \$40,796. The 40-year 5% bond is being paid by the Industrial Park fund.

\$ 627,118

During 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%.

1,734,809

Total bonds payable

\$ 2,361,927

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2011

Note 7. - Long-Term Obligations, continued

General obligation bonded debt requirements are summarized below:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2012	\$ 34,561	\$ 157,433	\$ 191,994
2013	35,543	161,450	196,993
2014	38,532	168,461	206,993
2015	38,667	173,326	211,993
2016	40,625	181,369	221,994
2017-2021	325,601	907,997	1,233,598
2022-2026	1,024,956	462,507	1,487,463
2027-2031	508,430	132,197	640,627
2032-2036	138,388	65,592	203,980
2037-2041	176,624	27,356	203,980
Total	<u>\$ 2,361,927</u>	<u>\$ 2,437,688</u>	<u>\$ 4,799,615</u>

C. Notes and Loans Payable

Governmental Activities

In July 1996, the City entered into a loan agreement with the State of Oregon Economic Development Department for a portion of the financing for the development of an industrial park. This loan was for the principal amount of \$663,922. Under the loan agreement, the state holds and invests all amounts not required by the City of construction and is to remit to the City the entire principal amount and all accumulated interest earnings accruing on the loan principal balance. The City received loan advances totaling \$455,394 in prior years and withdrew the remaining balance of the loan in 2001-02 as construction on the industrial park concluded. This 25-year 5.33% loan is being paid by the Industrial Park fund.	\$ 371,206
During 1998-99 the City received a 15-year \$1,585,000 loan to remodel the City Shop. The loan is repayable in semiannual installments of \$67,289, including interest at 4.22% per annum. The loan is secured by a City owned parcel of undeveloped land and proceeds from the sale of the old city shop.	316,035
In August of 2006, the City received a \$346,946 loan to purchase a parcel of land adjacent to Trail Head Park. The loan is repayable over a 60 month period in semiannual payments of approximately \$35,627, including interest at 4.85% per annum.	37,882
In October 2007, the City received a \$172,368, 4.57% loan from US Bank for the purchase of a 2007 Elgin Eagle Street Sweeper. This is a 5-year loan being repaid 90% from street fund revenues and 10% being paid from the Storm Reserve Fund.	56,765
In January 2008, the City received a \$529,540 equipment lease/purchase funding from Key Government Finance for optical and wireless networking equipment in conjunction with the development of the high-speed broadband services to the community for use by South Lane School District, Public Safety services, business/commercial, and other public users. The lease/purchase loan is being repaid over a 5-year period from the General Fund.	198,716
Note payable obligation for optical and wireless networking equipment, secured by the asset, payable in monthly installments of \$63,046 including interest at an effective rate of 4.8% per annum, maturing in fiscal year 2023.	747,638
In September 2009, the City received a \$299,188, 3.71% loan from US Bank for the purchase of a vector and greens roller. This is a 5-year loan being repaid equally from the Street Fund, Water Reserve Fund, Wastewater Reserve Fund and Storm Reserve Funds.	29,925
In December 2010, the City received a \$32,700 loan, at an interest rate of 3.75%, from Siuslaw Bank for the purchase of a 2010 Chevrolet Tahoe Police Vehicle. This is a four year loan being repaid from the General Fund – Police Department.	28,876
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>394,999</u>
Total notes and loans payable	<u>\$ 2,182,042</u>

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2011

Note 7. - Long-Term Obligations, continued

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

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2012	\$ 395,804	\$ 85,142	\$ 480,946
2013	357,299	67,183	424,482
2014	208,909	51,984	260,893
2015	134,763	46,029	180,792
2016	130,472	41,825	172,297
2017-2021	524,777	151,343	676,120
2022-2026	264,853	76,926	341,779
2027-2031	165,165	13,190	178,355
Total	<u>\$ 2,182,042</u>	<u>\$ 533,622</u>	<u>\$ 2,715,664</u>

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2011

Note 7. - Long-Term Obligations, continued

Business-type Activities

On January 21, 2004, the City and the Oregon Department of Environmental Quality executed a \$9 million loan agreement to upgrade the City's wastewater treatment plant. Beginning fiscal year 2006, \$887,718 was disbursed. The loan was amended on June 30, 2007 to increase the loan amount to \$9,261,399. The City is required to repay the loan in semiannual installments of \$318,217, including interest at 3.60% and annual payments of fees of 0.5% beginning in fiscal year 2007.

7,785,875

In December of 2006, the City received an \$850,000 loan for the purchase of the Middlefield Golf Course. This loan is repayable over 20 years in semiannual payments of approximately \$33,964, including interest at 4.975% per annum. However, the entire balance is payable on demand at the creditor's option. Accordingly, the entire principal balance has been classified as current in the financial statements even though liquidation of the entire balance is not expected in one year. The loan is secured by the assignment of all rents from the Middlefield Golf Course.

723,960

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.

333,410

During fiscal year 2006, \$1,515,345 was disbursed on State of Oregon Economic Development Department loan G05001; the City received additional disbursements in the amount of \$964,655 and \$135,644 during fiscal years 2008 and 2009, respectively. Note is payable in monthly installments of approximately \$180,000, including interest at an effective rate ranging between 3% - 5.25% per annum, maturing in fiscal year 2033. Funding is for construction of improvements to the City Water Treatment facilities and replacement of 7.5 miles of transmission lines from one of the City's facilities to its reservoirs

2,488,515

During fiscal year 2008, \$5,202,423 was disbursed on State of Oregon Economic Development Department Loan S05001; the City received additional disbursements in the amount of \$1,067,577 during fiscal year 2009. Note is payable in monthly installments of approximately \$462,000, including interest at an effective rate of 4.01% per annum, maturing in fiscal year 2028. Funding is for construction of improvements to the City Water Treatment facilities and replacement of 7.5 miles of transmission lines from one of the City's facilities to its reservoirs.

6,059,661

In September 2007, the City received a \$1,350,000, 5.16%, Long-term Limited Obligation Revenue Note, Series 2007, from Wells Fargo Brokerage Services, LLC for the financing of payments to former, extraterritorial water customers disconnected from City water service. This is a 20-year note being re-paid from water surcharges.

1,198,955

In May 2008, the City received a \$15,900, 4.40% equipment lease/purchase funding from CitiCapital Commercial Corporation for the purchase of four 2008 Club Car golf carts to be used at Middlefield Golf Course. The lease/purchase loan is being repaid over a 4-year period from the Wastewater Fund.

3,894

In August 2007, the City received a \$99,268, 4.55% loan from US Bank for the purchase of a 2007 Caterpillar 430 E Backhoe. This is a 5-year loan being repaid equally from the Street Fund, Water Reserve Fund, Wastewater Reserve Fund and Storm Reserve Funds.

25,799

In September 2009, the City received a \$299,188, 3.71% loan from US Bank for the purchase of a vactor and greens roller. This is a 5-year loan being repaid equally from the Street Fund, Water Reserve Fund, Wastewater Reserve Fund and Storm Reserve Funds.

177,029

Total loans payable \$ 18,797,098

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

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2011

Note 7. - Long-Term Obligations, continued

Year Ending June 30,	Business-type Activities		
	Principal	Interest	Total
2012	\$ 848,582	\$ 714,983	\$ 1,563,565
2013	862,768	684,056	1,546,824
2014	891,254	652,476	1,543,730
2015	879,642	620,322	1,499,964
2016	897,932	588,313	1,486,245
2017-2021	5,005,194	2,415,912	7,421,106
2022-2026	6,022,275	1,396,756	7,419,031
2027-2031	2,899,051	404,290	3,303,341
2032-2036	490,400	47,189	537,589
Total	<u>\$ 18,797,098</u>	<u>\$ 7,524,297</u>	<u>\$ 26,321,395</u>

Note 8. - Pension Plan

A. Plan Description

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

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

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

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

B. Funding Policy

Employer contributions are required by state statute and are made at actuarially determined rates as adopted by the OPERB. Covered employees are required by state statute to contribute 6.0% of their annual salary to the system, but the employer is allowed to pay any or all of the employees' contribution in addition to the required employers' contribution. The annual pension cost was \$625,719 which included the union employee's portion for the year ended June 30, 2011. The City contributed 14.32% of covered payroll to PERS for the fiscal year ended June 30, 2011. For employees hired on or after August 29, 2003, the City's contribution rate was 14.96% for police and fire employees and 12.22% for all other employees.

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

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2011

Note 8. Pension Plan, continued

C. Annual Pension Cost

All participating employers are required by law to submit the contributions as adopted by OPERB. For the fiscal year ended June 30, 2011, the City's annual pension payment was \$625,719. This was comprised of \$513,524 in employer contributions and \$112,195 of employee contributions. The 6% employee contribution was paid by the City for unionized employees in accordance with collective bargaining agreements. In addition to the required contribution, the City contributed the proceeds of the Limited Tax Pension bonds Series 2002, and recognized a pension asset of \$1,179,625 at June 30, 2011. The City is amortizing the pension asset over the life of the bonds, or 26 years. The pension asset for the year ended June 30, 2011 is as follows:

Pension asset at June 30, 2010	\$ 1,249,014
Annual amortization	<u>(69,389)</u>
Pension asset at June 30, 2011	<u>\$ 1,179,625</u>

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

The Tier 1 and Tier II regular Unfunded Accrued Liability (UAL) is currently amortized as a level percentage of combined valuation payroll over a closed 20 year period. Gains and losses between subsequent odd-year valuations are amortized as a level percentage of combined valuation payroll over 20 years from the odd-year valuation in which they are first recognized. The change in the unfunded actuarial accrued liability due to the change to the projected unit credit cost method is amortized over a rolling three-year period and is also expressed as a percentage of combined valuation payroll. For the OPSRP Unfunded Accrued Liability (UAL), gains and losses between odd-year valuations are amortized as a level percentage of combined valuation payroll over 16 years from the odd-year valuation in which they are first recognized.

The actuarial assumptions include an investment return of 8.0% per year, projected salary increase of 3.75%, health cost inflation graded from 7.0% in 2011, to 4.5% in 2029, and a consumer price inflation component of 2.75%. This information is from the most current Actuarial Valuation Report dated December 31, 2010.

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

The Oregon Legislative Assembly created a second level or "Tier" of OPERS benefits that modified service and disability retirement allowances payable to persons who established PERS membership on or after January 1, 1996 ("Tier Two" members). Future interest credits are assumed at 8.0% compounded annually on members' regular account balances and 8.25% compounded annually on members' variable account balances for Tier One and there is no guaranty of future interest credits for Tier Two members.

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

Fiscal Year Ended	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Asset
6/30/2011	\$ 625,719	100 %	\$ 1,179,625
6/30/2010	\$ 620,595	100 %	\$ 1,249,014
6/30/2009	\$ 636,581	100 %	\$ 1,318,403

D. Funding Status

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

December 31 Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Actuarial Assets in Excess of (Less than) Accrued Liability	Funded %	Covered Payroll	Overfunded, (Underfunded) Actuarial Liability as a % of Payroll
2010	\$ 31,425,921	\$ 34,333,400	\$(2,907,479)	92 %	\$3,750,985	(78) %
2009	\$ 29,216,208	\$ 32,864,480	\$(3,648,272)	89 %	\$3,747,512	(97) %
2008	\$ 25,591,390	\$ 31,631,437	\$(6,040,047)	81 %	\$3,544,495	(170) %

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2011

Note 9. - Risk Management

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

Note 10.- Contingent Liabilities

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

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

Note 11. Prior Period Adjustment

In the prior year, the City intended to recognize an interfund loan between the Bicycle Footpath Fund and the Storm Drain System Development Charges Fund. However, the transaction was recorded as an interfund transfer. As a result of this prior period adjustment, net assets increased by \$193,000 in the Storm Drain System Development Charges Fund and decreased by \$193,000 in the Bicycle Footpath Fund.



REQUIRED SUPPLEMENTARY INFORMATION



CITY OF COTTAGE GROVE, OREGON

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental revenues	\$ 1,149,779	\$ 1,451,129	\$ 628,714	\$ (822,415)
Charges for services	12,500	12,500	36,737	24,237
Property taxes	3,473,000	3,473,000	4,002,666	529,666
Franchise taxes	400,000	400,000	423,445	23,445
Licenses and permits	4,850	4,850	6,119	1,269
Fines and forfeitures	109,700	109,700	134,522	24,822
Investment earnings	17,000	17,000	22,552	5,552
Miscellaneous	96,363	96,363	156,803	60,440
Room tax	95,000	95,000	81,586	(13,414)
Administration and engineering fees	<u>390,180</u>	<u>390,180</u>	<u>404,991</u>	<u>14,811</u>
Total revenues	<u>5,748,372</u>	<u>6,049,722</u>	<u>5,898,135</u>	<u>(151,587)</u>
Expenditures:				
City Manager	243,930	243,930	240,112	3,818
City Attorney	55,025	55,025	53,362	1,663
Community development	1,001,140	1,001,140	586,479	414,661
City Council	32,310	32,310	26,167	6,143
Community center	135,545	140,495	130,847	9,648
Municipal court	93,160	93,160	87,486	5,674
Police operations	2,102,000	2,122,500	1,975,292	147,208
Municipal court support services	52,465	52,465	48,631	3,834
Youth peer court	23,750	23,750	21,360	2,390
Parks	301,075	758,075	1,011,074	(252,999)
Building maintenance	147,315	147,315	143,706	3,609
Community promotions	127,000	128,350	104,904	23,446
Engineering department	237,850	239,050	234,687	4,363
Finance	296,245	296,245	278,436	17,809
Library	329,325	336,080	317,378	18,702
Broadband services	324,045	425,355	420,954	4,401
Non-departmental	<u>500,044</u>	<u>288,394</u>	<u>166,727</u>	<u>121,667</u>
Total expenditures	<u>6,002,224</u>	<u>6,383,639</u>	<u>5,847,602</u>	<u>536,037</u>
Excess revenues over (under) expenditures	<u>(253,852)</u>	<u>(333,917)</u>	<u>50,533</u>	<u>384,450</u>
Other financing sources (uses):				
Donations	100	100	300,140	300,040
Issuance of debt	-	-	427,699	427,699
Transfers out	<u>(623,415)</u>	<u>(623,415)</u>	<u>(623,415)</u>	<u>-</u>
Total other financing sources (uses)	<u>(623,315)</u>	<u>(623,315)</u>	<u>104,424</u>	<u>727,739</u>
Net change in fund balances	<u>(877,167)</u>	<u>(957,232)</u>	<u>154,957</u>	<u>1,112,189</u>
Fund Balance:				
Beginning of year	<u>877,167</u>	<u>957,232</u>	<u>1,567,536</u>	<u>610,304</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,722,493</u>	<u>\$ 1,722,493</u>

CITY OF COTTAGE GROVE, OREGON

Street Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental revenues:				
State highway taxes	\$ 405,035	\$ 405,035	\$ 471,085	\$ 66,050
Investment earnings	1,000	1,000	1,350	350
Miscellaneous	1,000	1,000	57,542	56,542
Local fuels tax	<u>310,280</u>	<u>310,280</u>	<u>353,988</u>	<u>43,708</u>
Total revenues	<u>717,315</u>	<u>717,315</u>	<u>883,965</u>	<u>166,650</u>
Expenditures:				
Street maintenance	454,985	454,985	387,239	67,746
Street sweeping	131,060	131,060	88,073	42,987
Non-departmental	76,920	76,920	70,982	5,938
Street Impr./Capital Purch.	131,100	131,100	106,165	24,935
Contingency	<u>95,115</u>	<u>95,115</u>	<u>-</u>	<u>95,115</u>
Total expenditures	<u>889,180</u>	<u>889,180</u>	<u>652,459</u>	<u>236,721</u>
Excess revenues over (under) expenditures	<u>(171,865)</u>	<u>(171,865)</u>	<u>231,506</u>	<u>403,371</u>
Other financing sources (uses):				
Transfers out	<u>(102,890)</u>	<u>(102,890)</u>	<u>(102,889)</u>	<u>1</u>
Total other financing sources (uses)	<u>(102,890)</u>	<u>(102,890)</u>	<u>(102,889)</u>	<u>1</u>
Net change in fund balances	(274,755)	(274,755)	128,617	403,372
Fund Balance:				
Beginning of year	<u>274,755</u>	<u>274,755</u>	<u>275,759</u>	<u>1,004</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 404,376</u>	<u>\$ 404,376</u>

OTHER SUPPLEMENTARY INFORMATION



CITY OF COTTAGE GROVE, OREGON

Other Governmental Funds

Non-Major 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.
- **Small Business Loan Fund** – This fund accounts for monies originally received from a Community Development Block Grant. These monies are loaned to qualified small businesses.
- **Rehabilitation Loan Fund** – This fund accounts for monies received from Community Development Block Grant. These monies are to provide assistance to homeowners that are disadvantaged by age, handicap, or income, to correct health, safety and/or structural hazards.
- **Narcotics Forfeiture** – This fund accounts for monies received from forfeitures. The monies must be used for drug enforcement activities and other drug enforcement programs.
- **Building Inspection Program** – This fund accounts for building permit revenues and the activities of the City's Building Permit Program. It was established because of State legislation mandating that building permit revenues not be used for any purpose other than building permit programs.
- **Industrial Park Operations Fund** – This fund was established to provide operations, maintenance and management services for the South Hwy 99 Industrial Park. Revenues and other financing sources are expected to consist primarily of lease revenues and transfers from the Industrial Development Fund.

Debt Service Fund

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

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

CITY OF COTTAGE GROVE, OREGON

Other Governmental Funds

Non-Major Governmental Funds (continued)

Capital Projects Funds

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

- **Street Systems Development Fund** – This fund was established to accumulate monies derived from street systems development charges for facility expansion or improvement. The use of these funds is restricted by City ordinance.
- **Park Systems Development Fund** – This fund was established to accumulate monies derived from parks systems development charges for facility expansion or improvement. The use of these funds is restricted by City ordinance.
- **Urban Renewal Agency Capital Projects Fund** – This fund was established to administer the Cottage Grove Redevelopment Project. Major sources of revenue and other financing sources are bond proceeds and interest earnings. The Urban Renewal Agency is a component unit of the City of Cottage Grove.
- **General Reserve Fund** – This fund was established for the purpose of accumulating monies to acquire equipment or vehicles, to make major emergency repairs and/or to contract for services related to General Fund activities or programs. Transfers are the major source of financing.

