

**CITY OF CRESWELL  
LANE COUNTY, OREGON**

**ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended June 30, 2014**

**CITY OF CRESWELL**  
**LANE COUNTY, OREGON**  
 June 30, 2014

**CITY OFFICIALS**

Name	Position	Term Expires
<b>Dave Stram</b> 545 South 2nd Street Creswell, OR 97426	Mayor	12/31/2014
<b>Nora Reynolds</b> 610 Meadow Lane Creswell, OR 97426	Council Member	12/31/2016 <i>Resigned 01/29/2014</i> <i>Replaced by Omar Bowles</i>
<b>Omar Bowles</b> 81 North 10th Street Creswell, OR 97426	Council Member	12/31/2016 <i>Appointed 6/23/2014</i> <i>Replaced Nora Reynolds</i>
<b>A.J. O'Connell</b> 98 North 7th Street Creswell, OR 97426	Council Member	12/31/2014 <i>Resigned 10/07/2013</i> <i>Replaced by Holly Campbell</i>
<b>Holly Campbell</b> 211 Creswood Drive Creswell, OR 97426	Council Member	12/31/2014 <i>Appointed 01/13/2014</i> <i>Replaced A.J. O'Connell</i>
<b>Adam Pelatt</b> 643 St. Andrews Loop Creswell, OR 97426	Council Member	12/31/2014
<b>Jane Vincent</b> 708 Kings Row Creswell, OR 97426	Council Member	12/31/2016
<b>Brent Gifford</b> 527 Pebble Beach Drive Creswell, OR 97426	Council Member	12/31/2014
<b>Jacob Daniels</b> 501 Creswood Drive Creswell, OR 97426	Council Member	12/31/2016 <i>Resigned 06/09/2014</i> <i>Replaced by Ted Romoser</i>
<b>Ted Romoser</b> 1240 Augusta Court Creswell, OR 97426	Council Member	12/31/2016 <i>Appointed 06/23/2014</i> <i>Replaced Jacob Daniels</i>

**ADMINISTRATION**  
**City Hall**  
**13 South First Street**  
**Creswell, Oregon 97426**

Name	Position
<b>Jamon Kent</b>	Interim City Administrator <i>Effective 03/16/13</i> <i>through 08/18/2013</i>
<b>Steve Carmichael</b>	Interim City Administrator <i>Effective 08/19/2013</i> <i>through 09/02/2013</i>
<b>Larry Patterson</b>	Interim City Administrator <i>Effective 09/02/2013</i> <i>through 02/01/2014</i>
<b>Michelle Amberg</b>	City Administrator <i>Effective 02/03/2014</i>
<b>Layli Nichols</b>	Finance Director

**CITY OF CRESWELL**  
LANE COUNTY, OREGON  
June 30, 2014

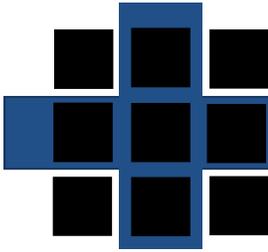
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**CITY OF CRESWELL**  
**LANE COUNTY, OREGON**  
 June 30, 2014

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## RICHARD MAXWELL CPA LLC

1600 Valley River Dr., Suite 370, Eugene, OR 97401 (541) 334-4498 fax (541) 334-1755

### INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council  
City of Creswell  
Creswell, 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 Creswell, Oregon, as of and for the year ended June 30, 2014, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Creswell, Oregon, as of June 30, 2014, 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 a Matter***

As described in Note 4K, the City adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended June 30, 2014. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–12 and 45–48 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 managements' discussion and analysis 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 information for the General fund and each major special revenue fund has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 information is fairly stated in all material respects in relation to the 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 of Creswell, Oregon's basic financial statements. The other supplementary information (the combining and individual nonmajor fund financial statements and schedules) as reported in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

This information is the responsibility of management and was 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, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 24, 2014, on our consideration of the City of Creswell, Oregon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Creswell, Oregon's internal control over financial reporting and compliance.

### **Other Reporting Required by Oregon Minimum Standards**

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 24, 2014, on our consideration of the City of Creswell, Lane County, Oregon's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. 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.

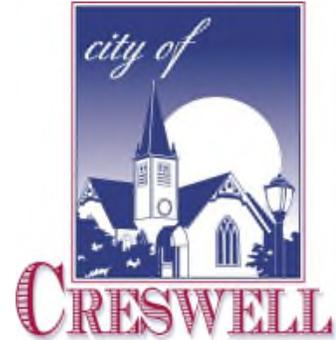
Handwritten signature of Richard Maxwell in black ink.

Richard Maxwell CPA LLC

Eugene, Oregon  
December 24, 2014

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

*City of Creswell*  
13 South 1<sup>st</sup> Street, P.O. Box 276 Creswell, OR 97426  
Ph (541) 895-2531 Fax (541) 895-3647



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

This discussion and analysis presents the highlights of financial activities and the financial position of the City of Creswell. 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 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 of the City exceeded its liabilities by \$36.1 million (reported as net position). Of this amount, \$7.9 million represents unrestricted net position, which may be used to meet the City's obligations to citizens and creditors.
- The City's net position increased \$16,000 in governmental activities and \$366,000 in business-type activities for a total increase of \$382,000.
- The City's total debt outstanding decreased \$801,000 or 7% this year. Debt outstanding was decreased by \$868,000 in principal payments, including principal payments made on interim financing; and the overall increase to the City's net OPEB obligation and compensated absences was \$67,000.

Fund Level

- The City's governmental funds reported a combined fund balance of \$3.4 million, an increase of \$190,000 from the prior fiscal year. Of the fund balance reported, \$1.9 million is considered non-spendable, restricted, committed or assigned. The remaining \$1.5 million 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 \$21 million, an increase of \$366,000 over the prior year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City of Creswell'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, there are other non-financial factors that influence the City's fiscal health, such as changes in the economy and changes in the City's tax base, etc. 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 – (reported on a full accrual basis)

- 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 and unrestricted amounts. 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 funds 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 deferred inflows, and liabilities and deferred outflows 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 government fund amounts or 10% of 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 City's General Fund and State Highway Street Fund qualify as major government funds. The Building Department Fund and Capital Improvement Fund are included by management electively, as we feel the activity within these funds are significant even though it technically did not meet the criteria.
- Proprietary 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 (receivables and payables) regardless of when they will be converted to cash or paid out with cash. The City's enterprise funds charge fees to customers to help cover the costs of certain services provided. The City's Water, Sewer, and Airport activities are reported as enterprise funds.

#### Notes to the 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.

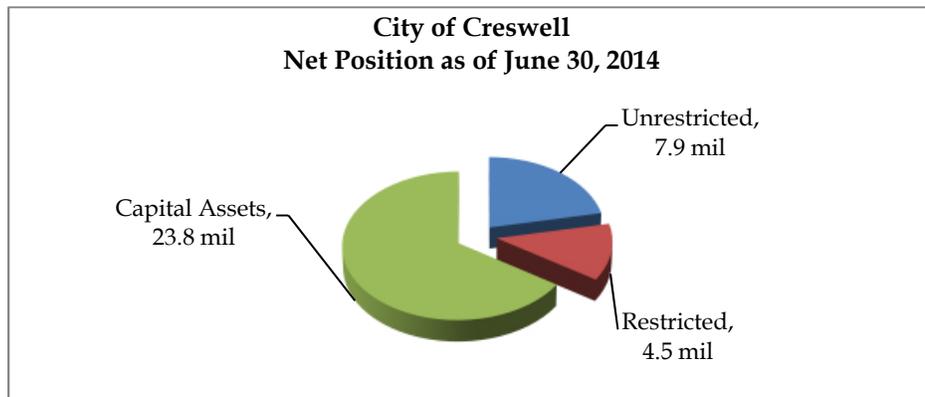
Government and business assets and liabilities (rounded to the nearest \$I, 000) were as follows:

	<u>Government</u>		<u>Business</u>		<u>Total</u>	
	<u>June 2014</u>	<u>June 2013</u>	<u>June 2014</u>	<u>June 2013</u>	<u>June 2014</u>	<u>June 2013</u>
Cash and investments	\$3,421,000	\$3,240,000	\$8,639,000	\$8,496,000	\$12,060,000	\$11,736,000
Other assets	191,000	183,000	482,000	393,000	673,000	576,000
Capital assets	11,313,000	11,445,000	22,216,000	22,916,000	33,529,000	34,361,000
<b>Total assets</b>	<b>14,925,000</b>	<b>14,868,000</b>	<b>31,337,000</b>	<b>31,805,000</b>	<b>46,262,000</b>	<b>46,673,000</b>
Current liabilities	91,000	97,000	690,000	740,000	781,000	837,000
Non-current liabilities	142,000	95,000	9,199,000	9,983,000	9,341,000	10,078,000
<b>Total liabilities</b>	<b>233,000</b>	<b>192,000</b>	<b>9,889,000</b>	<b>10,723,000</b>	<b>10,122,000</b>	<b>10,915,000</b>
Net position:						
Net investment in capital assets	11,314,000	11,444,000	12,466,000	12,299,000	23,780,000	23,743,000
Restricted	1,524,000	1,325,000	2,949,000	2,827,000	4,473,000	4,152,000
Unrestricted	1,854,000	1,907,000	6,033,000	5,956,000	7,887,000	7,863,000
<b>Total net position</b>	<b>\$14,692,000</b>	<b>\$14,676,000</b>	<b>\$21,448,000</b>	<b>\$21,082,000</b>	<b>\$36,140,000</b>	<b>\$35,758,000</b>

**Changes in net position**

The increase in net position of \$382,000 is attributed mainly to net operating income and system development charges. The reduction in liabilities is mainly due to debt service payments made on debt for water and sewer infrastructure improvements.

