



**CITY OF COTTAGE GROVE, OREGON**  
**FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**CITY OF COTTAGE GROVE, OREGON**  
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION  
FISCAL YEAR ENDED JUNE 30, 2015  
WITH  
INDEPENDENT AUDITOR'S REPORT

REPORT PREPARED BY  
CITY OF COTTAGE GROVE, FINANCE DEPARTMENT

**CITY OF COTTAGE GROVE, OREGON**  
 Financial Statements and Supplemental Information  
 For the Fiscal Year Ended June 30, 2015  
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**INTRODUCTORY SECTION**

**CITY OF COTTAGE GROVE, OREGON**

Principal City Officials

June 30, 2015

**ELECTED OFFICIALS**

**Mayor**

Thomas Munroe  
2292 West Harrison  
Cottage Grove, OR 97424

**Term Expiration**

December 31, 2016

**Council Members**

Jake Boone  
823 Birch Avenue  
Cottage Grove, OR 97424

Ward 1

December 31, 2018

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

Ward 2

December 31, 2016

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

Ward 3

December 31, 2018

Amy Slay  
Cottage Grove, OR 97424

Ward 4

December 31, 2016

Heather Murphy  
1042 Chestnut Avenue  
Cottage Grove, OR 97424

At-Large

December 31, 2016

Mike Fleck  
1125 E. Harrison  
Cottage Grove, OR 97424

At-Large

December 31, 2018

**ADMINISTRATIVE OFFICIALS**

Richard Meyers

City Manager

Roberta Olsen

Finance Director

**FINANCIAL SECTION**



An Independently Owned Member  
**McGLADREY ALLIANCE**



## **INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and City Council  
City of Cottage Grove, Oregon

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cottage Grove, Oregon ("City") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cottage Grove as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

The City adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pensions Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB No. 68*. Our opinion is not modified with respect to this matter.

Restatement of the comparative financial data for the prior period presented is not practical due to the unavailability of information from the pension plan, therefore the provisions of GASB Statements No. 68 and 71 were not applied to prior period. The cumulative effects of applying the provisions of GASB Statements No. 68 and 71 have been reported as a restatement of beginning net position for the year ended June 30, 2015 in accordance with the Statements.

## **Other Matters**

### *Required Supplementary Information*

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

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

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

### *Other Information*

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

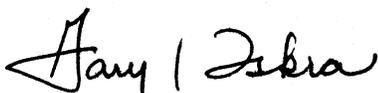
The combining and individual fund financial statements, and budget and actual schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to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

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

## **Report on Other Legal and Regulatory Requirements**

In accordance with Minimum Standards of Audits of Oregon Municipal Corporations, we have issued our report dated April 29, 2016, on our consideration of the City's compliance with the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-320. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

### **Isler CPA**



By: Gary Iskra, CPA, a member of the firm

Eugene, Oregon  
April 29, 2016



## *City of Cottage Grove*

400 E. Main Street, Cottage Grove, OR 97424

Ph (541) 942-3346 Fax (541) 942-5125

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2015**

This discussion and analysis presents the highlights of financial activities and the financial position of the City of Cottage Grove (City). The analysis focuses on significant financial issues, major financial activities and resulting changes in financial position, debt administration, capital assets, budget changes, and variances from the budget, specific issues related to funds and the economic factors affecting the City.

Management's Discussion and Analysis (MD&A) focuses on current-year activities and the resulting changes. Please read it in conjunction with the City's financial statements, which follow this discussion and analysis.

### **FINANCIAL HIGHLIGHTS**

#### Government-Wide

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$58,131,558 (reported as net position). Of this amount, \$5,710,781 represents unrestricted net position, which may be used to meet the City's obligations to citizens and creditors
- The City's net position decreased \$793,456 in governmental activities and increased \$129,134 in business type activities resulting in a total decrease of \$664,322.
- Significant new accounting rules for calculating and reporting the costs and obligations associated with pensions required by the Governmental Accounting Standards Board (GASB) were implemented. GASB Statements No. 68 and No. 71 require the value of the City's pension asset (liability), related to pension assurances to employees, be recorded in the financial statements. Prior to this year, the pension unfunded liability was simply reported in the Required Supplementary Information. The pension asset is the difference between the value of the assets set aside to pay future benefits and the actuarial calculation of the cost of those benefits. The City's budget or funding for the Oregon Public Employee Retirement System (OPERS) is not impacted by the accounting rule.

#### Fund Level

- The City's governmental funds reported a combined fund balance of \$4.9 million, an increase of \$87,413 from the prior fiscal year. Of the fund balance reported, \$1.2 million is

considered non-spendable or restricted. The remaining \$3.7 is available for spending at the government's discretion.

- The proprietary funds – those used to account for programs which the City charges for the services it provides, reported a combined net position of \$18.4 million, an increase of \$129,134 over the prior year.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City of Cottage Grove's basic financial statements. The basic financial statements, combined with the supplementary information and other financial schedules provide both a government-wide view of the City's financial condition over time as well as detailed information relating to how the City's net position changed during the current fiscal year.

The change in net position over time is one indicator of whether the City's financial health is improving or deteriorating. However, other non-financial factors influence the City's fiscal health. These factors may include changes in the economy, in the City's taxable assessed value, in population, etcetera. This report includes a comparison to the prior year, in order to assist the reader in determining the status of the City's fiscal standing over time.

Basic financial statements include a Statement of Net Position, Statement of Activities, Fund Financial Statements and the notes to the financial statements. Statements of Net Position and Activities focus on a government-wide presentation, while Fund Financial Statements provide detailed information about the City's major governmental and proprietary funds.

### **Government-wide Financial Statements**

- The Statement of Net position presents information on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets the City owns; the liabilities it owes, and the net difference (net position). The net position is further separated into amounts restricted for specific purposes, unrestricted, and deferred outflows and inflows related to pensions. This statement can serve as a useful indicator of whether the financial position of the City is improving or deteriorating over time.
- The Statement of Activities presents information on gross and net costs of City programs. This statement reflects how the City's net position changed during the most recent fiscal year, and summarizes the extent to which programs are self-supporting and/or subsidized by general tax or other revenues.
- Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges, (business-type activities).

## Fund Financial Statements

- A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements focus separately on the City's major governmental and proprietary funds.
- Governmental funds are reported using the modified accrual basis of accounting, which measures amounts using only cash and other short-term assets and liabilities (receivables and payables) that will soon be converted to cash or will soon be paid out with cash. The government fund statements provide a detailed short-term view of the governmental fund operations and the basic services it provides. These statements may be useful in assessing a government's near term financing requirements.
- Major funds are defined as the General Fund and any other fund where the assets, liabilities, revenues, or expenditures/expenses exceed 10% of total governmental or total enterprise fund amounts and 5% of total government and enterprise fund amounts combined. Generally accepted accounting principles require that detailed information about major funds be separately disclosed. The General Fund and the Street Fund are major governmental funds.
- Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements and are reported using the full accrual basis of accounting, which measures amounts using cash, all assets and liabilities (receivable and payables) regardless of when they will be converted to cash or paid out with cash. The City's enterprise funds primarily charge user fees to customers to cover the costs of providing the services on a continual basis. These funds represent three segments of operations: Water, Wastewater, and Storm Drainage.

## Notes to the Basic Financial Statements

- Accompanying notes are an integral part of the financial statements. Notes provide additional details and statistical information about the figures represented, accounting basis, policies and procedures as well as compliance, stewardship and accountability.

## Net Position as of June 30<sup>th</sup>

The table below reflects a summary of net position compared to the prior fiscal year; the following notes summarize the major changes to net position.

	Governmental Activities		Business-type Activities		Total Government	
	2015	2014	2015	2014	2015	2014
Current & Other Investments	\$5,524,624	\$5,924,734	\$4,479,258	\$4,122,266	\$10,003,882	\$10,047,000
Capital assets, net	38,739,828	39,331,058	32,870,519	33,624,881	71,610,347	72,955,939
Net pension asset	856,253		373,709		1,229,962	
<b>Total assets</b>	<u>45,120,705</u>	<u>45,255,792</u>	<u>37,723,486</u>	<u>37,747,147</u>	<u>82,844,191</u>	<u>83,002,939</u>
<b>Total deferred outflows of resources</b>	<u>429,981</u>		<u>200,809</u>		<u>630,790</u>	
Current liabilities	704,404	542,102	529,652	416,904	1,234,056	959,006
Long term liabilities	3,510,478	4,218,488	18,251,651	19,029,565	21,762,129	23,248,053
<b>Total liabilities</b>	<u>\$4,214,882</u>	<u>\$4,760,590</u>	<u>\$18,781,303</u>	<u>\$19,446,469</u>	<u>\$22,996,185</u>	<u>\$24,207,059</u>
<b>Total deferred inflows of resources</b>	<u>1,634,058</u>		<u>713,180</u>		<u>2,347,238</u>	
Net position:						
Net Investment in capital assets	\$35,229,350	\$35,425,482	\$14,618,868	\$14,708,476	\$49,848,218	\$50,133,958
Restricted	1,838,990	1,604,025	733,569	764,561	2,572,559	2,368,586
Unrestricted	2,633,406	3,465,695	3,077,375	2,827,641	5,710,781	6,293,336
<b>Total Net Position</b>	<u>\$39,701,746</u>	<u>\$40,495,202</u>	<u>\$18,429,812</u>	<u>\$18,300,678</u>	<u>\$58,131,558</u>	<u>\$58,795,880</u>

The largest portion of the City's net position (85% percent) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the debt. Restricted net position includes \$1,691,486 for system development and \$881,073 for road maintenance. The remaining balance is unrestricted net position in the amount of \$5,710,781 and may be used to meet the City's ongoing obligations to citizens and creditors.

## Statement of Activities as of June 30<sup>th</sup>

As with the Statement of Net Position, the Statement of Activities reports activities on a consolidated basis. A summary of significant activities follows the table below.

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 1,162,228	\$ 1,518,329	\$ 6,261,925	\$ 6,091,011	\$ 7,424,153	\$ 7,609,340
Operating grants and contributions	1,159,534	1,105,422			1,159,534	1,105,422
Capital grants and contributions						
General revenues						
Property taxes	4,082,673	3,903,846			4,082,673	3,903,846
Franchise fees	560,874	529,161			560,874	529,161
Alcoholic Beverage Taxes	154,582	150,146			154,582	150,146
Motor Fuel Taxes	336,873	353,461			336,873	353,461
Taxes and Other Revenues not restricted to specific programs	111,681	103,775			111,681	103,775
Gain (loss) on disposition of Capital Assets	(16,534)				(16,534)	
Donations						
Interest	33,646	31,824	16,680	20,523	50,326	52,347
Total revenues	<u>\$ 7,585,557</u>	<u>\$ 7,695,964</u>	<u>\$ 6,278,605</u>	<u>\$ 6,111,534</u>	<u>\$ 13,864,162</u>	<u>\$ 13,807,498</u>
<b>EXPENSES</b>						
Governmental activities:						
General government	\$ 1,524,403	\$ 1,810,323			\$ 1,524,403	\$ 1,810,323
Public safety	2,479,277	3,070,327			2,479,277	3,070,327
Highways and streets	920,968	989,497			920,968	989,497
Culture and recreation	612,112	790,727			612,112	790,727
Community development	488,539	769,788			488,539	769,788
Interest on long-term debt	199,442	148,221			199,442	148,221
Business type activities:						
Water			2,301,645	2,548,815	2,301,645	2,548,815
Wastewater			2,351,358	2,512,944	2,351,358	2,512,944
Storm drainage			580,226	672,082	580,226	672,082
Total Expenses	<u>6,224,741</u>	<u>7,578,883</u>	<u>5,233,229</u>	<u>5,733,841</u>	<u>11,457,970</u>	<u>13,312,724</u>
Change in Net Position before transfers and internal balances	1,360,816	117,081	1,045,376	377,693	2,406,192	494,774
Change in Net Position	1,360,816	117,081	1,045,376	377,693	2,406,192	494,774
*Beginning Net Position	38,340,930	40,378,121	17,384,436	17,922,985	55,725,366	58,301,106
Ending Net Position	<u>\$ 39,701,746</u>	<u>\$ 40,495,202</u>	<u>\$ 18,429,812</u>	<u>\$ 18,300,678</u>	<u>\$ 58,131,558</u>	<u>\$ 58,795,880</u>

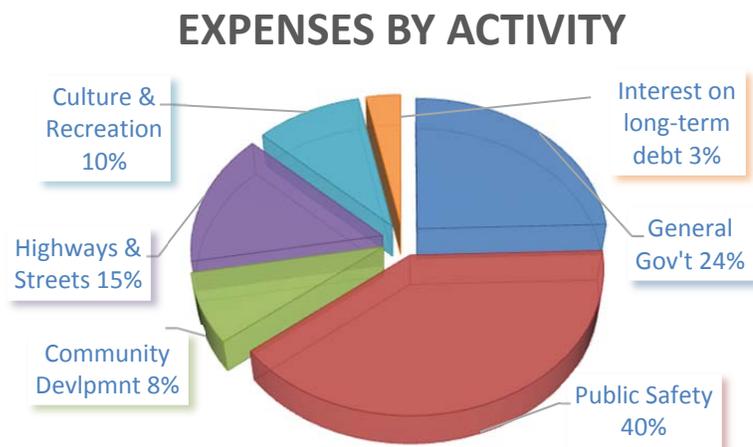
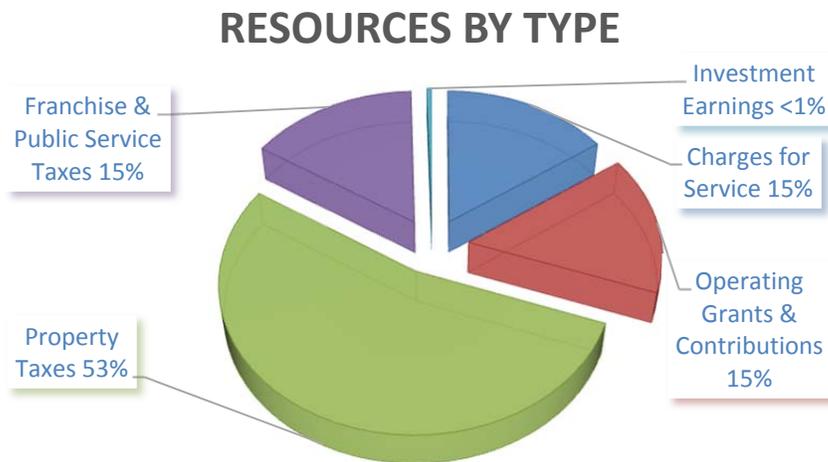
\*Due to implementation of GASB 68, the FYE 2015 beginning net position was reduced by \$3,070,514. Prior year balances were not restated.

## Governmental Activities

The net position for governmental activities increased \$1,360,816 from the prior year. Key factors include:

- Property taxes comprise approximately 53% of governmental operating revenue. For operating purposes, property tax revenues increased \$178,827. Property tax increases are controlled by state statute and allowed to increase by up to 3% per year.
- Operating grants and contributions increased \$54,112. The City is a pass-through agency for Transportation Grants for South Lane Wheels.
- Total governmental activity expenses decreased \$1,354,142, 17.8% over last year.

Governmental Activities as of June 30, 2015

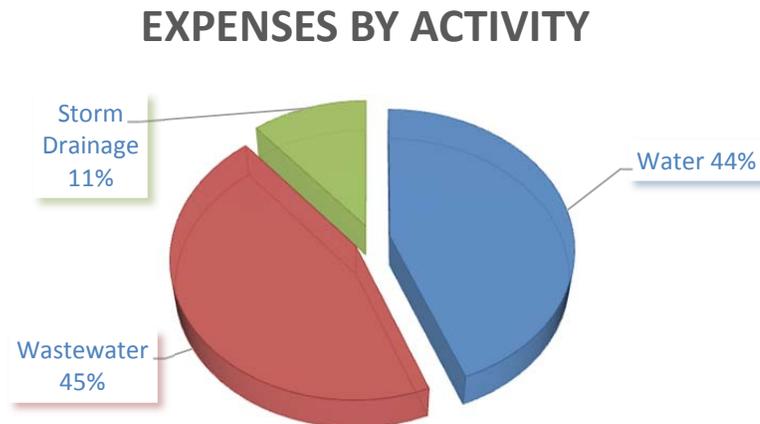
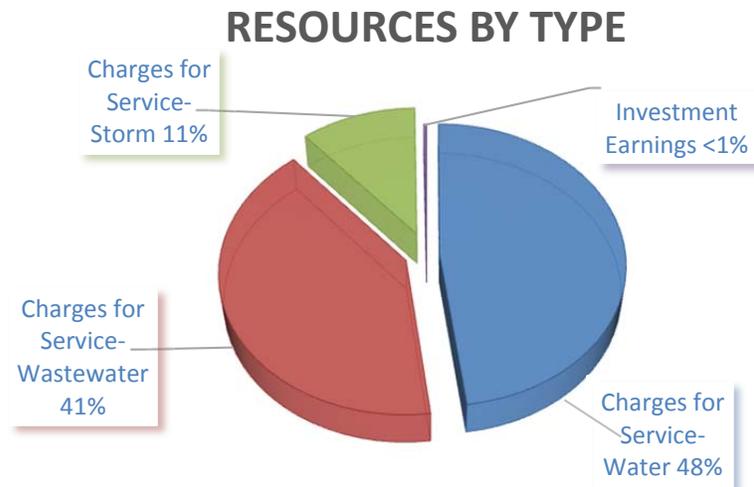


## Business Activities

Business-type activities generated an increase to net position in the amount of \$1,045,375 from the prior year. Key activities during the fiscal year included:

- Charges for Water, Wastewater, and Storm drain were increased in conjunction with a five-year plan developed by FCS Group and implemented by the City Council to meet the City's ongoing infrastructure demands.
- Expenses decreased \$500,612 compared to last year. This is partially attributed to reduction in depreciation expense for both the Water and Storm Drain operations.

Business Activities as of June 30, 2015



## **FUND FINANCIAL ANALYSIS**

### **Governmental Funds**

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

At the end of the fiscal year, the City of Cottage Grove's governmental funds reported combined, ending fund balances of \$4,860,407. Approximately 64% of this total amount (\$3,18,903) constitutes unassigned fund balance. The remainder of the fund balance is either non spendable (\$3,000), restricted (\$1,191,980), or committed (\$536,184).

The main operating fund for the City is the General Fund. At the end of fiscal year 2015 the unassigned fund balance was \$2,083,278. 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 40% of the total General Fund operating expenditures.