Permanent Fund

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

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

CITY OF COTTAGE GROVE, OREGON

Non-Major Governmental Funds

Combining Balance Sheet

June 30, 2011

	Total Non-Major Special Revenue Funds	Urban Renewal Agency Debt Service Fund	Total Non-Major Capital Projects Funds	Ed Jenks and Memorial Trees Permanent Fund	Total Non-Major Governmental Funds
Assets					
Current assets:					
Cash and cash equivalents	\$ 1,377,403	\$ 87,665	\$ 1,336,134	\$ 7,199	\$ 2,808,401
Accounts receivable	487,946	-	-	-	487,946
Notes receivable	18,744	-	-	-	18,744
Other current assets	13,519	-	-	-	13,519
Total assets	<u>\$ 1,897,612</u>	<u>\$ 87,665</u>	<u>\$ 1,336,134</u>	<u>\$ 7,199</u>	<u>\$ 3,328,610</u>
Liabilities					
Current liabilities:					
Accounts payable and other current liabilities	\$ 91,315	\$ -	\$ 661	\$ -	\$ 91,976
Deposits	1,032	-	-	-	1,032
Interfund loan payable	173,700	-	-	-	173,700
Deferred revenue	506,002	-	-	-	506,002
Total liabilities	<u>772,049</u>	<u>-</u>	<u>661</u>	<u>-</u>	<u>772,710</u>
Fund Balances					
Nonspendable	13,519	-	-	3,000	16,519
Restricted	657,655	87,665	-	-	745,320
Committed	604,238	-	1,335,473	-	1,939,711
Assigned	-	-	-	4,199	4,199
Unassigned	(149,849)	-	-	-	(149,849)
Total fund balances	<u>1,125,563</u>	<u>87,665</u>	<u>1,335,473</u>	<u>7,199</u>	<u>2,555,900</u>
Total liabilities and fund balances	<u>\$ 1,897,612</u>	<u>\$ 87,665</u>	<u>\$ 1,336,134</u>	<u>\$ 7,199</u>	<u>\$ 3,328,610</u>

CITY OF COTTAGE GROVE, OREGON

Non-Major Governmental Funds

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

Year ended June 30, 2011

	<u>Total Non-Major Special Revenue Funds</u>	<u>Urban Renewal Agency Debt Service Fund</u>	<u>Total Non-Major Capital Projects Funds</u>	<u>Ed Jenks and Memorial Trees Permanent Fund</u>	<u>Total Non-Major Governmental Funds</u>
Revenues:					
Intergovernmental revenues	\$ 142,394	\$ -	\$ -	\$ -	\$ 142,394
Charges for services	206,028	-	-	-	206,028
Special assessments	-	-	78,561	-	78,561
Interest	7,563	1,194	6,360	36	15,153
Miscellaneous	<u>34,126</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,126</u>
Total Revenues	<u>390,111</u>	<u>1,194</u>	<u>84,921</u>	<u>36</u>	<u>476,262</u>
Expenditures:					
Current:					
General government	-	-	3,700	-	3,700
Public safety	561,151	-	18,511	-	579,662
Highways and streets	295	-	19,406	-	19,701
Culture and recreation	-	-	23,862	-	23,862
Community development	260,856	-	-	-	260,856
Capital outlay	5,097	-	49,979	905	55,981
Debt service					
Principal payments	45,365	-	-	-	45,365
Interest	<u>63,134</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,134</u>
Total Expenditures	<u>935,898</u>	<u>-</u>	<u>115,458</u>	<u>905</u>	<u>1,052,261</u>
Revenues over (under) expenditures	<u>(545,787)</u>	<u>1,194</u>	<u>(30,537)</u>	<u>(869)</u>	<u>(575,999)</u>
Other financing sources (uses)					
Donations	-	-	-	1,175	1,175
Transfers in	407,795	-	130,000	-	537,795
Transfers out	<u>(11,630)</u>	<u>-</u>	<u>(26,916)</u>	<u>-</u>	<u>(38,546)</u>
Total other financing sources (uses)	<u>396,165</u>	<u>-</u>	<u>103,084</u>	<u>1,175</u>	<u>500,424</u>
Net change in fund balance	(149,622)	1,194	72,547	306	(75,575)
Fund balance at beginning of year	1,468,185	86,471	1,262,926	6,893	2,824,475
Prior period adjustment	<u>(193,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(193,000)</u>
Fund balance at end of year	<u>\$ 1,125,563</u>	<u>\$ 87,665</u>	<u>\$ 1,335,473</u>	<u>\$ 7,199</u>	<u>\$ 2,555,900</u>

CITY OF COTTAGE GROVE, OREGON

Non-Major Special Revenue Funds

Combining Balance Sheet

June 30, 2011

	Assessment Fund	Police Communication Fund	Bicycle and Footpath Fund	Small Business Loan Fund	Rehabilitation Loan Fund	Narcotics Forfeiture	Building Inspection Program	Industrial Park Fund	Total Non-Major Special Revenue Funds
Assets									
Cash and cash equivalents	\$ 150,138	\$ 53,534	\$ 24,635	\$ 9,569	\$ 444,531	\$ 182,910	\$ 44,734	\$ 467,352	\$ 1,377,403
Accounts receivable	-	-	460	-	-	-	225	487,261	487,946
Notes receivable	-	-	-	-	18,744	-	-	-	18,744
Other current assets	-	-	-	-	-	13,519	-	-	13,519
Total assets	\$ 150,138	\$ 53,534	\$ 25,095	\$ 9,569	\$ 463,275	\$ 196,429	\$ 44,959	\$ 954,613	\$ 1,897,612
Liabilities									
Accounts payable and other current liabilities	\$ -	\$ 41,349	\$ 1,244	\$ -	\$ -	\$ 298	\$ 40,533	\$ 7,891	\$ 91,315
Deposits	-	-	-	-	-	1,032	-	-	1,032
Due to other funds	-	-	173,700	-	-	-	-	-	173,700
Deferred revenue	-	-	-	-	18,744	-	-	487,258	506,002
Total liabilities	-	41,349	174,944	-	18,744	1,330	40,533	495,149	772,049
Fund Balance									
Nonspendable	-	-	-	-	-	13,519	-	-	13,519
Restricted	-	12,185	-	-	-	181,580	4,426	459,464	657,655
Committed	150,138	-	-	9,569	444,531	-	-	-	604,238
Unassigned	-	-	(149,849)	-	-	-	-	-	(149,849)
Total Fund Balances	150,138	12,185	(149,849)	9,569	444,531	195,099	4,426	459,464	1,125,563
Total Liabilities and Fund Balances	\$ 150,138	\$ 53,534	\$ 25,095	\$ 9,569	\$ 463,275	\$ 196,429	\$ 44,959	\$ 954,613	\$ 1,897,612

CITY OF COTTAGE GROVE, OREGON

Non-Major Special Revenue Funds

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

Year ended June 30, 2011

	Assessment Fund	Police Communication Fund	Bicycle and Footpath Fund	Small Business Loan Fund	Rehabilitation Loan Fund	Narcotics Forfeiture	Building Inspection Program	Industrial Park Fund	Total Non-Major Special Revenue Funds
Revenues:									
Intergovernmental revenues	\$ -	\$ 137,724	\$ 4,670	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 142,394
Charges for services	-	-	-	-	-	-	206,028	-	206,028
Interest	765	67	115	49	2,266	1,059	243	2,999	7,563
Miscellaneous	-	-	-	-	-	17,586	40	16,500	34,126
Total Revenues	765	137,791	4,785	49	2,266	18,645	206,311	19,499	390,111
Expenditures:									
Current:									
Public safety	-	550,255	-	-	-	10,896	-	-	561,151
Highways and streets	-	-	295	-	-	-	-	-	295
Community development	-	-	-	-	-	-	243,614	17,242	260,856
Debt Service	-	-	-	-	-	-	-	-	-
Principal payments	-	-	-	-	-	-	-	45,365	45,365
Interest	-	-	-	-	-	-	-	63,134	63,134
Capital outlay	-	-	1,825	-	-	3,272	-	-	5,097
Total Expenditures	-	550,255	2,120	-	-	14,168	243,614	125,741	935,898
Revenues over (under) expenditures	765	(412,464)	2,665	49	2,266	4,477	(37,303)	(106,242)	(545,787)
Transfers:									
Transfers in	-	388,495	19,300	-	-	-	-	-	407,795
Transfers out	-	(9,263)	-	-	-	(1,221)	(1,146)	-	(11,630)
Net Transfers	-	379,232	19,300	-	-	(1,221)	(1,146)	-	396,165
Net change in fund balance	765	(33,232)	21,965	49	2,266	3,256	(38,449)	(106,242)	(149,622)
Beginning fund balance	149,373	45,417	21,186	9,520	442,265	191,843	42,875	565,706	1,468,185
Prior period adjustment	-	-	(193,000)	-	-	-	-	-	(193,000)
Ending fund balance	\$ 150,138	\$ 12,185	\$ (149,849)	\$ 9,569	\$ 444,531	\$ 195,099	\$ 4,426	\$ 459,464	\$ 1,125,563

CITY OF COTTAGE GROVE, OREGON

Non-Major Capital Project Funds

Combining Balance Sheet

June 30, 2011

	<u>Street Systems Development Fund</u>	<u>Parks Systems Development Fund</u>	<u>Urban Renewal Agency Capital Projects Fund</u>	<u>General Reserve Fund</u>	<u>Total Non-Major Capital Projects Funds</u>
Assets					
Cash and cash equivalents	\$ 524,115	\$ 61,529	\$ 691,589	\$ 58,901	\$ 1,336,134
Total assets	<u>\$ 524,115</u>	<u>\$ 61,529</u>	<u>\$ 691,589</u>	<u>\$ 58,901</u>	<u>\$ 1,336,134</u>
Liabilities					
Accounts payable and other current liabilities	\$ -	\$ 45	\$ -	\$ 616	\$ 661
Total liabilities	<u>-</u>	<u>45</u>	<u>-</u>	<u>616</u>	<u>661</u>
Fund Balance					
Committed	<u>524,115</u>	<u>61,484</u>	<u>691,589</u>	<u>58,285</u>	<u>1,335,473</u>
Total Fund Balance	<u>524,115</u>	<u>61,484</u>	<u>691,589</u>	<u>58,285</u>	<u>1,335,473</u>
Total Liabilities and Fund Balances	<u>\$ 524,115</u>	<u>\$ 61,529</u>	<u>\$ 691,589</u>	<u>\$ 58,901</u>	<u>\$ 1,336,134</u>

CITY OF COTTAGE GROVE, OREGON

Non-Major Capital Project Funds

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

Year ended June 30, 2011

	<u>Street Systems Development Fund</u>	<u>Parks Systems Development Fund</u>	<u>Urban Renewal Agency Capital Projects Fund</u>	<u>General Reserve Fund</u>	<u>Total Non-Major Capital Projects Funds</u>
Revenues:					
Special assessments	\$ 74,266	\$ 4,295	\$ -	\$ -	\$ 78,561
Investment earnings	<u>2,385</u>	<u>358</u>	<u>3,598</u>	<u>19</u>	<u>6,360</u>
Total Revenues	<u>76,651</u>	<u>4,653</u>	<u>3,598</u>	<u>19</u>	<u>84,921</u>
Expenditures:					
General government	-	-	-	3,700	3,700
Public safety	-	-	18,511	-	18,511
Highways and streets	19,406	-	-	-	19,406
Culture and recreation	-	23,862	-	-	23,862
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,979</u>	<u>49,979</u>
Total Expenditures	<u>19,406</u>	<u>23,862</u>	<u>18,511</u>	<u>53,679</u>	<u>115,458</u>
Revenues over (under) expenditures	57,245	(19,209)	(14,913)	(53,660)	(30,537)
Other financing sources (uses)					
Transfers in	-	-	-	130,000	130,000
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26,916)</u>	<u>(26,916)</u>
Net change in fund balance	57,245	(19,209)	(14,913)	49,424	72,547
Beginning fund balance	<u>466,870</u>	<u>80,693</u>	<u>706,502</u>	<u>8,861</u>	<u>1,262,926</u>
Ending fund balance	<u>\$ 524,115</u>	<u>\$ 61,484</u>	<u>\$ 691,589</u>	<u>\$ 58,285</u>	<u>\$ 1,335,473</u>

CITY OF COTTAGE GROVE, OREGON

General Fund

Schedule of Expenditures

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
City Manager:				
Personal services	\$ 219,630	\$ 219,630	\$ 216,404	\$ 3,226
Materials and services	<u>24,300</u>	<u>24,300</u>	<u>23,708</u>	<u>592</u>
Subtotal***	<u>243,930</u>	<u>243,930</u>	<u>240,112</u>	<u>3,818</u>
City Attorney:				
Materials and services	<u>55,025</u>	<u>55,025</u>	<u>53,362</u>	<u>1,663</u>
Subtotal***	<u>55,025</u>	<u>55,025</u>	<u>53,362</u>	<u>1,663</u>
Community development:				
Personal services	269,250	269,250	263,118	6,132
Materials and services	<u>731,890</u>	<u>731,890</u>	<u>323,361</u>	<u>408,529</u>
Subtotal***	<u>1,001,140</u>	<u>1,001,140</u>	<u>586,479</u>	<u>414,661</u>
City Council:				
Materials and services	<u>32,310</u>	<u>32,310</u>	<u>26,167</u>	<u>6,143</u>
Subtotal***	<u>32,310</u>	<u>32,310</u>	<u>26,167</u>	<u>6,143</u>
Community center:				
Personal services	114,245	114,245	104,917	9,328
Materials and services	<u>21,300</u>	<u>26,250</u>	<u>25,930</u>	<u>320</u>
Subtotal***	<u>135,545</u>	<u>140,495</u>	<u>130,847</u>	<u>9,648</u>
Municipal court:				
Personal services	74,330	74,330	72,573	1,757
Materials and services	<u>18,830</u>	<u>18,830</u>	<u>14,913</u>	<u>3,917</u>
Subtotal***	<u>93,160</u>	<u>93,160</u>	<u>87,486</u>	<u>5,674</u>
Police operations:				
Personal services	1,743,625	1,743,625	1,675,378	68,247
Materials and services	317,675	317,675	240,799	76,876
Capital outlay	<u>40,700</u>	<u>61,200</u>	<u>59,115</u>	<u>2,085</u>
Subtotal***	<u>2,102,000</u>	<u>2,122,500</u>	<u>1,975,292</u>	<u>147,208</u>
Municipal court support services:				
Material and services	<u>52,465</u>	<u>52,465</u>	<u>48,631</u>	<u>3,834</u>
Subtotal***	<u>52,465</u>	<u>52,465</u>	<u>48,631</u>	<u>3,834</u>
Youth peer court:				
Personal services	21,050	21,050	18,709	2,341
Materials and services	<u>2,700</u>	<u>2,700</u>	<u>2,651</u>	<u>49</u>
Subtotal***	<u>23,750</u>	<u>23,750</u>	<u>21,360</u>	<u>2,390</u>

*** Legal budget authority level

Continued on next page.

CITY OF COTTAGE GROVE, OREGON
 General Fund
 Schedule of Expenditures
 Budget and Actual (Budgetary Basis) - continued
 For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Parks:				
Personal services	71,430	71,430	67,321	4,109
Materials and services	29,645	29,645	25,246	4,399
Capital outlay	<u>200,000</u>	<u>657,000</u>	<u>918,507</u>	<u>(261,507)</u>
Subtotal***	<u>301,075</u>	<u>758,075</u>	<u>1,011,074</u>	<u>(252,999)</u>
Building maintenance:				
Personal services	85,015	85,015	83,771	1,244
Materials and services	<u>62,300</u>	<u>62,300</u>	<u>59,935</u>	<u>2,365</u>
Subtotal***	<u>147,315</u>	<u>147,315</u>	<u>143,706</u>	<u>3,609</u>
Community promotions:				
Materials and services	<u>127,000</u>	<u>128,350</u>	<u>104,904</u>	<u>23,446</u>
Subtotal***	<u>127,000</u>	<u>128,350</u>	<u>104,904</u>	<u>23,446</u>
Engineering department:				
Personal services	212,100	212,100	211,390	710
Materials and services	<u>25,750</u>	<u>26,950</u>	<u>23,297</u>	<u>3,653</u>
Subtotal***	<u>237,850</u>	<u>239,050</u>	<u>234,687</u>	<u>4,363</u>
Finance:				
Personal services	246,020	246,020	231,086	14,934
Materials and services	<u>50,225</u>	<u>50,225</u>	<u>47,350</u>	<u>2,875</u>
Subtotal***	<u>296,245</u>	<u>296,245</u>	<u>278,436</u>	<u>17,809</u>
Library:				
Personal services	272,675	272,675	257,751	14,924
Materials and services	<u>56,650</u>	<u>63,405</u>	<u>59,627</u>	<u>3,778</u>
Subtotal***	<u>329,325</u>	<u>336,080</u>	<u>317,378</u>	<u>18,702</u>
Broadband services:				
Personal services	6,645	6,645	3,653	2,992
Material and services	115,050	143,050	151,605	(8,555)
Capital outlay	4,000	77,310	67,349	9,961
Principal payments	146,200	146,200	142,723	3,477
Interest	<u>52,150</u>	<u>52,150</u>	<u>55,624</u>	<u>(3,474)</u>
Subtotal***	<u>324,045</u>	<u>425,355</u>	<u>420,954</u>	<u>4,401</u>
Non-departmental:				
Materials and services	93,600	93,600	83,194	10,406
Debt service				
Principal payments	122,525	122,525	78,314	44,211
Interest	9,400	9,400	5,219	4,181
Contingency	<u>274,519</u>	<u>62,869</u>	<u>-</u>	<u>62,869</u>
Subtotal***	<u>500,044</u>	<u>288,394</u>	<u>166,727</u>	<u>121,667</u>
Total expenditures	<u>6,002,224</u>	<u>6,383,639</u>	<u>5,847,602</u>	<u>(536,037)</u>