66% of the City’s net position is invested in capital assets (e.g. land, building, equipment and streets) and reported net of related outstanding debt. The City uses these capital assets to provide services to its citizens; thus, they do not represent resources available for future spending. Restricted net position totals \$4.5 million and represents cash and investments that are legally restricted for capital expansion or debt service. Finally, the remaining \$7.9 million is unrestricted, meaning it is available for meeting the City’s ongoing obligations. The following chart displays the three components of net position as of June 30, 2014.



## 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.

Government and business revenues and expenses (rounded to the nearest \$1,000) were as follows:

	<u>Government</u>		<u>Business</u>		<u>Total</u>	
	<u>June 2014</u>	<u>June 2013</u>	<u>June 2014</u>	<u>June 2013</u>	<u>June 2014</u>	<u>June 2013</u>
<b>Revenues:</b>						
Program revenues:						
Capital grants & contributions	\$60,000	\$32,000	\$147,000	\$137,000	\$207,000	\$169,000
Operating grants	302,000	291,000	0	0	302,000	291,000
Charges for service	150,000	114,000	2,659,000	2,618,000	2,809,000	2,732,000
<b>Total program revenues</b>	<b>512,000</b>	<b>437,000</b>	<b>2,806,000</b>	<b>2,755,000</b>	<b>3,318,000</b>	<b>3,192,000</b>
General revenues:						
Property taxes	818,000	801,000	0	0	818,000	801,000
Franchise & public service taxes	587,000	471,000	0	0	587,000	471,000
Investment earnings	20,000	21,000	47,000	49,000	67,000	70,000
Other	12,000	12,000	0	0	12,000	12,000
<b>Total general revenues</b>	<b>1,437,000</b>	<b>1,305,000</b>	<b>47,000</b>	<b>49,000</b>	<b>1,484,000</b>	<b>1,354,000</b>
<b>Total revenues:</b>	<b>1,949,000</b>	<b>1,742,000</b>	<b>2,853,000</b>	<b>2,804,000</b>	<b>4,802,000</b>	<b>4,546,000</b>
<b>Expenses:</b>						
General government	307,000	387,000	0	0	307,000	387,000
Public safety	678,000	539,000	0	0	678,000	539,000
Planning & land use	194,000	167,000	0	0	194,000	167,000
Highways & streets	336,000	326,000	0	0	336,000	326,000
Culture & recreation	169,000	145,000	0	0	169,000	145,000
Depreciation - unallocated	89,000	85,000	0	0	89,000	85,000
Water	0	0	1,216,000	1,252,000	1,216,000	1,252,000
Sewer	0	0	899,000	901,000	899,000	901,000
Airport	0	0	522,000	475,000	522,000	475,000
<b>Total expenses:</b>	<b>1,773,000</b>	<b>1,649,000</b>	<b>2,637,000</b>	<b>2,628,000</b>	<b>4,410,000</b>	<b>4,277,000</b>
Increase in net position before transfers	176,000	93,000	216,000	176,000	392,000	269,000
Transfer to or (from) other funds	(150,000)	(339,000)	150,000	339,000	0	0
Loss on disposal of capital assets	(10,000)	0	0	0	(10,000)	0
<b>Change in net position</b>	<b>16,000</b>	<b>(246,000)</b>	<b>366,000</b>	<b>515,000</b>	<b>382,000</b>	<b>269,000</b>
Beginning net position	14,676,000	14,922,000	21,082,000	20,567,000	35,758,000	35,489,000
<b>Ending net position</b>	<b>\$14,692,000</b>	<b>\$14,676,000</b>	<b>\$21,448,000</b>	<b>\$21,082,000</b>	<b>\$36,140,000</b>	<b>\$35,758,000</b>

### Governmental Activities

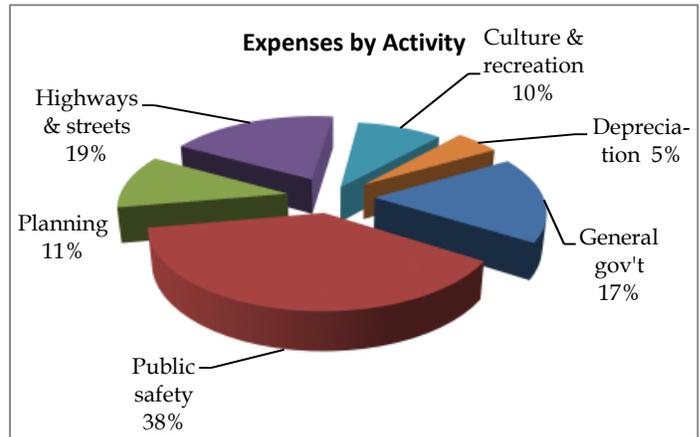
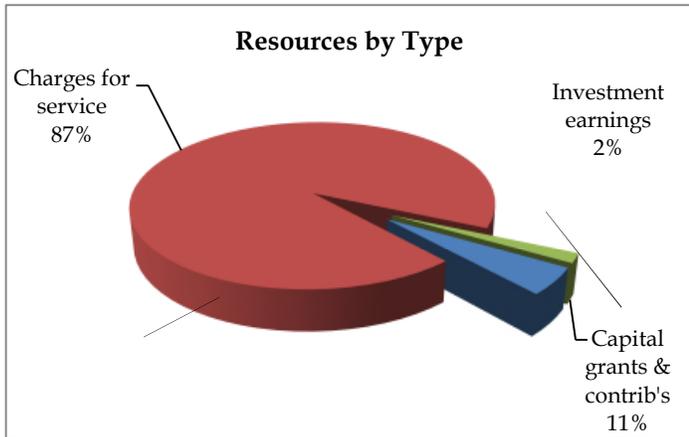
The net position for governmental activities increased \$16,000 from the prior year. Key factors include:

- An increase in program revenues of \$75,000, including an increase to system development charges of \$28,000
- An increase in general revenues of \$132,000, including an increase to franchise and public service taxes of \$116,000
- Governmental expenses increased \$124,000, with the increased costs of goods and services
- Transfers to the Airport Fund of \$150,000 and loss on the disposal of the old Neighborhood Watch building of \$10,000 reduced the overall change in net position for all governmental activities.

Financial highlights from governmental activities for the year include:

- Capital grants and contributions – increased by \$27,000 over the prior year. This increase is due to an increase in transportation system development charges collected this year.
- Charges for service – increased 31%, mainly a result of increased revenue for building and electrical permits of \$22,000 and planning and land use fees of \$10,000.
- Property taxes comprise approximately 42% of governmental operating resources. For operating purposes, property tax revenues increased \$17,000 over last year, as allowed by statute.
- Total governmental activity expense – increased 8% over last year, mainly due to an increase in service levels for the police services contract with the Lane County Sheriff’s Department.

Governmental Activities as of June 30, 2014



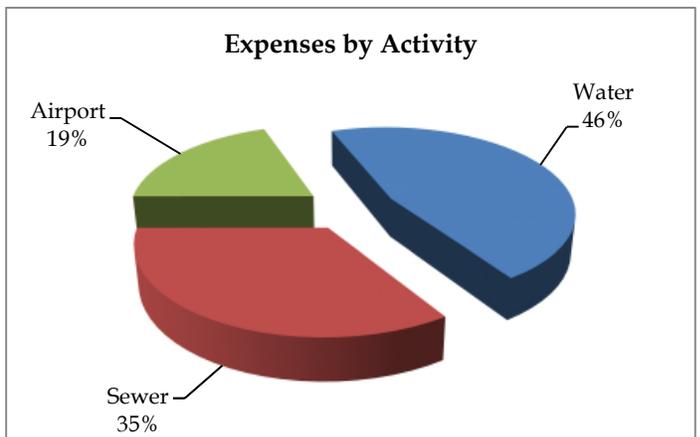
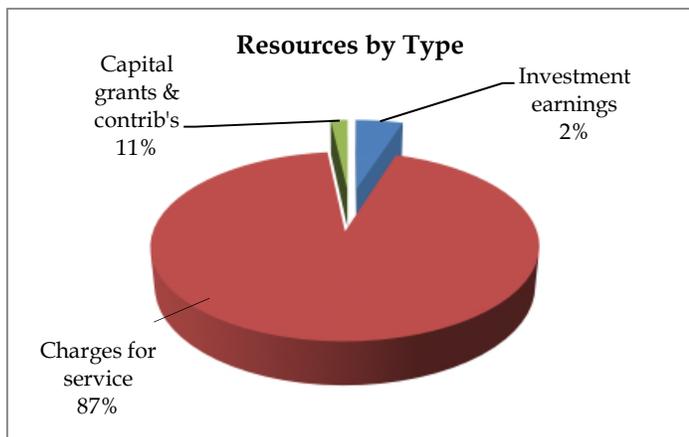
Business Activities

Business-type activities generated a \$366,000 increase to net position from the prior year.

Key activities during the fiscal year include:

- Capital grants and contributions – increased by \$10,000 over the prior year due to an increase in water and sewer system development charges and grant proceeds in the Airport Fund.
- Charges for service in the Water and Sewer Funds generated the majority of the \$2.8 million in revenues for all business-type activities; while fuel sales in the Airport Fund increased \$14,000.
- Expenses decreased \$2,000 from last year, though water expenses decreased \$36,000 mainly due to a decrease in interest expense and an overall reduction to materials and services, and airport expenses increased \$36,000 due to the settlement agreement in the Eugene Skydivers lawsuit.

Business Activities as of June 30, 2014



## **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 financing requirements. Unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

There are nine governmental funds, of which four are classified as major funds. The major funds are discussed individually, while the non-major funds are briefly summarized at the end of this discussion.

At the end of the fiscal year, the City's governmental funds reported combined ending fund balances of \$3,425,000, an increase of \$190,000 over the prior year. The General Fund accounts for \$1,561,000; the remaining \$1,864,000 of the total resides in other funds and is either legally restricted or assigned by the governing body for specific purposes.