The general fund had an increase in total fund balance of \$393,174 during fiscal year 2015. Transfers to other funds were a total of \$691,835. Of that amount, \$540,205 was for operations of the Police Communications Fund, \$35,630 to supplement the Building Inspection Program Fund, and \$116,000 to the General Reserve Fund. The increase in fund balance is attributable to actual revenue received being 7.7% more than original revenue projections, while actual expenditures were 73.5% of budget appropriations.

In the Street Fund, the fund balance increased by \$166,833 during fiscal year 2015. Beginning fund balance was approximately \$73,205 more than anticipated. State highway taxes exceeded budgeted amounts by approximately 10% and local fuel taxes exceeded budget estimations by approximately 5%; no Federal Urban Aid money was received. Expenditures were 42% of the budgeted amount.

The Industrial Park Fund ending fund balance was \$93,536; this is a decrease of \$46,152. A number of lots have been either foreclosed upon or returned to the City. The City continues to market 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 position of \$716,117. The combined wastewater operations had an increase in total net position of \$215,071. The operating income increased by \$144,109 over the prior year in water operations. Wastewater operations increased over the prior year \$123,089. Utility rates for both the water and wastewater funds were

increased. Sales in the water fund were only \$1,426 more than expected and charges for service in the wastewater fund were \$19,563 less than expected.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The budgetary statement for the General Fund shows the original budget, final budget, actual revenues, expenditures, and transfers for the fiscal year ended June 30, 2015. By resolution of the City Council, funds in the amount of \$114,720 were transferred from the Non-departmental Contingency line item, to various departments within the General Fund to meet expenditure requirements, leaving a balance of \$229,550 in the Contingency line item. In addition to appropriation transfers, \$29,000 in specific purpose grant funding was also recognized and appropriated by Council resolution.

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

- The General Fund revenues exceeded projections by approximately 8% (\$441,991).
- The Police Department under expended its budget by \$272,104. This can be contributed partly to personnel expense being less than estimated at the time of budget preparation, and costs for materials and services such as fuel and lubricants not reaching the cost anticipated.
- General Fund department expenditures ranged from a low of 42 % (Broadband) spent to a high of 97% spent (Court Support Services). The average spent was 83% of budgeted funds. Projects were budgeted for but not completed in fiscal year 14-15 in the Broadband department.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets Net of Depreciation

The City of Cottage Grove's investment in capital assets for its governmental and business type activities as of June 30, 2015 amounts to \$71,610,345 (net of accumulated depreciation). This investment in capital assets includes land, buildings, motor vehicles and equipment, office furniture and equipment, infrastructure and construction in progress.

Governmental activities and business type activities capital assets at June 30<sup>th</sup> were as follows:

	Governmental Activities		Business-type Activities		Total Government	
	2015	2014	2015	2014	2015	2014
Land	\$26,514,079	\$26,600,328	\$ 2,094,788	\$ 2,094,788	\$28,608,867	\$28,695,116
Buildings	3,795,517	2,999,044	1,687,193	1,738,628	5,482,710	4,737,672
Land improvements			546,000	630,000	546,000	630,000
Motor vehicles and equipment	260,085	265,398	468,194	415,267	728,279	680,665
Office furniture and equipment	157,913	137,325	8,079	10,138	165,992	147,463
Infrastructure	7,928,754	8,370,317	4,727,395	4,516,057	12,656,149	12,886,374
Construction in progress	83,480	958,646	2,314	991	85,794	959,637
Utility Systems			23,336,554	24,219,012	23,336,554	24,219,012
<b>Total</b>	<b>\$38,739,828</b>	<b>\$39,331,058</b>	<b>\$32,870,517</b>	<b>\$33,624,881</b>	<b>\$71,610,345</b>	<b>\$72,955,939</b>

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

- Recognition of the Wastewater Treatment Plant Clarifier Slab Repair; North River Road Sidewalk construction; painting of various hydrants and curbs city-wide; construction of a dog kennel at the City Shop; recognition of work in progress for major improvements to Bohemia Park as active assets; and the acquisition of a police drug canine.
- Infrastructure improvements were recognized and includes storm drain improvements on S. 7<sup>th</sup> Street, Harrison and S. 8<sup>th</sup> Streets; North Lane Street waterline project; Fire hydrant installation at 6<sup>th</sup> and Gibbs Street and Lane Street; relocation of waterlines on Row River Road; South 10<sup>th</sup> Street water line repair; and installation of new wireless radios for the WIFI system.
- Equipment purchases include a security system for the Middlefield Golf maintenance shop and cart barn; a 2014 John Deere 304K Loader, a Vactor Ramjet, a GEO 7 Series GPS System; and three new Chevrolet Tahoe police vehicles.
- Construction in progress includes the Taylor Avenue Pump Station; Cottage Grove Museum Improvements; Broadband expansion project and improvements to the Cottage Grove Armory.

### Change in Capital Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Beginning balance	\$39,331,058	\$39,780,050	\$33,624,881	\$33,283,911	\$72,955,939	\$73,063,961
Additions & Reclass.	1,161,969	382,595	556,340	1,688,512	1,718,309	2,071,107
Depreciation	(743,865)	(727,862)	(1,309,818)	(1,228,655)	(2,053,683)	(1,956,517)
Deletions	(1,009,334)	(103,725)	(886)	(118,887)	(1,010,220)	(222,612)
Ending balance	<u>\$38,739,828</u>	<u>\$39,331,058</u>	<u>\$32,870,517</u>	<u>\$33,624,881</u>	<u>\$71,610,345</u>	<u>\$72,955,939</u>

### Debt Administration

At the end of the fiscal year, the City of Cottage Grove had total long-term debt outstanding of \$21,762,129. Of that amount, \$1,628,187 is a general obligation bond to pay the City's unfunded actuarial liability in the Public Employees Retirement System. Of that amount, \$275,572 was reclassified from Governmental Activities to Business-type Activities. New debt was incurred during the fiscal year for the purchase of vehicles and equipment in the amount of \$159,044.

#### Outstanding Debt at Year-end

	<u>2015</u>	<u>2014</u>
<b>Governmental Activities</b>		
PERS UAL refinancing	\$ 1,361,165	\$ 1,655,929
LOCAP -Industrial Park	785,000	840,000
LOCAP -Fiber	365,000	380,000
LOCAP -Premium	52,864	55,801
Optical/Wireless Equipment	631,307	662,494
Vactor	0	2,272
Police Vehicle	61,215	4,367
Armory Building	253,927	304,713
Sub-total	<u>\$ 3,510,478</u>	<u>\$ 3,905,576</u>
<b>Business-type Activities</b>		
PERS UAL refinancing	\$ 267,022	\$ 0
Water system improvement	3,197,835	3,326,001
LOCAP -Water	5,705,000	5,975,000
LOCAP -Wastewater	6,350,000	6,785,000
LOCAP -Storm	1,175,000	1,220,000
LOCAP -Golf Course	575,000	615,000
LOCAP -Premium	636,830	672,211
Middlefield Golf Course/ Residence	275,762	291,278
Water/wastewater Equipment	69,202	31,915
Sub-total	<u>18,251,651</u>	<u>18,916,405</u>
<b>Total</b>	<u>\$21,762,129</u>	<u>\$22,821,981</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 \$24,619,618. The outstanding debt of \$1,628,187 is counted within the

statutory limitation, as the remaining debt is either wholly or partially financed by revenues other than a general tax levy.

### **Economic Factors**

The governmental funds largest revenue sources are property taxes, franchise fees, state shared revenues, and charges for services. The State does not have a sales tax, resulting in local government's significant reliance on property taxes and other self-generated revenues. Assessed value growth for the 2015-16 budget preparation was projected at 2%, and anticipates there will not be any annexations of property to the City. An uncollectible property tax allowance of 6.5% was used.

In all funds, personnel costs continue to rise due to cost of living wage increases and increased costs for medical and retirement benefits for employees. The City continues to pay a larger share of the employee retirements costs of the Oregon Public Employees Retirement System (PERS). Contribution rates are set by PERS for the biennium, with the next rate increase to be effective July 2017. The legislative changes made to the PERS system were again challenged successfully in court and as a result the possible reduction in cost will not be recognized. We are anticipating a significant increase with the next actuarial performed by PERS. With these factors known, it is anticipated there will be a net pension liability increase next fiscal year.

The Water and Wastewater Funds rely on user fees and system development charges. The City Council adopted a 5-year financial plan for each utility in fiscal year 2010-11, that was in effect through 2014-15. The plan has been followed during the past five years and rates adjusted accordingly. The water and wastewater rates are based on classifications. For water there are classifications for Residential, Industrial, Commercial and Irrigation users. The wastewater user classifications are Residential, Commercial, Industrial, and Schools. The financial plan increased the ability to upgrade utility infrastructure. Projects as recommend in the plan have been and will continue to be funded either with City funds or with the acquisition of bonded debt. It is noted that the financial plan can be impacted by any major emergency that is encountered. In July of 2015 an updated Utility Rate Study and Five Year Financial Plan for fiscal years 2015-16 through 2019-20 was adopted by the City Council.

System Development Charges are adjusted annually using the construction cost index of the previous 12-month period. Residential construction has increased over the past year and is expected to continue to increase.

All of these factors were considered when preparing the budget for fiscal year 2015-16.

### **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 Position

June 30, 2015

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 4,981,763	\$ 3,653,860	\$ 8,635,623
Due from other governments	8,315	-	8,315
Accounts receivable, net	291,378	536,683	828,061
Property taxes receivable	277,595	-	277,595
Grant and contract receivables	43,329	-	43,329
Inventories	<u>-</u>	<u>192,215</u>	<u>192,215</u>
Total current assets	<u>5,602,380</u>	<u>4,382,758</u>	<u>9,985,138</u>
Noncurrent assets:			
Internal balances	(96,500)	96,500	-
Loans receivable	18,744	-	18,744
Net pension asset	856,253	373,709	1,229,962
Capital assets, net	<u>38,739,828</u>	<u>32,870,519</u>	<u>71,610,347</u>
Total noncurrent assets	<u>39,518,325</u>	<u>33,340,728</u>	<u>72,859,053</u>
Total Assets	<u>45,120,705</u>	<u>37,723,486</u>	<u>82,844,191</u>
<b>Deferred Outflows of Resources</b>			
Related to pensions	<u>429,981</u>	<u>200,809</u>	<u>630,790</u>
<b>Liabilities</b>			
Accounts payable	110,691	72,553	183,244
Payroll and related accruals	252,076	139,517	391,593
Deposits	5,111	53,375	58,486
Unearned revenue	-	29,675	29,675
Accrued interest payable	31,338	125,913	157,251
Compensated absences	305,188	108,619	413,807
Noncurrent liabilities:			
Due within one year	211,814	980,553	1,192,367
Due in more than one year	<u>3,298,664</u>	<u>17,271,098</u>	<u>20,569,762</u>
Total liabilities	<u>4,214,882</u>	<u>18,781,303</u>	<u>22,996,185</u>
<b>Deferred Inflows of Resources</b>			
Related to pensions	<u>1,634,058</u>	<u>713,180</u>	<u>2,347,238</u>
<b>Net Position</b>			
Net investment in capital assets	35,229,350	14,618,868	49,848,218
Restricted for:			
System development	957,917	733,569	1,691,486
Road maintenance	881,073	-	881,073
Unrestricted	<u>2,633,406</u>	<u>3,077,375</u>	<u>5,710,781</u>
Total Net Position	<u>\$ 39,701,746</u>	<u>\$ 18,429,812</u>	<u>\$ 58,131,558</u>

See accompanying notes to financial statements.

**CITY OF COTTAGE GROVE, OREGON**

Statement of Activities

For the Year ended June 30, 2015

Functions/Programs	Program Revenues			Net (Expense) Revenue and Change in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities</b>							
General Government	\$ (1,524,403)	\$ 776,566	\$ 482,950	\$ -	\$ (264,887)	\$ -	\$ (264,887)
Public Safety	(2,479,277)	240,333	-	-	(2,238,944)	-	(2,238,944)
Highways and Streets	(920,968)	1,712	660,922	-	(258,334)	-	(258,334)
Culture and Recreation	(612,112)	-	15,662	-	(596,450)	-	(596,450)
Community Development	(488,539)	143,617	-	-	(344,922)	-	(344,922)
Debt Service - Interest	(199,442)	-	-	-	(199,442)	-	(199,442)
Total Governmental Activities	<u>(6,224,741)</u>	<u>1,162,228</u>	<u>1,159,534</u>	<u>-</u>	<u>(3,902,979)</u>	<u>-</u>	<u>(3,902,979)</u>
<b>Business-Type Activities</b>							
Water Operations	(2,301,645)	3,009,353	-	-	707,708	707,708	707,708
Wastewater Operations	(2,351,358)	2,562,466	-	-	211,108	211,108	211,108
Storm Drainage Operations	(580,226)	690,106	-	-	109,880	109,880	109,880
Total Business-type Activities	<u>(5,233,229)</u>	<u>6,261,925</u>	<u>-</u>	<u>-</u>	<u>1,028,696</u>	<u>1,028,696</u>	<u>1,028,696</u>
Total Activities	<u>\$ (11,457,970)</u>	<u>\$ 7,424,153</u>	<u>\$ 1,159,534</u>	<u>\$ -</u>	<u>(3,902,979)</u>	<u>1,028,696</u>	<u>(2,874,283)</u>
General revenues:							
Property taxes					4,082,673	-	4,082,673
Franchise fees					560,874	-	560,874
Alcoholic beverage taxes					154,582	-	154,582
Motor fuel taxes					336,873	-	336,873
Other taxes					111,681	-	111,681
Gain (loss) on disposition of capital assets					(16,534)	-	(16,534)
Interest and investment earnings					33,646	16,680	50,326
Total general revenues and transfers					<u>5,263,795</u>	<u>16,680</u>	<u>5,280,475</u>
Change in net position					1,360,816	1,045,376	2,406,192
Net position, beginning					40,495,202	18,300,678	58,795,880
Cumulative effect in change in accounting principle (Note X)					(2,154,272)	(916,242)	(3,070,514)
Net position, ending					<u>\$ 39,701,746</u>	<u>\$ 18,429,812</u>	<u>\$ 58,131,558</u>

See accompanying notes to financial statements.

**CITY OF COTTAGE GROVE, OREGON**

Governmental Funds

Balance Sheet

June 30, 2015

	General Fund (001)	Street Fund (004)	Other Governmental Funds	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 2,161,998	\$ 794,616	\$ 2,025,149	\$ 4,981,763
Due from other governments	8,315	-	-	8,315
Accounts receivable	162,505	123,776	5,096	291,377
Property taxes receivable	277,595	-	-	277,595
Grant and contract receivables	43,329	-	-	43,329
Loans receivable	-	-	18,744	18,744
<b>Total Assets</b>	<b><u>\$ 2,653,742</u></b>	<b><u>\$ 918,392</u></b>	<b><u>\$ 2,048,989</u></b>	<b><u>\$ 5,621,123</u></b>
<b>Liabilities</b>				
Accounts payable	\$ 80,516	\$ 14,706	\$ 15,468	\$ 110,690
Payroll and related accruals	196,902	22,613	32,561	252,076
Deposits	5,111	-	-	5,111
Advance from other fund	-	-	96,500	96,500
<b>Total Liabilities</b>	<b><u>282,529</u></b>	<b><u>37,319</u></b>	<b><u>144,529</u></b>	<b><u>464,377</u></b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenues	<u>287,935</u>	<u>-</u>	<u>18,744</u>	<u>306,679</u>
<b>Fund Balance</b>				
Nonspendable	-	-	3,000	3,000
Restricted	-	881,073	310,907	1,191,980
Committed	-	-	536,184	536,184
Unassigned	<u>2,083,278</u>	<u>-</u>	<u>1,035,625</u>	<u>3,118,903</u>
<b>Total Fund Balances</b>	<b><u>2,083,278</u></b>	<b><u>881,073</u></b>	<b><u>1,885,716</u></b>	<b><u>4,850,067</u></b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b><u>\$ 2,653,742</u></b>	<b><u>\$ 918,392</u></b>	<b><u>\$ 2,048,989</u></b>	<b><u>\$ 5,621,123</u></b>

See accompanying notes to financial statements.

**CITY OF COTTAGE GROVE, OREGON**

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2015

Total Government Fund Balances	\$	4,850,067
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Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Capital assets not being depreciated	26,597,559	
Capital assets being depreciated	32,303,027	
Accumulated depreciation	<u>(20,160,758)</u>	38,739,828

Other resources are not available to pay for current-period expenditures and therefore are recognized in the governmental funds:

Deferred inflow of resources related to property taxes	306,679	
Deferred inflow related to pensions	(1,634,058)	
Deferred outflow related to pensions	429,981	
Net pension asset	<u>856,253</u>	(41,145)

Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds:

Accrued interest payable	(31,338)	
Compensated absences	(305,188)	
Long-term debt	<u>(3,510,478)</u>	<u>(3,847,004)</u>

Net Position of Governmental Activities in the Statement of Net Position	\$	<u><u>39,701,746</u></u>
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See accompanying notes to financial statements.

**CITY OF COTTAGE GROVE, OREGON**

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year ended June 30, 2015

	<u>General Fund</u>	<u>Street Fund</u>	<u>Other</u>	
	<u>(001)</u>	<u>(004)</u>	<u>Governmental</u>	<u>Total</u>
			<u>Funds</u>	
<b>Revenues</b>				
Property taxes	\$ 4,084,937	\$ -	\$ -	\$ 4,084,937
Franchise taxes	560,874	-	-	560,874
Local fuels tax	-	336,873	-	336,873
Alcohol taxes	141,484	-	-	141,484
Room tax	111,681	-	-	111,681
Other taxes	14,340	-	-	14,340
Licenses and permits	23,386	-	-	23,386
Intergovernmental revenues	185,182	561,283	163,274	909,739
Charges for services	21,424	-	143,549	164,973
Administration and engineering fees	452,120	-	-	452,120
Fines and forfeitures	98,745	-	8,990	107,735
Investment earnings	22,864	3,980	6,800	33,644
Contributions and donations	50	-	2,045	2,095
Miscellaneous	276,138	1,712	3,559	281,409
Special assessments	-	-	84,631	84,631
Grants and contracts	<u>294,431</u>	<u>-</u>	<u>-</u>	<u>294,431</u>
Total Revenue	<u>6,287,656</u>	<u>903,848</u>	<u>412,848</u>	<u>7,604,352</u>
<b>Expenditures</b>				
Current:				
General Government	1,280,627	-	186,565	1,467,192
Public Safety	2,475,684	-	673,242	3,148,926
Highways and streets	-	694,154	1,084	695,238
Culture and recreation	677,143	-	155	677,298
Community Development	553,762	-	1,347	555,109
Debt service:				
Debt Service - Principal	121,133	3,621	57,194	181,948
Debt Service - Interest	149,255	6,240	43,946	199,441
Capital Outlay	<u>15,002</u>	<u>-</u>	<u>80,478</u>	<u>95,480</u>
Total Expenditures	<u>5,272,606</u>	<u>704,015</u>	<u>1,044,011</u>	<u>7,020,632</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,015,050</u>	<u>199,833</u>	<u>(631,163)</u>	<u>583,720</u>
Other Financing Sources (uses)				
Sale of capital assets	-	-	42,334	42,334
Proceeds from debt issuance	61,359	-	-	61,359
Transfers in	8,600	-	801,850	810,450
Transfers out	<u>(691,835)</u>	<u>(33,000)</u>	<u>(85,615)</u>	<u>(810,450)</u>
Total Other Financing Source (Uses)	<u>(621,876)</u>	<u>(33,000)</u>	<u>758,569</u>	<u>103,693</u>
Net Change in Fund Balances	393,174	166,833	127,406	687,413
Beginning Fund Balance	<u>1,690,104</u>	<u>714,240</u>	<u>1,758,310</u>	<u>4,162,654</u>
Ending Fund Balance	<u>\$ 2,083,278</u>	<u>\$ 881,073</u>	<u>\$ 1,885,716</u>	<u>\$ 4,850,067</u>

See accompanying notes to financial statements.

