

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Counsel
City of Cottage Grove, Oregon
Cottage Grove, Oregon

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 (the City), as of and for the year ended June 30, 2009, 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 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, 2009, and the respective changes in financial position and cash flows, where applicable, 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 December 24, 2009, on our consideration of the City's internal control over financial reporting and on 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.

The management's discussion and analysis and required supplementary information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The budgetary comparison information has 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.

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, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City. The other supplementary information and the schedule of expenditures of federal awards 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 and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Merina & Company, LLP
West Linn, Oregon
December 24, 2009

Management's Discussion and Analysis

The management of the City of Cottage Grove offers readers of the City of Cottage Grove's financial statements this narrative overview and analysis of the financial activities of the City of Cottage Grove for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with the additional information furnished in the letter of transmittal on pages i-v and the financial statements that follow.

FINANCIAL HIGHLIGHTS

Net Assets - The assets of the City of Cottage Grove exceeded its liabilities at the close of the fiscal year by \$58,321,874. Of this amount, \$6,379,401 may be used to meet the government's ongoing obligations to citizens and creditors.

Change in Net Assets - The City's total net assets increased very slightly this year by \$70,722, or .12%.

The City's governmental activities reported total net assets of \$42,616,932 which is a decrease of \$356,874 or -.83%. The decrease of net assets is attributable to current liabilities, specifically long term debt increases, with the addition of debt to construct the broadband system. The City's business-type activities reported total net assets of \$15,704,942 which is an increase of \$427,596, or 2.79%.

The unrestricted net assets decreased significantly. Governmental Activities unrestricted net assets were reduced from \$7,400,808 in fiscal year 2008 to \$5,366,369 in fiscal year 2009, approximately 84.13% of the total unrestricted net assets. Business type activities were reduced from \$3,068,871 in fiscal year 2008 to \$1,013,032, approximately 15.87% of total unrestricted net assets. Unrestricted net assets are available for spending at the City's discretion.

During the fiscal year, the City of Cottage Grove's total debt increased by \$942,409. The increase is mostly attributable to loans received to complete construction of the Water Treatment Plant.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Cottage Grove's basic financial statements. The 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 of Cottage Grove's finances in a manner similar to private-sector companies.

The statement of net assets presents information on all of the City of Cottage Grove'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 of Cottage Grove 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.

Fund Financial Statements. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Cottage Grove, 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 of Cottage Grove can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government'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 of Cottage Grove 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 Fund, Street Fund, Industrial Park Fund, City Debt Service Fund and Urban Renewal Agency Debt Service Fund. All of these funds are considered to be major funds. Data from the other eleven non-major governmental funds are combined into a single aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements in the other supplementary information described below.

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.

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 information provided in the government-wide and fund financial statements.

Required Supplementary Information. Required supplementary information includes financial information and disclosures that are required by the 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.

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.

Government-wide Financial Analysis

Net assets. The City’s combined net assets were \$58,321,874 at June 30, 2009. The following table reflects a Summary of Net Assets for fiscal years 2007-08 and 2008-09:

Table 1
Summary of Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Current and Other investments	\$ 8,232,783	\$ 10,198,675	\$ 3,713,533	\$ 4,877,796	\$ 11,946,316	\$ 15,076,471
Capital assets	40,369,561	38,286,551	33,506,587	31,760,221	73,876,148	70,046,772
Total assets	<u>\$ 48,602,344</u>	<u>\$ 48,485,226</u>	<u>\$ 37,220,120</u>	<u>\$ 36,638,017</u>	<u>\$ 85,822,464</u>	<u>\$ 85,123,243</u>
Current liabilities	\$ 800,801	\$ 755,389	\$ 1,017,203	\$ 1,365,959	\$ 1,818,004	\$ 2,121,348
Long term liabilities	5,184,611	4,756,031	20,497,975	19,994,712	25,682,586	24,750,743
Total liabilities	<u>\$ 5,985,412</u>	<u>\$ 5,511,420</u>	<u>\$ 21,515,178</u>	<u>\$ 21,360,671</u>	<u>\$ 27,500,590</u>	<u>\$ 26,872,091</u>
Net assets:						
Invested in capital assets, net of related debt	\$37,197,493	\$35,558,598	\$ 14,370,516	\$ 11,854,457	\$ 51,568,009	\$ 47,413,055
Restricted	53,070	14,400	321,394	354,018	374,464	368,418
Unrestricted	<u>5,366,369</u>	<u>7,400,808</u>	<u>1,013,032</u>	<u>3,068,871</u>	<u>6,379,401</u>	<u>10,469,679</u>
Total net assets	<u>\$42,616,932</u>	<u>\$42,973,806</u>	<u>\$ 15,704,942</u>	<u>\$ 15,277,346</u>	<u>\$ 58,321,874</u>	<u>\$ 58,251,152</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, assets exceeded liabilities by \$58,321,874.