CITY OF COTTAGE GROVE, OREGON

City Debt Service Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Interest	\$ 15	\$ 15	\$ 589	\$ 574
Expenditures:				
Debt service				
Principal payments	1,262,994	1,262,994	1,263,181	(187)
Interest	946,731	946,731	946,532	199
Contingency	<u>3,590</u>	<u>3,590</u>	<u>-</u>	<u>3,590</u>
Total expenditures	<u>2,213,315</u>	<u>2,213,315</u>	<u>2,209,713</u>	<u>3,602</u>
Excess revenues under expenditures	(2,213,300)	(2,213,300)	(2,209,124)	4,176
Other financing sources (uses):				
Transfers	<u>2,209,725</u>	<u>2,209,725</u>	<u>2,209,724</u>	<u>(1)</u>
Net change in fund balances	(3,575)	(3,575)	600	4,175
Fund Balance:				
Beginning of year	<u>3,575</u>	<u>3,575</u>	<u>2,737</u>	<u>(838)</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,337</u>	<u>\$ 3,337</u>

CITY OF COTTAGE GROVE, OREGON

Assessment Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Interest	\$ 750	\$ 750	\$ 765	\$ 15
Expenditures:				
Materials and services	148,515	148,515	-	148,515
Capital outlay	<u>928,205</u>	<u>928,205</u>	<u>-</u>	<u>928,205</u>
Total expenditures	<u>1,076,720</u>	<u>1,076,720</u>	<u>-</u>	<u>1,076,720</u>
Excess revenues over (under) expenditures	<u>(1,075,970)</u>	<u>(1,075,970)</u>	<u>765</u>	<u>1,076,735</u>
Other financing sources (uses):				
Loan proceeds	<u>926,690</u>	<u>926,690</u>	<u>-</u>	<u>(926,690)</u>
Net change in fund balances	(149,280)	(149,280)	765	(150,045)
Fund Balance:				
Beginning of year	<u>149,280</u>	<u>149,280</u>	<u>149,373</u>	<u>93</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150,138</u>	<u>\$ 150,138</u>

CITY OF COTTAGE GROVE, OREGON

Police Communication Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental:				
State of Oregon - 911 telephone tax	\$ 87,908	\$ 87,908	\$ 88,000	\$ 92
911 service contract	46,724	46,724	49,724	3,000
Interest	<u>200</u>	<u>200</u>	<u>67</u>	<u>(133)</u>
Total revenues	<u>134,832</u>	<u>134,832</u>	<u>137,791</u>	<u>2,959</u>
Expenditures:				
Police support services	369,035	369,035	335,784	33,251
911 services	233,029	233,029	214,471	18,558
Contingency	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total expenditures	<u>604,064</u>	<u>604,064</u>	<u>550,255</u>	<u>53,809</u>
Excess revenues under expenditures	<u>(469,232)</u>	<u>(469,232)</u>	<u>(412,464)</u>	<u>56,768</u>
Other financing sources (uses):				
Transfers in	388,495	388,495	388,495	-
Transfers out	<u>(9,263)</u>	<u>(9,263)</u>	<u>(9,263)</u>	<u>-</u>
Total other financing sources (uses)	<u>379,232</u>	<u>379,232</u>	<u>379,232</u>	<u>-</u>
Net change in fund balances	(90,000)	(90,000)	(33,232)	56,768
Fund Balance:				
Beginning of year	<u>90,000</u>	<u>90,000</u>	<u>45,417</u>	<u>(44,583)</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,185</u>	<u>\$ 12,185</u>

CITY OF COTTAGE GROVE, OREGON

Bicycle and Footpath Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental:				
State highway apportionment	\$ 4,095	\$ 4,095	\$ 4,670	\$ 575
Interest	<u>20</u>	<u>20</u>	<u>115</u>	<u>95</u>
Total revenues	<u>4,115</u>	<u>4,115</u>	<u>4,785</u>	<u>670</u>
Expenditures:				
Materials and services	8,495	8,495	295	8,200
Capital outlay	8,000	8,000	1,825	6,175
Contingency	<u>955</u>	<u>955</u>	<u>-</u>	<u>955</u>
Total expenditures	<u>17,450</u>	<u>17,450</u>	<u>2,120</u>	<u>15,330</u>
Excess revenues over (under) expenditures	<u>(13,335)</u>	<u>(13,335)</u>	<u>2,665</u>	<u>16,000</u>
Other financing sources (uses):				
Transfers in	19,300	19,300	19,300	-
Interfund loan payment	<u>(19,300)</u>	<u>(19,300)</u>	<u>(19,300)</u>	<u>-</u>
Net change in fund balances	(13,335)	(13,335)	2,665	16,000
Fund Balance:				
Beginning of year	<u>13,335</u>	<u>13,335</u>	<u>21,186</u>	<u>7,851</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>23,851</u>	<u>\$ 23,851</u>
Reconciliation to GAAP Basis:				
Interfund loan			<u>(173,700)</u>	
GAAP Fund Balance - end of year			<u>\$ (149,849)</u>	

CITY OF COTTAGE GROVE, OREGON

Small Business Loan Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Loan proceeds	\$ 250,000	\$ 250,000	\$ -	\$ (250,000)
Interest	50	50	49	(1)
Total revenues	<u>250,050</u>	<u>250,050</u>	<u>49</u>	<u>(250,001)</u>
Expenditures:				
Materials and services	<u>259,560</u>	<u>259,560</u>	<u>-</u>	<u>259,560</u>
Net change in fund balances	(9,510)	(9,510)	49	9,559
Fund Balance:				
Beginning of year	<u>9,510</u>	<u>9,510</u>	<u>9,520</u>	<u>10</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,569</u>	<u>\$ 9,569</u>

CITY OF COTTAGE GROVE, OREGON

Rehabilitation Loan Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Interest	\$ 2,500	\$ 2,500	\$ 2,266	\$ (234)
Expenditures:				
CDBG Loans	434,035	434,035	-	434,035
Materials and services	<u>10,100</u>	<u>10,100</u>	<u>-</u>	<u>10,100</u>
Total expenditures	444,135	444,135	-	444,135
Net change in fund balances	(441,635)	(441,635)	2,266	443,901
Fund Balance:				
Beginning of year	<u>441,635</u>	<u>441,635</u>	<u>442,265</u>	<u>630</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 444,531</u>	<u>\$ 444,531</u>

CITY OF COTTAGE GROVE, OREGON

Narcotics Forfeiture Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Interest	\$ 960	\$ 960	\$ 1,059	\$ 99
Miscellaneous	-	-	17,586	17,586
Total revenues	<u>960</u>	<u>960</u>	<u>18,645</u>	<u>17,685</u>
Expenditures:				
Personal services	15,955	15,955	-	15,955
Materials and services	48,355	48,355	10,896	37,459
Capital outlay	37,500	37,500	3,272	34,228
Contingency	<u>90,015</u>	<u>90,015</u>	-	<u>90,015</u>
Total expenditures	<u>191,825</u>	<u>191,825</u>	<u>14,168</u>	<u>177,657</u>
Excess revenues over (under) expenditures	<u>(190,865)</u>	<u>(190,865)</u>	<u>4,477</u>	<u>195,342</u>
Other financing sources (uses):				
Transfers out	<u>(1,225)</u>	<u>(1,225)</u>	<u>(1,221)</u>	<u>4</u>
Net change in fund balances	(192,090)	(192,090)	3,256	195,346
Fund Balance:				
Beginning of year	<u>192,090</u>	<u>192,090</u>	<u>191,843</u>	<u>(247)</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 195,099</u>	<u>\$ 195,099</u>

CITY OF COTTAGE GROVE, OREGON

Building Inspection Program Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 285,200	\$ 285,200	\$ 206,028	\$ (79,172)
Interest	400	400	243	(157)
Miscellaneous	<u>-</u>	<u>-</u>	<u>40</u>	<u>40</u>
Total revenues	<u>285,600</u>	<u>285,600</u>	<u>206,311</u>	<u>(79,289)</u>
Expenditures:				
Personal services	55,395	55,395	51,828	3,567
Materials and services	264,530	264,530	191,786	72,744
Contingency	<u>20,265</u>	<u>20,265</u>	<u>-</u>	<u>20,265</u>
Total expenditures	<u>340,190</u>	<u>340,190</u>	<u>243,614</u>	<u>96,576</u>
Excess revenues under expenditures	<u>(54,590)</u>	<u>(54,590)</u>	<u>(37,303)</u>	<u>17,287</u>
Other financing sources (uses):				
Transfers out	<u>(1,150)</u>	<u>(1,150)</u>	<u>(1,146)</u>	<u>4</u>
Net change in fund balances	<u>(55,740)</u>	<u>(55,740)</u>	<u>(38,449)</u>	<u>17,291</u>
Fund Balance:				
Beginning of year	<u>55,740</u>	<u>55,740</u>	<u>42,875</u>	<u>(12,865)</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,426</u>	<u>\$ 4,426</u>

CITY OF COTTAGE GROVE, OREGON

Industrial Park Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Investment earnings	\$ 3,593	\$ 3,593	\$ 2,999	\$ (594)
Taxes and land sales	-	-	16,500	16,500
Total revenues	<u>3,593</u>	<u>3,593</u>	<u>19,499</u>	<u>15,906</u>
Expenditures:				
Materials and services	51,700	51,700	17,242	34,458
Debt service:				
Principal payments	105,365	105,365	105,365	
Interest	63,135	63,135	63,134	1
Contingency	<u>461,240</u>	<u>461,240</u>	-	<u>461,240</u>
Total expenditures	<u>681,440</u>	<u>681,440</u>	<u>185,741</u>	<u>495,699</u>
Net change in fund balances	(677,847)	(677,847)	(166,242)	511,605
Fund Balance:				
Beginning of year	<u>677,847</u>	<u>677,847</u>	<u>625,706</u>	<u>(52,141)</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 459,464</u>	<u>\$ 459,464</u>

CITY OF COTTAGE GROVE, OREGON
Urban Renewal Agency Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Interest	\$ -	\$ -	\$ 1,194	\$ 1,194
Expenditures:				
Debt service				
Total expenditures	-	-	-	-
Excess revenues over (under) expenditures	-	-	1,194	1,194
Other financing sources (uses):				
Tax increment refund	(10,000)	(10,000)	-	10,000
Net change in fund balances	(10,000)	(10,000)	1,194	(11,194)
Fund Balance:				
Beginning of year	10,000	10,000	86,471	76,471
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,665</u>	<u>\$ 87,665</u>

CITY OF COTTAGE GROVE, OREGON

Street Systems Development Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Special assessments	\$ 18,510	\$ 18,510	\$ 74,266	\$ 55,756
Interest	2,000	2,000	2,385	385
Total revenues	<u>20,510</u>	<u>20,510</u>	<u>76,651</u>	<u>56,141</u>
Expenditures:				
Materials and services	183,210	183,210	19,406	163,804
Capital outlay	<u>301,150</u>	<u>301,150</u>	-	<u>301,150</u>
Total expenditures	<u>484,360</u>	<u>484,360</u>	<u>19,406</u>	<u>464,954</u>
Net change in fund balances	(463,850)	(463,850)	57,245	521,095
Fund Balance:				
Beginning of year	<u>463,850</u>	<u>463,850</u>	<u>466,870</u>	<u>3,020</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 524,115</u>	<u>\$ 524,115</u>

CITY OF COTTAGE GROVE, OREGON

Parks Systems Development Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Special assessments	\$ 5,500	\$ 5,500	\$ 4,295	\$ (1,205)
Interest	500	500	358	(142)
Total revenues	<u>6,000</u>	<u>6,000</u>	<u>4,653</u>	<u>(1,347)</u>
Expenditures:				
Materials and services	1,265	6,765	6,398	367
Capital outlay	85,245	79,745	17,464	62,281
Total expenditures	<u>86,510</u>	<u>86,510</u>	<u>23,862</u>	<u>62,648</u>
Net change in fund balances	(80,510)	(80,510)	(19,209)	61,301
Fund Balance:				
Beginning of year	<u>80,510</u>	<u>80,510</u>	<u>80,693</u>	<u>183</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,484</u>	<u>\$ 61,484</u>

CITY OF COTTAGE GROVE, OREGON

Urban Renewal Agency Capital Projects Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Interest	\$ 900	\$ 900	\$ 3,598	\$ 2,698
Expenditures:				
Materials and services	111,420	111,420	18,511	92,909
Capital outlay	<u>596,883</u>	<u>596,883</u>	<u>-</u>	<u>596,883</u>
Total expenditures	<u>708,303</u>	<u>708,303</u>	<u>18,511</u>	<u>689,792</u>
Excess revenues under expenditures	(707,403)	(707,403)	(14,913)	692,490
Other financing sources (uses):				
Net change in fund balances	(707,403)	(707,403)	(14,913)	692,490
Fund Balance:				
Beginning of year	<u>707,403</u>	<u>707,403</u>	<u>706,502</u>	<u>(901)</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 691,589</u>	<u>\$ 691,589</u>

CITY OF COTTAGE GROVE, OREGON

General Reserve Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Interest	\$ 115	\$ 115	\$ 19	\$ (96)
Expenditures:				
Materials and services	4,500	4,500	3,700	800
Capital outlay	<u>125,500</u>	<u>125,500</u>	<u>49,979</u>	<u>75,521</u>
Total expenditures	<u>130,000</u>	<u>130,000</u>	<u>53,679</u>	<u>76,321</u>
Excess revenues under expenditures	<u>(129,885)</u>	<u>(129,885)</u>	<u>(53,660)</u>	<u>76,225</u>
Other financing sources (uses):				
Transfers in	130,000	130,000	130,000	-
Transfers out	<u>(26,920)</u>	<u>(26,920)</u>	<u>(26,916)</u>	<u>4</u>
Total other financing sources (uses)	<u>103,080</u>	<u>103,080</u>	<u>103,084</u>	<u>4</u>
Net change in fund balances	(26,805)	(26,805)	49,424	76,229
Fund Balance:				
Beginning of year	<u>26,805</u>	<u>26,805</u>	<u>8,861</u>	<u>(17,944)</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,285</u>	<u>\$ 58,285</u>

CITY OF COTTAGE GROVE, OREGON

Ed Jenks and Memorial Tree Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Interest	\$ -	\$ -	\$ 36	\$ 36
Expenditures:				
Materials and services	995	995	-	995
Capital outlay	<u>5,625</u>	<u>5,625</u>	<u>905</u>	<u>4,720</u>
Total expenditures	<u>6,620</u>	<u>6,620</u>	<u>905</u>	<u>5,715</u>
Excess revenues under expenditures	<u>(6,620)</u>	<u>(6,620)</u>	<u>(869)</u>	<u>5,751</u>
Other financing sources (uses):				
Donations	<u>2,000</u>	<u>2,000</u>	<u>1,175</u>	<u>(825)</u>
Net change in fund balances	(4,620)	(4,620)	306	4,926
Fund Balance:				
Beginning of year	<u>4,620</u>	<u>4,620</u>	<u>6,893</u>	<u>2,273</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,199</u>	<u>\$ 7,199</u>



CITY OF COTTAGE GROVE, OREGON

Proprietary Funds

Budgetary Comparison Schedules

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

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

Proprietary Budgetary Comparison schedules include the following:

Water Operations

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

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

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

Wastewater Operations

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

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

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

Storm Drain Operations

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

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

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

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



CITY OF COTTAGE GROVE, OREGON

Water Operations Combined

Combining Balance Sheet

June 30, 2011

	<u>Water Fund</u>	<u>Water Systems Development Fund</u>	<u>Water Reserve Fund</u>	<u>Total</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 436,188	\$ 35,739	\$ 646,635	\$ 1,118,562
Receivables - net	139,426	-	75,024	214,450
Inventories	<u>162,945</u>	<u>-</u>	<u>-</u>	<u>162,945</u>
 Total current assets	 <u>738,559</u>	 <u>35,739</u>	 <u>721,659</u>	 <u>1,495,957</u>
Noncurrent assets:				
Capital assets not being depreciated	135,530	-	-	135,530
Capital assets net of accumulated depreciation	<u>14,253,929</u>	<u>-</u>	<u>-</u>	<u>14,253,929</u>
 Total noncurrent assets	 <u>14,389,459</u>	 <u>-</u>	 <u>-</u>	 <u>14,389,459</u>
 Total assets	 <u>\$ 15,128,018</u>	 <u>\$ 35,739</u>	 <u>\$ 721,659</u>	 <u>\$ 15,885,416</u>
 Liabilities and Net Assets				
Liabilities				
Current liabilities:				
Accounts payable and other current liabilities	\$ 97,050	\$ -	\$ 6,132	\$ 103,182
Deposits	41,978	-	-	41,978
Accrued interest payable	225,113	-	-	225,113
Compensated absences	41,992	-	-	41,992
Current portion of long-term debt	<u>332,892</u>	<u>-</u>	<u>6,840</u>	<u>339,732</u>
 Total current liabilities	 739,025	 -	 12,972	 751,997
Noncurrent liabilities				
Noncurrent portion of long-term debt	<u>9,414,239</u>	<u>-</u>	<u>6,550</u>	<u>9,420,789</u>
 Total Liabilities	 <u>10,153,264</u>	 <u>-</u>	 <u>19,522</u>	 <u>10,172,786</u>
 Net Assets				
Invested in capital assets, net of related debt	4,642,328	-	-	4,642,328
Restricted for:				
System development	-	35,739	-	35,739
Unrestricted	<u>332,426</u>	<u>-</u>	<u>702,137</u>	<u>1,034,563</u>
 Total Net Assets	 <u>4,974,754</u>	 <u>35,739</u>	 <u>702,137</u>	 <u>5,712,630</u>
 Total Liabilities and Net Assets	 <u>\$ 15,128,018</u>	 <u>\$ 35,739</u>	 <u>\$ 721,659</u>	 <u>\$ 15,885,416</u>