**CITY OF COTTAGE GROVE, OREGON**

Governmental Funds

Reconciliation of Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities

For the Year Ended June 30, 2015

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

Net Change in Fund Balances - Total Governmental Funds

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

	\$	687,413
Current year depreciation	\$ (743,865)	
Expenditures for capital assets	240,588	(591,229)
Net book value of disposed capital assets	<u>(87,952)</u>	

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds as follows:

Change in unavailable revenue - property taxes	(2,264)
Unavailable revenue in governmental funds is recognized in governmental activities	29,084

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.

Contributions to pension plans in prior years use current financial resources from governmental funds, but creates a net pension asset in governmental activities

Change in net pension assets	1,117,224
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This is the amount by which proceeds exceeds repayments.

Issuance of debt	-	(61,359)
Debt service principal payments		<u>181,947</u>

Change in Net Position of Governmental Activities	\$	<u>1,360,816</u>
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See accompanying notes to financial statements.

**CITY OF COTTAGE GROVE, OREGON**

Proprietary Funds

Balance Sheet

June 30, 2015

	Business-Type Activities - Enterprise Funds			
	Water Operations	Wastewater Operations	Storm Drainage Operations	Total
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 2,172,218	\$ 414,725	\$ 1,066,917	\$ 3,653,860
Receivables - net	263,403	209,079	64,201	536,683
Inventories	153,205	39,010	-	192,215
Total current assets	2,588,826	662,814	1,131,118	4,382,758
Noncurrent assets:				
Internal balances	-	-	96,500	96,500
Capital assets, net	14,004,107	15,611,955	3,254,457	32,870,519
Net pension asset	180,152	162,095	31,462	373,709
Total noncurrent assets	14,184,259	15,774,050	3,382,419	33,340,728
Total assets	16,773,085	16,436,864	4,513,537	37,723,486
<b>Deferred outflow</b>				
Related to pensions	98,209	85,129	17,471	200,809
Total assets and deferred outflows	\$ 16,871,294	\$ 16,521,993	\$ 4,531,008	\$ 37,924,295
<b>Liabilities and Net Position</b>				
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	\$ 39,873	\$ 25,439	\$ 7,241	\$ 72,553
Payroll and related accruals	69,619	59,381	10,517	139,517
Accrued interest payable	91,835	30,161	3,917	125,913
Other liabilities	51,875	31,175	-	83,050
Compensated absences payable	55,928	43,699	8,992	108,619
Due within one year	472,352	439,261	68,940	980,553
Total current liabilities	781,482	629,116	99,607	1,510,205
Noncurrent liabilities:				
Bonds payable	8,832,992	7,256,142	1,181,964	17,271,098
Total Liabilities	9,614,474	7,885,258	1,281,571	18,781,303
<b>Deferred inflow</b>				
Related to pensions	343,800	309,339	60,041	713,180
<b>Net Position</b>				
Net investment in capital assets	4,698,763	7,916,552	2,003,553	14,618,868
Restricted for system development	309,973	65,223	358,373	733,569
Unrestricted	1,904,284	345,621	827,470	3,077,375
Total Net Position	6,913,020	8,327,396	3,189,396	18,429,812
Total Liabilities, Deferred Inflows and Net Position	\$ 16,871,294	\$ 16,521,993	\$ 4,531,008	\$ 37,924,295

See accompanying notes to financial statements.

**CITY OF COTTAGE GROVE, OREGON**

Proprietary Funds

Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended June 30, 2015

	Business-Type Activities - Enterprise Funds			
	Water Operations	Wastewater Operations	Storm Drainage Operations	Total
<b>Operating Revenues</b>				
Charges for services	\$ 3,006,696	\$ 2,540,399	\$ 688,380	\$ 6,235,475
Miscellaneous	<u>2,657</u>	<u>22,067</u>	<u>1,726</u>	<u>26,450</u>
Total Operating Revenues	<u>3,009,353</u>	<u>2,562,466</u>	<u>690,106</u>	<u>6,261,925</u>
<b>Operating Expenses</b>				
Personal Services	749,697	707,709	131,191	1,588,597
Materials and Services	632,367	771,056	201,569	1,604,992
Depreciation expense	<u>530,593</u>	<u>579,407</u>	<u>199,817</u>	<u>1,309,817</u>
Total Operating Expenses	<u>1,912,657</u>	<u>2,058,172</u>	<u>532,577</u>	<u>4,503,406</u>
Operating Income (Loss)	<u>1,096,696</u>	<u>504,294</u>	<u>157,529</u>	<u>1,758,519</u>
<b>Non-operating revenues (expenses)</b>				
Interest expense	(388,988)	(293,186)	(47,649)	(729,823)
Investment earnings	<u>8,409</u>	<u>3,963</u>	<u>4,308</u>	<u>16,680</u>
Total non-operating revenues (expenses)	<u>(380,579)</u>	<u>(289,223)</u>	<u>(43,341)</u>	<u>(713,143)</u>
Income (loss) before capital contributions	716,117	215,071	114,188	1,045,376
Transfers in	391,259	155,059	366,341	912,659
Transfers out	<u>(391,259)</u>	<u>(155,059)</u>	<u>(366,341)</u>	<u>(912,659)</u>
Change in Net Position	716,117	215,071	114,188	1,045,376
Beginning Net Position	6,649,047	8,499,474	3,152,157	18,300,678
Prior period adjustment - GASB 68	(305,760)	(285,972)	(52,938)	(644,670)
Prior period adjustment - PERS bonds	<u>(146,384)</u>	<u>(101,177)</u>	<u>(24,011)</u>	<u>(271,572)</u>
Ending Net Position	<u>\$ 6,913,020</u>	<u>\$ 8,327,396</u>	<u>\$ 3,189,396</u>	<u>\$ 18,429,812</u>

See accompanying notes to financial statements.

**CITY OF COTTAGE GROVE, OREGON**

Proprietary Funds

Statement of Cash Flows

For the Year Ended June 30, 2015

	Business-Type Activities - Enterprise Funds			
	Water Operations	Wastewater Operations	Storm Drain Operations	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 3,021,418	\$ 2,545,052	\$ 678,163	\$ 6,244,633
Cash payments to employees	(993,150)	(934,846)	(164,166)	(2,092,162)
Cash payments to suppliers for goods and services	<u>(639,070)</u>	<u>(766,865)</u>	<u>(198,065)</u>	<u>(1,604,000)</u>
Net cash provided (used) by operating activities	<u>1,389,198</u>	<u>843,341</u>	<u>315,932</u>	<u>2,548,471</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Repayment of interfund loan	<u>-</u>	<u>-</u>	<u>19,300</u>	<u>19,300</u>
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>19,300</u>	<u>19,300</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(88,093)	(101,022)	(366,340)	(555,455)
Principal paid on capital debt	(415,446)	(465,010)	(65,484)	(945,940)
Interest paid on capital debt	<u>(392,632)</u>	<u>(294,976)</u>	<u>(47,799)</u>	<u>(735,407)</u>
Net cash provided (used) by capital and related financing activities	<u>(896,171)</u>	<u>(861,008)</u>	<u>(479,623)</u>	<u>(2,236,802)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income	<u>8,409</u>	<u>3,963</u>	<u>4,308</u>	<u>16,680</u>
Net change in cash and cash equivalents	501,436	(13,704)	(140,083)	347,649
Cash and cash equivalents at beginning of year	<u>1,670,782</u>	<u>428,429</u>	<u>1,207,000</u>	<u>3,306,211</u>
Cash and cash equivalents at end of year	<u>\$ 2,172,218</u>	<u>\$ 414,725</u>	<u>\$ 1,066,917</u>	<u>\$ 3,653,860</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, 2015

	Business-Type Activities - Enterprise Funds			
	Water Operations	Wastewater Operations	Storm Drain Operations	Total
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>				
Operating income (loss)	\$ 1,096,696	\$ 504,294	\$ 157,529	\$ 1,758,519
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation	530,593	579,407	199,817	1,309,817
(Increase) decrease in current assets:				
Receivables - net	12,064	(17,413)	(11,944)	(17,293)
Inventories	(10,584)	(767)	-	(11,351)
Net pension asset	(180,152)	(162,095)	(31,462)	(373,709)
Deferred outflows related to pensions	(98,209)	(85,129)	(17,471)	(200,809)
Increase (decrease) in current liabilities:				
Accounts payable	2,626	4,957	3,505	11,088
Other liabilities	1,255	-	-	1,255
Payroll and related	(545)	(1,948)	8,855	6,362
Compensated absences	(2,586)	(1,332)	-	(3,918)
Deferred inflows related to pensions	<u>38,040</u>	<u>23,367</u>	<u>7,103</u>	<u>68,510</u>
Net cash provided (used) by operating activities	<u>\$ 1,389,198</u>	<u>\$ 843,341</u>	<u>\$ 315,932</u>	<u>\$ 2,548,471</u>

See accompanying notes to financial statements.

## CITY OF COTTAGE GROVE, OREGON

### Notes to Financial Statements

June 30, 2015

#### **Note 1 - Summary of Significant Accounting Policies**

##### **A. Description of Reporting Entity**

The City is a municipal corporation governed by an elected mayor and six-member council.

##### **B. Basic Financial Statements**

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

*Government-wide statements* - The statement of net position and the statement of activities display information about the City as a whole. These statements include all the financial activities of the City. Eliminations have been made to minimize the double-counting of internal activities. Interfund services provided and used are not eliminated in the process of consolidation. The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

*Fund financial statements* - These statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental and proprietary. Major individual funds are reported as separate columns in the fund financial statements. Nonmajor funds are consolidated into a single column in the financial section of the basic financial statements and are detailed in the supplemental information.

##### **C. Basis of Presentation**

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

The City reports the following major governmental funds:

- *General Fund*. This is the government's primary operating fund. It accounts for all of the financial operations of the City except those required to be accounted for in another fund. Principal sources of revenue are property taxes, franchise taxes, and state shared revenues. Primary expenditures are for police protection, 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.

Additionally, the City reports the following nonmajor governmental funds within the governmental fund types:

- *Special Revenue Funds*. These funds account for revenues derived from specific taxes or other earmarked revenue sources, including state revenue sharing entitlements, which are 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.
- *Permanent Fund*. This fund is used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2015

**Note 1 - Summary of Significant Accounting Policies, continued**

**C. Basis of Presentation, continued**

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

• *Water Operations*

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

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

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

• *Wastewater Operations*

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

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

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

• *Storm Drain Operations*

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

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

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

**D. Measurement Focus and Basis of Accounting**

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers 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.

## CITY OF COTTAGE GROVE, OREGON

### Notes to Financial Statements

June 30, 2015

#### **Note 1 - Summary of Significant Accounting Policies, continued**

##### D. Measurement Focus and Basis of Accounting, continued

A deferred inflow of resources arises in the governmental funds balance sheet when the potential revenue does not meet both the measurable and available criteria for recognition in the current period. This unavailable revenue consists primarily of uncollected property taxes and assessments not deemed available to financial operation of the current period. In the government-wide statement of net position, with a full accrual basis of accounting, revenue must be recognized as soon as it is earned regardless of its availability.

Unearned revenues arise outside the scope of measurement focus and basis of accounting, such as when the City receives resources before it has a legal claim to them. For instance, when grant monies are received prior to the incurrence of qualifying expenditures. These amounts are reported as unearned revenue on the statement of net position.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is necessary to explain the adjustments needed to transform the governmental fund financial statements into the governmental activities column of the government-wide presentation. This reconciliation is part of the financial statements. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods and services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Water, Wastewater, and Storm Drain are charges to customers for sales and services. The Water, Wastewater, and Storm Drain Funds also recognize fees intended to recover the cost of connecting new customers to the City's utility systems as operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and overheads, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

##### E. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses / expenditures during the reporting period. Actual results could differ from those estimates.

##### F. Cash and Cash Equivalents

For purposes of the statements of cash flows, the City considers cash equivalents as all highly liquid debt instruments purchased with maturity of three months or less.

Investments included in cash and cash equivalents are reported at fair value. The City invests in the State of Oregon Local Government Investment Pool, which is authorized by Oregon Revised Statutes. Interest earned from pooled investments is allocated based on a fund's portion of the total investment balance. The City maintains depository insurance under Federal depository insurance funds and state and financial institution collateral pools for its cash deposits and investments, except the Local Government Investment Pool, which is exempt from statutes requiring such insurance.

##### G. Receivables and Payables

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

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

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

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2015

**Note 1 - Summary of Significant Accounting Policy, continued**

H. Inventories

Inventories in the Water and Wastewater Funds consist of expendable supplies held for maintenance and improvements. Inventories are stated at cost on a first-in/first-out basis and charged to operations as used.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, street lights, etc.) are reported in the applicable governmental or business-type activities column in the governmental-wide financial statements. Capital assets are charged to expenditures as purchased in the governmental fund statements, and capitalized in the proprietary fund statements. Capital assets are recorded at historical cost, or estimated historical cost if actual cost is not available. Infrastructure acquired prior to July 1, 1980 is not reported in capital assets. Donated capital assets are recorded at their estimated fair market value at the time received.

Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more, and having useful lives extending beyond a single reporting period. Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Depreciation on exhaustible assets is recorded as an allocated expense in the statement of activities with accumulated depreciation reflected in the statement of net position and is provided on the straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Building	50
Land Improvements	15
Improvements	20
Utility Systems & Infrastructure	20 - 50
Vehicles	5 - 10
Furniture & Equipment	5 - 10

Gains or losses from sales or retirements of capital assets are included in nonoperating expenses of the current period.

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City did not have any pension related deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

K. Compensated Absences

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. Accumulated sick leave lapses when employees leave the employment of the City and, upon separation from service, no monetary obligation exists.

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

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2015

**Note 1 - Summary of Significant Accounting Policy, continued**

**L. Long-Term Obligations**

In the government-wide financial statements and proprietary fund statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, bond premiums and discounts are recognized in the statement of revenue, expenditures, and changes in fund balance during the current period. The face amount of debt issued is reported as other financial sources while discounts or premiums on debt proceeds received are reported separately.

**M. Net Position and Fund Equity**

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

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

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

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

*Committed* - the City Council passes an ordinance that places specific constraints on how the resources may be used. The City Council can modify or rescind the ordinance at any time through passage of an additional ordinance.

*Assigned* - resources that are constrained by the City's intent to use them for a specific purpose, but are neither restricted nor committed. Intent is expressed when the City Council approves which resources should be "reserved" during the adoption of the annual budget.

*Unassigned* - resources that have not been restricted, committed, or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

**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, 2015

**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.

**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 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 - Bicycle Footpath Deficit Fund Equity**

The City's Bicycle and Footpath fund had a negative fund balance of \$40,956 as of June 30, 2015. This fund accounts for revenue received from the City's state gasoline tax. In May 2010, the City made an emergency interfund loan between the Storm Drainage System Development fund and the Bicycle and Footpath fund to provide resources to complete the covered bridge project. Consequently, as a result of the use of the modified accrual basis of accounting, the Bicycle and Footpath fund continues to have a negative equity. The loan is further disclosed in note 6. A.

**CITY OF COTTAGE GROVE, OREGON**

Notes to Financial Statements

June 30, 2015

**Note 3 - Cash and Cash Equivalents**

**A - Deposits and investments**

The City combines virtually all financial resources for investment purposes. Interest earned on investments is allocated to funds based on the amounts contributed by each fund. Each fund's portion is displayed in the basic financial statements as "Cash and cash equivalents."

Oregon Revised Statutes, Chapter 294, authorizes the City to invest in obligations of the U.S. Treasury, U.S. Government agencies and instrumentalities, bankers' acceptances guaranteed by a qualified financial institution, commercial paper, corporate bonds, repurchase agreements, State of Oregon Local Government Investment Pool ("LGIP"), and various interest bearing bonds of Oregon municipalities.

The City is authorized to invest in the LGIP, an external investment pool, within prescribed limits. The LGIP is an open-ended, no-load diversified portfolio offered to any municipality, political subdivision or public corporation of the State that by law is made the custodian of, or has control of, any public funds. The Office of the State Treasurer (OST) manages the LGIP. The LGIP is commingled with other State funds in the Oregon Short-Term Fund (OSTF). The OSTF is not managed as a stable net asset value fund; therefore, the preservation of principal is not assured. The LGIP is not rated by a national rating service. Additional information about the OSTF can be obtained at [www.ost.state.or.us](http://www.ost.state.or.us) and [www.oregon.gov/treasury](http://www.oregon.gov/treasury).

At June 30, 2015 cash and cash equivalents consisted of the following:

	<u>Fair Value</u>
Investments in the State Treasurer's Local Government Investment Fund	\$ 7,456,898
Deposits in financial institutions	1,176,760
Cash on hand	<u>1,965</u>
Total cash and cash equivalents	<u>\$ 8,635,623</u>

**B - Interest rate risk**

While the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, it has historically invested only in the LGIP. The weighted-average maturity of LGIP is less than one year.

**C - Credit risk**

The City has no investment policy for credit risk but follows State law. In practice, the City limits investments to the LGIP, which is not rated by any national rating service.

**D - Custodial credit risk – deposits**

This is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal policy for custodial credit risk, but follows the requirements of ORS 295. Insurance and collateral requirements for deposits are established by banking regulations and Oregon law. Where interest-bearing balances exceed the Federal Deposit Insurance amount of \$250,000, the balances are covered by collateral held in a multiple financial institution collateral pool (ORS 2295.015) administered by the Oregon Office of the State Treasurer in the Public Funds Collateralization Program (PFCP)

The City's total bank balance, at June 30, 2015, was \$1,467,855. Of this amount, \$500,000 was covered by federal depository insurance. The remaining balance of \$967,855 was covered by the PFCP. The financial institutions with which the City deposits funds participate in the PFCP.