The General Fund is the chief operating fund for the City. The \$1,561,000 in fund balance decreased \$163,000 during the fiscal year. Transfers to other funds totaled \$300,000; \$150,000 was transferred to the Capital Improvement Fund for City Hall and \$150,000 was transferred to the Airport Fund for operations. Public safety expenses increased \$139,000 mainly due to an increase in the police services contract, which added an additional deputy. Planning and Land Use expenses increased \$27,000 and Culture and Recreation expenses increased \$24,000 over last year. Licenses and Permits increased \$10,000 for a total of \$21,000 as a result of increased development activity; franchise taxes increased \$6,000 for a total of \$269,000; while court fines, forfeitures and court costs remained constant with a total of \$34,000. The remaining intergovernmental revenues and other taxes increased slightly, combined with state-shared revenues, provided about \$203,000 in revenue. Property tax increases are controlled by state statute and allowed to grow by up to 3% per year under normal circumstances.

The State Highway Street Fund records activity for the construction and maintenance of the City's roads and related infrastructure. The primary source of revenue in the Street Fund is receipts from highway user tax which totaled \$286,000. Revenues also included \$108,000 received from the Oregon Department of Transportation (ODOT) State Exchange Program. These funds were used to help pay for resurfacing a portion of Oregon Avenue this year. The fund balance at fiscal year-end is \$766,000, up \$137,000 from last year. This fund typically is only able to fund a project every several years due to revenue constraints.

The Capital Improvement Fund accounts for the revenues and expenditures of major capital improvements. This fund ended with a balance of \$225,000. The increase in fund balance from last year is due to a transfer of \$150,000 from the General Fund in anticipation of construction improvements to the City Hall Parking Lot, and additional improvements to the 2<sup>nd</sup> floor of City Hall.

The Building Department Fund accounts for building permit and inspection services. Permit revenues of \$84,000 were received, an increase of \$22,000 over last year. The Building Department's fund balance increased \$3,000, with an ending balance of \$111,000.

The remaining Governmental Funds, which include the Local Improvement District Fund, the Bicycle Foot Path Fund, the Parks Development Fund and Transportation Enhancement Fund, shared a combined ending fund balance of \$762,000.

### **Proprietary Funds (Business-type Funds)**

The Water Fund received \$1,372,000 in user charges, an increase of \$14,000 from last year. This is primarily due to an increase in water consumption and the installation of new service connections. In addition, the City received system development charges of \$68,000. Overall, net position increased \$263,000, with an ending balance of \$11,314,000.

The Sewer Fund received \$941,000 in user charges, an increase of \$7,000 over the prior year's receipts. System development charges in the Sewer Fund totaled \$38,000, a decrease of \$14,000 from last year. Overall, the net position increased \$102,000, with an ending balance of \$9,006,000.

The Airport Fund ended the year with a net position totaling \$1,128,000, an increase of \$1,000. Primary sources of revenue in the Airport Fund include fuel sales, which totaled \$254,000, (an increase of \$14,000) and rental income of \$57,000. The Airport Fund continues to struggle as operating revenues are often not sufficient to cover operating costs and capital-related expenditures. This year, the General Fund provided two transfers totaling \$150,000. According to the Governmental Accounting Standards Board, enterprise funds should be self-sufficient, relying on fees charged for goods or services to cover operations, maintenance, and replacement and expansion costs.

**General Fund Budgetary Highlights**

The budgetary statement for the General Fund shows the original budget, final budget, actual revenues, expenditures and other financing sources (uses) for the fiscal year ended June 30, 2014. Three budgetary adjustments were approved by Council during the fiscal year. The adjustments included a \$168,321 increase to public safety to add a third deputy to the contract with Lane County Sheriff’s Department, a \$50,000 increase to the transfer to the Airport Fund to pay off Eugene Skydivers as a result of the settlement agreement entered into by Council in 2013, and recognition of the Rural Tourism Marketing Program grant, which is passed through to the Chamber of Commerce. Overall, the General Fund actual costs for personal services and materials and services were \$387,000 less than the revised budget.

**Capital Assets and Debt Administration**

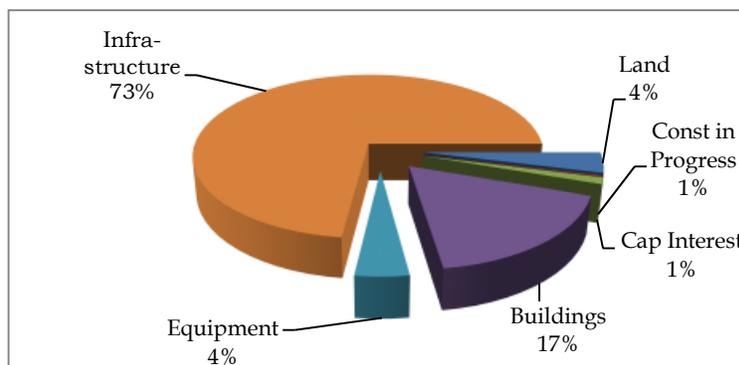
**Capital Assets Net of Depreciation**

Capital Assets comprise 73.1% of all City assets. Of that total, infrastructure is the largest component of both governmental and business-type activities. Infrastructure includes road improvements, sidewalks, storm water systems, sewer lines, water lines, and airport improvements. In 2013-2014, capital assets for the governmental and proprietary funds decreased primarily due to depreciation.

Government and business capital assets (rounded to the nearest \$1,000) were as follows:

	<u>Government</u>		<u>Business</u>		<u>Total</u>	
	<u>June 2014</u>	<u>June 2013</u>	<u>June 2014</u>	<u>June 2013</u>	<u>June 2014</u>	<u>June 2013</u>
Land	\$403,000	\$403,000	\$1,298,000	\$1,298,000	\$1,701,000	\$1,701,000
Construction in progress	3,000	0	63,000	23,000	66,000	23,000
Buildings	2,314,000	2,300,000	5,404,000	5,400,000	7,718,000	7,700,000
Equipment	580,000	580,000	1,230,000	1,230,000	1,810,000	1,810,000
Infrastructure	10,089,000	9,971,000	22,012,000	21,912,000	32,101,000	31,883,000
Capitalized interest	0	0	543,000	543,000	543,000	543,000
<b>Total:</b>	<b>13,389,000</b>	<b>13,254,000</b>	<b>30,550,000</b>	<b>30,406,000</b>	<b>43,939,000</b>	<b>43,660,000</b>
Accum depreciation:	(2,077,000)	(1,806,000)	(8,334,000)	(7,490,000)	(10,411,000)	(9,296,000)
<b>Net capital assets:</b>	<b>\$11,312,000</b>	<b>\$11,448,000</b>	<b>\$22,216,000</b>	<b>\$22,916,000</b>	<b>\$33,528,000</b>	<b>\$34,364,000</b>

Government and Business Capital Assets as of June 30, 2014



Significant changes to capital assets for governmental and business-type activities for the current fiscal year include:  
 Governmental activities:

- Completion of Cobalt Building Improvements (remove 3-phase electrical and install bathroom), \$35,390
- Completion of Oregon Avenue Improvements from 4<sup>th</sup> Street to 10<sup>th</sup> Street, \$108,376
- Completion of South 2<sup>nd</sup> Street Overlay from C Street to D Street, \$10,200

Business-type activities:

- Recognition of construction in progress for AWOS improvements to the Airport, \$39,985
- South 10<sup>th</sup> Street Water Line Improvements, \$10,664
- Front Street Lift Station Improvements, \$88,728

**Debt Administration**

Debt Outstanding includes a Bancroft bond payable for a special assessment district, a long-term note for sewer system improvements, a bond for sewer system improvements, long-term debt for water system improvements, compensated absences, and postemployment benefit liabilities (OPEB).

During the fiscal year, all scheduled debt service payments were met. The City secured a long term loan for interim financing in the Water Fund. Regular debt service payments on this loan begin in December 2014. It is the City’s intent to make a significant principal payment against this note in order to both shorten the life of this debt and significantly reduce the debt service costs.

Debt service in the Water Fund reflects the following accelerated principal payments:

- \$200,000 - Loan S06004 through Business Oregon, Infrastructure Finance Authority
- \$289,014 - Loan G06001 through Business Oregon, Infrastructure Finance Authority

Government and business obligations (rounded to the nearest \$1,000) were as follows:

	<u>Government</u>		<u>Business</u>		<u>Total</u>	
	<u>June 2014</u>	<u>June 2013</u>	<u>June 2014</u>	<u>June 2013</u>	<u>June 2014</u>	<u>June 2013</u>
Long-term obligations:						
Bancroft bond payable	\$9,000	\$10,000	\$0	\$0	\$9,000	\$10,000
Compensated absences	24,000	17,000	59,000	40,000	83,000	57,000
OPEB liability	109,000	68,000	0	0	109,000	68,000
Notes payable	0	0	8,735,000	9,542,000	8,735,000	9,542,000
Bond payable	0	0	1,015,000	1,075,000	1,015,000	1,075,000
<b>Total obligations:</b>	<b>\$142,000</b>	<b>\$95,000</b>	<b>\$9,809,000</b>	<b>\$10,657,000</b>	<b>\$9,951,000</b>	<b>\$10,752,000</b>

**THE FUTURE OF THE CITY**

**City Hall Project**

- Phase I of the City Hall project (which included construction of a two-story building and finished first floor, was completed in the 2009-2010 fiscal year and capitalized for \$1,582,635. This phase included the additional land that was purchased in order to expand the building footprint.
- Phase II of the project included installation of an elevator, which was completed in the 2010-2011 fiscal year and capitalized at \$57,168.
- Phase III constructed improvements to the second story, which include the addition of council chambers, a restroom, and improvements to common areas totaling \$494,821 including furnishings.
- Phase IV of this project will be to construct improvements to the parking area located at the corner of South 1<sup>st</sup> and C Streets. This phase should be commenced as soon as possible in order to be compliant with the conditions of approval as outlined by the City’s Planning Commission before the project began. This phase is scheduled to be completed in the 2014-2015 fiscal year.
- Phase V will consist of completing infill to the second story, and currently does not have a projected start date.