CITY OF COTTAGE GROVE, OREGON

Water Operations Combined

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

For the Year Ended June 30, 2011

	<u>Water Fund</u>	<u>Water Systems Development Fund</u>	<u>Water Reserve Fund</u>	<u>Total</u>
Operating Revenues				
Charges for Services	\$ 1,404,539	\$ -	\$ 1,143,282	\$ 2,547,821
Special assessments	-	17,854	-	17,854
Miscellaneous	<u>37,006</u>	<u>-</u>	<u>2,973</u>	<u>39,979</u>
Total Operating Revenues	<u>1,441,545</u>	<u>17,854</u>	<u>1,146,255</u>	<u>2,605,654</u>
Operating Expenses				
Cost of sales and services	448,943	9,461	116,813	575,217
Administration	806,703	-	-	806,703
Depreciation	<u>428,235</u>	<u>-</u>	<u>-</u>	<u>428,235</u>
Total Operating Expenses	<u>1,683,881</u>	<u>9,461</u>	<u>116,813</u>	<u>1,810,155</u>
Operating Income (Loss)	<u>(242,336)</u>	<u>8,393</u>	<u>1,029,442</u>	<u>795,499</u>
Non-operating income (expenses)				
Loss on disposal of capital assets	(200)	-	-	(200)
Investment earnings	1,941	149	3,023	5,113
Interest expense	<u>(469,923)</u>	<u>-</u>	<u>-</u>	<u>(469,923)</u>
Total non-operating income (expenses)	<u>(468,182)</u>	<u>149</u>	<u>3,023</u>	<u>(465,010)</u>
Income (loss) before transfers	(710,518)	8,542	1,032,465	330,489
Transfers in (out)	<u>1,042,360</u>	<u>-</u>	<u>(1,042,360)</u>	<u>-</u>
Change in Net Assets	331,842	8,542	(9,895)	330,489
Beginning Net Assets	<u>4,642,912</u>	<u>27,197</u>	<u>712,032</u>	<u>5,382,141</u>
Ending Net Assets	<u>\$ 4,974,754</u>	<u>\$ 35,739</u>	<u>\$ 702,137</u>	<u>\$ 5,712,630</u>

CITY OF COTTAGE GROVE, OREGON

Water Operations Combined

Combining Statement of Cash Flows

For the Year Ended June 30, 2011

	<u>Water Fund</u>	<u>Water Systems Development Fund</u>	<u>Water Reserve Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 1,433,052	\$ 17,854	\$ 1,134,590	\$ 2,585,496
Cash payments to employees	(798,837)	-	-	(798,837)
Cash payments to suppliers for good and services	<u>(449,858)</u>	<u>(10,667)</u>	<u>(110,681)</u>	<u>(571,206)</u>
Net cash provided (used) by operating activities	<u>184,357</u>	<u>7,187</u>	<u>1,023,909</u>	<u>1,215,453</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	1,042,360	-	-	1,042,360
Transfers out	<u>-</u>	<u>-</u>	<u>(1,042,360)</u>	<u>(1,042,360)</u>
Net cash provided (used) by noncapital financing activities	<u>1,042,360</u>	<u>-</u>	<u>(1,042,360)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(45,134)	-	-	(45,134)
Principal paid on capital debt	(573,435)	-	(7,021)	(580,456)
Interest paid on capital debt	<u>(486,803)</u>	<u>-</u>	<u>-</u>	<u>(486,803)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,105,372)</u>	<u>-</u>	<u>(7,021)</u>	<u>(1,112,393)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	<u>1,941</u>	<u>149</u>	<u>3,023</u>	<u>5,113</u>
Net change in cash and investments	123,286	7,336	(22,449)	108,173
Cash and investments:				
Cash at beginning of year	<u>312,902</u>	<u>28,403</u>	<u>669,084</u>	<u>1,010,389</u>
Cash at end of year	<u>\$ 436,188</u>	<u>\$ 35,739</u>	<u>\$ 646,635</u>	<u>\$ 1,118,562</u>

CITY OF COTTAGE GROVE, OREGON

Water Operations Combined

Combining Statement of Cash Flows, continued

For the Year Ended June 30, 2011

	<u>Water Fund</u>	<u>Water Systems Development Fund</u>	<u>Water Reserve Fund</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (242,336)	\$ 8,393	\$ 1,029,442	\$ 795,499
Adjustments:				
Depreciation	428,235	-	-	428,235
(Increase) decrease in assets:				
Receivables - net	(8,493)	-	(11,665)	(20,158)
Inventories	(4,894)	-	-	(4,894)
Increase (decrease) in liabilities:				
Deposits	3,660	-	-	3,660
Accounts payable and other current liabilities	8,185	(1,206)	6,132	13,111
	<u>8,185</u>	<u>(1,206)</u>	<u>6,132</u>	<u>13,111</u>
 Net cash provided (used) by operating activities	 <u>\$ 184,357</u>	 <u>\$ 7,187</u>	 <u>\$ 1,023,909</u>	 <u>\$ 1,215,453</u>

CITY OF COTTAGE GROVE, OREGON

Wastewater Operations Combined

Combining Balance Sheet

June 30, 2011

	<u>Wastewater Fund</u>	<u>Wastewater Systems Development Charge Fund</u>	<u>Wastewater Reserve Fund</u>	<u>Total</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 120,986	\$ 248,989	\$ 151,034	\$ 521,009
Receivables - net	95,429	-	75,994	171,423
Inventories	<u>37,932</u>	<u>-</u>	<u>-</u>	<u>37,932</u>
 Total current assets	 <u>254,347</u>	 <u>248,989</u>	 <u>227,028</u>	 <u>730,364</u>
Noncurrent assets:				
Loan fees, net of amortization	1,680	-	-	1,680
Capital assets not being depreciated	1,945,481	-	-	1,945,481
Capital assets net of accumulated depreciation	<u>14,101,508</u>	<u>-</u>	<u>-</u>	<u>14,101,508</u>
 Total noncurrent assets	 <u>16,048,669</u>	 <u>-</u>	 <u>-</u>	 <u>16,048,669</u>
 Total assets	 <u>\$ 16,303,016</u>	 <u>\$ 248,989</u>	 <u>\$ 227,028</u>	 <u>\$ 16,779,033</u>
Liabilities and Net Assets				
Liabilities				
Current liabilities:				
Accounts payable and other current liabilities	\$ 93,183	\$ -	\$ 1,395	\$ 94,578
Deposits	525	-	-	525
Accrued interest payable	90,152	-	-	90,152
Compensated absences	34,783	-	-	34,783
Current portion of long-term debt	<u>445,638</u>	<u>-</u>	<u>29,524</u>	<u>475,162</u>
 Total current liabilities	 664,281	 -	 30,919	 695,200
Noncurrent liabilities				
Noncurrent portion of long-term debt	<u>8,401,504</u>	<u>-</u>	<u>64,478</u>	<u>8,465,982</u>
 Total Liabilities	 <u>9,065,785</u>	 <u>-</u>	 <u>95,397</u>	 <u>9,161,182</u>
Net Assets				
Invested in capital assets, net of related debt	7,199,847	-	-	7,199,847
Restricted for:				
System development	-	248,989	-	248,989
Unrestricted	<u>37,384</u>	<u>-</u>	<u>131,631</u>	<u>169,015</u>
 Total Net Assets	 <u>7,237,231</u>	 <u>248,989</u>	 <u>131,631</u>	 <u>7,617,851</u>
 Total Liabilities and Net Assets	 <u>\$ 16,303,016</u>	 <u>\$ 248,989</u>	 <u>\$ 227,028</u>	 <u>\$ 16,779,033</u>

CITY OF COTTAGE GROVE, OREGON

Wastewater Operations Combined

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

For the Year Ended June 30, 2011

	<u>Wastewater Fund</u>	<u>Wastewater Systems Development Charge Fund</u>	<u>Wastewater Reserve Fund</u>	<u>Total</u>
Operating Revenues				
Charges for Services	\$ 1,477,848	\$ -	\$ 818,183	\$ 2,296,031
Special assessments	-	23,763	-	23,763
Miscellaneous	18,441	-	59,367	77,808
Grants and contracts	<u>4,467</u>	<u>-</u>	<u>-</u>	<u>4,467</u>
 Total Operating Revenues	 <u>1,500,756</u>	 <u>23,763</u>	 <u>877,550</u>	 <u>2,402,069</u>
Operating Expenses				
Cost of sales and services	590,214	9,271	81,296	680,781
Administration	802,271	-	-	802,271
Depreciation	487,856	-	-	487,856
Amortization	<u>120</u>	<u>-</u>	<u>-</u>	<u>120</u>
 Total Operating Expenses	 <u>1,880,461</u>	 <u>9,271</u>	 <u>81,296</u>	 <u>1,971,028</u>
 Operating Income (Loss)	 <u>(379,705)</u>	 <u>14,492</u>	 <u>796,254</u>	 <u>431,041</u>
Non-operating income (expenses)				
Loss on disposal of capital assets	(200)	-	-	(200)
Investment earnings	781	1,226	144	2,151
Interest expense	<u>(382,076)</u>	<u>-</u>	<u>-</u>	<u>(382,076)</u>
 Total non-operating income (expenses)	 <u>(381,495)</u>	 <u>1,226</u>	 <u>144</u>	 <u>(380,125)</u>
 Income (loss) before transfers	 (761,200)	 15,718	 796,398	 50,916
 Transfers in (out)	 <u>712,661</u>	 <u>-</u>	 <u>(712,661)</u>	 <u>-</u>
 Change in Net Assets	 (48,539)	 15,718	 83,737	 50,916
 Beginning Net Assets, as restated	 <u>7,285,770</u>	 <u>233,271</u>	 <u>47,894</u>	 <u>7,566,935</u>
 Ending Net Assets	 <u>\$ 7,237,231</u>	 <u>\$ 248,989</u>	 <u>\$ 131,631</u>	 <u>\$ 7,617,851</u>

CITY OF COTTAGE GROVE, OREGON

Wastewater Operations Combined

Combining Statement of Cash Flows

For the Year Ended June 30, 2011

	<u>Wastewater Fund</u>	<u>Wastewater Systems Development Charge Fund</u>	<u>Wastewater Reserve Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 1,510,471	\$ 23,763	\$ 874,439	\$ 2,408,673
Cash payments to employees	(794,604)	-	-	(794,604)
Cash payments to suppliers for good and services	<u>(601,793)</u>	<u>(10,477)</u>	<u>(89,680)</u>	<u>(701,950)</u>
Net cash provided (used) by operating activities	<u>114,074</u>	<u>13,286</u>	<u>784,759</u>	<u>912,119</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	712,661	-	-	712,661
Transfers out	<u>-</u>	<u>-</u>	<u>(712,661)</u>	<u>(712,661)</u>
Net cash provided (used) by noncapital financing activities	<u>712,661</u>	<u>-</u>	<u>(712,661)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(4,078)	-	-	(4,078)
Principal paid on capital debt	(433,285)	-	(29,714)	(462,999)
Interest paid on capital debt	<u>(386,628)</u>	<u>-</u>	<u>-</u>	<u>(386,628)</u>
Net cash provided (used) by capital and related financing activities	<u>(823,991)</u>	<u>-</u>	<u>(29,714)</u>	<u>(853,705)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	<u>781</u>	<u>1,226</u>	<u>144</u>	<u>2,151</u>
Net change in cash and investments	3,525	14,512	42,528	60,565
Cash and investments:				
Cash at beginning of year	<u>117,461</u>	<u>234,477</u>	<u>108,506</u>	<u>460,444</u>
Cash at end of year	<u>\$ 120,986</u>	<u>\$ 248,989</u>	<u>\$ 151,034</u>	<u>\$ 521,009</u>

CITY OF COTTAGE GROVE, OREGON

Wastewater Operations Combined

Combining Statement of Cash Flows, continued

For the Year Ended June 30, 2011

	<u>Wastewater Fund</u>	<u>Wastewater Systems Development Charge Fund</u>	<u>Wastewater Reserve Fund</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (379,705)	\$ 14,492	\$ 796,254	\$ 431,041
Adjustments:				
Depreciation	487,976	-	-	487,976
(Increase) decrease in assets:				
Receivables - net	9,715	-	(3,111)	6,604
Inventories	(5,023)	-	-	(5,023)
Increase (decrease) in liabilities:				
Deposits	525	-	-	525
Accounts payable and other current liabilities	586	(1,206)	(8,384)	(9,004)
Net cash provided (used) by operating activities	<u>\$ 114,074</u>	<u>\$ 13,286</u>	<u>\$ 784,759</u>	<u>\$ 912,119</u>

CITY OF COTTAGE GROVE, OREGON

Storm Drain Operations Combined

Combining Balance Sheet

June 30, 2011

	<u>Storm Drainage Utility Fund</u>	<u>Storm Drainage Systems Development Fund</u>	<u>Storm Drainage Reserve Fund</u>	<u>Total</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 40,148	\$ 528,961	\$ 656,995	\$ 1,226,104
Receivables - net	<u>17,553</u>	<u>-</u>	<u>15,775</u>	<u>33,328</u>
Total current assets	<u>57,701</u>	<u>528,961</u>	<u>672,770</u>	<u>1,259,432</u>
Noncurrent assets:				
Interfund loan receivable	-	173,700	-	173,700
Capital assets not being depreciated	31,991	-	-	31,991
Capital assets net of accumulated depreciation	<u>1,314,647</u>	<u>-</u>	<u>-</u>	<u>1,314,647</u>
Total noncurrent assets	<u>1,346,638</u>	<u>173,700</u>	<u>-</u>	<u>1,520,338</u>
Total assets	<u>\$ 1,404,339</u>	<u>\$ 702,661</u>	<u>\$ 672,770</u>	<u>\$ 2,779,770</u>
Liabilities and Net Assets				
Liabilities				
Current liabilities:				
Accounts payable and other current liabilities	\$ 17,823	\$ -	\$ 44,115	\$ 61,938
Compensated absences	4,433	-	-	4,433
Current portion of long-term debt	<u>-</u>	<u>-</u>	<u>33,688</u>	<u>33,688</u>
Total current liabilities	22,256	-	77,803	100,059
Noncurrent liabilities				
Noncurrent portion of long-term debt	<u>-</u>	<u>-</u>	<u>61,745</u>	<u>61,745</u>
Total Liabilities	<u>22,256</u>	<u>-</u>	<u>139,548</u>	<u>161,804</u>
Net Assets				
Invested in capital assets, net of related debt	31,991	-	-	31,991
Restricted for:				
System development	-	702,661	-	702,661
Unrestricted	<u>1,350,092</u>	<u>-</u>	<u>533,222</u>	<u>1,883,314</u>
Total Net Assets	<u>1,382,083</u>	<u>702,661</u>	<u>533,222</u>	<u>2,617,966</u>
Total Liabilities and Net Assets	<u>\$ 1,404,339</u>	<u>\$ 702,661</u>	<u>\$ 672,770</u>	<u>\$ 2,779,770</u>

CITY OF COTTAGE GROVE, OREGON

Storm Drain Operations Combined

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

For the Year Ended June 30, 2011

	Storm Drainage Utility Fund	Storm Drainage Systems Development Fund	Storm Drainage Reserve Fund	Total
Operating Revenues				
Charges for Services	\$ 174,238	\$ 17,838	\$ 160,792	\$ 352,868
Miscellaneous	<u>598</u>	<u>-</u>	<u>9</u>	<u>607</u>
Total Operating Revenues	<u>174,836</u>	<u>17,838</u>	<u>160,801</u>	<u>353,475</u>
Operating Expenses				
Cost of sales and services	33,737	13,241	88,314	135,292
Administration	186,630	-	-	186,630
Depreciation	<u>75,669</u>	<u>-</u>	<u>-</u>	<u>75,669</u>
Total Operating Expenses	<u>296,036</u>	<u>13,241</u>	<u>88,314</u>	<u>397,591</u>
Operating Income (Loss)	<u>(121,200)</u>	<u>4,597</u>	<u>72,487</u>	<u>(44,116)</u>
Non-operating income (expenses)				
Loss on disposal of capital assets	(200)	-	-	(200)
Investment earnings	334	10,118	3,512	13,964
Interest expense	<u>-</u>	<u>-</u>	<u>(33,375)</u>	<u>(33,375)</u>
Total non-operating income (expenses)	<u>134</u>	<u>10,118</u>	<u>(29,863)</u>	<u>(19,611)</u>
Income (loss) before transfers	(121,066)	14,715	42,624	(63,727)
Transfers in (out)	<u>63,128</u>	<u>-</u>	<u>(63,128)</u>	<u>-</u>
Change in Net Assets	(57,938)	14,715	(20,504)	(63,727)
Beginning Net Assets	1,440,021	494,946	553,726	2,488,693
Prior period adjustment	<u>-</u>	<u>193,000</u>	<u>-</u>	<u>193,000</u>
Ending Net Assets	<u>\$ 1,382,083</u>	<u>\$ 702,661</u>	<u>\$ 533,222</u>	<u>\$ 2,617,966</u>

CITY OF COTTAGE GROVE, OREGON

Storm Drain Operations Combined

Combining Statement of Cash Flows

For the Year Ended June 30, 2011

	<u>Storm Drainage Utility Fund</u>	<u>Storm Drainage Systems Development Fund</u>	<u>Storm Drainage Reserve Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 170,991	\$ 17,838	\$ 160,234	\$ 349,063
Cash payments to employees	(178,622)	-	-	(178,622)
Cash payments to suppliers for good and services	<u>(33,503)</u>	<u>(14,447)</u>	<u>(44,199)</u>	<u>(92,149)</u>
Net cash provided (used) by operating activities	<u>(41,134)</u>	<u>3,391</u>	<u>116,035</u>	<u>78,292</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	63,128	-	-	63,128
Transfers out	-	-	(63,128)	(63,128)
Repayment of interfund loan	<u>-</u>	<u>79,300</u>	<u>-</u>	<u>79,300</u>
Net cash provided (used) by noncapital financing activities	<u>63,128</u>	<u>79,300</u>	<u>(63,128)</u>	<u>79,300</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(67,198)	-	-	(67,198)
Principal paid on capital debt	-	-	(32,423)	(32,423)
Interest paid on capital debt	<u>-</u>	<u>-</u>	<u>(33,375)</u>	<u>(33,375)</u>
Net cash provided (used) by capital and related financing activities	<u>(67,198)</u>	<u>-</u>	<u>(65,798)</u>	<u>(132,996)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	<u>334</u>	<u>10,118</u>	<u>3,512</u>	<u>13,964</u>
Net change in cash and investments	(44,870)	92,809	(9,379)	38,560
Cash and investments:				
Cash at beginning of year	<u>85,018</u>	<u>436,152</u>	<u>666,374</u>	<u>1,187,544</u>
Cash at end of year	<u>\$ 40,148</u>	<u>\$ 528,961</u>	<u>\$ 656,995</u>	<u>\$ 1,226,104</u>