The largest portion of the City of Cottage Grove’s net assets (88% 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 of Cottage Grove uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Cottage Grove’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 these liabilities. The remaining balance is unrestricted net assets in the amount of \$6,379,401, and may be used to meet the City’s ongoing obligations to citizens and creditors.

The following table summarizes revenues and expenses for fiscal years 2007-08 and 2008-09:

Table 2
Governmental and Proprietary Activities

	Governmental Activities		Business-type Activities		Total Government	
	2009	2008	2009	2008	2009	2008
REVENUES						
Program revenues						
Charges for services	\$ 436,187	\$ 618,892	\$ 4,792,503	\$ 4,645,494	\$ 5,228,690	\$ 5,264,386
Operating grants and contributions	77,747	-	24,784	-	102,531	-
Capital grants and contributions	574,299	34,316	-	-	574,299	34,316
General revenues						
Property taxes	3,505,745	3,339,463	-	-	3,505,745	3,339,463
Franchise fees and public services taxes	1,519,589	1,577,088	-	-	1,519,589	1,577,088
Grants and contribution not restricted	103,039	149,329	70,703	-	173,742	149,329
Interest	153,517	365,322	54,637	143,490	208,154	508,812
Other	329,123	127,288	-	-	329,123	127,288
Total revenues	6,699,246	6,211,698	4,942,627	4,788,984	11,641,873	11,000,682
EXPENSES						
Governmental activities:						
General government	678,782	881,891	-	-	678,782	881,891
Public safety	3,294,236	3,176,091	-	-	3,294,236	3,176,091
Highways and streets	1,150,457	608,934	-	-	1,150,457	608,934
Culture and recreation	645,002	472,110	-	-	645,002	472,110
Community development	1,229,430	623,302	-	-	1,229,430	623,302
Interest on long-term debt	298,195	297,431	-	-	298,195	297,431
Business type activities:						
Water	-	-	2,101,331	2,987,190	2,101,331	2,987,190
Wastewater	-	-	2,283,340	2,100,708	2,283,340	2,100,708
Storm drainage	-	-	240,293	252,863	240,293	252,863
Total Expenses	7,296,102	6,059,759	4,624,964	5,340,761	11,921,066	11,400,520
Change in net assets before transfers and internal balances	(596,856)	151,939	317,663	(551,777)	(279,193)	(399,838)
Transfers	146,729	148,169	(146,729)	(148,169)	-	-
Internal balances	-	-	-	-	-	-
Special Items-	-	-	-	-	-	-
Change in net assets	(450,127)	300,108	170,934	(699,946)	(279,1993)	(399,838)
Beginning net assets	42,973,806	42,673,698	15,277,346	15,977,292	58,251,152	58,650,990
Prior Period Adjustments	93,253	-	256,662	-	349,915	-
Ending net assets	\$ 42,616,932	\$ 42,973,806	\$ 15,704,942	\$ 15,277,346	\$ 58,321,874	\$ 58,251,152

Governmental activities. Governmental activities decreased the City of Cottage Grove's net assets by \$450,127. The majority of this decrease is due to the assessments receivable with the return of Industrial Park property to the City. There were two lots that were sold last fiscal year, and then returned to the City to avoid foreclosure, and an additional lot was foreclosed upon.

Business-type activities. Business-type activities increased the City of Cottage Grove's net assets by \$170,934. The Water Treatment Plant was completed this fiscal year, and placed into service. The Storm Drain assets increased due to construction.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental funds. The focus of the City of Cottage Grove'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 of Cottage Grove'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 \$5,467,282. Approximately 99% percent of this total amount (\$5,424,022) constitutes unreserved fund balance. The remainder of the fund balance (\$43,260) is reserved to indicate that it is not available for new spending because it has already been committed for debt service and Ed Jenks endowment principal.

The main operating fund for the City is the General Fund. At the end of fiscal year 2009 the unreserved balance was \$1,404,929. It may be useful to compare the fund balance to the total fund expenditures as a measure of the General Fund's liquidity. The unreserved fund balance represents approximately 26% of the total General Fund operating expenditures.