**Note 4 - Receivables - Enterprise funds**

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

	<u>Receivable</u>	<u>Allowance</u>	<u>Net</u>
Water sales	\$ 267,713	\$ (4,310)	\$ 263,403
Wastewater charges	211,579	(2,500)	209,079
Storm drain charges	<u>65,201</u>	<u>(1,000)</u>	<u>64,201</u>
Total	<u>\$ 544,493</u>	<u>\$ (7,810)</u>	<u>\$ 536,683</u>

**CITY OF COTTAGE GROVE, OREGON**

Notes to Financial Statements

June 30, 2015

**Note 5 - Capital Assets**

Capital asset activity for the year ended June 30, 2015 was as follows:

	Governmental Activities:			2015
	2014	Additions and Reclassifications	Deletions and Reclassifications	
Capital assets, not being depreciated:				
Land	\$ 26,600,328	\$ -	\$ (86,249)	\$ 26,514,079
Construction in progress	<u>958,646</u>	<u>46,216</u>	<u>(921,382)</u>	<u>83,480</u>
Total capital assets, not being depreciated	<u>27,558,974</u>	<u>46,216</u>	<u>(1,007,631)</u>	<u>26,597,559</u>
Capital assets being depreciated:				
Buildings and improvements	4,540,860	935,455	-	5,476,315
Motor vehicles and equipment	1,427,841	84,500	-	1,512,341
Office furniture and equipment	433,735	31,037	-	464,772
Infrastructure	<u>24,786,600</u>	<u>64,761</u>	<u>(1,762)</u>	<u>24,849,599</u>
Total capital assets being depreciated	<u>31,189,036</u>	<u>1,115,753</u>	<u>(1,762)</u>	<u>32,303,027</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,541,816)	(138,982)	-	(1,680,798)
Motor vehicles and equipment	(1,162,443)	(89,813)	-	(1,252,256)
Office furniture and equipment	(296,410)	(10,449)	-	(306,859)
Infrastructure	<u>(16,416,283)</u>	<u>(504,621)</u>	<u>59</u>	<u>(16,920,845)</u>
Total accumulated depreciation	<u>(19,416,952)</u>	<u>(743,865)</u>	<u>59</u>	<u>(20,160,758)</u>
Total capital assets, being depreciated, net	<u>11,772,084</u>	<u>371,888</u>	<u>(1,703)</u>	<u>12,142,269</u>
Governmental activities capital assets, net	<u>\$ 39,331,058</u>	<u>\$ 418,104</u>	<u>\$ (1,009,334)</u>	<u>\$ 38,739,828</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 292,425
Highways and streets	374,994
Public safety	63,966
Culture and recreation	<u>12,480</u>
Total depreciation expense -governmental activities	<u>\$ 743,865</u>

**CITY OF COTTAGE GROVE, OREGON**

Notes to Financial Statements

June 30, 2015

**Note 5 - Capital Assets, continued**

	Business-type Activities:			
	2014	Additions and Reclassifications	Deletions and Reclassifications	2015
Capital assets, not being depreciated:				
Land	\$ 2,094,788	\$ -	\$ -	\$ 2,094,788
Construction in progress	<u>991</u>	<u>2,209</u>	<u>(884)</u>	<u>2,316</u>
Total capital assets, not being depreciated	<u>2,095,779</u>	<u>2,209</u>	<u>(884)</u>	<u>2,097,104</u>
Capital assets being depreciated:				
Land improvements	1,260,000	-	-	1,260,000
Infrastructure	5,445,864	428,110	-	5,873,974
Utility systems	35,256,788	-	-	35,256,788
Building and improvements	2,237,789	21,800	-	2,259,589
Equipment	1,361,883	104,223	-	1,466,106
Motor vehicles	573,941	-	-	573,941
Office furniture and equipment	<u>21,147</u>	<u>-</u>	<u>-</u>	<u>21,147</u>
Total capital assets being depreciated	<u>46,157,412</u>	<u>554,133</u>	<u>-</u>	<u>46,711,545</u>
Less accumulated depreciation for:				
Land improvements	(630,000)	(84,000)	-	(714,000)
Infrastructure	(827,009)	(319,570)	-	(1,146,579)
Utility systems	(11,132,420)	(787,814)	-	(11,920,234)
Building and improvements	(499,195)	(73,201)	-	(572,396)
Equipment	(962,467)	(40,304)	-	(1,002,771)
Motor vehicles	(566,211)	(2,871)	-	(569,082)
Office furniture and equipment	<u>(11,010)</u>	<u>(2,058)</u>	<u>-</u>	<u>(13,068)</u>
Total accumulated depreciation	<u>(14,628,312)</u>	<u>(1,309,818)</u>	<u>-</u>	<u>(15,938,130)</u>
Total capital assets, being depreciated, net	<u>31,529,100</u>	<u>(755,685)</u>	<u>-</u>	<u>30,773,415</u>
Business-type activities capital assets, net	<u>\$ 33,624,879</u>	<u>\$ (753,476)</u>	<u>\$ (884)</u>	<u>\$ 32,870,519</u>

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

Water	\$ 530,593
Wastewater	579,408
Storm drain	<u>199,817</u>
Total depreciation expense -business-type activities	<u>\$ 1,309,818</u>

**CITY OF COTTAGE GROVE, OREGON**

Notes to Financial Statements

June 30, 2015

**Note 6 - Interfund Receivables, Payables, and Transfers**

**A - Interfund loans receivable**

Interfund loans receivable and payable are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Storm Drain	Bicycle and Footpath	<u>\$ 96,500</u>

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

**B - Interfund transfers**

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

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Major Governmental Funds:</b>		
General Fund (001)	\$ 8,600	\$ 691,835
Street Fund (004)	-	<u>33,000</u>
<b>Total Major Governmental Funds:</b>	<u>8,600</u>	<u>724,835</u>
<b>Nonmajor Governmental Funds:</b>		
Police Communication Fund (006)	540,205	-
Bicycle and Footpath Fund (011)	33,000	8,600
Rehabilitation Loan Fund (020)	-	77,015
Building Inspection Program (013)	35,630	-
General Reserve Fund (731)	116,000	-
Special Trust Fund (825)	<u>77,015</u>	-
<b>Total Nonmajor Governmental Funds</b>	<u>801,850</u>	<u>85,615</u>
<b>Proprietary Funds:</b>		
Water Fund (202)	216,259	175,000
Water Reserve Fund (732)	175,000	216,259
Wastewater Fund (302)	115,059	40,000
Wastewater Reserve Fund (735)	40,000	115,059
Storm Drainage Utility Fund (402)	366,341	-
Storm Drainage Systems Development Fund (606)	-	48,456
Storm Drainage Reserve Fund (736)	-	<u>317,885</u>
<b>Total Proprietary Funds:</b>	<u>912,659</u>	<u>912,659</u>
<b>Total All Funds</b>	<u>\$ 1,723,109</u>	<u>\$ 1,723,109</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, 2015

**Note 7 - Long-Term Liabilities**

**A - Changes in Long-Term Liabilities**

Transactions for the year ended June 30, 2015 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities</b>					
Bonds and notes payable:					
Bonds*	\$ 2,604,357	\$ -	\$ (93,192)	\$ 2,511,165	\$ 99,371
Premium	55,801	-	(2,937)	52,864	-
Notes and loans	<u>973,846</u>	<u>61,359</u>	<u>(88,756)</u>	<u>946,449</u>	<u>112,443</u>
Total bonds and notes payable	3,634,004	61,359	(184,885)	3,510,478	211,814
Compensated absences	<u>312,912</u>	<u>305,188</u>	<u>(312,912)</u>	<u>305,188</u>	<u>-</u>
Total Governmental Activities	<u>\$ 3,946,916</u>	<u>\$ 366,547</u>	<u>\$ (497,797)</u>	<u>\$ 3,815,666</u>	<u>\$ 211,814</u>
<b>Business-type Activities</b>					
Bonds and notes payable:					
Bonds*	\$ 14,866,572	\$ -	\$ (794,550)	\$ 14,072,022	\$ 809,781
Premium	672,211	-	(35,381)	636,830	-
Notes and loans	<u>3,649,194</u>	<u>97,685</u>	<u>(204,080)</u>	<u>3,542,799</u>	<u>170,772</u>
Total bonds and notes payable	19,187,977	97,685	(1,034,011)	18,251,651	980,553
Compensated Absences	<u>113,160</u>	<u>108,619</u>	<u>(113,160)</u>	<u>108,619</u>	<u>-</u>
Total Business-type Activities	<u>\$ 19,301,137</u>	<u>\$ 206,304</u>	<u>\$ (1,147,171)</u>	<u>\$ 18,360,270</u>	<u>\$ 980,553</u>

\* The beginning balances of bonds payable reflect the reclassification of \$275,572 from Governmental Activities to Business-type Activities.

**CITY OF COTTAGE GROVE, OREGON**

Notes to Financial Statements

June 30, 2015

**Note 7 - Long-Term Liabilities, continued**

B - Bonds Payable

Governmental Activities

During fiscal year 2012-13, the City of Cottage Grove issued, through the Local Oregon Capital Assets Program, certificates of participation of \$16,705,000 with an aggregate true interest rate of 3.59%. Interest is payable semi-annually on September 15 and March 15 of each year. Of this amount, \$1,300,000 is allocated to governmental activities to pay-off Rural Development Revenue Bonds and other loans used to finance Industrial Park Construction. The remaining \$15,405,000 is reported in Business-type Activities below.

\$ 1,150,000

During fiscal year 2001-02, the City issued \$1,860,891 of Limited Tax Pension Obligations, Series 2002A and Series 2002B. The Series 2002A are deferred interest obligations, while the Series 2002B are current interest obligations. The proceeds from these limited tax bonds were used to finance the estimated unfunded actuarial liability with the Oregon Public Employees Retirement System (PERS). The 2002A Obligations were issued as deferred interest obligations, with interest payable only at maturity, and compounded semiannually at June 1 and December 1. The 2002B obligations were issued as current interest obligations, with interest payable on June 1 and December 1 of each year until maturity or earlier prepayment. The bonds carry interest rates varying from 2.0 to 7.41%, with an average yield of about 7%.

1,361,165

Total bonds payable - Governmental activities

\$ 2,511,165

Business-type Activities

During fiscal year 2012-13, the City of Cottage Grove issued, through the Local Oregon Capital Assets Program, certificates of participation of \$16,705,000 with an aggregate true interest rate of 3.59%. Interest is payable semi-annually on September 15 and March 15 of each year. Of this amount, \$15,405,000 is allocated to business-type activities to finance certain water, wastewater and storm drainage projects, as well as refund loans.

13,805,000

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

267,022

Total bonds payable - Business-type activities

\$ 14,072,022

**CITY OF COTTAGE GROVE, OREGON**

Notes to Financial Statements

June 30, 2015

**Note 7 - Long-Term Liabilities, continued**

General obligation bonded debt requirements are summarized below:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 99,371	\$ 172,135	\$ 809,781	\$ 568,748
2017	103,938	173,648	844,695	536,753
2018	74,864	178,482	879,878	503,911
2019	75,367	184,839	899,976	479,003
2020	87,885	179,181	932,432	450,737
2021-2025	913,880	487,118	5,301,120	1,576,556
2026-2030	750,860	174,326	3,879,140	444,319
2031-2035	210,000	60,394	525,000	31,900
2036-2040	160,000	25,075	-	-
2041-2045	35,000	744	-	-
Total	<u>\$ 2,511,165</u>	<u>\$ 1,635,942</u>	<u>\$ 14,072,022</u>	<u>\$ 4,591,927</u>

**C - Notes and Loans Payable - Governmental Activities**

Note payable obligation for optical and wireless networking equipment, secured by the asset, payable in semi-annual installments of \$31,523 including interest at an effective rate of 4.8% per annum, maturing in fiscal year 2029. 631,307

On June 26, 2015, the City entered into a master tax-exempt lease/purchase agreement with U.S. Bancorp Government Leasing and Finance, Inc. for \$119,626. The agreement requires 16 quarterly payments of \$7,829.32 including 2.19% interest beginning September 26, 2015. The financing agreement is for the acquisition of police vehicles and will be paid from the General Fund. The amount outstanding at June 30, 2015 represents the incremental acquisition at year end; the remaining credit facility will be utilized in the next fiscal year. 61,215

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. 253,927

Total notes and loans payable - Governmental activities \$ 946,449

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

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2016	\$ 112,443	\$ 32,707	\$ 145,150
2017	266,968	30,538	297,506
2018	38,874	27,025	65,899
2019	37,796	25,250	63,046
2020	39,658	23,389	63,047
2021-2025	229,479	85,755	315,234
2026-2030	221,376	30,061	251,437
Total	<u>\$ 946,594</u>	<u>\$ 254,725</u>	<u>\$ 1,201,319</u>

**CITY OF COTTAGE GROVE, OREGON**

Notes to Financial Statements

June 30, 2015

**Note 7 - Long-Term Liabilities, continued**

D - Notes and Loans Payable - Business-type activities

In June of 2007, the City received a \$375,000 loan for the purchase of a property adjacent to the Middlefield Golf Course and the residence thereon. This loan is repayable over 20 years in semiannual payments of approximately \$15,007, including interest at 4.975%. The loan is unsecured.	\$	275,761
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.		2,204,532
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.		993,303
In August 2014 the City received a \$72,460 loan from Umpqua Bank for the purchase of a loader. The loan is payable semi-annually payments of \$7,859.71 beginning May 21, 2015 including 2.971% interest, due November 21, 2019.		65,683
In November 2011, City received a \$54,885, 2.50% loan from Umpqua Bank for the purchase of mowers. This is a 5-year loan being repaid from the Wastewater Reserve Fund.		<u>3,520</u>
Total loans payable - Business - type activities	\$	<u><u>3,542,799</u></u>

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

Year Ending June 30,	Business-type Activities		
	Principal	Interest	Total
2016	\$ 170,772	\$ 169,073	\$ 339,845
2017	177,073	161,652	338,725
2018	182,197	153,951	336,148
2019	192,571	145,836	338,407
2020	190,388	137,249	327,637
2021-2025	1,066,380	546,138	1,612,518
2026-2030	1,000,162	295,042	1,295,204
2031-2035	563,256	114,753	678,009
Total	<u>\$ 3,542,799</u>	<u>\$ 1,723,694</u>	<u>\$ 5,266,493</u>

**Note 8 - Pension Plans**

A - Plan Description

The City is a participating employer in the Oregon Public Employees Retirement System ("OPERS"), a cost-sharing multiple employer defined benefit retirement plans. Oregon PERS produces an independently audited CAFR which can be found at [http://www.oregon.gov/pers/Pages/section/financial\\_reports/financials.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx).

B - Risk Pooling

The City has elected to participate in the State and Local Government Rate Pool (SLGRP). Pooling allows separate employers to be part of one group for the purpose of determining employer pension costs and contribution rates. Pool participants share pension assets and future pension liabilities and surpluses. Employers in the pool jointly fund the future pension costs of all of the pooled participants.

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2015

**Note 8 - Pension Plans, continued**

**C - Plan Benefits**

All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. The authority to establish and amend the benefit provisions of the plan rests with the Oregon Legislature.

3-Tier One/Tier Two Retirement Benefit (Chapter 238)

*Pension Benefits*

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

*Death Benefits*

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- the member was employed by a PERS employer at the time of death,
- the member died within 120 days after termination of PERS-covered employment,
- the member died as a result of injury sustained while employed in a PERS-covered job, or
- the member was on an official leave of absence from a PERS-covered job at the time of death.

*Disability Benefits*

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

*Benefit Changes After Retirement*

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

4 - OPSRP Pension Program (OPSRP DB)

*Pension Benefits.*

The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

Police and Fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or 53 with 25 years of retirement credit. To be classified as a police and fire member, the

CITY OF COTTAGE GROVE, OREGON

Notes to Financial Statements

June 30, 2015

**Note 8 - Pension Plans, continued**

individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit. A member of the OPSRP Pension Program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

*Death Benefits*

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

*Disability Benefits*

A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

*Benefit Changes After Retirement*

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

5 - OPSRP Individual Account Program (OPSRP IAP)

*Pension Benefits*

An IAP member becomes vested on the date the employee account is established or on the date the rollover account is established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

*Death Benefits*

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

**D - Contributions**

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due.

1. Member contributions

Beginning January 1, 2004, all member contributions, except judge members, were placed in the OPSRP Individual Account Program. Prior to that date, all member contributions were credited to the Defined Benefit Pension Plan. Member contributions are set by statute at 6.0 to 7.0 percent of salary and are remitted by participating employers, who may agree to make member contributions on the member's behalf. The contributions are either deducted from member salaries or paid by the employers. The City has elected to make payments on behalf of its employees, who pay 6.0% of their salary to the IAP.

**CITY OF COTTAGE GROVE, OREGON**

Notes to Financial Statements

June 30, 2015

**Note 8 - Pension Plans, continued**

2. Employer contributions

Employer contribution rates during the period were based on the December 31, 2011 actuarial valuation as subsequently modified by 2013 legislated changes in benefit provisions. The rates, based on a percentage of payroll, first became effective July 1, 2013. The state of Oregon and certain schools, community colleges, and political subdivisions, including the City, have made lump sum payments to establish side accounts, and their rates have been reduced.

Employer contributions for the year ended June 30, 2015 were \$297,474. The rates in effect for the fiscal year ended June 30, 2015 were 12.38 percent for Tier One/Tier Two General Services, 9.37 percent for OPSRP Pension Program General Services, and 12.10 percent for OPSRP Police and Fire. A 10 year schedule of Defined Benefit Pension Plan Contributions can be found beginning on page 58 of the June 30, 2014 PERS CAFR, at: [http://www.oregon.gov/pers/Pages/section/financial\\_reports/financials.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx).

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

At June 30, 2015 the City's proportionate share of the net pension asset is \$1,229,962. The net pension asset was measured as of June 30, 2014, and the total pension asset used to calculate the net pension asset was determined by actuarial valuation as of December 31, 2012 rolled forward to June 30, 2014. The City's proportion of the net pension asset was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined.

At June 30, 2014, the City's proportion was 0.05426189 percent, which was unchanged from its proportion measured as of June 30, 2013. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 2,373,329
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>26,092</u>	<u>-</u>
Total	<u>\$ 26,092</u>	<u>\$ 2,373,329</u>

The net deferred outflow (inflow) is \$(2,347,237).