### **Street Infrastructure and Maintenance**

As of the most recent Census, the City has exceeded a population of 5,000. This made the City eligible for funding through the Federal Department of Transportation. If the City receives these funds directly from the federal government, funds may only be used for federal projects. The City has entered into an intergovernmental agreement with the Oregon Department of Transportation to exchange these federal dollars for state revenues at a discount of \$0.94 on the dollar. This discounted exchange will enable the City to have much greater flexibility with the use of these resources. It is anticipated that contributions to the City will be \$55,398 in the 2014-2015 fiscal year.

With the addition of these funds, the City was able to complete an overlay project on Oregon Avenue, between 4<sup>th</sup> and 10<sup>th</sup> streets. In the forthcoming year, the City plans to use these funds to begin engineering and design on N 5<sup>th</sup> Street improvements between Oregon Avenue and A Street.

Looking ahead, there are several streets that need maintenance or replacement as prioritized in the City's Transportation System Plan. With the lack of adequate resources to keep up with scheduled maintenance, the City will be waiting several years before any major project can be considered, unless additional sustainable funding becomes available.

The City is also in need of a Storm Water Master Plan, as well as an update to the Transportation System Plan. These documents will assist the City in identifying both priority and funding resources for future infrastructure needs.

### **AWOS (Automated Weather Observation System) at Creswell Airport**

The City secured grants from the Department of Transportation, Connect Oregon Rural Airports (CORA) and the FAA Airport Improvement Program (AIP) in the combined amount of \$243,164 at the beginning of the 2012-2013 fiscal year for the purpose of installing an AWOS at the Airport. This is the first step toward providing a non-precision GPS approach at the Airport. Having a non-precision GPS approach would ultimately increase the usability of the Airport as pilots would be able to fly even during inclement weather conditions.

This project was expected to be completed during the 2012-2013 fiscal year, but was delayed due to FAA requirements for placement, the need to conduct an unanticipated environmental review for presence of endangered species and the settlement of litigation at the Airport. It is anticipated that the AWOS system will be completed and operational at the end of the 2014-2015 fiscal year.

### **Cobalt Building**

Donated to the City in lieu of parks open space by a developer, this building has become an ongoing project for our Resource Assistance to Rural Environments (RARE) interns. During the 2013-2014 fiscal year, the City completed improvements to this building, which included replacing the 3-phase electrical and creating improvements to the restroom. In addition, the City entered into a lease agreement with Community Food for Creswell to occupy a portion of the building. The City accepted this building with the intent that it be self sufficient upon completion and infill, and work continues to identify the appropriate recreational use of the building.

### **Planning and Land Use**

City planning continues to focus on updating the City's Comprehensive Plan in order to meet State requirements. As a part of this update, there will also be an update to the City's Water Master Plan, Wastewater Master Plan, Transportation System Plan and Storm Water Master Plan. Completion of these items will dovetail with the previously discussed infrastructure improvements as we prepare Creswell for future growth and/or development.

### **Water Rates**

The Creswell City Council commissioned a water rate study at the beginning of the 2013-2014 fiscal year. In conjunction with the study, a temporary rate freeze was passed by the Council. In November 2014, Council passed resolution 2014-25, which provides a 4% increase to water rates beginning January 2015. An additional 8% increase will be effective July 2015. In addition to this resolution, a ballot measure has been proposed by a Creswell resident, which would amend the City Charter to include a procedure for increasing water rates. More information regarding

this proposed change can be found in the notes to the basic financial statements on page 43 of the audit report under the "Subsequent Events" heading.

**Aging Water Line Replacement**

As with any other infrastructure, although underground, the City's water and sewer lines require routine maintenance. During the 2014-2015 fiscal year, public works will continue a schedule of needed aging distribution line replacement. This program will be ongoing and span multiple years as resources allow. Budgeted expenditures in the upcoming year total \$198,000.

**Sewer Inflow & Infiltration Correction**

During the 2014-2015 fiscal year, public works will continue a schedule of much needed maintenance of the sewer system's collection lines. This program will be ongoing and span multiple years as resources allow. Budgeted expenditures in the upcoming year total \$168,000.

**REQUESTS FOR INFORMATION**

These financial statements are designed to provide our citizens, taxpayers, customers and creditors an overview of the City's finances and to demonstrate the City's accountability of the resources it receives and expends. If you have questions about this report, or need additional financial information, please contact the Finance Department, City of Creswell P.O. Box 276 Creswell, Oregon 97426.

Layli Nichols, Finance Director  
City of Creswell  
P.O. Box 276  
Creswell, Oregon 97426

**BASIC FINANCIAL STATEMENTS**

***GOVERNMENT-WIDE FINANCIAL STATEMENTS***

**CITY OF CRESWELL**  
**LANE COUNTY, OREGON**  
**STATEMENT OF NET POSITION**  
June 30, 2014

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and investments	\$ 3,421,344	\$ 8,638,702	\$ 12,060,046
Cash with fiscal agent	1,565	-	1,565
Accounts receivable	121,288	266,904	388,192
Property taxes receivable	59,010	-	59,010
Assessments receivable	8,942	-	8,942
Grants receivable	-	35,144	35,144
Inventories	-	179,642	179,642
<i>Capital assets:</i>			
Nondepreciable capital assets	405,863	1,361,159	1,767,022
Depreciable capital assets, net	10,906,582	20,854,991	31,761,573
Total assets	<u>14,924,594</u>	<u>31,336,542</u>	<u>46,261,136</u>
<b>Liabilities</b>			
Accounts payable	24,180	22,884	47,064
Other accrued liabilities	4,958	-	4,958
Interest payable	-	23,175	23,175
Deposits	61,708	33,467	95,175
Customer advances	-	940	940
<i>Noncurrent liabilities:</i>			
Due within one year	-	609,343	609,343
Due in more than one year	141,726	9,198,961	9,340,687
Total liabilities	<u>232,572</u>	<u>9,888,770</u>	<u>10,121,342</u>
<b>Net Position</b>			
Invested in capital assets, net of related debt	11,314,015	12,466,411	23,780,426
Restricted for:			
Street and bicycle/foot path	817,591	-	817,591
Debt service	15,314	204,300	219,614
Systems development	691,484	2,744,047	3,435,531
Unrestricted	1,853,618	6,033,014	7,886,632
Total net position	<u>\$ 14,692,022</u>	<u>\$ 21,447,772</u>	<u>\$ 36,139,794</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF CRESWELL**  
**LANE COUNTY, OREGON**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Primary government:</b>							
<i>Governmental activities:</i>							
General government	\$ 306,913	\$ 2,271	\$ 15,945	\$ -	\$ (288,697)	\$ -	\$ (288,697)
Public safety	677,910	35,893	-	-	(642,017)	-	(642,017)
Planning and land use	194,415	108,470	-	-	(85,945)	-	(85,945)
Highways and streets	335,563	594	286,155	40,089	(8,725)	-	(8,725)
Culture and recreation	169,767	3,453	-	19,391	(146,923)	-	(146,923)
Depreciation expense, unallocated	88,928	-	-	-	(88,928)	-	(88,928)
Total governmental activities	<u>1,773,496</u>	<u>150,681</u>	<u>302,100</u>	<u>59,480</u>	<u>(1,261,235)</u>	<u>-</u>	<u>(1,261,235)</u>
<i>Business-type activities:</i>							
Water	1,215,746	1,376,949	-	67,865	-	229,068	229,068
Sewer	899,184	949,955	-	37,968	-	88,739	88,739
Airport	522,521	332,531	-	40,654	-	(149,336)	(149,336)
Total business-type activities	<u>2,637,451</u>	<u>2,659,435</u>	<u>-</u>	<u>146,487</u>	<u>-</u>	<u>168,471</u>	<u>168,471</u>
Total primary government	<u>\$ 4,410,947</u>	<u>\$ 2,810,116</u>	<u>\$ 302,100</u>	<u>\$ 205,967</u>	<u>(1,261,235)</u>	<u>168,471</u>	<u>(1,092,764)</u>
<b>General revenues:</b>							
Taxes:							
Property taxes, levied for general purposes					818,357	-	818,357
Franchise and public service taxes					307,404	-	307,404
State shared revenues					229,732	-	229,732
Transient room tax					49,736	-	49,736
Interest and investment earnings					20,245	47,000	67,245
Other revenues					10,923	-	10,923
Loss on disposal of capital assets					(9,504)	-	(9,504)
Transfers					(150,000)	150,000	-
Total general revenues and transfers					<u>1,276,893</u>	<u>197,000</u>	<u>1,473,893</u>
Change in net position					15,658	365,471	381,129
<b>Net Position, July 1</b>					<u>14,676,364</u>	<u>21,082,301</u>	<u>35,758,665</u>
<b>Net Position, June 30</b>					<u>\$ 14,692,022</u>	<u>\$ 21,447,772</u>	<u>\$ 36,139,794</u>

The notes to the financial statements are an integral part of this statement.