The general fund had a decrease in total fund balance (reserved plus unreserved balance) of \$343,786 during fiscal year 2009. Key factors in this decrease are:

- The beginning fund balance estimate was low, with an actual balance \$229,331 higher than anticipated; however total revenues received were at only 90% of budgeted funds.
- Franchise Fees and Transient Room tax revenue combined exceeded budget projections by more than \$67,000. This can be attributed to the recent housing developments and rate increases charged by the various utilities and more room nights used. Both the Chamber and the City have actively promoted Cottage Grove as a conference destination. Several new conferences were held at the Village Green, including the regional Model A conference, the State Chapter of the National Federation for the Blind conference, Oregon PUD conference, and many others.
- Interest income fell short of anticipated revenue by \$33,621 due to the downturn in the financial market conditions.
- Engineering and Administration fees were reduced as many anticipated projects were not completed during the fiscal year. \$69,462 less than budgeted was received.
- The development of the broadband/wifi system is near completion, with additional funds being spent from the General Fund for contractual services, and capital outlay. During fiscal year 2009 approximately \$1,360,000 was spent.

In the Street Fund, the fund balance increased by \$257,965. State highway taxes and local fuel taxes exceeded budget estimations by \$50,518. This can be attributed to the price of gas being lower during fiscal year 2009 than fiscal year 2008. As the fund was in a deficit fund balance at the beginning of fiscal year 2009, no capital outlay expenditures were made, reducing budgeted to actual expenses by \$300,000.

The Industrial Park Fund ending fund balance was \$1,077,811 and an interfund loan payable of \$312,000. Two lots were returned to the City to avoid foreclosure, one lot was foreclosed upon. The outstanding debt, including the interfund loan, will 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 \$331,988. The combined wastewater operations had an increase in total net assets of \$4,544. The operating income of the water and wastewater operations increased over the prior year. Utility rates were raised and sales were as expected. Operational costs for staff, fuel, materials and purchased services increased. The water operations interest expense increased significantly due to the repayment of debt in association with the water treatment plant. The wastewater interest expense decreased slightly with the finalization of funding costs for the wastewater treatment plant. However, the interest was capitalized.

GENERAL FUND BUDGETARY HIGHLIGHTS

There was a \$2,412,282 difference between the original budget and final amended budget. The City Council adopted a supplemental budget of \$2,362,552 to appropriate loan proceeds for the broadband/wifi construction project; to appropriate loan proceeds for the construction of the Water Treatment Plant facility; to recognize grant funds to pay for engineering fees associated with the development of a Water Reuse Plan, and to appropriate unanticipated carryover in both the General Fund and General Reserve Funds for development of the broadband/wifi project. Additionally, grants in the amount of \$42,030 and specific purpose donations in the amount of \$7,700 were appropriated by resolution.

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

- The Community Development Department under expended its budget by \$825,913. Work did not progress on the South Lane Mental Health facility as anticipated when the budget was made with only 39.3% of the budget expended. The Oregon Emergency Management Grant was not spent in fiscal year 2009.
- The Police Department under expended its budget by \$204,856. Gas prices did not remain as high for the entire fiscal year as anticipated, under expending appropriations by approximately \$36,800 and not all of the money was expended for the Alternate Emergency Dispatch Center.
- The Parks Department budget included monies to make improvements to Bohemia Park. None of the improvements were made in fiscal year 2009 so the budget was under expended by \$500,000 dollars.

- The Non-Departmental department budget included monies for the Broadband/Wifi project. Both Contractual services and equipment purchases, totaling \$1,331,577 were budgeted. The amount spent for contractual services was under estimated, while the purchase of equipment was over estimated.

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, 2009 amounts to \$73,876,146 (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 2007-08 and 2008-09:

Table 3

Capital Assets at Year-end (Net of Depreciation)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	\$ 26,438,798	\$ 25,798,483	\$ 2,113,002	\$ 2,113,002	\$ 28,551,800	\$27,911,485
Buildings	2,822,325	2,604,698	1,376,354	1,371,412	4,198,679	3,976,110
Land improvements	-	-	1,050,000	1,134,000	1,050,000	1,134,000
Motor vehicles and equipment	272,680	361,232	274,794	355,830	547,474	717,062
Office furniture and equipment	28,773	92,975	-	-	28,773	92,975
Infrastructure	7,809,532	8,021,094	1,512,644	319,199	9,322,176	8,340,293
Construction in progress	2,997,453	1,408,069	1,086	8,205,788	2,998,539	9,613,857
Utility Systems	-	-	27,178,705	18,260,990	27,178,705	18,260,990
Total	\$ 40,369,561	\$ 38,286,551	\$ 33,506,585	\$31,760,221	\$ 73,876,146	\$70,046,772

Major capital asset events during the current fiscal year included the following: The completion of construction of the Water Treatment Plant; the construction in progress to build the Broadband system to serve the school district, public safety agencies, and the local community; the return of industrial park property to the City; one lot foreclosed, two voluntarily returned. A prior period adjustment was made to recognize infrastructure assets built and contributed to the City by developers in conjunction with the Sharon Lee I, Sharon Lee II, and Sunset Park subdivisions. The infrastructure was for streets, water, wastewater, and storm drain facilities.