Deferred outflows of resources related to pensions of \$205,218 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ending June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended <u>June 30,</u>	<u>Deferred Outflow (Inflow) of Resources (prior to post- measurement contributions)</u>
2016	\$ (587,660)
2017	(587,660)
2018	(587,660)
2019	(587,660)
2020	<u>3,403</u>
Total	<u>\$ (2,347,237)</u>

**F - Actuarial Valuations**

The employer contribution rates effective July 1, 2013, through June 30, 2015, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial

**CITY OF COTTAGE GROVE, OREGON**

Notes to Financial Statements

June 30, 2015

**Note 8 - Pension Plans, continued**

**F. - Actuarial Valuations, continued**

accrued liabilities being amortized over 16 years.

Actuarial Methods and Assumptions Used in Developing Total Pension Liability:

Valuation Date	December 31, 2012, rolled forward to June 30, 2014
Experience Study Report	2012, published September 18, 2013
Actuarial Cost Method	Entry Age normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization based over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2.75 percent
Investment Rate of Return	7.75 percent
Project Salary Increases	3.75 percent overall payroll growth
Mortality	Health retirees and beneficiaries: PF-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation. Active Members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage of the RP-2000 statistic combined disabled mortality sex-distinct table.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2012 Experience Study which reviewed experience for the four-year period ending on December 31, 2012.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.75 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF COTTAGE GROVE, OREGON**

Notes to Financial Statements

June 30, 2015

**Note 8 - Pension Plans, continued**

F. - Actuarial Valuations, continued

**Long-Term Expected Rate of Return**

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors. The table below shows Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Compounded Annual Return (Geometric)</u>
Core Fixed Income	7.20 %	4.50 %
Short-Term Bonds	8.00 %	3.70 %
Intermediate-Term Bonds	3.00 %	4.10 %
High Yield Bonds	1.80 %	6.66 %
Large Cap US Equities	11.65 %	7.20 %
Mid Cap US Equities	3.88 %	7.30 %
Small Cap US Equities	2.27 %	7.45 %
Developed Foreign Equities	14.21 %	6.90 %
Emerging Foreign Equities	5.49 %	7.40 %
Private Equities	20.00 %	8.26 %
Opportunity Funds/Absolute Return	5.00 %	6.01 %
Real Estate (Property)	13.75 %	6.51 %
Real Estate (REITS)	2.50 %	6.76 %
Commodities	<u>1.25 %</u>	6.07 %
Total	<u>100.00 %</u>	
Assumed Inflation - mean		2.75 %

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage-point lower (6.75 percent) or one percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Proportionate Share of Net Pension Liability (Asset)	<u>2,604,616</u>	<u>(1,229,962)</u>	<u>(4,473,116)</u>

**Changes in Plan Provisions Subsequent to Measurement Date**

The Oregon Supreme Court on April 30, 2015, ruled in the Moro decision, that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. OPERS will make restoration payments to those benefit recipients. OPERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire. This is a change in benefit terms subsequent to the measurement date of June 30, 2014, which will be reflected in the next year's actuarial valuations.

**CITY OF COTTAGE GROVE, OREGON**

Notes to Financial Statements

June 30, 2015

**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. Implementation of New Accounting Guidance, Reclassification/Change in Accounting Principle**

During the year, the City implemented GASB 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The GASB statement requires restatement of beginning net position balances for the cumulative effect of applying the new guidance. The following table indicates the cumulative effect on beginning net position balances.

	Prior year ending balance	Cumulative effect of GASB 68 implementation	Reclassification of PERS bonds	Restated beginning balance
Governmental Activities	\$ 40,495,202	\$ (2,425,844)	\$ 271,572	\$ 38,340,930
Business-Type Activities	\$ 18,300,678	\$ (644,670)	\$ (271,572)	\$ 17,384,436
Water Operations	\$ 6,649,047	\$ (305,760)	\$ (146,384)	\$ 6,196,903
Wastewater Operations	\$ 8,499,474	\$ (285,972)	\$ (101,177)	\$ 8,112,325
Storm Drain Operations	\$ 3,152,157	\$ (52,938)	\$ (24,011)	\$ 3,075,208

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF COTTAGE GROVE, OREGON**

Required Supplementary Information

Year Ended June 30, 2015

**Schedule of the Proportionate Share of the Net Pension Liability**

Oregon Public Employees Retirement System

	<u>2015</u>	<u>2014</u>	<u>2013 and Prior</u>
Proportion of the net pension liability (asset)	0.05426189 %	0.05426189 %	N/A
Proportionate share of the net pension liability (asset)	\$ (1,229,962)	\$ 2,769,064	N/A
Covered payroll	\$ 4,152,782	\$ 4,058,662	N/A
Proportionate share of the pension liability (asset) as a percentage of its covered employee payroll	(29.62)%	68.23 %	N/A
Plan net position as a percentage of the total pension liability	103.59 %	92.00 %	N/A

**Schedule of Pension Contributions**

Oregon Public Employees Retirement System

	<u>2015</u>	<u>2014</u>	<u>2013 and Prior</u>
Contractually required contribution	\$ 590,234	\$ 632,510	N/A
Contributions in relation to the contractually required contribution	<u>590,234</u>	<u>632,510</u>	N/A
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	N/A
Covered employee payroll	\$ 4,152,782	\$ 4,058,662	N/A
Contributions as a percentage of covered employee payroll	14.21 %	15.58 %	N/A

**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, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Property taxes	\$ 3,966,800	\$ 3,966,800	\$ 4,084,937	\$ 118,137
Franchise taxes	503,570	503,570	560,874	57,304
Alcohol taxes	139,000	139,000	141,484	2,484
Room tax	95,000	95,000	111,681	16,681
Other taxes	12,000	12,000	14,340	2,340
Licenses and permits	20,625	20,625	23,386	2,761
Intergovernmental revenues	181,470	181,470	185,182	3,712
Charges for services	556,800	556,800	473,544	(83,256)
Fines and forfeitures	106,400	106,400	98,745	(7,655)
Investment earnings	15,000	15,000	22,864	7,864
Contributions and donations	116,100	116,100	276,188	160,088
Grants and contracts	<u>103,900</u>	<u>132,900</u>	<u>294,431</u>	<u>161,531</u>
Total revenues	<u>5,816,665</u>	<u>5,845,665</u>	<u>6,287,656</u>	<u>441,991</u>
Expenditures:				
General Government:				
City Council	36,350	36,350	34,501	1,849
City Manager	295,535	295,535	277,021	18,514
City Attorney	67,153	67,153	56,307	10,846
Finance	373,080	373,080	302,215	70,865
Public Safety:				
Police Operations	2,536,751	2,598,151	2,326,047	272,104
Municipal Court	97,195	97,195	72,744	24,451
Court Support Services	58,488	60,488	58,576	1,912
Youth Peer Court	26,938	26,938	23,687	3,251
Building Maintenance	184,255	184,255	163,829	20,426
Culture and Recreation:				
Parks	106,280	106,280	77,923	28,357
Engineering	287,615	287,615	142,055	145,560
Broadband Services	742,850	742,850	313,585	429,265
Community Development:				
Community Development	565,003	594,003	553,762	40,241
Library	384,490	384,490	348,932	35,558
Community Center	154,470	154,470	140,091	14,379
Community Promotions	112,700	120,800	110,197	10,603
Non-Departmental	807,777	814,997	271,134	543,863
Contingency	<u>344,270</u>	<u>229,550</u>	<u>-</u>	<u>229,550</u>
Total expenditures	<u>7,181,200</u>	<u>7,174,200</u>	<u>5,272,606</u>	<u>1,901,594</u>
Excess revenues over (under) expenditures	<u>(1,364,535)</u>	<u>(1,328,535)</u>	<u>1,015,050</u>	<u>2,343,585</u>
Other financing sources (uses):				
Transfers in	8,600	8,600	8,600	-
Transfers out	(655,835)	(691,835)	(691,835)	-
Proceeds from loans	<u>-</u>	<u>-</u>	<u>61,359</u>	<u>61,359</u>
Total other financing sources (uses)	<u>(647,235)</u>	<u>(683,235)</u>	<u>(621,876)</u>	<u>61,359</u>
Net change in fund balances	<u>(2,011,770)</u>	<u>(2,011,770)</u>	<u>393,174</u>	<u>2,404,944</u>
Fund Balance:				
Beginning of year	<u>2,011,770</u>	<u>2,011,770</u>	<u>1,690,104</u>	<u>(321,666)</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,083,278</u>	<u>\$ 2,083,278</u>

**CITY OF COTTAGE GROVE, OREGON**

Street Fund (004)

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>				
Local fuels tax	\$ 320,000	\$ 320,000	\$ 336,873	\$ 16,873
Intergovernmental revenues	507,160	507,160	561,283	54,123
Miscellaneous	3,000	3,000	1,712	(1,288)
Investment earnings	<u>1,200</u>	<u>1,200</u>	<u>3,980</u>	<u>2,780</u>
Total revenues	<u>831,360</u>	<u>831,360</u>	<u>903,848</u>	<u>72,488</u>
<b>Expenditures:</b>				
Street Maintenance	507,395	507,395	424,015	83,380
Street Sweeping	111,295	111,295	92,883	18,412
Streets capital improvements	712,070	712,070	83,931	628,139
Materials and Services	94,680	94,680	93,288	1,392
Debt Service - Principal	48,300	48,300	9,898	38,402
Contingency	<u>190,655</u>	<u>190,655</u>	<u>-</u>	<u>190,655</u>
Total expenditures	<u>1,664,395</u>	<u>1,664,395</u>	<u>704,015</u>	<u>960,380</u>
Excess of revenues over (under) expenditures	(833,035)	(833,035)	199,833	1,032,868
<b>Other financing sources (uses):</b>				
Transfers out	(33,000)	(33,000)	(33,000)	-
Proceeds from loans	<u>225,000</u>	<u>225,000</u>	<u>-</u>	<u>225,000</u>
Net change in fund balance	(641,035)	(641,035)	166,833	1,257,868
Beginning fund balance	<u>641,035</u>	<u>641,035</u>	<u>714,240</u>	<u>73,205</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 881,073</u>	<u>\$ 1,331,073</u>

**OTHER SUPPLEMENTARY INFORMATION**

## CITY OF COTTAGE GROVE, OREGON

### Other Governmental Funds

#### Nonmajor Governmental Funds

#### Special Revenue Funds

These funds account for revenue derived from specific tax or other earmarked revenue sources, including federal and state grant awards, which are restricted to finance particular functions or activities.

- **Assessment Fund** – This fund accounts for the receipts and expenditures for all local improvement districts of the City. The major revenue sources are proceeds from unbonded assessment principal and interest payments received.
- **Police Communication Fund** – This fund accounts for revenues received from the Oregon telephone excise tax, which is used for operation of the South Lane emergency phone system. Additionally, the City has consolidated its police support services with 911 operations and is funding police support services with a transfer from the General Fund.
- **Bicycle and Footpath Fund** – This fund was established to provide for the operational and capital improvement needs of the City's bike paths. Revenues and other financing sources consist primarily of 1% of the City's state gasoline tax and transfers from the Street Fund.
- **Rehabilitation Loan Fund** – This fund accounts for monies received from Community Development Block Grant. These monies are to provide assistance to homeowners that are disadvantaged by age, handicap, or income, to correct health, safety and/or structural hazards.
- **Narcotics Forfeiture** – This fund accounts for monies received from forfeitures. The monies must be used for drug enforcement activities and other drug enforcement programs.
- **Building Inspection Program** – This fund accounts for building permit revenues and the activities of the City's Building Permit Program. It was established because of State legislation mandating that building permit revenues not be used for any purpose other than building permit programs.
- **Industrial Park Operations Fund** – This fund was established to provide operations, maintenance and management services for the South Hwy 99 Industrial Park. Revenues and other financing sources are expected to consist primarily of lease revenues and transfers from the Industrial Development Fund.

#### Capital Projects Funds

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

- **Street Systems Development Fund** – This fund was established to accumulate monies derived from street systems development charges for facility expansion or improvement. The use of these funds is restricted by City ordinance.
- **Park Systems Development Fund** – This fund was established to accumulate monies derived from parks systems development charges for facility expansion or improvement. The use of these funds is restricted by City ordinance.
- **General Reserve Fund** – This fund was established for the purpose of accumulating monies to acquire equipment or vehicles, to make major emergency repairs and/or to contract for services related to General Fund activities or programs. Transfers are the major source of financing.

#### Permanent Fund

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

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

**CITY OF COTTAGE GROVE, OREGON**

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2015

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Projects Funds	Permanent Fund - Special Trust Fund	Total Nonmajor Governmental Funds
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 941,076	\$ 1,019,717	\$ 64,356	\$ 2,025,149
Accounts receivable	5,093	-	4	5,097
Loans receivable	<u>18,744</u>	<u>-</u>	<u>-</u>	<u>18,744</u>
Total assets	<u>\$ 964,913</u>	<u>\$ 1,019,717</u>	<u>\$ 64,360</u>	<u>\$ 2,048,990</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	\$ 10,974	\$ 171	\$ 4,324	\$ 15,469
Payroll and related accruals	32,561	-	-	32,561
Advance from other fund	<u>96,500</u>	<u>-</u>	<u>-</u>	<u>96,500</u>
Total liabilities	<u>140,035</u>	<u>171</u>	<u>4,324</u>	<u>144,530</u>
Related to pensions	<u>18,744</u>	<u>-</u>	<u>-</u>	<u>18,744</u>
Total deferred inflows of resources	<u>18,744</u>	<u>-</u>	<u>-</u>	<u>18,744</u>
<b>Fund Balances</b>				
Nonspendable	-	-	3,000	3,000
Restricted	310,907	-	-	310,907
Committed	536,184	-	-	536,184
Unassigned	<u>(40,957)</u>	<u>1,019,546</u>	<u>57,036</u>	<u>1,035,625</u>
Total fund balances	<u>806,134</u>	<u>1,019,546</u>	<u>60,036</u>	<u>1,885,716</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 964,913</u>	<u>\$ 1,019,717</u>	<u>\$ 64,360</u>	<u>\$ 2,048,990</u>

**CITY OF COTTAGE GROVE, OREGON**

Nonmajor Governmental Funds

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

For the Year ended June 30, 2015

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Projects Funds	Permanent Fund - Special Trust Fund	Total Nonmajor Governmental Funds
<b>Revenues:</b>				
Intergovernmental revenues	\$ 163,274	\$ -	\$ -	\$ 163,274
Charges for services	143,549	-	-	143,549
Fines and forfeitures	8,990	-	-	8,990
Investment earnings	3,297	3,467	36	6,800
Contributions and donations	-	-	2,045	2,045
Miscellaneous	261	3,298	-	3,559
Special assessments	-	84,631	-	84,631
<b>Total Revenues</b>	<b>319,371</b>	<b>91,396</b>	<b>2,081</b>	<b>412,848</b>
<b>Expenditures:</b>				
Current:				
General Government	170,451	16,114	-	186,565
Public Safety	673,242	-	-	673,242
Highways and streets	959	125	-	1,084
Culture and recreation	-	155	-	155
Community Development	1,024	-	323	1,347
Capital Outlay	467	41,615	38,396	80,478
Debt service:				
Debt Service - Principal	57,194	-	-	57,194
Debt Service - Interest	43,946	-	-	43,946
<b>Total Expenditures</b>	<b>947,283</b>	<b>58,009</b>	<b>38,719</b>	<b>1,044,011</b>
Revenues over (under) expenditures	(627,912)	33,387	(36,638)	(631,163)
<b>Other financing sources (uses)</b>				
Sale of capital assets	42,334	-	-	42,334
Transfers in	608,835	116,000	77,015	801,850
Transfers out	(85,615)	-	-	(85,615)
<b>Total other financing sources (uses)</b>	<b>565,554</b>	<b>116,000</b>	<b>77,015</b>	<b>758,569</b>
Net change in fund balance	(62,358)	149,387	40,377	127,406
Fund balance at beginning of year	868,492	870,159	19,659	1,758,310
Fund balance at end of year	\$ 806,134	\$ 1,019,546	\$ 60,036	\$ 1,885,716

**CITY OF COTTAGE GROVE, OREGON**

Nonmajor Special Revenue Funds

Combining Balance Sheet

June 30, 2015

	Assessment Fund (005)	Police Communication Fund (006)	Bicycle and Footpath Fund (011)	Rehabilitation Loan Fund (020)	Narcotics Forfeiture (007)	Building Inspection Program (013)	Industrial Park Fund (502)	Total Nonmajor Special Revenue Funds
<b>Assets</b>								
Cash and cash equivalents	\$ 152,866	\$ 51,438	\$ 54,575	\$ 375,591	\$ 191,972	\$ 21,098	\$ 93,536	\$ 941,076
Accounts receivable	-	-	968	-	4,124	-	-	5,092
Loans receivable	-	-	-	18,744	-	-	-	18,744
<b>Total assets</b>	<b>\$ 152,866</b>	<b>\$ 51,438</b>	<b>\$ 55,543</b>	<b>\$ 394,335</b>	<b>\$ 196,096</b>	<b>\$ 21,098</b>	<b>\$ 93,536</b>	<b>\$ 964,912</b>
<b>Liabilities</b>								
Accounts payable	\$ -	\$ 1,036	\$ -	\$ -	\$ -	\$ 9,938	\$ -	\$ 10,974
Payroll and related accruals	-	29,127	-	-	-	3,433	-	32,560
Advance from other fund	-	-	96,500	-	-	-	-	96,500
<b>Total liabilities</b>	<b>-</b>	<b>30,163</b>	<b>96,500</b>	<b>-</b>	<b>-</b>	<b>13,371</b>	<b>-</b>	<b>140,034</b>
<b>Deferred Inflows of Resources</b>								
Unavailable revenues	-	-	-	18,744	-	-	-	18,744
<b>Fund Balance</b>								
Restricted	-	21,275	-	-	196,096	-	93,536	310,907
Committed	152,866	-	-	375,591	-	7,727	-	536,184
Unassigned	-	-	(40,957)	-	-	-	-	(40,957)
<b>Total Fund Balances</b>	<b>152,866</b>	<b>21,275</b>	<b>(40,957)</b>	<b>375,591</b>	<b>196,096</b>	<b>7,727</b>	<b>93,536</b>	<b>806,134</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 152,866</b>	<b>\$ 51,438</b>	<b>\$ 55,543</b>	<b>\$ 394,335</b>	<b>\$ 196,096</b>	<b>\$ 21,098</b>	<b>\$ 93,536</b>	<b>\$ 964,912</b>

**CITY OF COTTAGE GROVE, OREGON**  
Nonmajor Special Revenue Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance  
For the Year ended June 30, 2015

