



***COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2009***





***COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2009***

Prepared by  
City of Cottage Grove, Finance Department



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## **INTRODUCTORY SECTION**



400 Main Street  
Cottage Grove, OR 97424

[www.cottagegrove.org](http://www.cottagegrove.org)



December 28, 2009

Re: City of Cottage Grove Comprehensive Annual Financial Report

To the Citizens of Cottage Grove, Oregon:

The Comprehensive Annual Financial Report (CAFR) of the City of Cottage Grove (City) for the fiscal year ended June 30, 2009 is hereby submitted as required by state statutes. These statutes require that every general-purpose local government publish a complete set of audited financial statements within six months of the close of each fiscal year. In addition, this report must be audited in accordance with generally accepted auditing standards by an independent firm of certified public accountants.

Responsibility for both the accuracy of the data, the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, this financial report is complete and reliable in all material respect and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain understanding of the City's financial activities have been included.

Merina & Company, LLP, a firm of licensed certified public accountants have audited the City's financial statements and have given an unqualified ("clean") opinion. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2009, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor's report is located at the front of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found in the financial section.

## **City Profile**

The City of Cottage Grove, Oregon, incorporated February 11, 1887, is located on Interstate 5 (which is the region's major north-south interstate highway) in the middle of western Oregon and in the southern part of Lane County. Cottage Grove is approximately 20 miles from the major population center of the area (Eugene-Springfield) and serves an immediate labor market of approximately 35,000 people. Cottage Grove is considered to be the "Covered Bridge Capital of Oregon". Six of the covered bridges in Lane County and the only remaining covered railroad bridge west of the Mississippi River, are located in or around the City of Cottage Grove. The small town atmosphere and convenient location make the community attractive to many who work in the Eugene/Springfield area.

The City has a council-manager form of government. The seven-member City Council sets overall City policy and goals, enacting laws that govern the City. Councilors are nominated from one of four wards and two seats at-large. The positions are elected for four-year staggered terms. The Mayor, elected at large to a two-year term, is the chief elected officer of the City and is responsible for providing political and policy leadership for the community. The Council appoints the government's manager, who in turn appoints the heads of the various departments.

The City provides a full range of municipal services, including police protection, 911-Dispatching, municipal court, community planning and development, community library, golf course, general public works including water production and wastewater treatment, broadband/wifi, park maintenance, community center, and administration.

The Cottage Grove Urban Renewal Agency, formed to manage and direct projects within an Urban Renewal District established in the City, is a separate governmental agency under Oregon statutes. However, it is included in this financial report. The Agency has not levied taxes for six fiscal years anticipating completion of projects with funds available to it.

The City prepares and adopts an annual budget in accordance with Oregon law. The law essentially establishes standard procedures for preparing, presenting and administering the budget. It requires citizen involvement in the preparation of the budget and public disclosure before final adoption of the budget. The activities of all the funds of the City are included in the annual budget. The City prepares its budget using the modified accrual basis method of accounting. The City is operating for the eleventh year under the rate-based system established for Oregon's municipalities. The City's permanent rate continues to be \$7.2087/\$1,000 of assessed value.

## **Economic Conditions and Outlook**

Major industries located within the City's boundaries or in close proximity include Weyerhaeuser, Kimwood, and Starfire, all of which manufacture wood products; Side Pocket Foods, a private label bottler and licensed distilling facility; and the Cottage Grove Community Hospital.

In the past year no new major employers have located in the area. Land use approvals have stalled as a result of the economy. Twenty-two building permits were issued for single-family homes as compared to seventy-six the previous fiscal year. Non-residential activity included the construction of a Walgreens Pharmacy, which opened January, 2009.

The unemployment rate for Lane County increased to 12.9% in June 2009 from 5.8% in June 2008. Lane County is consistent with the statewide unemployment rate. It is considerably higher than the United States seasonally adjusted rate of 9.5% for the same time period.