***FUND FINANCIAL STATEMENTS***

**CITY OF CRESWELL**  
**LANE COUNTY, OREGON**  
**BALANCE SHEET**  
June 30, 2014

**GOVERNMENTAL FUNDS**

	<b>General</b>	<b>State Tax</b>	<b>Capital</b>	<b>Building</b>	<b>Other</b>	<b>Total</b>
	<b>Fund</b>	<b>Street</b>	<b>Improvement</b>	<b>Department</b>	<b>Governmental</b>	<b>Governmental</b>
	<b>Fund</b>	<b>Fund</b>	<b>Fund</b>	<b>Fund</b>	<b>Funds</b>	<b>Funds</b>
<b>Assets</b>						
Cash and investments	\$ 1,516,006	\$ 803,597	\$ 227,516	\$ 112,601	\$ 761,622	\$ 3,421,342
Cash with fiscal agent	1,565	-	-	-	-	1,565
<i>Receivables:</i>						
Accounts	96,582	22,848	-	-	-	119,430
Property taxes	59,010	-	-	-	-	59,010
Assessments	-	-	-	-	8,942	8,942
Other receivables	1,862	-	-	-	-	1,862
Total assets	<u>\$ 1,675,025</u>	<u>\$ 826,445</u>	<u>\$ 227,516</u>	<u>\$ 112,601</u>	<u>\$ 770,564</u>	<u>\$ 3,612,151</u>
<b>Liabilities</b>						
Accounts payable	\$ 20,537	\$ -	\$ 2,240	\$ 1,405	\$ -	\$ 24,182
Other accrued liabilities	4,958	-	-	-	-	4,958
Deposits	1,690	60,018	-	-	-	61,708
Total liabilities	<u>27,185</u>	<u>60,018</u>	<u>2,240</u>	<u>1,405</u>	<u>-</u>	<u>90,848</u>
<b>Deferred Inflows of Resources</b>						
Unavailable revenue, property taxes	59,010	-	-	-	-	59,010
Unavailable revenue, franchise fees	27,910	-	-	-	-	27,910
Unavailable revenue, assessments	-	-	-	-	8,942	8,942
Total deferred inflows of resources	<u>86,920</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,942</u>	<u>95,862</u>
<b>Fund Balances</b>						
Restricted	16,977	766,427	-	111,196	761,622	1,656,222
Assigned	-	-	225,276	-	-	225,276
Unassigned	1,543,943	-	-	-	-	1,543,943
Total fund balances	<u>1,560,920</u>	<u>766,427</u>	<u>225,276</u>	<u>111,196</u>	<u>761,622</u>	<u>3,425,441</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,675,025</u>	<u>\$ 826,445</u>	<u>\$ 227,516</u>	<u>\$ 112,601</u>	<u>\$ 770,564</u>	<u>\$ 3,612,151</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF CRESWELL**  
**LANE COUNTY, OREGON**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF NET POSITION**  
June 30, 2014

**GOVERNMENTAL FUNDS**

**Fund balance of governmental funds in the Balance Sheet:** \$ 3,425,441

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Position. 11,312,445

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the fund financial statement, but are recognized in the Statement of Net Position.

	Property taxes	59,010	
	Franchise fees	27,910	
	Assessments	8,942	
		95,862	95,862

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

	Notes payable	(8,732)	
		(8,732)	(8,732)

Compensated absences and other postemployment benefits are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position.

	Compensated absences	(23,944)	
	Other postemployment benefits	(109,050)	
		(132,994)	(132,994)

**Net assets of governmental activities in the Statement of Net Position:** **\$ 14,692,022**

The notes to the financial statements are an integral part of this statement.

**CITY OF CRESWELL**  
**LANE COUNTY, OREGON**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**June 30, 2014**

**GOVERNMENTAL FUNDS**

	General Fund	State Street Tax Fund	Capital Improvement Fund	Building Department Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property taxes	\$ 818,373	\$ -	\$ -	\$ -	\$ -	\$ 818,373
Franchise taxes	269,472	-	-	-	-	269,472
Intergovernmental	121,355	394,531	-	-	-	515,886
Grants	15,945	-	-	-	-	15,945
Other taxes	81,563	-	-	-	-	81,563
Special assessments	-	-	-	-	2,133	2,133
Fines and forfeitures	33,618	-	-	-	-	33,618
Licenses and permits	21,292	-	-	84,363	-	105,655
Charges for services	10,814	-	-	-	-	10,814
System development charges	-	-	-	-	59,480	59,480
Investment earnings	10,777	3,812	1,200	616	3,838	20,243
Other revenue	10,135	779	-	8	-	10,922
Total revenues	<u>1,393,344</u>	<u>399,122</u>	<u>1,200</u>	<u>84,987</u>	<u>65,451</u>	<u>1,944,104</u>
<b>Expenditures</b>						
<i>Current operating:</i>						
General government	261,197	-	-	81,657	-	342,854
Public safety	677,579	-	-	-	-	677,579
Planning and land use	111,990	-	-	-	-	111,990
Highways and streets	-	140,242	-	-	2,110	142,352
Culture and recreation	166,272	-	-	-	-	166,272
Debt service:	-	-	-	-	-	-
Principal	-	-	-	-	1,571	1,571
Interest	-	-	-	-	472	472
Capital outlay	39,583	118,754	2,585	-	-	160,922
Total expenditures	<u>1,256,621</u>	<u>258,996</u>	<u>2,585</u>	<u>81,657</u>	<u>4,153</u>	<u>1,604,012</u>
Excess revenues over (under) expenditures	<u>136,723</u>	<u>140,126</u>	<u>(1,385)</u>	<u>3,330</u>	<u>61,298</u>	<u>340,092</u>
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	-	150,000	-	2,862	152,862
Transfers out	(300,000)	(2,862)	-	-	-	(302,862)
Total other financing sources (uses)	<u>(300,000)</u>	<u>(2,862)</u>	<u>150,000</u>	<u>-</u>	<u>2,862</u>	<u>(150,000)</u>
Change in fund balances	<u>(163,277)</u>	<u>137,264</u>	<u>148,615</u>	<u>3,330</u>	<u>64,160</u>	<u>190,092</u>
<b>Fund Balances, July 1</b>	<u>1,724,197</u>	<u>629,163</u>	<u>76,661</u>	<u>107,866</u>	<u>697,462</u>	<u>3,235,349</u>
<b>Fund Balances, June 30</b>	<u>\$ 1,560,920</u>	<u>\$ 766,427</u>	<u>\$ 225,276</u>	<u>\$ 111,196</u>	<u>\$ 761,622</u>	<u>\$ 3,425,441</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF CRESWELL**

LANE COUNTY, OREGON

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2014

**GOVERNMENTAL FUNDS**

**Net change in governmental fund balance in the Statement of Revenues, Expenditures  
and Changes in Fund Balance:** \$ 190,092

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

Governmental funds report outlays for capital assets as expenditures because such  
outlays use current financial resources. Donations of capital assets are reported as  
capital contributions in the Statement of Activities, but do not appear in the  
governmental funds because they are not financial resources. In contrast, the  
Statement of Activities reports only a portion of the outlay as expense. The outlay is  
allocated over the assets' estimated useful lives as depreciation expense for the period.

Expenditures for capital assets	148,025	
Less current year depreciation	<u>(270,800)</u>	
		(122,775)

Debt proceeds are reported as financing sources and repayments of principal are  
expenditures in governmental funds and thus contribute to the change in fund balances.  
Debt proceeds increase and repayments decrease long-term liabilities in the Statement  
of Net Position.

Principal payments	<u>1,570</u>	1,570
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The Statement of Activities reports gains and losses arising from disposal of existing  
capital assets, while governmental activities do not.

<u>(9,507)</u>	(9,507)
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Governmental funds do not present revenues that are not available to pay current  
obligations. In contrast, such revenues are reported in the Statement of Activities when  
earned.

Property taxes	(10)	
Franchise fees	6,105	
Assessments	<u>(1,538)</u>	
		4,557

Accrued compensated absences and other postemployment benefits are not due and  
payable in the current period and, therefore, are not reported in the governmental  
funds.

Compensated absences	(7,429)	
Other postemployment benefits	<u>(40,850)</u>	
		<u>(48,279)</u>

**Change in net position of governmental funds in the Statement of Activities:** **\$ 15,658**

The notes to the financial statements are an integral part of this statement.

**CITY OF CRESWELL**  
**LANE COUNTY, OREGON**  
**STATEMENT OF NET POSITION**  
June 30, 2014

**PROPRIETARY FUNDS**

	<b>Enterprise Funds</b>			<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Airport Fund</b>	
<b>Assets</b>				
<i>Current assets:</i>				
Cash and investments	\$ 6,292,554	\$ 2,311,180	\$ 34,968	\$ 8,638,702
<i>Receivables:</i>				
Accounts	158,567	103,411	992	262,970
Grants	-	-	35,144	35,144
Other receivables	-	-	3,934	3,934
Inventory	165,495	3,358	10,789	179,642
Total current assets	<u>6,616,616</u>	<u>2,417,949</u>	<u>85,827</u>	<u>9,120,392</u>
<i>Noncurrent assets:</i>				
Land and construction in progress	326,849	804,373	229,937	1,361,159
Other capital assets, net	12,054,928	7,974,710	825,353	20,854,991
Total noncurrent	<u>12,381,777</u>	<u>8,779,083</u>	<u>1,055,290</u>	<u>22,216,150</u>
Total assets	<u>18,998,393</u>	<u>11,197,032</u>	<u>1,141,117</u>	<u>31,336,542</u>
<b>Liabilities and Net Position</b>				
<b>Liabilities:</b>				
<i>Current liabilities:</i>				
Accounts payable	8,117	8,373	6,394	22,884
Deposits	33,467	-	-	33,467
Customer advances	-	-	940	940
Interest payable	16,912	6,263	-	23,175
Notes payable	344,890	202,751	-	547,641
Bonds payable	-	61,702	-	61,702
Total current liabilities	<u>403,386</u>	<u>279,089</u>	<u>7,334</u>	<u>689,809</u>
<i>Noncurrent liabilities:</i>				
Compensated absences	28,052	25,044	5,469	58,565
Notes payable	7,253,387	933,691	-	8,187,078
Bonds payable	-	953,318	-	953,318
Total noncurrent liabilities	<u>7,281,439</u>	<u>1,912,053</u>	<u>5,469</u>	<u>9,198,961</u>
Total liabilities	<u>7,684,825</u>	<u>2,191,142</u>	<u>12,803</u>	<u>9,888,770</u>
<b>Net Position:</b>				
Invested in capital assets, net of related debt	4,783,500	6,627,621	1,055,290	12,466,411
<i>Restricted for:</i>				
Debt service	-	204,300	-	204,300
Systems development	2,136,187	607,860	-	2,744,047
Unrestricted	4,393,881	1,566,109	73,024	6,033,014
Total net position	<u>\$ 11,313,568</u>	<u>\$ 9,005,890</u>	<u>\$ 1,128,314</u>	<u>\$ 21,447,772</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF CRESWELL**  
**LANE COUNTY, OREGON**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
For the Fiscal Year Ended June 30, 2014