Table 4
Change in Capital Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Beginning balance	\$ 38,286,551	\$ 37,433,240	\$ 31,760,221	\$ 26,306,227	\$ 70,046,772	\$ 63,739,467
Prior Period Adjustment	93,253	-	256,662		349,915	-
Additions	2,917,731	1,664,960	10,639,044	6,403,610	13,556,775	8,068,570
Depreciation	(800,594)	(803,072)	(943,554)	(705,734)	(1,744,148)	(1,508,806)
Deletions	(127,380)	(8,577)	(8,205,788)	(243,882)	(8,333,168)	(252,459)
Ending balance	<u>40,369,561</u>	<u>\$ 38,286,551</u>	<u>\$ 33,506,585</u>	<u>\$ 31,760,221</u>	<u>73,876,146</u>	<u>\$ 70,046,772</u>

Additional information on the City's capital assets can be found in the notes to the basic financial statements – Note 7.

Long-term debt. At the end of the fiscal year, the City of Cottage Grove had total long-term debt outstanding of \$25,375,005. \$1,779,772 was a general obligation debt to pay the City's unfunded actuarial liability in the Public Employees Retirement System. A total of \$546,239 was owed on a lease purchase agreement for improvements at the Public Works shop facility. Additional Long-term debt totaling \$2,003,221 was incurred. Included in the debt was additional funding for the construction of optical and wireless networking equipment in conjunction with the development of the high-speed broadband services, \$800,000; and the continued construction of the water treatment facility, \$1,203,221.

The following table summarizes outstanding debt for fiscal years 2007-08 and 2008-09:

Table 5
Outstanding Debt at Year-end

	<u>2009</u>	<u>2008</u>
Governmental Activities		
PERS UAL refinancing	\$ 1,779,772	\$ 1,798,876
Industrial Park	1,087,724	1,130,498
City shop remodel	546,239	654,448
Trail Head Park	183,326	250,891
Street Sweeper	128,740	162,576
Optical/Wireless Equipment	1,226,039	529,540
Sub-total	<u>\$ 4,951,840</u>	<u>4,526,829</u>
Business-type Activities		
Water system improvement	10,660,732	9,720,219
Wastewater improvement	8,546,325	8,909,361
Middlefield Golf Course	783,333	810,668
Middlefield Golf Course/ Residence	358,224	369,684
Middlefield – Golf Carts	11,866	15,900
Water/wastewater Equipment	62,685	79,935
Sub-total	<u>20,423,165</u>	<u>19,905,767</u>
Total	<u>\$ 25,375,005</u>	<u>\$ 24,432,596</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 \$29,501,445. Only \$2,424,441 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 8.

ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND RATES

The General Fund budget reduced spending for the 2010 budget by \$220,526. This is approximately a .87% decrease.

Assessed value growth for the 2010 budget preparation was projected at 2%, and anticipates there will not be any annexations of property to the city.

The amounts available for appropriation in the General Fund budget were estimated to be \$7,067,950 in resources and a carryover of \$1,337,940. The actual carryover for the General Fund budget is \$1,441,631.

General Fund property tax revenues are expected to be \$3,325,000, approximately \$180,745 less than actual for 2009. Franchise fees are expected to be \$5,000 more than budgeted in 2009, however revenues were in excess of budgeted amounts in 2009 by 14.6%.

The City's water/wastewater rates are adjusted annually. The City has established a three-tiered water rate for improvements to the water treatment plant and distribution system. The rate structure is set to cover all operations and maintenance costs. The City Council continues to look at ways to fund capital replacement costs.

The System Development Charges are adjusted annually using the construction cost index of the previous 12-month period. However, residential construction has slowed to one or two permits per month. It is difficult to predict when the residential market will return to its previous levels. A consulting firm has been hired to analyze and update System Development Charge Fees, as well as Water, Wastewater, and Storm Drainage Utility rates.

All of these factors were considered when preparing the budget for the 2010 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.



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