	Assessment Fund (005)	Police Communication Fund (006)	Bicycle and Footpath Fund (011)	Rehabilitation Loan Fund (020)	Narcotics Forfeiture (007)	Building Inspection Program (013)	Industrial Park Fund (502)	Total Nonmajor Special Revenue Funds
<b>Revenues:</b>								
Intergovernmental revenues	\$ -	\$ 132,604	\$ 30,670	\$ -	\$ -	\$ -	\$ -	\$ 163,274
Charges for services	-	-	-	-	-	143,549	-	143,549
Investment earnings	554	13	181	1,641	720	50	138	3,297
Miscellaneous	-	193	-	-	-	68	-	261
Fines and forfeitures	-	-	-	-	8,990	-	-	8,990
<b>Total Revenues</b>	<b>554</b>	<b>132,810</b>	<b>30,851</b>	<b>1,641</b>	<b>9,710</b>	<b>143,667</b>	<b>138</b>	<b>319,371</b>
<b>Expenditures:</b>								
Current:								
General Government	-	-	-	-	-	170,451	-	170,451
Public Safety	-	642,024	-	-	31,218	-	-	673,242
Highways and streets	-	-	959	-	-	-	-	959
Community Development	-	-	-	-	-	-	1,024	1,024
Capital Outlay	-	-	467	-	-	-	-	467
Debt service:								
Debt Service - Principal	-	1,748	-	-	230	216	55,000	57,194
Debt Service - Interest	-	9,037	-	-	1,191	1,118	32,600	43,946
<b>Total Expenditures</b>	<b>-</b>	<b>652,809</b>	<b>1,426</b>	<b>-</b>	<b>32,639</b>	<b>171,785</b>	<b>88,624</b>	<b>947,283</b>
Revenues over (under) expenditures	554	(519,999)	29,425	1,641	(22,929)	(28,118)	(88,486)	(627,912)
<b>Other financing sources (uses):</b>								
Transfers in	-	540,205	33,000	-	-	35,630	-	608,835
Transfers out	-	-	(8,600)	(77,015)	-	-	-	(85,615)
Sale of capital assets	-	-	-	-	-	-	42,334	42,334
Net change in fund balance	554	20,206	53,825	(75,374)	(22,929)	7,512	(46,152)	(62,358)
Beginning fund balance	152,312	1,069	(94,782)	450,965	219,025	215	139,688	868,492
Ending fund balance	\$ 152,866	\$ 21,275	\$ (40,957)	\$ 375,591	\$ 196,096	\$ 7,727	\$ 93,536	\$ 806,134

**CITY OF COTTAGE GROVE, OREGON**

Nonmajor Capital Project Funds

Combining Balance Sheet

June 30, 2015

	Street Systems Development Fund (608)	Parks Systems Development Fund (610)	General Reserve Fund (731)	Total Nonmajor Capital Projects Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 813,649	\$ 144,268	\$ 61,800	\$ 1,019,717
Total assets	<u>\$ 813,649</u>	<u>\$ 144,268</u>	<u>\$ 61,800</u>	<u>\$ 1,019,717</u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ 171	\$ 171
Total liabilities	<u>-</u>	<u>-</u>	<u>171</u>	<u>171</u>
<b>Fund Balance</b>				
Committed	<u>813,649</u>	<u>144,268</u>	<u>61,629</u>	<u>1,019,546</u>
Total Fund Balance	<u>813,649</u>	<u>144,268</u>	<u>61,629</u>	<u>1,019,546</u>
Total Liabilities and Fund Balances	<u>\$ 813,649</u>	<u>\$ 144,268</u>	<u>\$ 61,800</u>	<u>\$ 1,019,717</u>

**CITY OF COTTAGE GROVE, OREGON**

Nonmajor Capital Project Funds

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

For the Year ended June 30, 2015

	<u>Street Systems Development Fund (608)</u>	<u>Parks Systems Development Fund (610)</u>	<u>General Reserve Fund (731)</u>	<u>Total Nonmajor Capital Projects Funds</u>
<b>Revenues:</b>				
Investment earnings	\$ 2,921	\$ 517	\$ 29	\$ 3,467
Special assessments	68,969	15,662	-	84,631
Miscellaneous	-	-	3,298	3,298
<b>Total Revenues</b>	<u>71,890</u>	<u>16,179</u>	<u>3,327</u>	<u>91,396</u>
<b>Expenditures:</b>				
Current:				
General Government	-	-	16,114	16,114
Highways and streets	125	-	-	125
Culture and recreation	-	155	-	155
Capital Outlay	-	-	41,615	41,615
Debt service:				
<b>Total Expenditures</b>	<u>125</u>	<u>155</u>	<u>57,729</u>	<u>58,009</u>
Revenues over (under) expenditures	<u>71,765</u>	<u>16,024</u>	<u>(54,402)</u>	<u>33,387</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	116,000	116,000
<b>Net change in fund balance</b>	71,765	16,024	61,598	149,387
Beginning fund balance	<u>741,884</u>	<u>128,244</u>	<u>31</u>	<u>870,159</u>
<b>Ending fund balance</b>	<u>\$ 813,649</u>	<u>\$ 144,268</u>	<u>\$ 61,629</u>	<u>\$ 1,019,546</u>

**CITY OF COTTAGE GROVE, OREGON**

Assessment Fund (005)

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Investment earnings	\$ 650	\$ 650	\$ 554	\$ (96)
Total revenues	<u>650</u>	<u>650</u>	<u>554</u>	<u>(96)</u>
Expenditures:				
Materials and Services	164,595	164,595	-	164,595
Capital Outlay	<u>1,028,710</u>	<u>1,028,710</u>	<u>-</u>	<u>1,028,710</u>
Total expenditures	<u>1,193,305</u>	<u>1,193,305</u>	<u>-</u>	<u>1,193,305</u>
Excess of revenues over (under) expenditures	(1,192,655)	(1,192,655)	554	1,193,209
Other financing sources (uses):				
Proceeds from loans	<u>1,040,515</u>	<u>1,040,515</u>	<u>-</u>	<u>(1,040,515)</u>
Net change in fund balance	(152,140)	(152,140)	554	152,694
Beginning fund balance	<u>152,140</u>	<u>152,140</u>	<u>152,312</u>	<u>172</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 152,866</u>	<u>\$ 152,866</u>

**CITY OF COTTAGE GROVE, OREGON**

Police Communication Fund (006)

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>				
Intergovernmental revenues	\$ 132,602	\$ 132,602	\$ 132,604	\$ 2
Investment earnings	25	25	13	(12)
Miscellaneous	<u>-</u>	<u>-</u>	<u>193</u>	<u>193</u>
Total revenues	<u>132,627</u>	<u>132,627</u>	<u>132,810</u>	<u>183</u>
<b>Expenditures:</b>				
Police Support Services	423,815	423,815	397,467	26,348
911 Services	257,172	257,172	244,503	12,669
Debt Service - Principal	<u>10,845</u>	<u>10,845</u>	<u>10,839</u>	<u>6</u>
Total expenditures	<u>691,832</u>	<u>691,832</u>	<u>652,809</u>	<u>39,023</u>
Excess of revenues over (under) expenditures	(559,205)	(559,205)	(519,999)	39,206
<b>Other financing sources (uses):</b>				
Transfers in	<u>540,205</u>	<u>540,205</u>	<u>540,205</u>	<u>-</u>
Net change in fund balance	(19,000)	(19,000)	20,206	39,206
Beginning fund balance	<u>19,000</u>	<u>19,000</u>	<u>1,069</u>	<u>(17,931)</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,275</u>	<u>\$ 21,275</u>

**CITY OF COTTAGE GROVE, OREGON**

Bicycle and Footpath Fund (011)

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Grants and contracts	\$ 70,000	\$ 70,000	-	\$ (70,000)
Intergovernmental revenues	32,625	32,625	\$ 30,670	(1,955)
Investment earnings	<u>75</u>	<u>75</u>	<u>181</u>	<u>106</u>
Total revenues	<u>102,700</u>	<u>102,700</u>	<u>30,851</u>	<u>(71,849)</u>
Expenditures:				
Material and Services	27,385	27,385	959	26,426
Capital Outlay	100,950	100,950	467	100,483
Debt Service - Principal	19,300	19,300	19,300	-
Contingency	<u>1,155</u>	<u>1,155</u>	<u>-</u>	<u>1,155</u>
Total expenditures	<u>148,790</u>	<u>148,790</u>	<u>20,726</u>	<u>128,064</u>
Excess of revenues over (under) expenditures	(46,090)	(46,090)	10,125	56,215
Other financing sources (uses):				
Transfers in	33,000	33,000	33,000	-
Transfers out	<u>(8,600)</u>	<u>(8,600)</u>	<u>(8,600)</u>	<u>-</u>
Net change in fund balance	(21,690)	(21,690)	34,525	56,215
Beginning fund balance	<u>21,690</u>	<u>21,690</u>	<u>21,018</u>	<u>(672)</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,543</u>	<u>\$ 55,543</u>
Reconciliation to GAAP basis:				
Due to other funds			<u>(96,500)</u>	
GAAP fund balance - end of year			<u>\$ (40,957)</u>	

**CITY OF COTTAGE GROVE, OREGON**

Rehabilitation Loan Fund (020)

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Investment earnings	\$ 2,000	\$ 2,000	\$ 1,641	\$ (359)
Total revenues	<u>2,000</u>	<u>2,000</u>	<u>1,641</u>	<u>(359)</u>
Expenditures:				
Materials and Services	<u>453,125</u>	<u>376,110</u>	-	<u>376,110</u>
Total expenditures	<u>453,125</u>	<u>376,110</u>	-	<u>376,110</u>
Excess of revenues over (under) expenditures	(451,125)	(374,110)	1,641	375,751
Other financing sources (uses):				
Transfers out	-	<u>(77,015)</u>	<u>(77,015)</u>	-
Net change in fund balance	(451,125)	(451,125)	(75,374)	375,751
Beginning fund balance	<u>451,125</u>	<u>451,125</u>	<u>450,965</u>	<u>(160)</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 375,591</u>	<u>\$ 375,591</u>

**CITY OF COTTAGE GROVE, OREGON**

Narcotics Forfeiture (007)

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Investment earnings	\$ 600	\$ 600	\$ 720	\$ 120
Miscellaneous	1,000	1,000	-	(1,000)
Fines and forfeitures	-	-	8,990	8,990
<b>Total revenues</b>	<b><u>1,600</u></b>	<b><u>1,600</u></b>	<b><u>9,710</u></b>	<b><u>8,110</u></b>
Expenditures:				
Personnel Services	16,360	16,360	-	16,360
Materials and Services	42,400	42,400	8,070	34,330
Capital Outlay	97,500	97,500	23,141	74,359
Debt Service - Principal	1,440	1,440	1,428	12
Contingency	59,900	59,900	-	59,900
<b>Total expenditures</b>	<b><u>217,600</u></b>	<b><u>217,600</u></b>	<b><u>32,639</u></b>	<b><u>184,961</u></b>
<b>Net change in fund balance</b>	<b>(216,000)</b>	<b>(216,000)</b>	<b>(22,929)</b>	<b>193,071</b>
Beginning fund balance	<u>216,000</u>	<u>216,000</u>	<u>219,025</u>	<u>3,025</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 196,096</u>	<u>\$ 196,096</u>

**CITY OF COTTAGE GROVE, OREGON**

Building Inspection Program (013)

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 315,000	\$ 315,000	\$ 143,549	\$ (171,451)
Investment earnings	-	-	50	50
Miscellaneous	-	-	69	69
<b>Total revenues</b>	<b><u>315,000</u></b>	<b><u>315,000</u></b>	<b><u>143,668</u></b>	<b><u>(171,332)</u></b>
Expenditures:				
Personnel Services	46,845	46,845	45,452	1,393
Materials and Services	289,435	289,435	124,993	164,442
Debt Service - Principal	<u>1,350</u>	<u>1,350</u>	<u>1,341</u>	<u>9</u>
<b>Total expenditures</b>	<b><u>337,630</u></b>	<b><u>337,630</u></b>	<b><u>171,786</u></b>	<b><u>165,844</u></b>
Excess of revenues over (under) expenditures	(22,630)	(22,630)	(28,118)	(5,488)
Other financing sources (uses):				
Transfers in	<u>15,630</u>	<u>15,630</u>	<u>35,630</u>	<u>20,000</u>
Net change in fund balance	(7,000)	(7,000)	7,512	14,512
Beginning fund balance	<u>7,000</u>	<u>7,000</u>	<u>215</u>	<u>(6,785)</u>
Ending fund balance	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 7,727</u></b>	<b><u>\$ 7,727</u></b>

**CITY OF COTTAGE GROVE, OREGON**

Industrial Park Fund (502)

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Investment earnings	\$ 600	\$ 600	\$ 138	\$ (462)
Total revenues	<u>600</u>	<u>600</u>	<u>138</u>	<u>(462)</u>
Expenditures:				
Materials and Services	54,000	54,000	1,024	52,976
Debt Service - Principal	<u>87,600</u>	<u>87,600</u>	<u>87,600</u>	<u>-</u>
Total expenditures	<u>141,600</u>	<u>141,600</u>	<u>88,624</u>	<u>52,976</u>
Excess of revenues over (under) expenditures	(141,000)	(141,000)	(88,486)	52,514
Other financing sources (uses):				
Sale of capital assets	<u>-</u>	<u>-</u>	<u>42,334</u>	<u>42,334</u>
Net change in fund balance	(141,000)	(141,000)	(46,152)	94,848
Beginning fund balance	<u>141,000</u>	<u>141,000</u>	<u>139,688</u>	<u>(1,312)</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,536</u>	<u>\$ 93,536</u>

**CITY OF COTTAGE GROVE, OREGON**

Street Systems Development Fund (608)

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Special assessments	\$ 40,000	\$ 40,000	\$ 68,969	\$ 28,969
Investment earnings	<u>2,000</u>	<u>2,000</u>	<u>2,921</u>	<u>921</u>
Total revenues	<u>42,000</u>	<u>42,000</u>	<u>71,890</u>	<u>29,890</u>
Expenditures:				
Materials and Services	125	125	125	-
Capital Outlay	<u>780,610</u>	<u>780,610</u>	<u>-</u>	<u>780,610</u>
Total expenditures	<u>780,735</u>	<u>780,735</u>	<u>125</u>	<u>780,610</u>
Net change in fund balance	(738,735)	(738,735)	71,765	810,500
Beginning fund balance	<u>738,735</u>	<u>738,735</u>	<u>741,884</u>	<u>3,149</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 813,649</u>	<u>\$ 813,649</u>

**CITY OF COTTAGE GROVE, OREGON**

Parks Systems Development Fund (610)

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Special assessments	\$ 7,500	\$ 7,500	\$ 15,662	\$ 8,162
Investment earnings	<u>200</u>	<u>200</u>	<u>517</u>	<u>317</u>
Total revenues	<u>7,700</u>	<u>7,700</u>	<u>16,179</u>	<u>8,479</u>
Expenditures:				
Materials and Services	155	155	155	-
Capital Outlay	<u>135,380</u>	<u>135,380</u>	<u>-</u>	<u>135,380</u>
Total expenditures	<u>135,535</u>	<u>135,535</u>	<u>155</u>	<u>135,380</u>
Net change in fund balance	(127,835)	(127,835)	16,024	143,859
Beginning fund balance	<u>127,835</u>	<u>127,835</u>	<u>128,244</u>	<u>409</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 144,268</u>	<u>\$ 144,268</u>

**CITY OF COTTAGE GROVE, OREGON**

General Reserve Fund (731)

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Investment earnings	\$ 265	\$ 265	\$ 29	\$ (236)
Miscellaneous	-	-	3,298	3,298
Total revenues	<u>265</u>	<u>265</u>	<u>3,327</u>	<u>3,062</u>
Expenditures:				
Materials and Services	20,265	20,265	16,114	4,151
Capital Outlay	<u>150,000</u>	<u>150,000</u>	<u>41,615</u>	<u>108,385</u>
Total expenditures	<u>170,265</u>	<u>170,265</u>	<u>57,729</u>	<u>112,536</u>
Excess of revenues over (under) expenditures	(170,000)	(170,000)	(54,402)	115,598
Other financing sources (uses):				
Transfers in	<u>100,000</u>	<u>100,000</u>	<u>116,000</u>	<u>16,000</u>
Net change in fund balance	(70,000)	(70,000)	61,598	131,598
Beginning fund balance	<u>70,000</u>	<u>70,000</u>	<u>31</u>	<u>(69,969)</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,629</u>	<u>\$ 61,629</u>

**CITY OF COTTAGE GROVE, OREGON**

Special Trust Fund (825)

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Investment earnings	\$ 50	\$ 50	\$ 36	\$ (14)
Contributions and donations	<u>3,200</u>	<u>3,200</u>	<u>2,045</u>	<u>(1,155)</u>
Total revenues	<u>3,250</u>	<u>3,250</u>	<u>2,081</u>	<u>(1,169)</u>
Expenditures:				
Materials and Services	9,900	9,900	323	9,577
Capital Outlay	<u>5,071</u>	<u>82,086</u>	<u>38,396</u>	<u>43,690</u>
Total expenditures	<u>14,971</u>	<u>91,986</u>	<u>38,719</u>	<u>53,267</u>
Excess of revenues over (under) expenditures	(11,721)	(88,736)	(36,638)	52,098
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>77,015</u>	<u>77,015</u>	<u>-</u>
Net change in fund balance	(11,721)	(11,721)	40,377	52,098
Beginning fund balance	<u>17,721</u>	<u>11,721</u>	<u>19,659</u>	<u>7,938</u>
Ending fund balance	<u>\$ 6,000</u>	<u>\$ -</u>	<u>\$ 60,036</u>	<u>\$ 60,036</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, 2015