CITY OF COTTAGE GROVE, OREGON

Storm Drain Operations Combined

Combining Statement of Cash Flows, continued

For the Year Ended June 30, 2011

	Storm Drainage Utility Fund	Storm Drainage Systems Development Fund	Storm Drainage Reserve Fund	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (121,200)	\$ 4,597	\$ 72,487	\$ (44,116)
Adjustments:				
Depreciation	75,670	-	-	75,670
(Increase) decrease in assets:				
Receivables - net	(3,845)	-	(567)	(4,412)
Increase (decrease) in liabilities:				
Accounts payable and other current liabilities	<u>8,241</u>	<u>(1,206)</u>	<u>44,115</u>	<u>51,150</u>
Net cash provided (used) by operating activities	<u>\$ (41,134)</u>	<u>\$ 3,391</u>	<u>\$ 116,035</u>	<u>\$ 78,292</u>

CITY OF COTTAGE GROVE, OREGON

Water Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services:				
Sale of water	\$ 1,358,055	\$ 1,358,055	\$ 1,358,468	\$ 413
Turn on fees	20,000	20,000	32,977	12,977
Other reimbursements	19,000	19,000	13,094	(5,906)
Interest	1,500	1,500	1,941	441
Miscellaneous	<u>16,500</u>	<u>16,500</u>	<u>36,978</u>	<u>20,478</u>
Total revenues	<u>1,415,055</u>	<u>1,415,055</u>	<u>1,443,458</u>	<u>28,403</u>
Expenditures:				
Water distribution	759,035	759,035	642,073	116,962
Water production	519,090	519,090	474,888	44,202
Non-departmental	149,445	149,445	140,721	8,724
Contingency	<u>187,725</u>	<u>187,725</u>	<u>-</u>	<u>187,725</u>
Total expenditures	<u>1,615,295</u>	<u>1,615,295</u>	<u>1,257,682</u>	<u>357,613</u>
Excess revenues over (under) expenditures	<u>(200,240)</u>	<u>(200,240)</u>	<u>185,776</u>	<u>386,016</u>
Other financing sources (uses):				
Transfers out	<u>(63,000)</u>	<u>(63,000)</u>	<u>(62,999)</u>	<u>1</u>
Net change in fund balances	(263,240)	(263,240)	122,777	386,017
Fund Balance:				
Beginning of year	<u>263,240</u>	<u>263,240</u>	<u>313,809</u>	<u>50,569</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	436,586	<u>\$ 436,586</u>
Reconciliation to GAAP Basis:				
Inventories			162,945	
Capital assets			14,389,459	
Accrued interest payable			(225,113)	
Compensated absences			(41,992)	
Noncurrent liabilities			<u>(9,747,131)</u>	
GAAP Fund Balance - end of year			<u>\$ 4,974,754</u>	

CITY OF COTTAGE GROVE, OREGON

Water Systems Development Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services:				
SDC charges	\$ 8,600	\$ 8,600	\$ 17,854	\$ 9,254
Interest	<u>100</u>	<u>100</u>	<u>149</u>	<u>49</u>
Total revenues	<u>8,700</u>	<u>8,700</u>	<u>18,003</u>	<u>9,303</u>
Expenditures:				
Materials and services	9,185	13,185	9,461	3,724
Capital outlay	<u>17,860</u>	<u>13,860</u>	<u>-</u>	<u>13,860</u>
Total expenditures	<u>27,045</u>	<u>27,045</u>	<u>9,461</u>	<u>17,584</u>
Net change in fund balances	(18,345)	(18,345)	8,542	26,887
Fund Balance:				
Beginning of year	<u>18,345</u>	<u>18,345</u>	<u>27,197</u>	<u>8,852</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,739</u>	<u>\$ 35,739</u>

CITY OF COTTAGE GROVE, OREGON

Water Reserve Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services:				
Water surcharge	\$ 1,054,655	\$ 1,054,655	\$ 1,143,282	\$ 88,627
Interest	5,000	5,000	3,023	(1,977)
Miscellaneous	<u>-</u>	<u>-</u>	<u>2,973</u>	<u>2,973</u>
Total revenues	<u>1,059,655</u>	<u>1,059,655</u>	<u>1,149,278</u>	<u>89,623</u>
Expenditures:				
Materials and services	166,875	166,875	86,153	80,722
Capital outlay	141,250	141,250	75,797	65,453
Contingency	<u>122,970</u>	<u>122,970</u>	<u>-</u>	<u>122,970</u>
Total expenditures	<u>431,095</u>	<u>431,095</u>	<u>161,950</u>	<u>269,145</u>
Excess revenues over expenditures	<u>628,560</u>	<u>628,560</u>	<u>987,328</u>	<u>358,768</u>
Other financing sources (uses):				
Transfers in	50,000	50,000	50,000	-
Transfers out	<u>(1,054,250)</u>	<u>(1,054,250)</u>	<u>(1,054,244)</u>	<u>6</u>
Total other financing sources (uses)	<u>(1,004,250)</u>	<u>(1,004,250)</u>	<u>(1,004,244)</u>	<u>6</u>
Net change in fund balances	(375,690)	(375,690)	(16,916)	358,774
Fund Balance:				
Beginning of year	<u>375,690</u>	<u>375,690</u>	<u>732,443</u>	<u>356,753</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	715,527	<u>\$ 715,527</u>
Reconciliation to GAAP Basis:				
Noncurrent liabilities			<u>(13,390)</u>	
GAAP Fund Balance - end of year			<u>\$ 702,137</u>	

CITY OF COTTAGE GROVE, OREGON

Wastewater Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services:				
Wastewater charges	\$ 1,154,265	\$ 1,154,265	\$ 1,091,668	\$ (62,597)
Golf Course fees	345,000	345,000	232,070	(112,930)
Pro Shop sales/rentals	203,745	203,745	154,110	(49,635)
State grants	-	-	4,467	4,467
Interest	750	750	781	31
Miscellaneous	<u>14,300</u>	<u>14,300</u>	<u>18,170</u>	<u>3,870</u>
Total revenues	<u>1,718,060</u>	<u>1,718,060</u>	<u>1,501,266</u>	<u>(216,794)</u>
Expenditures:				
Wastewater collection	347,965	347,965	323,965	24,000
Wastewater treatment plant	500,265	500,265	488,450	11,815
Golf Course operations	464,765	464,765	420,242	44,523
Non-departmental	175,920	175,920	164,857	11,063
Contingency	<u>198,520</u>	<u>198,520</u>	<u>-</u>	<u>198,520</u>
Total expenditures	<u>1,687,435</u>	<u>1,687,435</u>	<u>1,397,514</u>	<u>289,921</u>
Excess revenues over expenditures	30,625	30,625	103,752	73,127
Other financing sources (uses):				
Transfers out				
Non-departmental	<u>(161,335)</u>	<u>(161,335)</u>	<u>(111,332)</u>	<u>50,003</u>
Net change in fund balances	(130,710)	(130,710)	(7,580)	123,130
Fund Balance:				
Beginning of year	<u>130,710</u>	<u>130,710</u>	<u>130,287</u>	<u>(423)</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>122,707</u>	<u>\$ 122,707</u>
Reconciliation to GAAP Basis:				
Inventories			37,932	
Prepays			1,680	
Capital assets			16,046,989	
Accrued interest			(90,152)	
Compensated absences			(34,783)	
Noncurrent liabilities			<u>(8,847,142)</u>	
GAAP Fund Balance - end of year			<u>\$ 7,237,231</u>	

CITY OF COTTAGE GROVE, OREGON

Wastewater Systems Development Charge Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services:				
SDC Charges	\$ 26,000	\$ 26,000	\$ 23,763	\$ (2,237)
Interest	<u>1,500</u>	<u>1,500</u>	<u>1,226</u>	<u>(274)</u>
Total revenues	<u>27,500</u>	<u>27,500</u>	<u>24,989</u>	<u>(2,511)</u>
Expenditures:				
Materials and services	16,855	20,855	9,271	11,584
Capital outlay	<u>236,320</u>	<u>232,320</u>	<u>-</u>	<u>232,320</u>
Total expenditures	<u>253,175</u>	<u>253,175</u>	<u>9,271</u>	<u>243,904</u>
Excess revenues over (under) expenditures	(225,675)	(225,675)	15,718	241,393
Other financing sources (uses):				
Net change in fund balances	(225,675)	(225,675)	15,718	241,393
Fund Balance:				
Beginning of year	<u>225,675</u>	<u>225,675</u>	<u>233,271</u>	<u>7,596</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 248,989</u>	<u>\$ 248,989</u>

CITY OF COTTAGE GROVE, OREGON

Wastewater Reserve Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services:				
Surcharges	\$ 801,135	\$ 801,135	\$ 818,183	\$ 17,048
Grants and contracts	-	472,510	34,280	(438,230)
Interest	50	50	144	94
Miscellaneous	<u>100</u>	<u>100</u>	<u>25,087</u>	<u>24,987</u>
Total revenues	<u>801,285</u>	<u>1,273,795</u>	<u>877,694</u>	<u>(396,101)</u>
Expenditures:				
Materials and services	18,500	33,500	28,454	5,046
Capital outlay	-	472,510	56,921	415,589
Contingency	<u>70,545</u>	<u>55,545</u>	<u>-</u>	<u>55,545</u>
Total expenditures	<u>89,045</u>	<u>561,555</u>	<u>85,375</u>	<u>476,180</u>
Excess revenues over expenditures	<u>712,240</u>	<u>712,240</u>	<u>792,319</u>	<u>80,079</u>
Other financing sources (uses):				
Transfers in	50,000	50,000	-	(50,000)
Transfers out	<u>(738,300)</u>	<u>(738,300)</u>	<u>(738,296)</u>	<u>4</u>
Total other financing sources (uses)	<u>(688,300)</u>	<u>(688,300)</u>	<u>(738,296)</u>	<u>(49,996)</u>
Net change in fund balances	23,940	23,940	54,023	30,083
Fund Balance:				
Beginning of year	<u>172,480</u>	<u>172,480</u>	<u>171,610</u>	<u>(870)</u>
End of year	<u>\$ 196,420</u>	<u>\$ 196,420</u>	225,633	<u>\$ 29,213</u>
Reconciliation to GAAP Basis:				
Noncurrent liabilities			<u>(94,002)</u>	
GAAP Fund Balance - end of year			<u>\$ 131,631</u>	

CITY OF COTTAGE GROVE, OREGON

Storm Drainage Utility Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services:				
Storm drainage charges	\$ 194,560	\$ 194,560	\$ 174,238	\$ (20,322)
Interest	350	350	334	(16)
Miscellaneous	<u>400</u>	<u>400</u>	<u>598</u>	<u>198</u>
Total revenues	<u>195,310</u>	<u>195,310</u>	<u>175,170</u>	<u>(20,140)</u>
Expenditures:				
Personal services	194,855	194,855	186,836	8,019
Materials and services	42,850	42,850	33,737	9,113
Contingency	<u>36,070</u>	<u>36,070</u>	-	<u>36,070</u>
Total expenditures	<u>273,775</u>	<u>273,775</u>	<u>220,573</u>	<u>53,202</u>
Excess revenues under expenditures	(78,465)	(78,465)	(45,403)	33,062
Other financing sources (uses):				
Transfers out	<u>(2,135)</u>	<u>(2,135)</u>	<u>(4,070)</u>	<u>(1,935)</u>
Net change in fund balances	(80,600)	(80,600)	(49,473)	31,127
Fund Balance:				
Beginning of year	<u>-</u>	<u>-</u>	<u>89,351</u>	<u>89,351</u>
End of year	<u><u>\$ (80,600)</u></u>	<u><u>\$ (80,600)</u></u>	39,878	<u><u>\$ 120,478</u></u>
Reconciliation to GAAP Basis:				
Capital assets			1,346,638	
Noncurrent liabilities			<u>(4,433)</u>	
GAAP Fund Balance - end of year			<u><u>\$ 1,382,083</u></u>	

CITY OF COTTAGE GROVE, OREGON
Storm Drainage Systems Development Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services:				
Storm drainage charges	\$ 16,000	\$ 16,000	\$ 17,838	\$ 1,838
Interest	<u>1,500</u>	<u>1,500</u>	<u>2,184</u>	<u>684</u>
Total revenues	<u>17,500</u>	<u>17,500</u>	<u>20,022</u>	<u>2,522</u>
Expenditures:				
Materials and services	53,495	57,495	13,241	44,254
Capital outlay	<u>472,300</u>	<u>468,300</u>	-	<u>468,300</u>
Total expenditures	<u>525,795</u>	<u>525,795</u>	<u>13,241</u>	<u>512,554</u>
Other financing sources (uses):				
Interfund loan proceeds	<u>67,925</u>	<u>67,925</u>	<u>87,234</u>	<u>19,309</u>
Total other financing sources (uses)	<u>67,925</u>	<u>67,925</u>	<u>87,234</u>	<u>19,309</u>
Net change in fund balances	(440,370)	(440,370)	94,015	534,385
Fund Balance:				
Beginning of year	<u>440,370</u>	<u>440,370</u>	<u>434,946</u>	<u>(5,424)</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	528,961	<u>\$ 528,961</u>
Reconciliation to GAAP Basis:				
Interfund loan receivable			<u>173,700</u>	
GAAP Fund Balance - end of year			<u>\$ 702,661</u>	

CITY OF COTTAGE GROVE, OREGON

Storm Drainage Reserve Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services:				
Surcharges	\$ 161,865	\$ 161,865	\$ 160,792	\$ (1,073)
Interest	3,500	3,500	3,512	12
Miscellaneous	<u>-</u>	<u>-</u>	<u>9</u>	<u>9</u>
Total revenues	<u>165,365</u>	<u>165,365</u>	<u>164,313</u>	<u>(1,052)</u>
Expenditures:				
Materials and services	64,100	64,100	32,413	31,687
Capital outlay	339,900	339,900	123,099	216,801
Contingency	<u>382,625</u>	<u>382,625</u>	<u>-</u>	<u>382,625</u>
Total expenditures	<u>786,625</u>	<u>786,625</u>	<u>155,512</u>	<u>631,113</u>
Excess revenues over (under) expenditures	<u>(621,260)</u>	<u>(621,260)</u>	<u>8,801</u>	<u>630,061</u>
Other financing sources (uses):				
Transfers out	<u>(63,670)</u>	<u>(63,670)</u>	<u>(61,728)</u>	<u>1,942</u>
Total other financing sources (uses)	<u>(63,670)</u>	<u>(63,670)</u>	<u>(61,728)</u>	<u>1,942</u>
Net change in fund balances	(684,930)	(684,930)	(52,927)	632,003
Fund Balance:				
Beginning of year	<u>684,930</u>	<u>684,930</u>	<u>681,582</u>	<u>(3,348)</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	628,655	<u>\$ 628,655</u>
Reconciliation to GAAP Basis:				
Noncurrent liabilities			<u>(95,433)</u>	
GAAP Fund Balance - end of year			<u>\$ 533,222</u>	

CITY OF COTTAGE GROVE, OREGON
Schedule of Property Tax Transactions and Outstanding Balances
For the Year Ended June 30, 2011

Fiscal Year	Uncollected Balances July 01, 2010	2010-2011 Levy	Discount	Adjustment and Corrections	Collections	Uncollected Balances June 30, 2011
2010-11	\$ -	\$ 3,878,859	\$ (98,045)	\$ (8,749)	\$ (3,660,312)	\$ 111,753
2009-10	126,291	-	80	(8,411)	(63,532)	54,428
2008-09	39,236	-	76	(3,848)	(20,171)	15,293
2007-08	19,166	-	7	(1,121)	(12,622)	5,430
2006-07	7,762	-	3	(387)	(4,025)	3,353
2005-06	2,836	-	2	(332)	(183)	2,323
2004-05	2,079	-	-	(114)	(131)	1,834
Prior	22,730	-	-	(142)	(324)	22,264
Totals	<u><u>\$ 220,100</u></u>	<u><u>\$ 3,878,859</u></u>	<u><u>\$ (97,877)</u></u>	<u><u>\$ (23,104)</u></u>	<u><u>\$ (3,761,300)</u></u>	<u><u>\$ 216,678</u></u>

STATISTICAL SECTION

CITY OF COTTAGE GROVE, OREGON
NET ASSETS BY COMPONENT
Last Ten Fiscal Years *
(accrual basis of accounting)

	Fiscal Year				
	2003	2004	2005	2006	2007
Governmental activities					
Invested in capital assets, net of related debt	\$ 34,547,140	\$ 34,365,891	\$ 37,372,770	\$ 35,890,501	\$ 23,634,334
Restricted	-	-	20,390	24,468	28,115
Other Purposes	-	-	-	-	5,857
Unrestricted	5,359,669	5,105,238	3,363,376	5,886,927	19,005,392
Total governmental activities net assets	\$ 39,906,809	\$ 39,471,129	\$ 40,756,536	\$ 41,801,896	\$ 42,673,698
Business-type activities					
Invested in capital assets, net of related debt	\$ 8,260,445	\$ 8,681,123	\$ 9,821,118	\$ 10,475,378	\$ 8,884,480
Restricted	-	-	-	-	308,765
Unrestricted	3,844,380	3,615,383	3,392,980	3,191,692	6,784,047
Total business-type activities net assets	\$ 12,104,825	\$ 12,296,506	\$ 13,214,098	\$ 13,667,070	\$ 15,977,292
Primary government					
Invested in capital assets, net of related debt	\$ 42,807,585	\$ 43,047,014	\$ 47,193,888	\$ 46,365,879	\$ 32,518,814
Restricted	-	-	20,390	24,468	336,880
Other Purposes	-	-	-	-	5,857
Unrestricted	9,204,049	8,720,621	6,756,356	9,078,619	25,789,439
Total primary government net assets	\$ 52,011,634	\$ 51,767,635	\$ 53,970,634	\$ 55,468,966	\$ 58,650,990