Significant events of the past year include:

- There were no annexations to the city or any subdivisions created. There was only one partition at the city-owned wastewater treatment plant creating one additional lot.
- Water Treatment Plant construction was completed.
- Last year six employees retired, this year two more employees retired. The current downturn in the economy has slowed the ability of long-term employees to make the transition to retirement.
- City installed fiber optic equipment connecting all South Lane School District and Creswell School District facilities. Development of a wifi mesh system began.
- The City pursued and negotiated the development of a solar array at the wastewater treatment plant to provide about one-quarter of the energy needs of the facility.
- During the year the community lost a major grocery store with the closure of Shop Smart located in the Village Shopping Center on North Highway 99, leaving only one major grocery store in the community.
- The Community also experienced the closure of the Oregon National Guard Armory after over 100 years in Cottage Grove. The City began discussion regarding the possibility of purchasing the Armory building.
- Completed the “Greening the Grove Renewable Energy Challenge” in the community and was designated as the 7<sup>th</sup> Oregon city and 17<sup>th</sup> City in the Nation as a Green Power Community through the Environmental Protection Agency’s Green Power Community Program.
- Purchased nuisance property adjacent to Coiner Park for future expansion of the park.
- Received a \$1.3 million dollar grant from the National Historic Covered Bridge Preservation program for the restoration of the Chambers Railroad Bridge.

### **Long-term Financial Planning**

The City’s current and on-going planning efforts include Master Plans for the Water, Wastewater, Storm Drainage, and Park operations, which include capital improvement projects and their estimated costs for construction. The Transportation System Plan identifies street projects. System Development Charges (SDC’s) are collected to support infrastructure and capital improvements as well. The City updates the capital improvement plan and related system development plans annually. Some of the significant capital improvements that are planned in the upcoming year include:

- Rehabilitation of the Chambers Railroad Bridge
- Reconstruction of the intersection at Highway 99 and Main Street
- Installation of a solar array at the Wastewater Treatment Plant
- Replacement of 300’ of 8” water main on Highway 99 at Chadwick Street

Development and utilization of these plans enhances the City’s ability to address future fiscal needs in a measured approach.

The City continues to budget transfers to the Debt Service Fund for the payment of principal and interest on the various loans from annual operating revenues in the Water and Wastewater Funds. Debt associated with water/wastewater plant improvements is reviewed annually, assessing the need to raise utility rates and surcharge fees to meet both operational and long-term debt requirements.

There were no changes to the City’s financial policies having a significant impact on the financial statements.

## **Internal Controls**

Management of the City is responsible for establishing and maintaining internal controls designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accounting principles.

The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Internal control evaluations occur within the above framework. It is our belief that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

## **Budgetary Controls**

The objective of budgeting controls is to ensure compliance with legal provisions embodied in the City's appropriated budget. The City's 2008-09 budget was prepared for a 12-month period beginning July 1, 2008 and ending June 30, 2009. The City's annual budget serves as the foundation for the City's financial planning and control. All departments of the city submit a budget to the City Manager who oversees the preparation of the budget and presents it to the Budget Committee and City Council for adoption prior to July 1 of each year. The city maintains budgetary control through constant review.

## **Cash Management**

During 2008-09 the City invested its cash in the State of Oregon Local Government Investment Pool and in a money market account.

## **Risk Management**

The City is responsible for the protection of its capital assets, property and employees. The City annually reviews its insurance needs to maintain adequate protection at the least possible cost. The City relies upon its insurance provider and agent for assistance in providing risk management and risk prevention training to minimize accident related losses and potential liability claims. During fiscal year 2008-09 the City had comprehensive liability and property coverage, auto liability coverage, and workers' compensation coverage with City County Insurance Services.

## **Pension Benefits**

The city employees are participants in the State of Oregon Public Employees Retirement System, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for government units in the State of Oregon. The City does not provide post retirement benefits. Future rates for pension contributions are expected to significantly increase with the next actuarial to be effective July, 2011, because of the current economic conditions and a downturn in investment returns.

## **Independent Audit**

State statutes require an annual audit by an independent certified public accountant. The accounting firm of Merina and Co., LLP, performed the City annual audit for the fiscal year ended June 30, 2009. In addition to meeting the requirements set for in state statutes, the audit also was designed to meet the requirements of the federal Single Audit Act Amendments of 1996 and revised OMB Circular A-133. The auditor's report on the financial statements and required supplementary information is included in the Financial Section of this report. The auditor's reports related specifically to the single audit are included in the Audit Comments and Government Auditing Standards Section.

## **Compliance with the "Single Audit Act Amendments of 1996"**

As a recipient of Federal and State financial assistance, the City is responsible for implementing internal controls to ensure compliance with applicable laws, regulations, contracts and grants related to those programs. To meet the requirements, management has established control procedures related to compliance and periodically evaluates the internal controls of the City.

## **Awards and Acknowledgements**

### **Certificate of Achievement**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2008. This was the fourteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

## **ACKNOWLEDGMENTS**

The preparation of the CAFR on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in preparation of this report.