	<u>Water Fund (202)</u>	<u>Water Systems Development Fund (602)</u>	<u>Water Reserve Fund (732)</u>	<u>Total</u>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 551,878	\$ 309,973	\$ 1,310,367	\$ 2,172,218
Receivables - net	132,619	-	130,784	263,403
Inventories	<u>153,205</u>	<u>-</u>	<u>-</u>	<u>153,205</u>
 Total current assets	 <u>837,702</u>	 <u>309,973</u>	 <u>1,441,151</u>	 <u>2,588,826</u>
Noncurrent assets:				
Capital assets, net	14,004,107	-	-	14,004,107
Net pension asset	<u>180,152</u>	<u>-</u>	<u>-</u>	<u>180,152</u>
 Total noncurrent assets	 <u>14,184,259</u>	 <u>-</u>	 <u>-</u>	 <u>14,184,259</u>
 Total assets	 <u>15,021,961</u>	 <u>309,973</u>	 <u>1,441,151</u>	 <u>16,773,085</u>
<b>Deferred outflows</b>				
Related to pensions	<u>98,209</u>	<u>-</u>	<u>-</u>	<u>98,209</u>
Total assets and deferred outflows	<u>\$ 15,120,170</u>	<u>\$ 309,973</u>	<u>\$ 1,441,151</u>	<u>\$ 16,871,294</u>
<b>Liabilities and Net Position</b>				
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	\$ 37,278	\$ -	\$ 2,595	\$ 39,873
Payroll and related accruals	69,619	-	-	69,619
Accrued interest payable	91,835	-	-	91,835
Other liabilities	51,875	-	-	51,875
Compensated absences payable	55,928	-	-	55,928
Due within one year	<u>139,681</u>	<u>-</u>	<u>332,671</u>	<u>472,352</u>
 Total current liabilities	 <u>446,216</u>	 <u>-</u>	 <u>335,266</u>	 <u>781,482</u>
Noncurrent liabilities:				
Bonds payable	<u>3,202,085</u>	<u>-</u>	<u>5,630,907</u>	<u>8,832,992</u>
Total Liabilities	<u>3,648,301</u>	<u>-</u>	<u>5,966,173</u>	<u>9,614,474</u>
<b>Deferred inflows</b>				
Related to pensions	<u>343,800</u>	<u>-</u>	<u>-</u>	<u>343,800</u>
<b>Net Position</b>				
Net investment in capital assets	10,662,341	-	(5,963,578)	4,698,763
Restricted for system development	-	309,973	-	309,973
Unrestricted	<u>465,728</u>	<u>-</u>	<u>1,438,556</u>	<u>1,904,284</u>
 Total Net Position	 <u>11,128,069</u>	 <u>309,973</u>	 <u>(4,525,022)</u>	 <u>6,913,020</u>
 Total Liabilities, Deferred Inflows and Net Position	 <u>\$ 15,120,170</u>	 <u>\$ 309,973</u>	 <u>\$ 1,441,151</u>	 <u>\$ 16,871,294</u>

**CITY OF COTTAGE GROVE, OREGON**

Water Operations Combined

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

For the Year Ended June 30, 2015

	<u>Water Fund (202)</u>	<u>Water Systems Development Fund (602)</u>	<u>Water Reserve Fund (732)</u>	<u>Total</u>
<b>Operating Revenues</b>				
Charges for services	\$ 1,645,046	\$ 69,279	\$ 1,292,371	\$ 3,006,696
Miscellaneous	<u>2,657</u>	<u>-</u>	<u>-</u>	<u>2,657</u>
Total Operating Revenues	<u>1,647,703</u>	<u>69,279</u>	<u>1,292,371</u>	<u>3,009,353</u>
<b>Operating Expenses</b>				
Personal Services	749,697	-	-	749,697
Materials and Services	525,597	922	105,848	632,367
Depreciation expense	<u>530,593</u>	<u>-</u>	<u>-</u>	<u>530,593</u>
Total Operating Expenses	<u>1,805,887</u>	<u>922</u>	<u>105,848</u>	<u>1,912,657</u>
Operating Income (Loss)	<u>(158,184)</u>	<u>68,357</u>	<u>1,186,523</u>	<u>1,096,696</u>
<b>Nonoperating revenues (expenses)</b>				
Interest expense	(9,038)	-	(379,950)	(388,988)
Investment earnings	<u>4,882</u>	<u>1,121</u>	<u>2,406</u>	<u>8,409</u>
Total non-operating revenues (expenses)	<u>(4,156)</u>	<u>1,121</u>	<u>(377,544)</u>	<u>(380,579)</u>
Income (loss) before capital contributions	(162,340)	69,478	808,979	716,117
Transfers in	216,259	-	175,000	391,259
Transfers out	<u>(175,000)</u>	<u>-</u>	<u>(216,259)</u>	<u>(391,259)</u>
Change in Net Position	(121,081)	69,478	767,720	716,117
Beginning Net Position	11,701,294	240,495	(5,292,742)	6,649,047
Prior period adjustment PERS bonds	(146,384)	-	-	(146,384)
Prior period adjustment GASB 68	<u>(305,760)</u>	<u>-</u>	<u>-</u>	<u>(305,760)</u>
Ending Net Position	<u>\$ 11,128,069</u>	<u>\$ 309,973</u>	<u>\$ (4,525,022)</u>	<u>\$ 6,913,020</u>

**CITY OF COTTAGE GROVE, OREGON**

Water Operations Combined

Combining Statement of Cash Flows

For the Year Ended June 30, 2015

	<u>Water Fund (202)</u>	<u>Water Systems Development Fund (602)</u>	<u>Water Reserve Fund (732)</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 1,671,889	\$ 69,279	\$ 1,280,250	\$ 3,021,418
Cash payments to employees	(993,150)	-	-	(993,150)
Cash payments to suppliers for goods and services	<u>(527,361)</u>	<u>(922)</u>	<u>(110,787)</u>	<u>(639,070)</u>
Net cash provided (used) by operating activities	<u>151,378</u>	<u>68,357</u>	<u>1,169,463</u>	<u>1,389,198</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers in	216,259	-	175,000	391,259
Transfers out	<u>(175,000)</u>	<u>-</u>	<u>(216,259)</u>	<u>(391,259)</u>
Net cash provided (used) by noncapital financing activities	<u>41,259</u>	<u>-</u>	<u>(41,259)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(88,093)	-	-	(88,093)
Principal paid on capital debt	(130,619)	-	(284,827)	(415,446)
Interest paid on capital debt	<u>(12,682)</u>	<u>-</u>	<u>(379,950)</u>	<u>(392,632)</u>
Net cash provided (used) by capital and related financing activities	<u>(231,394)</u>	<u>-</u>	<u>(664,777)</u>	<u>(896,171)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income	<u>4,882</u>	<u>1,121</u>	<u>2,406</u>	<u>8,409</u>
Net change in cash and investments	(33,875)	69,478	465,833	501,436
Cash and investments:				
Cash at beginning of year	<u>585,753</u>	<u>240,495</u>	<u>844,534</u>	<u>1,670,782</u>
Cash at end of year	<u>\$ 551,878</u>	<u>\$ 309,973</u>	<u>\$ 1,310,367</u>	<u>\$ 2,172,218</u>

**CITY OF COTTAGE GROVE, OREGON**

Water Operations Combined

Combining Statement of Cash Flows, continued

For the Year Ended June 30, 2015

	<u>Water Fund (202)</u>	<u>Water Systems Development Fund (602)</u>	<u>Water Reserve Fund (732)</u>	<u>Total</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>				
Operating income (loss)	\$ (158,184)	\$ 68,357	\$ 1,186,523	\$ 1,096,696
Adjustments:				
Depreciation	530,593	-	-	530,593
Change in operating accounts:				
Receivables - net	24,185	-	(12,121)	12,064
Inventories	(10,584)	-	-	(10,584)
Net pension asset	(180,152)	-	-	(180,152)
Related to pensions	(98,209)	-	-	(98,209)
Accounts payable	7,565	-	(4,939)	2,626
Other liabilities	1,255	-	-	1,255
Payroll and related	(545)	-	-	(545)
Compensated absences	(2,586)	-	-	(2,586)
Related to pensions	<u>38,040</u>	<u>-</u>	<u>-</u>	<u>38,040</u>
Net cash provided (used) by operating activities	<u>\$ 151,378</u>	<u>\$ 68,357</u>	<u>\$ 1,169,463</u>	<u>\$ 1,389,198</u>

**CITY OF COTTAGE GROVE, OREGON**

Wastewater Operations Combined

Combining Balance Sheet

June 30, 2015

	Wastewater Fund (302)	Wastewater Systems Development Charge Fund (604)	Wastewater Reserve Fund (735)	Total
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 208,970	\$ 68,355	\$ 137,400	\$ 414,725
Receivables - net	120,441	-	88,638	209,079
Inventories	<u>39,010</u>	<u>-</u>	<u>-</u>	<u>39,010</u>
Total current assets	<u>368,421</u>	<u>68,355</u>	<u>226,038</u>	<u>662,814</u>
Noncurrent assets:				
Capital assets, net	15,611,955	-	-	15,611,955
Net pension asset	<u>162,095</u>	<u>-</u>	<u>-</u>	<u>162,095</u>
Total noncurrent assets	<u>15,774,050</u>	<u>-</u>	<u>-</u>	<u>15,774,050</u>
Total assets	<u>16,142,471</u>	<u>68,355</u>	<u>226,038</u>	<u>16,436,864</u>
<b>Deferred outflows</b>				
Related to pensions	<u>85,129</u>	<u>-</u>	<u>-</u>	<u>85,129</u>
Total assets and deferred outflows	<u>\$ 16,227,600</u>	<u>\$ 68,355</u>	<u>\$ 226,038</u>	<u>\$ 16,521,993</u>
<b>Liabilities and Net Position</b>				
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	\$ 19,784	\$ 3,132	\$ 2,523	\$ 25,439
Payroll and related accruals	59,381	-	-	59,381
Accrued interest payable	29,946	-	215	30,161
Other liabilities	31,175	-	-	31,175
Compensated absences payable	43,699	-	-	43,699
Due within one year	<u>21,610</u>	<u>-</u>	<u>417,651</u>	<u>439,261</u>
Total current liabilities	<u>205,595</u>	<u>3,132</u>	<u>420,389</u>	<u>629,116</u>
Noncurrent liabilities:				
Bonds payable	<u>357,153</u>	<u>-</u>	<u>6,898,989</u>	<u>7,256,142</u>
Total Liabilities	<u>562,748</u>	<u>3,132</u>	<u>7,319,378</u>	<u>7,885,258</u>
<b>Deferred inflows</b>				
Related to pensions	<u>309,339</u>	<u>-</u>	<u>-</u>	<u>309,339</u>
<b>Net Position</b>				
Net investment in capital assets	15,233,192	-	(7,316,640)	7,916,552
Restricted for system development	-	65,223	-	65,223
Unrestricted	<u>122,321</u>	<u>-</u>	<u>223,300</u>	<u>345,621</u>
Total Net Position	<u>15,355,513</u>	<u>65,223</u>	<u>(7,093,340)</u>	<u>8,327,396</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 16,227,600</u>	<u>\$ 68,355</u>	<u>\$ 226,038</u>	<u>\$ 16,521,993</u>

**CITY OF COTTAGE GROVE, OREGON**

Wastewater Operations Combined

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

For the Year Ended June 30, 2015

	<u>Wastewater Fund (302)</u>	<u>Wastewater Systems Development Charge Fund (604)</u>	<u>Wastewater Reserve Fund (735)</u>	<u>Total</u>
<b>Operating Revenues</b>				
Charges for services	\$ 1,654,332	\$ 11,554	\$ 874,513	\$ 2,540,399
Miscellaneous	<u>22,954</u>	<u>-</u>	<u>(887)</u>	<u>22,067</u>
Total Operating Revenues	<u>1,677,286</u>	<u>11,554</u>	<u>873,626</u>	<u>2,562,466</u>
<b>Operating Expenses</b>				
Personal Services	707,709	-	-	707,709
Materials and Services	689,796	36,869	44,391	771,056
Depreciation expense	<u>579,407</u>	<u>-</u>	<u>-</u>	<u>579,407</u>
Total Operating Expenses	<u>1,976,912</u>	<u>36,869</u>	<u>44,391</u>	<u>2,058,172</u>
Operating Income (Loss)	<u>(299,626)</u>	<u>(25,315)</u>	<u>829,235</u>	<u>504,294</u>
<b>Nonoperating revenues (expenses)</b>				
Interest expense	(45,294)	-	(247,892)	(293,186)
Investment earnings	<u>2,999</u>	<u>302</u>	<u>662</u>	<u>3,963</u>
Total non-operating revenues (expenses)	<u>(42,295)</u>	<u>302</u>	<u>(247,230)</u>	<u>(289,223)</u>
Income (loss) before capital contributions	(341,921)	(25,013)	582,005	215,071
Transfers in	115,059	-	40,000	155,059
Transfers out	<u>(40,000)</u>	<u>-</u>	<u>(115,059)</u>	<u>(155,059)</u>
Change in Net Position	(266,862)	(25,013)	506,946	215,071
Beginning Net Position	16,009,524	90,236	(7,600,286)	8,499,474
Prior period adjustment for PERS bonds	(101,177)	-	-	(101,177)
Prior period adjustment for GASB 68	<u>(285,972)</u>	<u>-</u>	<u>-</u>	<u>(285,972)</u>
Ending Net Position	<u>\$ 15,355,513</u>	<u>\$ 65,223</u>	<u>\$ (7,093,340)</u>	<u>\$ 8,327,396</u>

**CITY OF COTTAGE GROVE, OREGON**

Wastewater Operations Combined

Combining Statement of Cash Flows

For the Year Ended June 30, 2015

	Wastewater Fund (302)	Wastewater Systems Development Charge Fund (604)	Wastewater Reserve Fund (735)	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 1,671,942	\$ 11,554	\$ 861,556	\$ 2,545,052
Cash payments to employees	(934,846)	-	-	(934,846)
Cash payments to suppliers for goods and services	<u>(689,510)</u>	<u>(33,737)</u>	<u>(43,618)</u>	<u>(766,865)</u>
Net cash provided (used) by operating activities	<u>47,586</u>	<u>(22,183)</u>	<u>817,938</u>	<u>843,341</u>
Transfers in	115,059	-	40,000	155,059
Transfers out	<u>(40,000)</u>	<u>-</u>	<u>(115,059)</u>	<u>(155,059)</u>
Net cash provided (used) by noncapital financing activities	<u>75,059</u>	<u>-</u>	<u>(75,059)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(101,022)	-	-	(101,022)
Principal paid on capital debt	(31,249)	-	(433,761)	(465,010)
Interest paid on capital debt	<u>(47,299)</u>	<u>-</u>	<u>(247,677)</u>	<u>(294,976)</u>
Net cash provided (used) by capital and related financing activities	<u>(179,570)</u>	<u>-</u>	<u>(681,438)</u>	<u>(861,008)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income	<u>2,999</u>	<u>302</u>	<u>662</u>	<u>3,963</u>
Net change in cash and investments	(53,926)	(21,881)	62,103	(13,704)
Cash and investments:				
Cash at beginning of year	<u>262,896</u>	<u>90,236</u>	<u>75,297</u>	<u>428,429</u>
Cash at end of year	<u>\$ 208,970</u>	<u>\$ 68,355</u>	<u>\$ 137,400</u>	<u>\$ 414,725</u>

**CITY OF COTTAGE GROVE, OREGON**

Wastewater Operations Combined

Combining Statement of Cash Flows, continued

For the Year Ended June 30, 2015

	Wastewater Fund (302)	Wastewater Systems Development Charge Fund (604)	Wastewater Reserve Fund (735)	Total
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>				
Operating income (loss)	\$ (299,626)	\$ (25,315)	\$ 829,235	\$ 504,294
Adjustments:				
Depreciation	579,407	-	-	579,407
Change in operating accounts:				
Receivables - net	(5,344)	-	(12,069)	(17,413)
Inventories	(767)	-	-	(767)
Net pension asset	(162,095)	-	-	(162,095)
Accounts payable	1,053	3,132	772	4,957
Deferred outflow	(85,129)	-	-	(85,129)
Deferred inflow	23,367	-	-	23,367
Compensated absences	(1,332)	-	-	(1,332)
Payroll and related accruals	<u>(1,948)</u>	<u>-</u>	<u>-</u>	<u>(1,948)</u>
Net cash provided (used) by operating activities	<u>\$ 47,586</u>	<u>\$ (22,183)</u>	<u>\$ 817,938</u>	<u>\$ 843,341</u>

**CITY OF COTTAGE GROVE, OREGON**

Storm Drain Operations Combined

Combining Balance Sheet

June 30, 2015

	<u>Storm Drainage Utility Fund (402)</u>	<u>Storm Drainage Systems Development Fund (606)</u>	<u>Storm Drainage Reserve Fund (736)</u>	<u>Total</u>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 136,741	\$ 265,005	\$ 665,171	\$ 1,066,917
Receivables - net	<u>25,282</u>	<u>-</u>	<u>38,919</u>	<u>64,201</u>
 Total current assets	 <u>162,023</u>	 <u>265,005</u>	 <u>704,090</u>	 <u>1,131,118</u>
Noncurrent assets:				
Internal balances	-	96,500	-	96,500
Capital assets, net	3,254,457	-	-	3,254,457
Net pension asset	<u>31,462</u>	<u>-</u>	<u>-</u>	<u>31,462</u>
 Total noncurrent assets	 <u>3,285,919</u>	 <u>96,500</u>	 <u>-</u>	 <u>3,382,419</u>
 Total assets	 <u>3,447,942</u>	 <u>361,505</u>	 <u>704,090</u>	 <u>4,513,537</u>
<b>Deferred outflows</b>				
Related to pensions	<u>17,471</u>	<u>-</u>	<u>-</u>	<u>17,471</u>
Total assets and deferred outflows	<u>\$ 3,465,413</u>	<u>\$ 361,505</u>	<u>\$ 704,090</u>	<u>\$ 4,531,008</u>
<b>Liabilities and Net Position</b>				
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	\$ 1,586	\$ 3,132	\$ 2,523	\$ 7,241
Payroll and related accruals	10,517	-	-	10,517
Accrued interest payable	3,917	-	-	3,917
Compensated absences payable	8,992	-	-	8,992
Due within one year	<u>423</u>	<u>-</u>	<u>68,517</u>	<u>68,940</u>
 Total current liabilities	 <u>25,435</u>	 <u>3,132</u>	 <u>71,040</u>	 <u>99,607</u>
Noncurrent liabilities:				
Bonds payable	<u>23,186</u>	<u>-</u>	<u>1,158,778</u>	<u>1,181,964</u>
<b>Deferred inflows</b>				
Related to pensions	<u>60,041</u>	<u>-</u>	<u>-</u>	<u>60,041</u>
<b>Net Position</b>				
Net investment in capital assets	3,230,848	-	(1,227,295)	2,003,553
Restricted for system development	-	358,373	-	358,373
Unrestricted	<u>125,903</u>	<u>-</u>	<u>701,567</u>	<u>827,470</u>
 Total Net Position	 <u>3,356,751</u>	 <u>358,373</u>	 <u>(525,728)</u>	 <u>3,189,396</u>
 Total Liabilities, Deferred Inflows and Net Position	 <u>\$ 3,465,413</u>	 <u>\$ 361,505</u>	 <u>\$ 704,090</u>	 <u>\$ 4,531,008</u>