* Information is presented for years ended subsequent to the implementation of GASB 34

Fiscal Year			
2008	2009	2010	2011
\$ 35,558,598	\$ 37,197,493	\$ 35,457,421	\$ 35,675,794
4,005	43,260	658,157	626,395
10,395	9,810	3,893	7,199
7,400,808	5,366,369	5,777,021	5,658,773
\$ 42,973,806	\$ 42,616,932	\$ 41,896,492	\$ 41,968,161
\$ 11,854,457	\$ 14,370,516	\$ 13,058,044	\$ 13,188,813
354,018	321,394	755,414	987,389
3,068,871	1,013,032	1,624,311	1,772,245
\$ 15,277,346	\$ 15,704,942	\$ 15,437,769	\$ 15,948,447
\$ 47,413,055	\$ 51,568,009	\$ 48,515,465	\$ 48,864,607
358,023	364,654	1,413,571	1,613,784
10,395	9,810	3,893	7,199
10,469,679	6,419,400	7,401,332	7,431,018
\$ 58,251,152	\$ 58,361,873	\$ 57,334,261	\$ 57,916,608

CITY OF COTTAGE GROVE, OREGON
CHANGES IN NET ASSETS
Last Ten Fiscal Years *
(accrual basis of accounting)

Expenses	Fiscal Year			
	2003	2004	2005	2006
Governmental activities:				
General government	\$ 690,439	\$ 823,379	\$ 662,864	\$ 611,590
Public safety	3,573,263	1,948,821	2,176,643	2,296,399
Highways and streets	1,654,879	999,199	1,007,134	1,029,142
Community development	365,258	564,341	394,637	701,484
Culture and recreation	612,973	435,581	513,044	506,820
Interest on long-term debt	264,967	239,647	211,609	185,128
Total governmental activities expenses	7,161,779	5,010,968	4,965,931	5,330,563
Business-type activities:				
Water	\$ 1,133,971	\$ 1,244,597	\$ 1,354,118	\$ 1,716,958
Wastewater	927,802	674,257	1,211,166	1,330,472
Storm drainage	146,441	130,837	199,774	217,342
Ambulance	343,108	-	-	-
Total business-type activities expenses	2,551,322	2,049,691	2,765,058	3,264,772
Total primary government expenses	\$ 9,713,101	\$ 7,060,659	\$ 7,730,989	\$ 8,595,335

Program Revenues

Governmental activities:				
Charges for services:				
General government	\$ 677,688	\$ 279,436	\$ 136,803	\$ 237,097
Public safety	65,515	85,810	35,168	25,257
Highways and streets	-	-	39,464	134,272
Culture and recreation	17,291	27,863	19,828	17,716
Community development	11,139	33,645	327,439	293,705
Operating grants and contributions	1,138,761	251,026	131,004	211,897
Capital grants and contributions	-	-	508,441	150,318
Total governmental activities program revenues	\$ 1,910,394	\$ 677,780	\$ 1,198,147	\$ 1,070,262

Business-type activities:				
Charges for services:				
Water	\$ 1,321,592	\$ 1,465,846	\$ 1,786,936	\$ 1,885,132
Wastewater	913,213	1,012,862	1,402,872	1,489,678
Storm drainage	254,576	297,483	326,942	321,837
Ambulance	1,127,978	-	-	-
Operating grants and contributions	-	4,110	-	-
Capital grants and contributions	263,293	336,707	-	-
Total business-type activities program revenues	3,880,652	3,117,008	3,516,750	3,696,647
Total primary government program revenues	\$ 5,791,046	\$ 3,794,788	\$ 4,714,897	\$ 4,766,909

Net(expense)/revenue				
Governmental activities	\$ (5,251,385)	\$ (4,333,188)	\$ (3,767,784)	\$ (5,330,563)
Business-type activities	1,329,330	1,067,317	751,692	431,875
Total primary government net expense	\$ (3,922,055)	\$ (3,265,871)	\$ (3,016,092)	\$ (4,898,688)

		Fiscal Year							
		2007	2008	2009	2010	2011			
\$	617,944	\$	881,891	\$	678,782	\$	1,497,736	\$	1,554,300
	2,429,095		3,176,091		3,294,236		2,767,500		2,697,310
	1,181,565		608,934		1,150,457		1,229,574		1,231,363
	548,724		623,302		1,229,430		2,039,720		847,335
	547,533		472,110		645,002		745,106		711,944
	199,686		297,431		298,195		224,149		156,947
	5,524,547		6,059,759		7,296,102		8,503,785		7,199,199
\$	1,720,035	\$	2,987,190	\$	2,101,331	\$	2,348,936	\$	2,280,278
	1,968,202		2,100,708		2,283,340		2,301,446		2,353,304
	221,022		252,863		240,293		263,584		431,166
	-		-		-		-		-
	3,909,259		5,340,761		4,624,964		4,913,966		5,064,748
\$	9,433,806	\$	11,400,520	\$	11,921,066	\$	13,417,751	\$	12,263,947
\$	276,696	\$	342,346	\$	375,914	\$	368,734	\$	304,616
	29,944		30,407		29,589		38,424		60,435
	648,584		92,898		6,872		19,303		74,266
	13,214		19,747		10,798		11,796		9,271
	54,424		133,494		13,014		1,379		13,379
	69,791		-		77,747		29,292		-
	76,227		34,316		614,298		831,834		48,474
\$	1,168,880	\$	653,208	\$	1,128,232	\$	1,300,762	\$	510,441
\$	1,928,405	\$	2,253,267	\$	2,316,801	\$	2,348,922	\$	2,605,654
	1,742,487		2,058,577		2,184,918		2,262,398		2,397,602
	313,618		333,650		290,784		331,592		353,475
	-		-		-		-		-
	-		-		24,784		15,057		4,467
	2,170,000		-		-		-		-
	6,154,510		4,645,494		4,817,287		4,957,969		5,361,198
\$	7,323,390	\$	5,298,702	\$	5,945,519	\$	6,258,731	\$	5,871,639
\$	(5,524,547)	\$	(5,406,551)	\$	(6,167,870)	\$	(7,203,023)	\$	(6,688,758)
	2,245,251		(695,267)		192,323		44,003		296,450
\$	(3,279,296)	\$	(6,101,818)	\$	(5,975,547)	\$	(7,159,020)	\$	(6,392,308)

CITY OF COTTAGE GROVE, OREGON
CHANGES IN NET ASSETS - CONTINUED
Last Ten Fiscal Years *
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Property taxes	\$ 2,961,667	\$ 2,708,743	\$ 2,515,674	\$ 2,963,021
Public service taxes	-	902,263	2,014,334	1,248,038
Franchise fees	361,057	360,642	357,363	392,717
Alcoholic Beverage Taxes **				
Motor Fuel Taxes**				
Unrestricted grants and contributions	148,998	63,901	96,451	239,621
Taxes & Other Revenues not restricted to specific programs **				
Donations				
Interest and investment earnings	117,041	106,761	143,067	263,860
Miscellaneous	32,486	221,947	103,108	100,267
Gain(loss) on sale of capital assets	7,254	4,151	124,488	(1,639)
Internal balances	1,046,579	372,021	-	-
Transfers	(490,236)	89,553	102,423	99,776
Total governmental activities	\$ 4,184,846	\$ 4,829,982	\$ 5,456,908	\$ 5,305,661
Business-type activities:				
Unrestricted grants and contributions	-	-	-	-
Investment earnings	59,582	43,134	69,261	125,069
Miscellaneous	33,148	-	-	-
Gain on sale of capital assets	-	-	-	(4,196)
Internal balances	(1,046,579)	(372,021)	-	-
Transfers	490,236	(89,553)	(102,423)	(99,776)
Total business-type activities	(463,613)	(418,440)	(33,162)	21,097
Total primary government	\$ 3,721,233	\$ 4,411,542	\$ 5,423,746	\$ 5,326,758
Special items				
Governmental activities:	-	(932,475)	(403,717)	-
Business-type activities:	-	(472,723)	-	-
Change in Net Assets				
Governmental activities	\$ (1,066,539)	\$ (435,681)	\$ 1,285,407	\$ 1,045,360
Business-type activities	865,717	191,681	917,633	452,972
Total primary government	\$ (200,822)	\$ (244,000)	\$ 2,203,040	\$ 1,498,332

* Information is presented for years ended subsequent to the implementation of GASB 33

** Classified separately beginning 2009-10 fiscal year.

		Fiscal Year							
		2007	2008	2009	2010	2011			
\$	3,110,573	\$	3,339,463	\$	3,505,745	\$	3,900,441	\$	3,886,067
	1,253,126		1,143,177		1,092,117		-		-
	416,424		433,911		427,472		410,375		423,445
							106,839		111,254
							340,204		353,988
	303,434		149,329		103,039		-		-
							1,429,404		1,817,513
									301,315
	352,281		365,322		153,517		48,307		59,846
	104,413		127,288		329,123				
	(413,545)		-		-				
	-		-		-				
	100,763		148,169		146,729		207,014		-
\$	5,227,469	\$	5,706,659	\$	5,757,742	\$	6,442,584	\$	6,953,428
	-		-		70,703		-		-
	165,734		143,490		54,637		59,979		21,228
	-		-		-		-		-
	-		-		-		-		-
	-		-		-		-		-
	(100,763)		(148,169)		(146,729)		(207,014)		-
	64,971		(4,679)		(21,389)		(147,035)		21,228
\$	5,292,440	\$	5,701,980	\$	5,736,353	\$	6,295,549	\$	6,974,656
	-		-		-		-		-
	-		-		-		-		-
\$	871,802	\$	300,108	\$	(410,128)	\$	(760,439)	\$	264,670
	2,310,222		(699,946)		170,934		(103,032)		317,678
\$	3,182,024	\$	(399,838)	\$	(239,194)	\$	(863,471)	\$	582,348



CITY OF COTTAGE GROVE, OREGON
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
Last Ten Fiscal Years
(accrual basis of accounting)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Franchise Tax</u>	<u>Motor Fuel Taxes (State and Local)</u>	<u>Alcoholic Beverage Tax</u>	<u>Total</u>
2002	2,254,490	352,675	348,947 *	72,687	3,028,799
2003	2,961,667	361,057	349,524 *	77,700	3,749,948
2004	2,708,743	360,642	690,136	76,928	3,836,449
2005	2,515,674	357,363	795,478	90,600	3,759,115
2006	2,963,021	392,717	775,400	88,744	4,219,882
2007	3,110,573	416,424	750,155	97,399	4,374,551
2008	3,339,463	433,911	727,835	106,127	4,607,336
2009	3,505,745	427,472	677,372	113,380	4,723,969
2010	3,900,441	410,375	804,261	106,839	5,221,916
2011	3,886,067	423,445	825,073	111,254	5,586,043

*Only includes State Fuel Tax as Local Fuel Tax was nonexistent at this time.

CITY OF COTTAGE GROVE, OREGON
FUND BALANCE OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years *
(modified accrual basis of accounting)

	2003	2004	2005	2006
General Fund				
Reserved	\$ -	\$ -	\$ 20,390	\$ 24,468
Unreserved	490,191	830,682	1,139,556	1,879,387
Nonspendable	n/a	n/a	n/a	n/a
Unassigned	n/a	n/a	n/a	n/a
Total General Fund	\$ 490,191	\$ 830,682	\$ 1,159,946	\$ 1,903,855
Street Fund				
Restricted for:				
Road Maintenance	n/a	n/a	n/a	n/a
Total Street Fund				
City Debt Service Fund				
Assigned to:				
Debt Service	n/a	n/a	n/a	n/a
Total City Debt Service Fund				
All Other Governmental Funds				
Reserved	\$ 1,011,302	\$ 1,021,619	\$ 8,001	\$ 7,446
Unreserved, reported in:				
Special revenue funds	1,547,415	1,555,548	1,922,371	1,667,194
Capital project funds	1,978,834	1,675,089	2,744,037	2,679,625
Trust funds	-	-	-	-
Permanent funds	-	-	-	-
Nonspendable				
Prepays and deposits	n/a	n/a	n/a	n/a
Permanent balance	n/a	n/a	n/a	n/a
Restricted for:				
Emergency phone system	n/a	n/a	n/a	n/a
Drug Enforcement training	n/a	n/a	n/a	n/a
Building Permit programs	n/a	n/a	n/a	n/a
Industrial park management	n/a	n/a	n/a	n/a
Urban Renewal debt service	n/a	n/a	n/a	n/a
Committed to:				
Local improvement districts	n/a	n/a	n/a	n/a
Small business loans	n/a	n/a	n/a	n/a
Construction rehabilitation loans	n/a	n/a	n/a	n/a
Capital projects	n/a	n/a	n/a	n/a
Assigned to:				
Library books and trees	n/a	n/a	n/a	n/a
Unassigned	n/a	n/a	n/a	n/a
Total all other governmental funds	\$ 4,537,551	\$ 4,252,256	\$ 4,674,409	\$ 4,354,265

* Information is presented for years ended subsequent to the implementation of GASB 34

** As of fiscal year 2010-11, the City implemented GASB Statement No. 54 Fund Balance Rep

Fiscal Year				
2007	2008	2009	2010	2011**
\$ 24,468	\$ -	\$ 36,702	40,796	n/a
2,539,927	1,785,417	951,929	1,526,740	n/a
n/a	n/a	n/a	n/a	8,562
n/a	n/a	n/a	n/a	1,713,931
\$ 2,564,395	\$ 1,785,417	\$ 988,631	\$ 1,567,536	\$ 1,722,493
n/a	n/a	n/a	n/a	404,376
				404,376
n/a	n/a	n/a	n/a	3,337
				3,337
\$ 9,504	\$ 14,400	\$ 6,558	\$ 2,737	n/a
2,130,845	2,637,995	2,007,839	1,752,806	n/a
2,599,944	2,759,794	2,001,444	1,340,536	n/a
-	-	-	3,000	n/a
-	-	9,810	3,893	n/a
n/a	n/a	n/a	n/a	13,519
n/a	n/a	n/a	n/a	3,000
n/a	n/a	n/a	n/a	12,185
n/a	n/a	n/a	n/a	181,580
n/a	n/a	n/a	n/a	4,426
n/a	n/a	n/a	n/a	459,464
n/a	n/a	n/a	n/a	87,665
n/a	n/a	n/a	n/a	150,138
n/a	n/a	n/a	n/a	9,569
n/a	n/a	n/a	n/a	444,531
n/a	n/a	n/a	n/a	1,335,473
n/a	n/a	n/a	n/a	4,199
n/a	n/a	n/a	n/a	(149,849)
\$ 4,740,293	\$ 5,412,189	\$ 4,025,651	\$ 3,102,972	\$ 2,555,900

orting and Governmental Fund Type Definitions.

CITY OF COTTAGE GROVE, OREGON
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years *
(modified accrual basis of accounting)

	Fiscal year			
	2003	2004	2005	2006
Revenues				
Taxes	\$ 3,385,040	\$ 3,457,714	\$ 3,323,603	\$ 3,804,725
Licenses and permits	22,168	12,189	20,893	27,713
Intergovernmental	1,287,759	885,318	1,907,691	1,429,296
Charges for services	1,607,271	896,966	395,304	426,467
Fines	90,148	110,323	103,041	119,595
Special assessments	212,259	168,670	97,646	165,440
Miscellaneous	398,317	292,092	824,981	1,016,781
Total revenues	7,002,962	5,823,272	6,673,159	6,990,017
Expenditures				
General government	\$ 827,252	\$ 829,173	\$ 777,649	\$ 923,553
Public safety	3,363,689	1,900,406	2,121,511	2,263,600
Highways and streets	447,480	494,188	511,523	558,760
Community development	371,521	555,118	523,820	689,753
Culture and recreation	572,324	397,315	492,275	475,874
Capital outlay	884,607	245,434	908,384	1,378,062
Debt service	681,889	-	-	-
Principal	-	683,241	295,526	179,708
Interest	-	251,359	206,924	196,718
Total expenditures	7,148,762	5,356,234	5,836,982	6,666,028
Excess of revenues over (under) expenditures	(145,800)	467,038	836,177	323,989
Other financing sources (uses)				
Donations	\$ -	\$ -	\$ -	\$ -
Tax increment refund				
Transfers in	878,866	580,046	710,590	712,691
Transfers out	(1,369,102)	(490,493)	(608,167)	(612,915)
Issuance of Debt	154,582	-	-	-
Total other financing sources (uses)	(335,654)	89,553	102,423	99,776
Net change in fund balances	\$ (481,454)	\$ 556,591	\$ 938,600	\$ 423,765
Debt service as a percentage of noncapital expenditures	0.0%	22.4%	11.3%	7.7%

* Information is presented for years ended subsequent to the implementation of GASB 34

		Fiscal year							
		2007	2008	2009	2010	2011			
\$	3,939,154	\$	4,176,080	\$	4,336,304	\$	4,714,254	\$	4,861,685
	9,412		45,342		6,459		7,431		6,119
	1,282,192		900,713		889,901		1,667,420		1,242,193
	249,001		255,627		244,576		333,196		242,765
	115,865		122,857		173,747		115,720		134,522
	62,267		98,000		11,405		25,984		78,561
	2,316,810		891,957		1,321,428		1,025,608		693,106
	7,974,701		6,490,576		6,983,820		7,889,613		7,258,951
\$	965,253	\$	1,109,415	\$	1,843,193	\$	1,229,830	\$	1,218,620
	2,378,722		2,537,027		3,229,142		2,706,683		2,653,317
	637,970		537,635		518,765		564,787		565,995
	540,000		601,050		1,218,877		1,380,055		847,335
	512,198		435,191		596,492		680,256		669,558
	1,970,124		1,722,565		1,575,896		619,850		1,207,117
	-		-		-		-		-
	172,020		244,402		374,989		426,523		453,705
	199,555		268,030		303,519		217,406		163,719
	7,375,842		7,455,315		9,660,873		7,825,390		7,779,366
	598,859		(964,739)		(2,677,053)		64,223		(520,415)
\$	-	\$	-	\$	-	\$	-	\$	301,315
							(659,665)		
	660,883		1,443,377		747,117		1,283,359		764,850
	(560,120)		(1,295,208)		(600,388)		(1,076,346)		(764,850)
	346,946		709,488		800,000		44,654		427,699
	447,709		857,657		946,729		(407,998)		729,014
\$	1,046,568	\$	(107,082)	\$	(1,730,324)	\$	(343,775)	\$	208,599
	7.4%		9.8%		9.2%		9.8%		10.4%