**PROPRIETARY FUNDS**

	<b>Enterprise Funds</b>			<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Airport Fund</b>	
<b>Operating Revenues</b>				
Charges for services	\$ 1,371,932	\$ 941,607	\$ -	\$ 2,313,539
Donations	-	-	1,000	1,000
Rental income	3,500	7,500	56,971	67,971
Fuel sales	-	-	253,550	253,550
Other revenue	1,517	848	22,010	24,375
Total operating revenue	<u>1,376,949</u>	<u>949,955</u>	<u>333,531</u>	<u>2,660,435</u>
<b>Operating Expenses</b>				
Personal services	338,990	269,806	78,794	687,590
Contractual services	30,104	42,946	122,401	195,451
Repairs and maintenance	9,758	3,888	10,202	23,848
Materials and supplies	162,134	111,661	21,354	295,149
Utilities	66,789	33,809	10,796	111,394
Fuel costs	-	-	206,654	206,654
Other operating expenses	6,863	-	500	7,363
Depreciation and amortization	425,796	346,011	71,822	843,629
Total operating expenses	<u>1,040,434</u>	<u>808,121</u>	<u>522,523</u>	<u>2,371,078</u>
Operating income (loss)	<u>336,515</u>	<u>141,834</u>	<u>(188,992)</u>	<u>289,357</u>
<b>Non-operating Revenues (Expenses)</b>				
Grant revenue	-	-	39,654	39,654
System development charges	67,865	37,968	-	105,833
Investment earnings	34,272	12,461	269	47,002
Interest expense	(175,312)	(91,064)	-	(266,376)
Total non-operating revenues (expenses)	<u>(73,175)</u>	<u>(40,635)</u>	<u>39,923</u>	<u>(73,887)</u>
Net income (loss) before transfers	263,340	101,199	(149,069)	215,470
Transfers in	-	-	150,000	150,000
Change in net position	263,340	101,199	931	365,470
<b>Net Position, July 1</b>	<u>11,050,228</u>	<u>8,904,691</u>	<u>1,127,383</u>	<u>21,082,302</u>
<b>Net Position, June 30</b>	<u>\$ 11,313,568</u>	<u>\$ 9,005,890</u>	<u>\$ 1,128,314</u>	<u>\$ 21,447,772</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF CRESWELL**  
**LANE COUNTY, OREGON**  
**STATEMENT OF CASH FLOWS**  
For the Fiscal Year Ended June 30, 2014

**PROPRIETARY FUNDS**

	<b>Enterprise Funds</b>			<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Airport Fund</b>	
<b>Cash flows from operating activities:</b>				
Receipts from customers and users	\$ 1,376,615	\$ 951,541	\$ 334,954	\$ 2,663,110
Other operating receipts	1,517	848	-	2,365
Payments to suppliers for goods and services	(349,792)	(190,739)	(360,783)	(901,314)
Payments to employees for services	(329,931)	(261,946)	(77,941)	(669,818)
Net cash provided by (used for) operating activities	<u>698,409</u>	<u>499,704</u>	<u>(103,770)</u>	<u>1,094,343</u>
<b>Cash flows from noncapital financing activities:</b>				
Operating transfers from (to) other funds	-	-	150,000	150,000
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>150,000</u>
<b>Cash flows from capital and related financing activities:</b>				
System development charges	67,864	37,967	-	105,831
Acquisition of capital assets	(14,848)	(88,729)	(39,986)	(143,563)
Capital grants	-	-	23,248	23,248
Principal paid on long-term obligations	(611,526)	(255,270)	-	(866,796)
Interest paid	(179,120)	(88,784)	-	(267,904)
Net cash provided by (used for) capital and related financing activities	<u>(737,630)</u>	<u>(394,816)</u>	<u>(16,738)</u>	<u>(1,149,184)</u>
<b>Cash flows from investing activities:</b>				
Interest received	34,272	12,461	269	47,002
Net cash provided by (used for) investing activities	<u>34,272</u>	<u>12,461</u>	<u>269</u>	<u>47,002</u>
Net increase (decrease) in cash and cash equivalents	(4,949)	117,349	29,761	142,161
<b>Cash and cash equivalents - July 1</b>	<u>6,297,503</u>	<u>2,193,831</u>	<u>5,207</u>	<u>8,496,541</u>
<b>Cash and cash equivalents - June 30</b>	<u>\$ 6,292,554</u>	<u>\$ 2,311,180</u>	<u>\$ 34,968</u>	<u>\$ 8,638,702</u>
<b>Reconciliation of operating income to net cash provided by (used for) operating activities:</b>				
Operating income (loss)	\$ 336,515	\$ 141,834	\$ (188,992)	\$ 289,357
<i>Adjustments to reconcile net income to net cash provided by (used for) operating activities:</i>				
Depreciation expense	425,796	346,011	71,822	843,629
(Increase) decrease in accounts receivable	927	2,434	1,578	4,939
(Increase) decrease in inventory	(79,779)	(2,612)	4,732	(77,659)
Increase (decrease) in accounts payable	5,704	4,229	6,392	16,325
Increase (decrease) in other accrued liabilities	8,990	7,808	-	16,798
Increase (decrease) in customer deposits	-	-	(155)	(155)
Increase (decrease) in water deposits payable	256	-	-	256
Increase (decrease) in compensated absences payable	-	-	853	853
Total adjustments	<u>361,894</u>	<u>357,870</u>	<u>85,222</u>	<u>804,986</u>
Net cash provided by (used for) operating activities	<u>\$ 698,409</u>	<u>\$ 499,704</u>	<u>\$ (103,770)</u>	<u>\$ 1,094,343</u>

The notes to the financial statements are an integral part of this statement.

***NOTES TO THE BASIC FINANCIAL STATEMENTS***

**CITY OF CRESWELL**  
LANE COUNTY, OREGON  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Creswell, Oregon is a municipal corporation, incorporated in 1909. The City operates under a Council-City Administrator form of government. The governing body consists of an elected mayor and six elected council members. The mayor is elected to serve a two-year term and council members are elected to serve a four-year term. The City Administrator coordinates the activities and policies of the City. The heads of the various departments, formed to provide various services, are under the direct supervision of the City Administrator.

**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 financial statements display information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.

The Statement of Net Position presents all the assets and liabilities of the City with the difference reported as net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or program is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, or fiduciary. Currently, the City has only governmental and proprietary type funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the supplemental information.

**CITY OF CRESWELL**  
LANE COUNTY, OREGON  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

**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 comprise its assets, deferred inflow of resources, liabilities, deferred outflow of resources, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classifications within the financial statements.

There are stated minimum criteria for determination of major funds: percentage of the assets, deferred inflow of resources, liabilities, deferred outflow of resources, revenues or expenditure/expenses of either the fund category, or the governmental and enterprise combined. The City can elect to add funds as a major fund which either have debt outstanding or specific community focus. Non-major funds are combined in a column in the fund financial statements and detailed in the combining statements.

**D. Governmental Funds**

***Major Governmental Funds***

***General Fund:*** This is the City's primary operating fund. It accounts for all 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, licenses and permits and state shared revenues. Primary expenditures are for general government, police protection and culture and recreation.

***State Tax Street Fund:*** This fund accounts for the construction or reconstruction of streets. These improvements are paid primarily from funding received pursuant to the State of Oregon Gas Tax Apportionment.

***Capital Improvement Fund:*** This fund accounts for all resources and expenditures used to finance capital projects. Transfers from the General Fund currently finance this fund.

***Building Department Fund:*** This fund accounts for activities in the City's building and electrical code enforcement programs. Resources are provided from fees collected for the monitoring of building, structural, mechanical, plumbing and electrical code and plan reviews.

***Non-major Governmental Fund Types***

***Special Revenue Funds:*** These funds account for the proceeds of specific revenue sources that are legally restricted or designated by the City for a specified purpose.

***Debt Service Fund:*** This fund accounts for the accumulation of resources (assessment principal and interest) and the payment of related debt including principal, interest and other costs.

**CITY OF CRESWELL**  
LANE COUNTY, OREGON  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

**E. Proprietary Funds**

The City reports each of its three proprietary funds as major funds. These funds are used to account for the acquisition, operation, and maintenance of water, sewer and airport facilities. These funds are entirely or predominantly self-supported through user charges to customers. The City reports the following proprietary funds:

***Water Fund:***

Water Operating Fund (budgetary basis financial statements only)  
Water SDC Reserve Fund (budgetary basis financial statements only)  
Water Capital Improvement Reserve Fund (budgetary basis financial statements only)

***Sewer Fund:***

Sewer Operating Fund (budgetary basis financial statements only)  
Sewer SDC Reserve Fund (budgetary basis financial statements only)  
Sewer Capital Improvement Reserve Fund (budgetary basis financial statements only)

***Airport Fund:***

Airport Operating Fund

**Measurement Focus and Basis of Accounting and Financial Statement Presentation**

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

The government-wide financial statements are presented on a full accrual basis of accounting with an economic resource measurement focus, as are the proprietary funds financial statements. An economic resource focus concentrates on an entity or fund's net position. All transactions and events that affect the total economic resources (net position) during the period are reported. An economic resources measurements focus is inextricably connected with full accrual accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash inflows and outflows.

Governmental fund financial statements are presented on a modified accrual basis of accounting with a current financial resource measurement focus. The measurement focus concentrates on the fund's resources available for spending currently or in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Similar to the connection between an economic resource measurement focus and full accrual basis of accounting, a current financial resource measurement focus is inseparable from a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). *Measurable* means the amount of the transaction can be determined and revenues are considered *available* when they are collected within the current period or expected to be collected soon enough thereafter to be used 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. Revenues considered susceptible to accrual are property taxes, state, county and local shared revenues, franchise fees, intergovernmental grants, and investment income.

**CITY OF CRESWELL**  
LANE COUNTY, OREGON  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

A deferred inflow of resources arises on the balance sheet of the governmental funds when 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 finance operation of the current period. In the government-wide statement of activities, with a full accrual basis of accounting, revenue must be recognized as soon as it is earned regardless of its availability. Thus, the deferred inflow of resources created on the balance sheet of the governmental funds for unavailable revenue, is eliminated.