In closing, we would also like to acknowledge the Mayor and City Council for their continuous support for maintaining the highest standards of professionalism in the management of the City's finances.

Sincerely,



Richard Meyers  
City Manager



Roberta L. McClintock  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Cottage Grove  
Oregon

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized, handwritten signature in black ink, appearing to be "J.H.P." or similar.

President

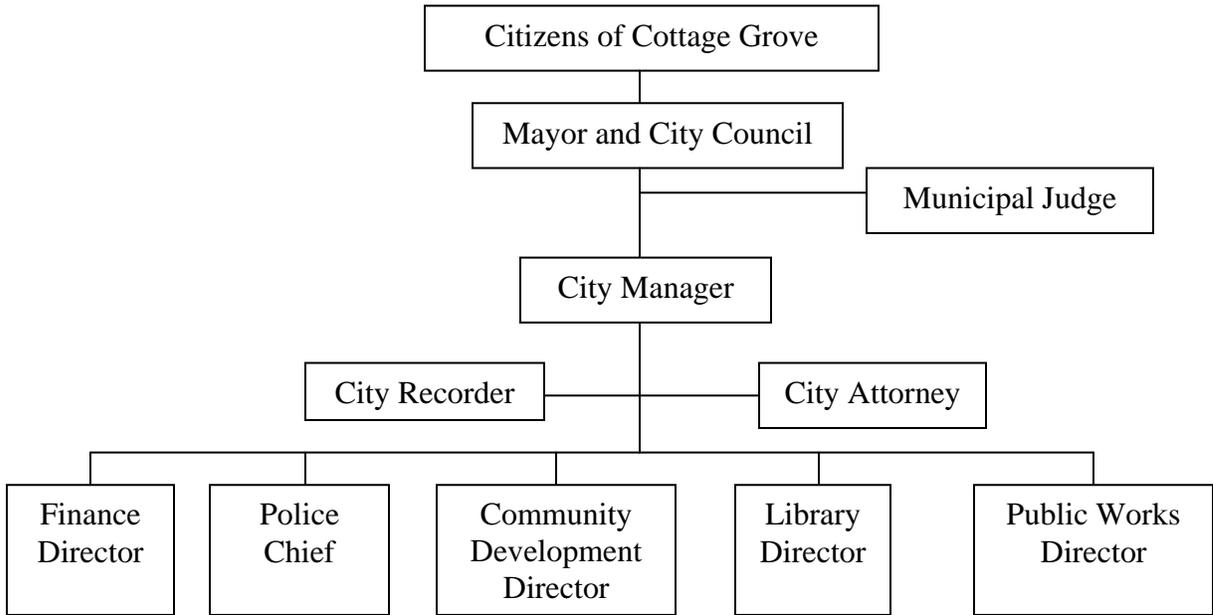
A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director

**CITY OF COTTAGE GROVE, OREGON**

**ORGANIZATIONAL CHART**

**JUNE 30, 2009**



# City of Cottage Grove, Oregon

## Principal City Officials June 30, 2009

### Elected Officials

#### Mayor

Gary Williams  
443 So. 10<sup>th</sup> Street  
Cottage Grove, OR 97424

#### Term Expiration

December 31, 2010

#### Council Members

Thomas Munroe  
2292 W. Harrison  
Cottage Grove, OR 97424

Ward 1

December 31, 2010

Lynn Miller  
121 Village Drive  
Cottage Grove, OR 97424

Ward 2

December 31, 2012

Wayne Clark  
819 S. 1<sup>st</sup> Street  
Cottage Grove, OR 97424

Ward 3

December 31, 2010

Mike Fleck  
1140 S. 10<sup>th</sup> Street  
Cottage Grove, OR 97424

Ward 4

December 31, 2012

Diane Conrad  
1125 E. Harrison  
Cottage Grove, OR 97424

At-Large

December 31, 2010

Heather Murphy  
1306 N. 19<sup>th</sup> Street  
Cottage Grove, OR 97424

At-Large

December 31, 2012

# City of Cottage Grove, Oregon

## Administrative Officials June 30, 2009

<u>Name</u>	<u>Position</u>
Richard Meyers	City Manager
Sean Kelly Ackley, Melendy, & Kelly LLP	City Attorney
Roberta McClintock	Finance Director
Mike Grover	Police Chief
Howard Schesser	Community Development Director
Jan Wellman	Public Works Director
Pete Barrell	Community Services Director
Joan Hoehn	City Recorder



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## **FINANCIAL SECTION**