CITY OF COTTAGE GROVE, OREGON
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
Last Ten Fiscal Years *
(modified accrual basis of accounting)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Franchise Tax</u>	<u>Local Fuel Tax</u>	<u>Room Tax</u>	<u>Total</u>
2003	\$ 2,961,667	\$ 361,057	\$ -	\$ 62,316	\$ 3,385,040
2004	2,737,523	360,642	295,384	63,715	3,457,264
2005	2,524,916	357,363	367,906	73,418	3,323,603
2006	2,991,430	392,717	340,979	79,599	3,804,725
2007	3,102,344	416,424	326,942	93,444	3,939,154
2008	3,316,060	433,911	327,698	98,411	4,176,080
2009	3,490,164	427,472	319,128	99,540	4,336,304
2010	3,873,900	410,375	340,204	89,775	4,714,254
2011	4,002,666	423,445	353,988	81,586	4,861,685

*Information is presented for years ended subsequent to the implementation of GASB 34

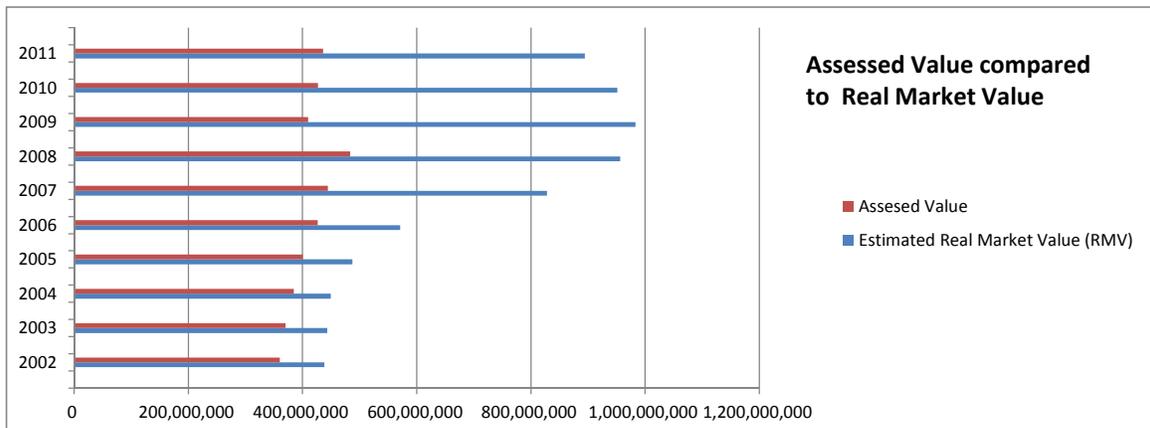
CITY OF COTTAGE GROVE, OREGON
ASSESSED VALUES AND ESTIMATED REAL MARKET VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Assessed Value					Total	Total Direct Tax Rate	Estimated Real Market Value (RMV)	Assessed Value as a Percentage of RMV
	Real Property	Personal Property	Manufactured Structures	Utilities					
2002 (1)	324,885,986	13,404,273	9,819,004	12,210,309	360,319,572	7.2087	438,178,085	82.2%	
2003 (1)	338,752,106	13,098,565	5,820,649	12,388,859	370,060,179	6.5907	443,327,603	83.5%	
2004 (1)	354,745,231	13,964,381	4,443,871	11,330,062	384,483,545	6.1867	449,169,109	85.6%	
2005 (1)	369,423,666	12,619,767	4,950,901	13,241,803	400,236,137	6.4687	487,289,006	82.1%	
2006 (1)	390,618,127	20,206,602	5,376,176	10,488,260	426,689,165	7.2087	570,949,638	74.7%	
2007 (1)	419,556,724	10,953,394	3,786,942	9,953,394	444,250,454	7.2087	828,315,133	53.6%	
2008 (1)	447,929,534	11,868,611	5,005,488	18,365,300	483,168,933	7.2087	956,161,508	50.5%	
2009 (1)	386,688,175	10,275,254	3,620,468	9,001,230	409,585,127	7.2087	983,381,511	41.7%	
2010 (1)	400,341,261	10,427,167	3,505,056	13,054,600	427,328,084	7.2087	951,337,243	44.9%	
2011 (1)	410,684,161	10,438,531	2,626,260	12,395,500	436,144,452	7.2087	894,526,836	48.8%	

(1) Includes values of Row River Road Urban Renewal District

Note: Property in Oregon is assessed annually within the 3 percent limits of Measure 50. Counties assess new property at approximately 67 percent of estimated real market value for all types of real and personal property. Tax rates are per \$1,000 of assessed value. The City's full tax rate was not levied in 2003, 2004, and 2005.

Source: Lane County Department of Assessment and Taxation



CITY OF COTTAGE GROVE, OREGON
PROPERTY TAX RATES
Last Ten Fiscal Years

Fiscal Year Ended June 30,	City of Cottage Grove Direct Rates			Overlapping Rates***				Total Rate	
	Permanent Rate	General Obligation Debt Service	Total Direct	South Lane School District 45J3	Lane County Education Service District	Lane Community College	Lane County	South Lane County Fire & Rescue	Total Direct and Overlapping
2002	7.21	0.00	7.21	6.91	0.22	0.87	1.44	N/A	16.65
2003*	6.59	0.00	6.59	6.27	0.20	0.81	1.31	N/A	15.18
2004**	5.61	0.00	5.61	6.04	0.20	0.80	1.30	0.94	14.89
2005	6.47	0.00	6.47	6.55	0.22	0.89	1.41	1.03	16.57
2006	7.21	0.00	7.21	6.47	0.22	0.88	1.41	1.03	17.22
2007	7.21	0.00	7.21	6.42	0.22	0.85	1.41	1.03	17.14
2008	7.21	0.00	7.21	6.36	0.22	0.83	1.40	1.03	17.05
2009	7.21	0.00	7.21	6.35	0.22	0.87	1.40	1.03	17.08
2010	7.21	0.00	7.21	6.40	0.22	0.85	1.40	1.03	17.11
2011	7.21	0.00	7.21	6.45	0.22	0.86	1.39	1.03	17.16

Tax rates expressed in dollars and cents per \$1,000 of assessed value of taxable property

Source: Lane County Department of Assessment and Taxation, Tax Rate Comparisons

*Lane County started reporting rates reduced by the impacts of Urban Renewal Agencies.

** SLCFR annexed the City and began levying taxes.

*** Overlapping rates are those of local and county governments that apply to property owners within the City of Cottage Grove.

All overlapping rates apply to Cottage Grove property owners.

Note: Two initiatives approved by Oregon voters have imposed constitutional limitations on property tax rates and assessed values of property. Measure 5 (1990) places a maximum tax rate for non-school governments of \$10 per \$1,000 of real market value on each parcel of property. Measure 50 (1997) put into place different values for real market value and assessed value and set permanent tax rates for each unit of local government. Assessed value for each parcel is limited to an annual 3% increase. Total assessed value can also increase by an amount for new development and can decrease based on reductions in real market value to below assessed value, including reductions due to depreciation on industrial property. Local governments may temporarily increase their tax rate with voter approval of a local option levy. In addition, levies for voter approved general obligation debt are not subject to any constitutional limits on taxes. The City's permanent tax rate is \$7.21 per \$1,000 of assessed value.

CITY OF COTTAGE GROVE, OREGON
PRINCIPAL PROPERTY TAXPAYERS
Last Ten Fiscal Years *

Taxpayer:	2011			2010			2009		
	Taxable	Rank	Percentage of Total	Taxable	Rank	Percentage of Total	Taxable	Rank	Percentage of Total
	Assessed Value		Taxable Assessed Value	Assessed Value		Taxable Assessed Value	Assessed Value		Taxable Assessed Value
Qwest Corporation	-	-	-	-	-	-	\$ 3,523,500	9	0.70%
Wal-mart Stores, Inc.	5,976,392	1	1.11%	5,802,322	1	1.10%	5,633,322	2	1.13%
Safeway Stores, Inc.	4,615,017	3	0.86%	4,480,599	4	0.85%	4,350,096	5	0.87%
Village Green Resort, LLC	5,232,096	2	0.97%	5,093,242	2	0.97%	4,950,137	3	0.99%
Spring Investments, LLC	5,082,338	5	0.95%	4,934,309	5	0.94%	4,790,591	6	0.96%
Northwest Natural Gas	4,056,000	6	0.75%	4,336,000	6	0.82%	3,745,000	8	0.75%
Magnolia Gardens Assisted Living	3,434,168	8	0.64%	3,334,144	9	0.63%	3,237,033	10	0.65%
K & M Holdings, LLC	3,073,169	10	0.57%	3,743,264	7	0.71%	3,634,237	1	0.73%
Sunrise Ridge LLC	5,082,338	4	0.95%	4,531,594	3	0.86%	4,578,851	4	0.91%
Charter Communications	-	-	-	3,093,300	10	0.59%	-	-	-
Middlefield Oaks Assisted Living LLC	-	-	-	-	-	-	3,892,617	7	0.78%
Whittaker-Northwest Partners	3,085,858	9	0.57%	-	-	-	-	-	-
Gregory Falk LLC	3,766,257	7	0.70%	3,656,560	8	0.70%	-	-	-
Totals	\$ 43,403,633		8.07%	\$ 43,005,334		8.17%	\$ 42,335,384		8.47%
Total for City of Cottage Grove	\$ 537,670,091			\$ 525,779,935			\$ 500,539,978		

Taxpayer:	2008			2007		
	Taxable	Rank	Percentage of Total	Taxable	Rank	Percentage of Total
	Assessed Value		Taxable Assessed Value	Assessed Value		Taxable Assessed Value
Advance America CAC of OR, Inc.	\$ -	-	-	-	-	-
Qwest Corporation	3,756,000	8	0.78%	3,717,700	4	0.84%
Wal-mart Stores, Inc.	5,469,245	2	1.13%	5,309,947	1	1.20%
Safeway Stores, Inc.	4,223,394	4	0.87%	4,204,163	3	0.95%
Village Green Resort, LLC	4,515,089	3	0.93%	4,309,691	2	0.97%
Spring Investments, LLC	4,651,059	5	0.96%	3,601,971	5	0.81%
Northwest Natural Gas	11,546,000	1	2.39%	3,359,000	6	0.76%
Magnolia Gardens	3,142,750	9	0.65%	3,051,214	7	0.69%
K & M Holdings, LLC	3,528,385	6	0.73%	-	-	-
Whittaker-Northwest Partners	-	-	-	2,651,232	9	0.60%
Sunrise Ridge LLC	-	-	-	2,788,587	8	0.63%
United Star Holding LLC	-	-	-	2,381,791	10	0.54%
Middlefield Oaks Assisted Living LLC	3,763,991	7	0.78%	-	-	-
Starfire Lumber Company	3,089,344	10	0.64%	-	-	-
Totals	\$ 47,685,257		9.86%	\$ 35,375,296		7.99%
Total for City of Cottage Grove	\$ 483,168,933			\$ 444,250,454		

Source: Lane County Department of Assessment and Taxation
*Information is not available for years prior to 2005

CITY OF COTTAGE GROVE, OREGON
PRINCIPAL PROPERTY TAXPAYERS
Last Ten Fiscal Years *

Taxpayer:	2006			2005		
	Taxable Assessed Value	Rank	Rank	Taxable Assessed Value	Rank	Rank
Advance America CAC of OR, Inc.	\$ 6,680,101	1	1.57%	-	-	0.00%
Walmart Stores	5,155,288	2	1.21%	5,005,134	2	1.25%
Qwest Corporation	4,375,800	3	1.03%	7,030,800	1	1.76%
Safeway Stores	4,081,711	4	0.96%	4,273,995	3	1.07%
Village Green Resort, LLC	3,856,857	5	0.90%	3,702,808	4	0.93%
Spring Investments, LLC	3,497,059	6	0.82%	3,395,203	5	0.85%
Northwest Natural Gas	3,411,000	7	0.80%	3,198,000	6	0.80%
Magnolia Gardens	2,962,344	8	0.69%	2,876,062	8	0.72%
Kwikee Products Co, Inc.	2,623,392	9	0.61%	2,586,410	7	0.65%
K & M Holdings, LLC	2,598,458	10	0.61%	2,522,775	9	0.63%
Whittaker-Northwest Partners	-	-	0.00%	2,546,983	10	0.64%
Totals	\$ 39,242,010		9.20%	\$ 37,138,170		9.30%
Total for City of Cottage Grove	\$ 426,789,165			\$ 400,236,137		

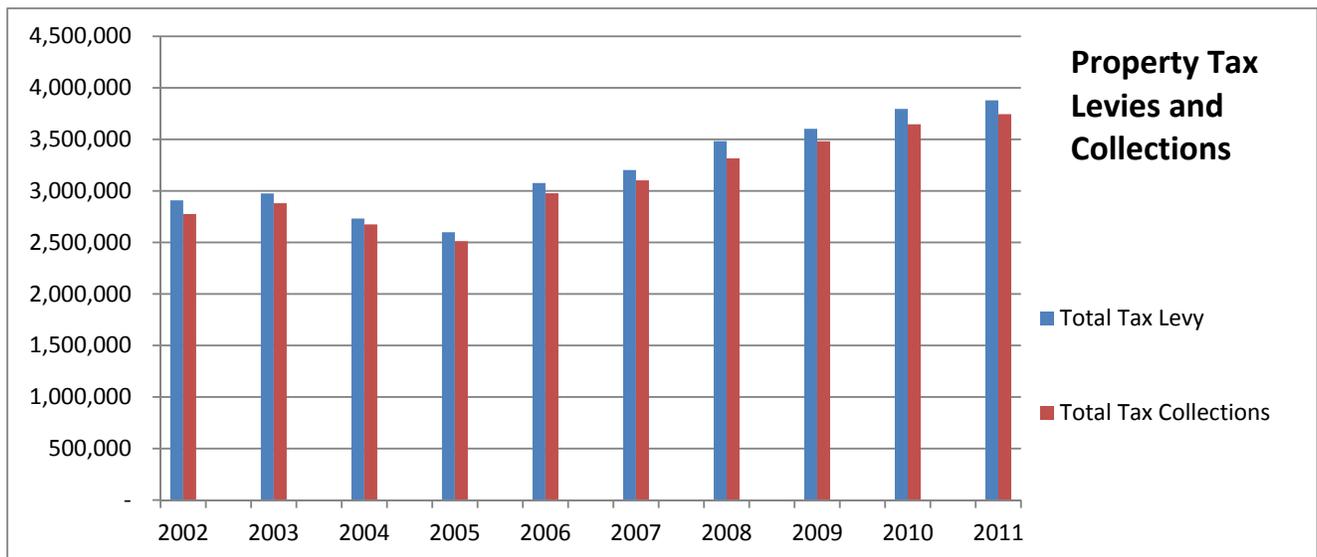
Source: Lane County Department of Assessment and Taxation

*Information is not available for years prior to 2005

CITY OF COTTAGE GROVE, OREGON
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Total Tax Levy	Current Tax Collections	Percent of Levy Collections	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
2002	2,908,110	2,681,942	92.2	93,903	2,775,845	95.5	225,156	7.7
2003	2,975,664	2,773,665	93.2	106,775	2,880,440	96.8	212,777	7.2
2004	2,732,038	2,575,121	94.3	99,968	2,675,089	97.9	183,997	6.7
2005	2,599,041	2,446,954	94.1	64,717	2,511,671	96.6	174,755	6.7
2006	3,076,575	2,911,638	94.6	65,670	2,977,308	96.8	146,346	4.8
2007	3,202,445	3,036,157	94.8	66,187	3,102,344	96.9	154,575	4.8
2008	3,483,020	3,257,128	93.5	58,932	3,316,060	95.2	177,979	5.1
2009	3,602,537	3,373,649	93.6	107,875	3,481,524	96.6	193,559	5.4
2010	3,795,627	3,381,874	89.1	264,656	3,646,530	96.1	220,100	5.8
2011	3,878,859	3,643,842	93.9	101,086	3,744,928	96.5	216,678	5.6

Source: Lane County Department of Assessment and Taxation



CITY OF COTTAGE GROVE, OREGON
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years *

Governmental Activities

Fiscal Year Ended June 30,	General Obligation Bonds	Percent of Assessed Value**	Notes and Contracts		
			Loans	Capital Leases	Per Capita ***
2003	\$ 2,830,441	0.76%	\$ 2,360,492	\$ 21,760	\$ 267
2004	2,533,082	0.69%	1,820,755	15,121	204
2005	2,517,839	0.63%	1,540,466	7,886	170
2006	2,498,806	0.59%	1,387,695	-	150
2007	2,476,580	0.56%	1,584,856	-	170
2008	2,451,698	0.51%	2,075,131	-	220
2009	2,424,441	0.48%	2,527,399	-	266
2010	2,395,345	0.46%	2,174,631	-	229
2011	2,361,927	0.44%	2,182,042	-	230

Business-Type Activities

Fiscal Year Ended June 30,	Revenue Bonds and Notes	Per Capita ***
2003	\$ 1,632,008	\$ 183
2004	1,470,052	163
2005	6,302,834	692
2006	9,487,555	1,023
2007	12,906,543	1,381
2008	19,905,767	2,108
2009	20,423,165	2,153
2010	19,872,976	2,093
2011	18,797,100	1,980

* Information is presented for years ended subsequent to the implementation of GASB 34

** Percent of Assessed Value is calculated using the using the General Obligation Bond divided by the total assessed value shown on Ratios of General Bonded Debt Outstanding Schedule

*** Per Capita is calculated using the total debt for the category divided by population shown on Ratios of General Bonded Debt Outstanding Schedule

CITY OF COTTAGE GROVE, OREGON
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years *