Similar to the way its revenues are recorded, governmental funds only record those expenditures that affect current financial resources. Debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. In the government-wide financial statements, however, with a full accrual basis of accounting, all expenses affecting the economic resource status of the government are recognized.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation. This reconciliation is part of the basic financial statements.

**F. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity**

***Cash and Investments***

The City maintains a common cash and investment pool for all City funds. All short-term, highly liquid investments, including investments in the State Treasurer's Local Government Investment Pool (LGIP) where the remaining maturity at the time of purchase is one year or less are stated at amortized cost, which approximates fair value. Earnings on pooled cash and investments are credited to each fund monthly.

Pooled cash and investments have the general characteristics of a demand deposit account in that any participating fund may deposit additional cash at any time and may also withdraw cash at any time without prior notice or penalty.

For purposes of the statement of cash flows, the proprietary fund types consider all highly liquid investments with a maturity date of three months or less when purchased to be cash equivalents.

***Receivables***

In the governmental fund financial statements, property taxes are recorded as receivable if collected within 30 days after year-end and are considered measurable and available and, therefore, are recognized as revenue. The remaining balance is recorded as deferred revenue because it is not deemed available to finance operations of the current period. In the government-wide statements, property taxes are not deferred but recognized as revenue. An allowance for doubtful accounts is not deemed necessary, as uncollectible taxes become a lien on the property. Property taxes are levied and become a lien on July 1. Collection dates are November 15, February

**CITY OF CRESWELL**  
LANE COUNTY, OREGON  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

15, and May 15 following the lien date. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

Receivables of the enterprise funds are recognized as revenue when earned. Receivables in governmental and enterprise funds are stated net of any allowance for uncollectibles.

***Interfund Receivables and Payables***

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 "advances to/from other funds" (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". The City did not have any such transaction for the year ending June 30, 2014.

***Inventories and Prepaids***

Inventories of materials and supplies in the enterprise funds are stated at cost on a first-in first-out basis and charged to expenses as used. Prepaids in the governmental funds are stated at cost and charged to expenditures in the period consumed.

***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, pathways, streetlights, etc.) are reported in the applicable governmental or business-type activities columns in the government-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. Donated assets are recorded at estimated fair market value as of the date of the donation.

Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of greater than three years. 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. With the implementation of GASB 34, the City elected the prospective reporting approach for infrastructure assets. Accordingly, infrastructure assets acquired on July 1, 2003 and thereafter will be presented in the financial statements. Other costs for repairs and maintenance are expensed as incurred.

Depreciation on exhaustible assets, including intangible assets with definite useful lives, is recorded as an unallocated expense in the Statement of Activities for governmental activities and an allocated expense in the Statement of Activities for business-type activities with accumulated depreciation reflected in the Statement of Net Position. Depreciation is calculated using the straight-line method over the following estimated useful lives:

**CITY OF CRESWELL**  
**LANE COUNTY, OREGON**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2014

<u>Asset</u>	<u>Years</u>
Building and improvements	15-50
Airport improvements	25-30
Machinery and equipment	3-15
Vehicles	5-20
Utility systems	15-50
Infrastructure	15-65

***Accrued Compensated Absences and Sick Pay***

Accumulated vested vacation pay and compensatory pay is accrued as it is earned. For governmental funds, compensation not expected to be liquidated with current resources are reported as non-current liabilities in the government-wide statements and represents a reconciling item between the fund level and government-wide presentations.

Sick leave pay, which does not vest, is recognized in all funds when leave is taken.

***Long-term Debt***

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type 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. Bond issuance costs are capitalized in the year of issue and are amortized over the life of the bond.

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***Deferred Outflows/Inflows of Resources***

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element 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 does not have an item that qualifies for reporting in this category.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City does not have an item that qualifies for reporting in this category.

**CITY OF CRESWELL**  
LANE COUNTY, OREGON  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2014

**Equity**

***Restricted Net Position***

For the Government-wide financial statements, equity is classified as net position and displayed in three components:

*Invested in capital assets, net of related debt* - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

*Restricted net position* - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law, through constitutional provisions or enabling legislation.

*Unrestricted net position* - all other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

***Fund Balance***

In February 2009, effective for reporting periods beginning after June 15, 2010, GASB approved Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". This statement defines the different fund balance categories that a governmental entity must use for financial reporting purposes in its governmental fund types. It also provides additional classification based on the relative strengths of the constraints that control how specific monies can be spent. The Statement requires governmental fund balance amounts to be properly reported within one of the fund balance categories listed in the following:

*Nonspendable* fund balance is reported when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories, prepaids and deposits, and assets held for resale.

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

*Committed* - is reported when 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* – is reported when a resource is constrained by the government if the intended use is for a specific purpose, but is neither restricted nor committed. The City Council has granted authority to the City Administrator and the Finance Director to assign fund balance amounts.

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*Unassigned* - is the residual classification for the General Fund. This classification represents fund balance that has 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.

When unrestricted classifications of fund balance are spent, it is the City's policy to consider that committed amounts will be reduced first, followed by assigned amounts and then unassigned amounts.

***Use of Estimates***

In preparing the City's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

Annual budgets for all funds are adopted on a basis consistent with Oregon Revised Statutes (ORS 294 – Local Budget Law). The process under which the budget is adopted is described in the following paragraphs.

Each May, the City Budget Officer submits a proposed budget to the Budget Committee (consisting of the City Council and an equal number of citizens of the City). The City is required to budget all funds. The City's budget is prepared for each fund on the modified accrual basis of accounting. For all fund types, inter-fund loans are budgeted as sources and uses in accordance with state budget laws. Estimated receipts and expenditures are budgeted for by fund and function. Information on the past two years' actual revenues and expenditures and current-year estimates are included in the budget document.

The Budget Committee conducts public hearings for the purpose of obtaining citizens' comments and then approves a budget and submits it to the City Council for final adoption. The approved expenditures for each fund may not be increased by more than 10% by Council without returning to the Budget Committee for a second approval. After the Council adopts the budget and certifies the total of ad valorem taxes to be levied, no additional tax levy may be made for that fiscal year.

The City Council legally adopts the budget by resolution before July 1. The resolution establishes appropriations for each fund and expenditures cannot legally exceed these appropriations. The level of control established by the resolution for each fund is at the function group level (i.e. personal services, materials and services, capital outlay, debt service, transfers, and contingency). Appropriations lapse as of 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. A supplemental budget requires hearings before the public, publications in

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newspapers, and approval by the City Council. Expenditure appropriations may not be legally over-expended except in the case of grant receipts that 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 function group, but cannot make changes to the function groups themselves, which is the legal level of control. During the fiscal year ended June 30, 2014, City Council approved one supplemental budget.

**B. Excess of Expenditures over Appropriations**

There are no funds that had expenditures in excess of related appropriations.

**3. DETAILED NOTES ON ALL FUNDS**

**A. Cash and Investments**

The City maintains a cash management pool for its cash and investments in which each fund participates. Interest earnings are distributed monthly to each fund. Cash and investments are comprised of the following at June 30, 2014:

Petty cash	\$	380
Deposits with financial institutions		19,558
Local government investment pool		12,040,108
Total cash and investments		\$ 12,060,046

***Deposits with Financial Institutions***

Deposits with financial institutions are comprised of bank demand deposits. Deposits in excess of federal depository insurance are currently limited to balances less than \$250,000; Oregon Revised Statute 295 effective July 1, 2008 created a multiple financial institution collateral pool and eliminated Certificates of Participation. As a result, all balances over the \$250,000 Federal Deposit Insurance Corporation (FDIC) limit are collateralized. At June 30, 2014, the City's deposits with various financial institutions had a bank value of \$121,159. All of the deposits were covered by FDIC.

***Investments***

The City participates in the State of Oregon Local Investment Pool (LGIP or Pool) which is an open-ended, no-load diversified portfolio created under ORS 294.805 to 294.895 and is not registered with the U.S. Securities and Exchange Commission as an investment company. The State Treasurer is the investment officer for the Pool and is responsible for all funds in the Pool. These funds must be invested and managed, like that of a prudent investor, exercising reasonable care, skill, and caution. Investments in the fund are further governed by portfolio guidelines issued by the Oregon Short-term Funds Board, which establish diversification percentages and specify the types and maturities of investments. The Oregon Audits Division of the Secretary of State's Office audits the Pool annually. The Division's report on the Pool as of and for the year ended June 30, 2014 may be obtained at the Oregon State Treasury, 350 Winter St. NE, Salem, OR 97310.

The City's position in the pool at June 30, 2014 is stated at cost which approximates fair value.

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***Investment Policy***

The purpose of the City's investment policy is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy and to organize and formalize investment-related activities. The City has delegated investment responsibilities to the City's administrative staff, which are primarily responsible for implementing the investment policy.

***Custodial Credit Risk***

Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The City does not have a formal deposit policy for credit risk.

***Credit Risk***

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

***Concentration of Credit Risk***

The City is required to provide information about the concentration of credit risk associated with its investments in external investment pools or those issued and explicitly guaranteed by the U.S. Government.

***Interest Rate Risk***

The City does not have a formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates. As of June 30, 2014, the City had the following investments:

<u>Investment Type</u>	<u>Maturities</u>	<u>Percentage of Portfolio</u>	<u>Fair Value</u>
Local Government Investment Pool	One day	100%	\$ 12,040,108

**B. Receivables**

City management determined that all receivables are collectible; therefore, no allowance for doubtful accounts is considered necessary.