**CITY OF COTTAGE GROVE, OREGON**

Storm Drain Operations Combined

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

For the Year Ended June 30, 2015

	<u>Storm Drainage Utility Fund (402)</u>	<u>Storm Drainage Systems Development Fund (606)</u>	<u>Storm Drainage Reserve Fund (736)</u>	<u>Total</u>
<b>Operating Revenues</b>				
Charges for services	\$ 267,202	\$ 14,149	\$ 407,029	\$ 688,380
Miscellaneous	<u>485</u>	<u>-</u>	<u>1,241</u>	<u>1,726</u>
Total Operating Revenues	<u>267,687</u>	<u>14,149</u>	<u>408,270</u>	<u>690,106</u>
<b>Operating Expenses</b>				
Personal Services	131,191	-	-	131,191
Materials and Services	52,772	41,572	107,225	201,569
Depreciation expense	<u>199,817</u>	<u>-</u>	<u>-</u>	<u>199,817</u>
Total Operating Expenses	<u>383,780</u>	<u>41,572</u>	<u>107,225</u>	<u>532,577</u>
Operating Income (Loss)	<u>(116,093)</u>	<u>(27,423)</u>	<u>301,045</u>	<u>157,529</u>
<b>Nonoperating revenues (expenses)</b>				
Interest expense	(1,930)	-	(45,719)	(47,649)
Investment earnings	<u>997</u>	<u>422</u>	<u>2,889</u>	<u>4,308</u>
Total non-operating revenues (expenses)	<u>(933)</u>	<u>422</u>	<u>(42,830)</u>	<u>(43,341)</u>
Income (loss) before capital contributions	(117,026)	(27,001)	258,215	114,188
Transfers in	366,341	-	-	366,341
Transfers out	<u>-</u>	<u>(48,456)</u>	<u>(317,885)</u>	<u>(366,341)</u>
Change in Net Position	249,315	(75,457)	(59,670)	114,188
Beginning Net Position	3,184,385	433,830	(466,058)	3,152,157
Prior period adjustment - GASB 68	(52,938)	-	-	(52,938)
Prior period adjustment - PERS bonds	<u>(24,011)</u>	<u>-</u>	<u>-</u>	<u>(24,011)</u>
Ending Net Position	<u>\$ 3,356,751</u>	<u>\$ 358,373</u>	<u>\$ (525,728)</u>	<u>\$ 3,189,396</u>

**CITY OF COTTAGE GROVE, OREGON**

Storm Drain Operations Combined

Combining Statement of Cash Flows

For the Year Ended June 30, 2015

	Storm Drainage Utility Fund (402)	Storm Drainage Systems Development Fund (606)	Storm Drainage Reserve Fund (736)	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 264,548	\$ 14,150	\$ 399,465	\$ 678,163
Cash payments to employees	(164,166)	-	-	(164,166)
Cash payments to suppliers for goods and services	(52,287)	(38,440)	(107,338)	(198,065)
Net cash provided (used) by operating activities	<u>48,095</u>	<u>(24,290)</u>	<u>292,127</u>	<u>315,932</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers in	366,341	-	-	366,341
Transfers out	-	(48,456)	(317,885)	(366,341)
Repayment of interfund loan	-	19,300	-	19,300
Net cash provided (used) by noncapital financing activities	<u>366,341</u>	<u>(29,156)</u>	<u>(317,885)</u>	<u>19,300</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(366,340)	-	-	(366,340)
Principal paid on capital debt	(10,017)	-	(55,467)	(65,484)
Interest paid on capital debt	(2,080)	-	(45,719)	(47,799)
Net cash provided (used) by capital and related financing activities	<u>(378,437)</u>	<u>-</u>	<u>(101,186)</u>	<u>(479,623)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income	997	422	2,889	4,308
Net change in cash and investments	36,996	(53,024)	(124,055)	(140,083)
Cash and investments:				
Cash at beginning of year	99,745	318,029	789,226	1,207,000
Cash at end of year	<u>\$ 136,741</u>	<u>\$ 265,005</u>	<u>\$ 665,171</u>	<u>\$ 1,066,917</u>

**CITY OF COTTAGE GROVE, OREGON**

Storm Drain Operations Combined

Combining Statement of Cash Flows, continued

For the Year Ended June 30, 2015

	<u>Storm Drainage Utility Fund (402)</u>	<u>Storm Drainage Systems Development Fund (606)</u>	<u>Storm Drainage Reserve Fund (736)</u>	<u>Total</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>				
Operating income (loss)	\$ (116,093)	\$ (27,423)	\$ 301,045	\$ 157,529
Adjustments:				
Depreciation	199,817	-	-	199,817
(Increase) decrease in current assets:				
Receivables - net	(3,139)	-	(8,805)	(11,944)
Net pension asset	(31,462)	-	-	(31,462)
Deferred outflow	(17,471)	-	-	(17,471)
Increase (decrease) in current liabilities:				
Accounts payable	485	3,133	(113)	3,505
Payroll and related accruals	8,855	-	-	8,855
Deferred inflow	<u>7,103</u>	<u>-</u>	<u>-</u>	<u>7,103</u>
Net cash provided (used) by operating activities	<u>\$ 48,095</u>	<u>\$ (24,290)</u>	<u>\$ 292,127</u>	<u>\$ 315,932</u>

**CITY OF COTTAGE GROVE, OREGON**

Water Fund (202)

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 1,643,610	\$ 1,643,610	\$ 1,645,046	\$ 1,436
Investment earnings	1,500	1,500	4,882	3,382
Miscellaneous	<u>2,250</u>	<u>2,250</u>	<u>2,657</u>	<u>407</u>
Total revenues	<u>1,647,360</u>	<u>1,647,360</u>	<u>1,652,585</u>	<u>5,225</u>
Expenditures:				
Water Distribution	905,760	905,760	830,282	75,478
Water Production	573,635	573,635	539,220	34,415
Materials and Services	176,375	176,375	159,209	17,166
Debt Service - Principal	2,455	2,455	2,452	3
Debt Service - Interest	12,765	12,765	12,757	8
Contingency	<u>363,115</u>	<u>363,115</u>	<u>-</u>	<u>363,115</u>
Total expenditures	<u>2,034,105</u>	<u>2,034,105</u>	<u>1,543,920</u>	<u>490,185</u>
Excess of revenues over (under) expenditures	(386,745)	(386,745)	108,665	495,410
Other financing sources (uses):				
Transfers out	<u>(175,000)</u>	<u>(175,000)</u>	<u>(175,000)</u>	<u>-</u>
Net change in fund balance	(561,745)	(561,745)	(66,335)	495,410
Beginning fund balance	<u>561,745</u>	<u>561,745</u>	<u>592,060</u>	<u>30,315</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	525,725	<u>\$ 525,725</u>
Reconciliation to GAAP basis:				
Inventories			153,205	
Net pension asset			180,152	
Capital assets, net			14,004,107	
Related to pensions			98,209	
Accrued interest payable			(91,835)	
Long-term liabilities			(3,397,694)	
Related to pensions			<u>(343,800)</u>	
GAAP fund balance - end of year			<u>\$ 11,128,069</u>	

**CITY OF COTTAGE GROVE, OREGON**

Water Systems Development Fund (602)

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 50,000	\$ 50,000	\$ 69,279	\$ 19,279
Investment earnings	<u>200</u>	<u>200</u>	<u>1,121</u>	<u>921</u>
Total revenues	<u>50,200</u>	<u>50,200</u>	<u>70,400</u>	<u>20,200</u>
Expenditures:				
Materials and Services	36,425	36,425	922	35,503
Capital Outlay	<u>210,240</u>	<u>210,240</u>	<u>-</u>	<u>210,240</u>
Total expenditures	<u>246,665</u>	<u>246,665</u>	<u>922</u>	<u>245,743</u>
Net change in fund balance	(196,465)	(196,465)	69,478	265,943
Beginning fund balance	<u>196,465</u>	<u>196,465</u>	<u>240,495</u>	<u>44,030</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 309,973</u>	<u>\$ 309,973</u>

**CITY OF COTTAGE GROVE, OREGON**

Water Reserve Fund (732)

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 1,271,715	\$ 1,271,715	\$ 1,292,371	\$ 20,656
Investment earnings	1,500	1,500	2,407	907
Miscellaneous	<u>200</u>	<u>200</u>	<u>-</u>	<u>(200)</u>
Total revenues	<u>1,273,415</u>	<u>1,273,415</u>	<u>1,294,778</u>	<u>21,363</u>
Expenditures:				
Materials and Services	291,540	291,540	100,762	190,778
Capital Outlay	959,040	959,040	92,952	866,088
Debt Service - Principal	398,710	398,710	398,703	7
Debt Service - Interest	394,475	394,475	394,468	7
Contingency	<u>263,615</u>	<u>263,615</u>	<u>-</u>	<u>263,615</u>
Total expenditures	<u>2,307,380</u>	<u>2,307,380</u>	<u>986,885</u>	<u>1,320,495</u>
Excess of revenues over (under) expenditures	(1,033,965)	(1,033,965)	307,893	1,341,858
Other financing sources (uses):				
Transfers in	<u>175,000</u>	<u>175,000</u>	<u>175,000</u>	<u>-</u>
Net change in fund balance	(858,965)	(858,965)	482,893	1,341,858
Beginning fund balance	<u>858,965</u>	<u>858,965</u>	<u>955,663</u>	<u>96,698</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	1,438,556	<u>\$ 1,438,556</u>
Reconciliation to GAAP basis:				
Long-term liabilities			<u>(5,963,578)</u>	
GAAP fund balance - end of year			<u>\$ (4,525,022)</u>	

**CITY OF COTTAGE GROVE, OREGON**

Wastewater Fund (302)

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 1,673,895	\$ 1,673,895	\$ 1,654,332	\$ (19,563)
Investment earnings	400	400	2,998	2,598
Miscellaneous	<u>17,990</u>	<u>17,990</u>	<u>22,954</u>	<u>4,964</u>
Total revenues	<u>1,692,285</u>	<u>1,692,285</u>	<u>1,680,284</u>	<u>(12,001)</u>
Expenditures:				
Wastewater Collections	333,960	333,960	306,029	27,931
Wastewater Treatment Plant	714,460	714,460	691,348	23,112
Middlefield Golf Course	465,460	465,460	446,873	18,587
Materials and Services	181,210	181,210	179,210	2,000
Debt Service - Principal	57,215	57,215	57,212	3
Debt Service - Interest	47,310	47,310	47,299	11
Contingency	<u>85,670</u>	<u>85,670</u>	<u>-</u>	<u>85,670</u>
Total expenditures	<u>1,885,285</u>	<u>1,885,285</u>	<u>1,727,971</u>	<u>157,314</u>
Net change in fund balance	(193,000)	(193,000)	(47,687)	145,313
Beginning fund balance	<u>193,000</u>	<u>193,000</u>	<u>266,758</u>	<u>73,758</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	219,071	<u>\$ 219,071</u>
Reconciliation to GAAP basis:				
Inventories			39,010	
Net pension asset			162,095	
Capital assets, net			15,611,955	
Related to pensions			85,129	
Accrued interest payable			(29,946)	
Long-term liabilities			(422,462)	
Related to pensions			<u>(309,339)</u>	
GAAP fund balance - end of year			<u>\$ 15,355,513</u>	

**CITY OF COTTAGE GROVE, OREGON**

Wastewater Systems Development Charge Fund (604)

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 15,000	\$ 15,000	\$ 11,554	\$ (3,446)
Investment earnings	<u>600</u>	<u>600</u>	<u>302</u>	<u>(298)</u>
Total revenues	<u>15,600</u>	<u>15,600</u>	<u>11,856</u>	<u>(3,744)</u>
Expenditures:				
Materials and Services	60,600	60,600	36,869	23,731
Capital Outlay	<u>49,840</u>	<u>49,840</u>	<u>-</u>	<u>49,840</u>
Total expenditures	<u>110,440</u>	<u>110,440</u>	<u>36,869</u>	<u>73,571</u>
Net change in fund balance	(94,840)	(94,840)	(25,013)	69,827
Beginning fund balance	<u>94,840</u>	<u>94,840</u>	<u>90,236</u>	<u>(4,604)</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,223</u>	<u>\$ 65,223</u>

**CITY OF COTTAGE GROVE, OREGON**

Wastewater Reserve Fund (735)

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 865,635	\$ 865,635	\$ 874,513	\$ 8,878
Investment earnings	250	250	662	412
Miscellaneous	<u>100</u>	<u>100</u>	<u>-</u>	<u>(100)</u>
Total revenues	<u>865,985</u>	<u>865,985</u>	<u>875,175</u>	<u>9,190</u>
Expenditures:				
Materials and Services	75,455	75,455	34,394	41,061
Capital Outlay	220,950	220,950	110,807	110,143
Debt Service - Principal	473,240	473,240	462,819	10,421
Debt Service - Interest	268,690	268,690	266,216	2,474
Contingency	<u>16,885</u>	<u>16,885</u>	<u>-</u>	<u>16,885</u>
Total expenditures	<u>1,055,220</u>	<u>1,055,220</u>	<u>874,236</u>	<u>180,984</u>
Excess of revenues over (under) expenditures	(189,235)	(189,235)	939	190,174
Other financing sources (uses):				
Proceeds from loans	<u>100,000</u>	<u>100,000</u>	<u>72,460</u>	<u>(27,540)</u>
Net change in fund balance	(89,235)	(89,235)	73,399	162,634
Beginning fund balance	<u>89,235</u>	<u>89,235</u>	<u>150,116</u>	<u>60,881</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	223,515	<u>\$ 223,515</u>
Reconciliation to GAAP basis:				
Accrued interest payable			(215)	
Long-term liabilities			<u>(7,316,640)</u>	
GAAP fund balance - end of year			<u>\$ (7,093,340)</u>	

**CITY OF COTTAGE GROVE, OREGON**

Storm Drainage Utility Fund (402)

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 264,900	\$ 264,900	\$ 267,202	\$ 2,302
Investment earnings	125	125	997	872
Miscellaneous	<u>600</u>	<u>600</u>	<u>486</u>	<u>(114)</u>
Total revenues	<u>265,625</u>	<u>265,625</u>	<u>268,685</u>	<u>3,060</u>
Expenditures:				
Materials and Services	67,940	67,940	52,760	15,180
Personnel Services	184,835	184,835	173,644	11,191
Debt Service - Principal	2,505	2,505	2,494	11
Contingency	<u>113,030</u>	<u>113,030</u>	<u>-</u>	<u>113,030</u>
Total expenditures	<u>368,310</u>	<u>368,310</u>	<u>228,898</u>	<u>139,412</u>
Net change in fund balance	(102,685)	(102,685)	39,787	142,472
Beginning fund balance	<u>102,685</u>	<u>102,685</u>	<u>110,133</u>	<u>7,448</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	149,920	<u>\$ 149,920</u>
Reconciliation to GAAP basis:				
Net pension asset			31,462	
Capital assets, net			3,254,457	
Related to pensions			17,471	
Accrued interest payable			(3,917)	
Long-term liabilities			(32,601)	
Related to pensions			<u>(60,041)</u>	
GAAP fund balance - end of year			<u>\$ 3,356,751</u>	

**CITY OF COTTAGE GROVE, OREGON**

Storm Drainage Systems Development Fund (606)

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 20,000	\$ 20,000	\$ 14,149	\$ (5,851)
Investment earnings	<u>1,000</u>	<u>1,000</u>	<u>422</u>	<u>(578)</u>
Total revenues	<u>21,000</u>	<u>21,000</u>	<u>14,571</u>	<u>(6,429)</u>
Expenditures:				
Materials and Services	57,760	57,760	41,572	16,188
Capital Outlay	<u>300,750</u>	<u>300,750</u>	<u>48,456</u>	<u>252,294</u>
Total expenditures	<u>358,510</u>	<u>358,510</u>	<u>90,028</u>	<u>268,482</u>
Excess of revenues over (under) expenditures	(337,510)	(337,510)	(75,457)	262,053
Other financing sources (uses):				
Proceeds from loans	<u>19,300</u>	<u>19,300</u>	<u>19,300</u>	<u>-</u>
Net change in fund balance	(318,210)	(318,210)	(56,157)	262,053
Beginning fund balance	<u>318,210</u>	<u>318,210</u>	<u>318,030</u>	<u>(180)</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	261,873	<u>\$ 261,873</u>
Reconciliation to GAAP basis:				
Internal balances			<u>96,500</u>	
GAAP fund balance - end of year			<u>\$ 358,373</u>	

**CITY OF COTTAGE GROVE, OREGON**

Storm Drainage Reserve Fund (736)

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 402,995	\$ 402,995	\$ 407,029	\$ 4,034
Investment earnings	2,000	2,000	2,888	888
Miscellaneous	<u>50</u>	<u>50</u>	<u>400</u>	<u>350</u>
Total revenues	<u>405,045</u>	<u>405,045</u>	<u>410,317</u>	<u>5,272</u>
Expenditures:				
Materials and Services	203,560	203,560	105,175	98,385
Capital Outlay	593,250	593,250	319,935	273,315
Debt Service - Principal	80,330	80,330	76,946	3,384
Debt Service - Interest	49,620	49,620	48,623	997
Contingency	<u>168,520</u>	<u>168,520</u>	<u>-</u>	<u>168,520</u>
Total expenditures	<u>1,095,280</u>	<u>1,095,280</u>	<u>550,679</u>	<u>544,601</u>
Excess of revenues over (under) expenditures	(690,235)	(690,235)	(140,362)	549,873
Other financing sources (uses):				
Proceeds from loans	<u>25,000</u>	<u>25,000</u>	<u>25,225</u>	<u>225</u>
Net change in fund balance	(665,235)	(665,235)	(115,137)	550,098
Beginning fund balance	<u>665,235</u>	<u>665,235</u>	<u>816,704</u>	<u>151,469</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	701,567	<u>\$ 701,567</u>
Reconciliation to GAAP basis:				
Long-term liabilities			<u>(1,227,295)</u>	
GAAP fund balance - end of year			<u>\$ (525,728)</u>	

**COMPLIANCE SECTION**



INDEPENDENT AUDITOR'S REPORT REQUIRED  
BY OREGON STATE REGULATIONS

An Independently Owned Member  
**McGLADREY ALLIANCE**



Honorable Mayor and City Council  
City of Cottage Grove, Oregon

We have audited the basic financial statements of the City of Cottage Grove, Oregon ("City") as of and for the year ended June 30, 2015, and have issued our report thereon dated April 29, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

**Compliance**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).

In connection with our testing nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations except as follows:

1. Deficit fund balance is described in Note 2. B.

**OAR 162-10-0230 Internal Control**

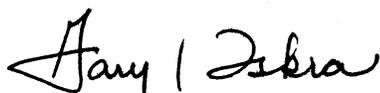
In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses, or significant deficiencies. We reported material weaknesses in our letter dated April 29, 2016.

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

**ISLER CPA**

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

by: Gary Iskra, CPA, a member of the firm

Eugene, Oregon  
April 29, 2016