Fiscal Year Ended June 30,	(1) Population	(2) Assessed Value	(3) Estimated Actual Value	(4) Gross General Obligation Bonded Debt	(5) Less Debt Service Fund	(6) Debt Payable from Other Revenues	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Ratio of Net Bonded Debt to Estimated Actual Value	Net Bonded Debt Per Capita
2002	8,730	360,319,572	438,178,085	3,108,162	-	1,252,254	1,855,908	0.52%	0.42%	212.59
2003	8,910	338,331,809	443,327,603	2,830,441	-	974,532	1,855,908	0.55%	0.42%	208.29
2004	9,010	349,406,767	449,169,109	2,533,082	-	681,733	1,851,349	0.53%	0.41%	205.48
2005	9,110	400,236,137	487,289,006	2,517,839	-	657,018	1,842,821	0.46%	0.38%	202.29
2006	9,275	426,789,165	570,949,638	2,498,806	-	667,973	1,830,833	0.43%	0.32%	197.39
2007	9,345	444,250,454	828,315,133	2,476,580	-	660,587	1,815,993	0.41%	0.22%	194.33
2008	9,445	483,168,933	956,161,508	2,451,698	-	652,822	1,798,876	0.37%	0.19%	190.46
2009	9,485	500,539,978	983,381,511	2,424,441	-	644,668	1,779,773	0.36%	0.18%	187.64
2010	9,495	525,779,935	951,337,243	2,395,345	-	636,107	1,759,238	0.33%	0.18%	185.28
2011	9,485	537,670,091	894,526,836	2,361,927	-	627,118	1,734,809	0.32%	0.19%	182.90

(1) Source: Portland State University

(2) and (3) Source: Lane County Department of Assessment and Taxation

(4) Amount does not include bancroft bonds

(5) Amount available for repayment of general obligation bonds

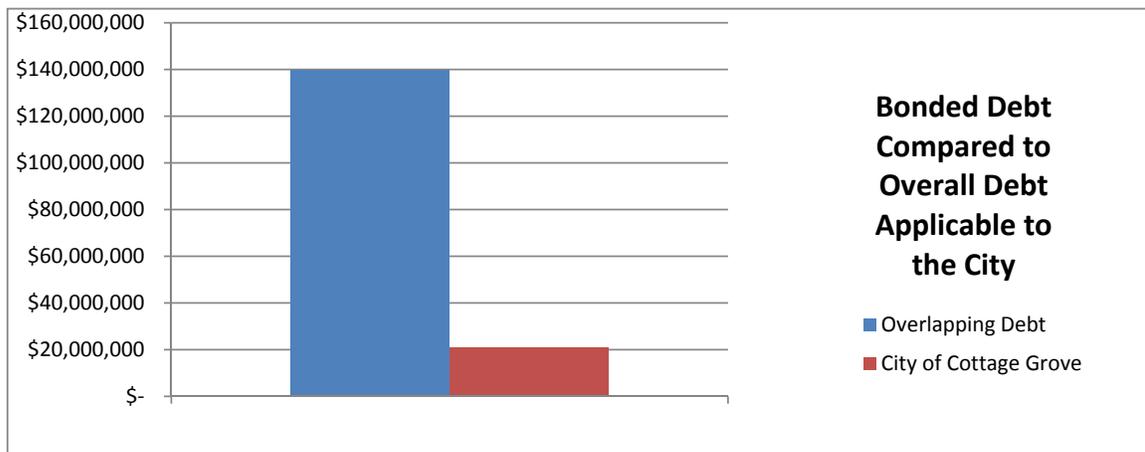
(6) These amounts include the general obligation bonds that are being repaid from water revenues, lease revenues from the Industrial Park, donations, and proceeds from the sale of property.

CITY OF COTTAGE GROVE, OREGON
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2011

Jurisdiction	Total Net Debt	Percent Within City	City's Pro Rata Share
Direct:			
City of Cottage Grove	\$ 1,734,808	100%	\$ 1,734,808
Overlapping:			
Lane County School District 45J3	42,463,602	44.83%	19,036,433
Lane County	53,005,000	1.90%	1,007,095
Lane Community College	36,655,000	1.87%	685,449
Lane Education Service District	7,780,000	1.91%	148,598
Totals	\$ 139,903,602		\$ 20,877,575

Source: Oregon State Treasury - Overlapping Debt Schedule

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.



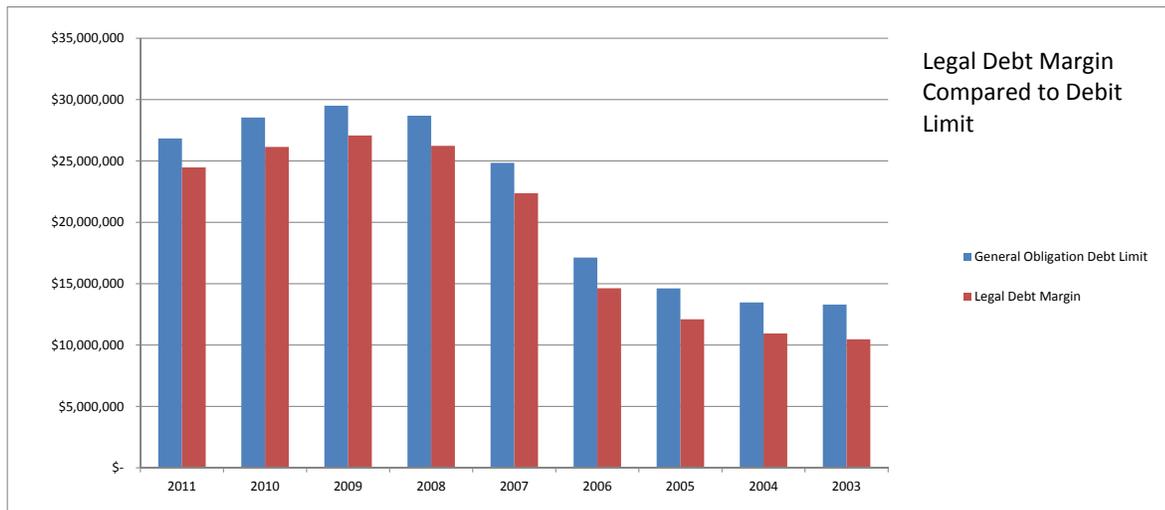
**CITY OF COTTAGE GROVE, OREGON
 LEGAL DEBT MARGIN INFORMATION
 Last Ten Fiscal Years ***

ORS 287.004 provides a debt limit of 3 percent of the real market value of all taxable property within City boundaries

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	
Real Market Value (1)	\$ 894,526,836	\$ 951,337,243	\$ 983,381,511	\$ 956,161,508	\$ 828,315,133	\$ 570,949,638	\$ 487,289,006	\$ 449,169,109	\$ 443,327,603	
Debt Limit of Real Market Value	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
General obligation debt limit	\$ 26,835,805	\$ 28,540,117	\$ 29,501,445	\$ 28,684,845	\$ 24,849,454	\$ 17,128,489	\$ 14,618,670	\$ 13,475,073	\$ 13,299,828	
Gross bonded debt	2,361,927	2,395,345	2,424,441	2,451,698	2,476,580	2,498,806	2,517,839	2,533,082	2,830,441	
Legal debt margin (amount for future indebtedness)	\$ 24,473,878	\$ 26,144,772	\$ 27,077,004	\$ 26,233,147	\$ 22,372,874	\$ 14,629,683	\$ 12,100,831	\$ 10,941,991	\$ 10,469,387	

(1) Source: Lane County Department of Assessment Taxation

* Information is presented for years ended subsequent to the implementation of GASB 34

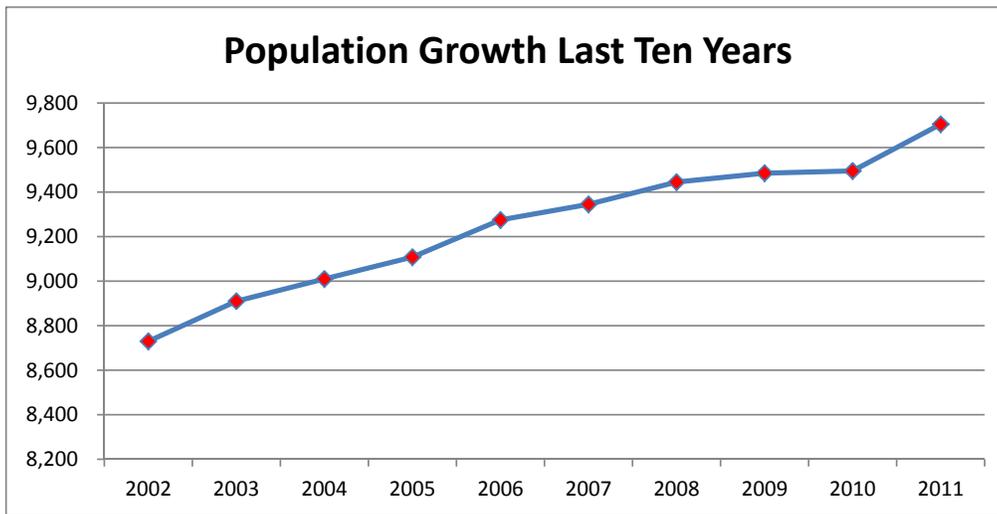


CITY OF COTTAGE GROVE, OREGON
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Fiscal Year	City of Cottage Grove Population	Lane County Population	Personal Income (amounts expressed in thousands)**	Per Capita Personal Income **	School Enrollment	Unemployment Rate
2002	8,730	325,900	8,672,337	26,471	2,768	6.1%
2003	8,910	328,150	8,846,999	26,744	2,803	8.0%
2004	9,010	329,400	9,288,680	27,943	2,827	6.6%
2005	9,108	333,350	9,752,030	29,074	2,714	6.4%
2006	9,275	336,085	10,645,689	31,364	2,724	5.6%
2007	9,345	339,740	11,269,508	32,877	2,716	5.1%
2008	9,445	343,140	11,679,994	33,522	2,835	5.4%
2009	9,485	345,880	11,594,589	33,552	2,807	12.9%
2010	9,495	347,690	11,655,264	33,552	2,635	10.6%
2011	9,705	348,115	11,783,941	33,562	2,761	10.5%

** Metropolitan Statistical Area - Eugene-Springfield

Sources: Portland State University Center for Population Research and Census
Oregon Employment Department
South Lane School District 45J3
Bureau of Labor and Statistics, U.S. Department of Labor
Bureau of Economic Analysis - U.S. Department of Commerce



CITY OF COTTAGE GROVE, OREGON
FULL-TIME EQUIVALENT CITY GOVERNMENT
EMPLOYEES BY FUNCTION
Last Ten Fiscal Years *

Function	Full-time Equivalent Employees as of June 30								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Employees (excluding police)									
Full-time	42	37	40	40	44	45	44	45	43
Part-time **	7.87	7.04	9.32	8.79	12.11	9.86	11.15	5.81	5.72
Public Safety									
Police	22	24	26	27	24	23	22	22	23
Total	71.87	68.04	75.32	75.79	80.11	77.86	77.15	72.81	71.72

* Information is presented for years ended subsequent to the implementation of GASB 34

** Numbers corrected to represent FTE for all years



CITY OF COTTAGE GROVE, OREGON
PRINCIPAL EMPLOYERS
Current Year and Ten Years Ago

2011

Employer	Employees	Percentage of Total City Employment
South Lane School District	303	11.05%
Cottage Grove Community Hospital	170	6.20%
Walmart	142	5.18%
Safeway	140	5.10%
City of Cottage Grove	86	3.14%
Middle Field Oaks Assisted Living	66	2.41%
Starfire	63	2.30%
McDonalds	59	2.15%
Brads Cottage Grove Chevrolet	56	2.04%
Coast Fork Nursing Center, Inc.	56	2.04%
Total	1,141	
Estimated Total City Employment	2,743	

2001

Statistical info not collected in 2001 due to availability, therefore it is not available for this comparison.

Sources:

LCOG
 2001 City of Cottage Grove Audit
 State of Oregon Employment Dept

CITY OF COTTAGE GROVE, OREGON
OPERATING INDICATORS BY FUNCTION
EMPLOYEES BY FUNCTION
Last Ten Fiscal Years *

Function	Fiscal Year				
	2003	2004	2005	2006	2007
Police					
Number of law violations:					
Arrests	550	620	776	683	778
Traffic violations	436	333	416	451	335
Parking violations	189	36	516	233	752
Wastewater System:					
Number of service connections	3,293	3,603	3,299	3,718	3,453
Daily average treatment in gallons:					
Summer: May - October	950,000	1,070,000	1,076,000	1,150,000	1,350,000
Winter: November - April	2,970,000	2,970,000	2,141,600	3,900,000	2,680,000
Water System:					
Number of service connections	3,599	3,296	3,642	3,772	3,755
Number of fire hydrants	341	357	357	359	387
Daily average consumption in gallons:					
Summer: July - September	2,077,000	2,183,000	1,931,000	2,148,000	2,259,000
Winter: December - February	1,059,000	1,360,000	1,002,667	1,142,000	1,167,000
Design capacity of plant in gallons	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000

* Information is presented for years ended subsequent to the implementation of GASB 34

** Includes both active and idle connections

2008	2009	2010	2011
573	426	1,209	913
740	217	721	376
148	242	357	433
3,456	3629 **	3673 **	3685**
1,280,000	1,020,000	1,420,000	1,520,000
3,700,000	2,420,000	2,960,000	3,420,000
3,776	3861 **	3852 **	3910**
390	398	401	401
2,314,000	2,335,000	2,512,000	1,659,000
1,171,000	1,206,000	1,299,667	1,113,000
4,000,000	4,000,000	4,000,000	4,000,000

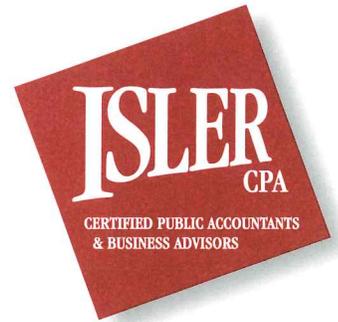
CITY OF COTTAGE GROVE, OREGON
CAPITAL ASSET STATISTICS BY FUNCTION
EMPLOYEES BY FUNCTION
Last Ten Fiscal Years *

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	
Area - square miles	3.44	3.44	3.44	3.85	3.88	3.91	3.91	3.98	3.98	
City of Cottage Grove facilities and services:										
Miles of streets	39.31	40.19	40.19	40.71	41.80	42.97	43.57	43.57	43.57	
Number of street lights	481	483	483	486	495	498	507	508	508	
Parks (developed)	20	20	20	20	21	21	22	22	22	
Park acreage (developed)	147.0	147.0	147.0	147.0	189.73	189.73	243.58	243.58	243.58	
Willamette Greenway (miles along river)	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	
Library:										
Value of collection	\$ 648,923	\$ 625,328	\$ 657,908	\$ 694,751	\$ 774,373	\$ 766,403	\$ 805,361	\$838,681	\$813,378	
Books circulated	88,281	79,813	80,345	81,521	82,786	80,517	84,854	86,363	77,157	
Police protection:										
Number of stations	1	1	1	1	1	1	1	1	1	
Wastewater System:										
Miles of sanitary sewers	41.91	42.56	42.56	43.04	44.00	45.06	45.66	45.72	45.72	
Miles of storm sewers	27.68	28.44	28.44	28.79	29.46	30.45	30.85	30.85	30.85	
Design capacity of treatment plant in gallons	2,000,000	2,000,000	2,000,000	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000	
Water System:										
Miles of water mains	63.81	64.86	64.90	65.23	66.74	68.38	48.98	49.05	49.05	

* Information is presented for years ended subsequent to the implementation of GASB 34

COMPLIANCE SECTION





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

An Independently Owned Member

McGLADREY ALLIANCE



Honorable Mayor and City Council
City of Cottage Grove, Oregon

We have audited the financial statements and schedules of the City of Cottage Grove, Oregon ("City") as of and for the year ended June 30, 2011, and have issued our report thereon dated February 10, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grants including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-010-0000 to 162-010-0330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

- Accounting records and related internal control structure.
- The use of various depositories to secure the deposit of public funds.
- The requirements relating to debt.
- The requirements relating to the preparation, adoption and execution of the City's budget for the current fiscal year and the next succeeding fiscal year ending June 30, 2012.
- The requirements relating to insurance and fidelity bond coverage.
- The appropriate laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies.
- The requirements pertaining to the use of revenue from taxes on motor vehicle use fuel funds.
- The statutory requirements pertaining to the investment of public funds.
- The requirements pertaining to the awarding of public contracts and the construction of public improvements.

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. The results of our tests disclosed no instances of noncompliance that are required to be reported under Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State.

Excess of Expenditures over Appropriations

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

Internal Control over Financial Reporting

In planning and performing our audit, 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 over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

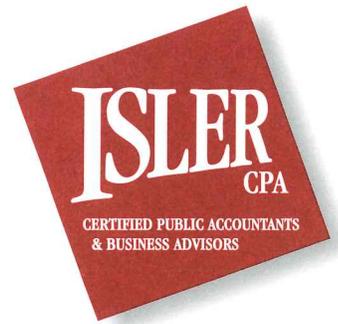
This report is intended solely for the information and use of management, the audit committee, and the Honorable Mayor and Council and the Secretary of State, Audits Division, of the State of Oregon. However, this report is a matter of public record and its distribution is not limited.

ISLER CPA

A handwritten signature in black ink that reads "Julie Arendt". The signature is written in a cursive style with a large initial "J" and a stylized "A".

by: Julie Arendt, CPA, a member of the firm

Eugene, Oregon
February 10, 2012



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

An Independently Owned Member

McGLADREY ALLIANCE

Honorable Mayor and City Council
City of Cottage Grove, Oregon



We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Cottage Grove, Oregon ("City") as of and for the year ended June 30, 2011, which collectively comprise City's basic financial statements and have issued our report thereon dated February 10, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 over financial reporting.

A *deficiency in internal controls* 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 misstatements on a timely basis. A *material weakness* is a significant 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated February 10, 2012.

This report is intended solely for the information and use of management, the audit committee, and the Honorable Mayor and Council and is not intended to be and should not be used by anyone other than these specified parties.

ISLER CPA

by: Julie Arendt, CPA, a member of the firm

Eugene, Oregon
February 10, 2012