**C. Capital Assets**

Capital asset activities for the year ended June 30, 2014 are as follows:

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<b>Governmental Activities:</b>	<b>Balances at</b>			<b>Balances at</b>
	<b>07/01/13</b>	<b>Increases</b>	<b>Decreases</b>	<b>06/30/14</b>
Land	\$ 403,275	\$ -	\$ -	\$ 403,275
Construction in progress	-	2,588	-	2,588
Total nondrepreciable assets	<u>403,275</u>	<u>2,588</u>	<u>-</u>	<u>405,863</u>
Buildings	2,296,954	35,390	(18,033)	2,314,311
Equipment	579,996	-	-	579,996
Infrastructure	9,970,730	118,576	-	10,089,306
Total depreciable assets	<u>12,847,680</u>	<u>153,966</u>	<u>(18,033)</u>	<u>12,983,613</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(344,548)	(46,911)	8,526	(382,933)
Equipment	(309,131)	(42,755)	-	(351,886)
Infrastructure	(1,152,552)	(189,660)	-	(1,342,212)
Total accumulated depreciation	<u>(1,806,231)</u>	<u>(279,326)</u>	<u>8,526</u>	<u>(2,077,031)</u>
Net depreciable assets	<u>11,041,449</u>	<u>(125,360)</u>	<u>(9,507)</u>	<u>10,906,582</u>
Total capital assets	<u>\$ 11,444,724</u>	<u>\$ (122,772)</u>	<u>\$ (9,507)</u>	<u>\$ 11,312,445</u>

Depreciation expense from governmental activities is charged to functions as follows:

<b>Highways and Streets</b>	<b>Planning and Land Use</b>	<b>Unallocated</b>	<b>Total</b>
\$ 190,249	\$ 149	\$ 88,928	\$ 279,326

<b>Business-type Activities:</b>	<b>Balances at</b>			<b>Balances at</b>
	<b>07/01/13</b>	<b>Increases</b>	<b>Decreases</b>	<b>06/30/14</b>
Land	\$ 1,297,751	\$ -	\$ -	\$ 1,297,751
Construction in progress	23,423	39,985	-	63,408
Total nondrepreciable assets	<u>1,321,174</u>	<u>39,985</u>	<u>-</u>	<u>1,361,159</u>
Buildings	5,400,326	3,990	-	5,404,316
Equipment	1,229,838	-	-	1,229,838
Infrastructure	21,911,790	99,586	-	22,011,376
Capitalized interest	542,963	-	-	542,963
Total depreciable assets	<u>29,084,917</u>	<u>103,576</u>	<u>-</u>	<u>29,188,493</u>
<i>Less accumulated depreciation and amortization for:</i>				
Buildings	(1,515,835)	(129,713)	-	(1,645,548)
Equipment	(401,976)	(66,197)	-	(468,173)
Infrastructure	(5,545,721)	(626,000)	-	(6,171,721)
Capitalized interest	(26,341)	(21,719)	-	(48,060)
Total accumulated depreciation and amortization	<u>(7,489,873)</u>	<u>(843,629)</u>	<u>-</u>	<u>(8,333,502)</u>
Net depreciable assets	<u>21,595,044</u>	<u>(740,053)</u>	<u>-</u>	<u>20,854,991</u>
Total capital assets	<u>\$ 22,916,218</u>	<u>\$ (700,068)</u>	<u>\$ -</u>	<u>\$ 22,216,150</u>

Depreciation and amortization expense from business-type activities is charged to functions as follows:

<b>Water</b>	<b>Sewer</b>	<b>Airport</b>	<b>Total</b>
\$ 425,796	\$ 346,011	\$ 71,822	\$ 843,629

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**D. Interfund Transfers**

Interfund transfers are used to contribute toward cost of capital projects and equipment, allocate completed capital assets to funds providing resources, and to provide operational resources. During the 2012/2013 year, the Capital Improvement Fund transferred to the Water & Sewer Funds residual amounts that were held on behalf of the Water Fund and the Sewer Fund for capital projects and equipment purchases. See Note 4F, page 41. Interfund transfers are as follows:

	<u>Transfers From Other Funds</u>	<u>Transfers To Other Funds</u>	<u>Net Transfers From (To) Other Funds</u>
<b>Governmental Activities:</b>			
General Fund	\$ -	\$ (300,000)	\$ (300,000)
State Tax Street Fund	-	(2,862)	(2,862)
Capital Improvement Fund	150,000	-	150,000
Other Governmental Funds	2,862	-	2,862
Total governmental funds transfers	<u>152,862</u>	<u>(302,862)</u>	<u>(150,000)</u>
<b>Business-type Activities:</b>			
Airport Fund	150,000	-	150,000
Total proprietary funds transfers	<u>150,000</u>	<u>-</u>	<u>150,000</u>
Total transfers	<u>\$ 302,862</u>	<u>\$ (302,862)</u>	<u>\$ -</u>

**E. Noncurrent Liabilities**

The following represent long-term debt information for the governmental and business-type activities and are followed by descriptions of each revenue bond and notes payable.

	<u>Balances 6/30/2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balances 6/30/2014</u>	<u>Due in Current Year</u>
<b>Governmental Activities:</b>					
Bancroft note	\$ 10,302	\$ -	\$ (1,570)	8,732	\$ -
Compensated absences	16,515	7,429	-	23,944	-
Other postemployment benefits	68,200	52,165	(11,315)	109,050	-
Total governmental activities	<u>\$ 95,017</u>	<u>\$ 59,594</u>	<u>\$ (12,885)</u>	<u>\$ 141,726</u>	<u>\$ -</u>
<b>Business-type Activities:</b>					
<i>Revenue Bond Payable</i>					
USDA RUS 92-01	\$ 1,074,707	\$ -	\$ (59,687)	\$ 1,015,020	\$ 61,702
Total revenue bonds payable	<u>1,074,707</u>	<u>-</u>	<u>(59,687)</u>	<u>1,015,020</u>	<u>61,702</u>
<i>Notes Payable</i>					
Business Oregon G06001	4,961,702	-	(289,014)	4,672,688	219,153
Business Oregon S06004	3,248,101	-	(322,512)	2,925,589	125,737
DEQ Clean Water SRF R25140	1,332,024	-	(195,582)	1,136,442	202,751
Total notes payable	<u>9,541,827</u>	<u>-</u>	<u>(807,108)</u>	<u>8,734,719</u>	<u>547,641</u>
Compensated absences	40,793	17,772	-	58,565	-
Total business-type activities	<u>\$ 10,657,327</u>	<u>\$ 17,772</u>	<u>\$ (866,795)</u>	<u>\$ 9,808,304</u>	<u>\$ 609,343</u>
				Due in current year	\$ 609,343
				Due in more than one year	9,198,961
				Total noncurrent liabilities	<u>\$ 9,808,304</u>

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***Bancroft Note Payable***

On October 15, 2010, the City secured financing through Siuslaw Bank for unpaid portion of capital improvement assessments associated with Local Improvement District #15. The terms of the note are semi-annual interest payments at 4.65% and principal payments upon collection from the affected property owners, until the note is retired. The City is not obligated for this debt. As of June 30, 2014, the outstanding balance on this loan was \$8,372.

***Revenue Bond Payable – USDA RUS 92-01***

On June 1, 2006, the City issued revenue installment sewer bond No. 1. Proceeds from this issue were used to repay interim financing for the wastewater treatment project. Terms of this obligation call for repayment over 40 years with annual payments of \$104,840, which includes interest at 4.25% per annum. This bond is accounted for in the Sewer Fund. As of June 30, 2014, the outstanding balance on this bond was \$1,015,020.

For the year ending June 30, 2014, the USDA requires the City to maintain a minimum cash reserve of \$83,872, which is held in the Sewer Reserve Fund, a component of the Sewer Fund.

***Note Payable - Business Oregon G06001***

By City resolution #2006-29, the City was authorized to borrow up to \$5,825,000 from the Oregon Economic and Community Development Department (OECDD) for the City's water system improvements. Interim financing from the borrowing bore interest at 2.91% and was scheduled to mature on August 15, 2009. Permanent long-term financing, also from the Oregon Economic and Community Development Department, was established as of December 1, 2013 and will be repaid in annual installments of \$299,108 at an interest rate of 4% per annum through December 1, 2138. For the year ending June 30, 2014, the outstanding balance of the loan was \$4,672,688.

***Note Payable – Business Oregon S06004***

By City ordinance #435, the City was authorized to borrow up to \$4,000,000 from the Safe Drinking Water Revolving Loan Fund administered by the Oregon Economic and Community Development Department (OECDD). The proceeds of this borrowing were used for costs incurred for the improvement of the City's water system.

Annual debt service requirements to maturity for this note will be made over a period of 30 years and will consist of principal payments of \$154,992 and will bear interest at 1% per annum. The City began making annual payments on this note December 1, 2010. As of June 30, 2014, the outstanding balance on this loan was \$2,925,589.

***Note Payable – DEQ Clean Water SRF R25140***

The City executed a promissory note and borrowed \$3,370,000 from the State of Oregon Department of Environmental Quality (DEQ) to partially finance improvements to the City's wastewater treatment facility. Terms of this debt call for repayment over 20 years, with semi-annual principal and interest payments of \$118,428 beginning May 1, 2006. Interest rate on this note is at

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3.14%. This note payable is accounted for in the Sewer Fund. As of June 30, 2014, the outstanding balance on this loan was \$1,136,442.

For the year ending June 30, 2014, the State of Oregon Department of Environmental Quality requires the City to maintain a minimum cash reserve of \$120,428, which is held in the Sewer Reserve Fund, a component of the Sewer Fund.

***Future Requirements on Long-term Debt***

The following is a schedule of future requirements on long-term debt as of June 30, 2014:

Year Ended June 30,	NOTE PAYABLE DEQ Clean Water SRF R25140			NOTE PAYABLE Business Oregon S06004		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 202,751	\$ 34,105	\$ 236,856	\$ 125,737	\$ 29,256	\$ 154,993
2016	209,167	27,689	236,856	126,994	27,999	154,993
2017	215,787	21,069	236,856	128,264	26,729	154,993
2018	222,616	14,240	236,856	129,547	25,446	154,993
2019	229,661	7,195	236,856	130,842	24,150	154,992
2020-2024	56,460	886	57,346	674,100	100,863	774,963
2025-2029	-	-	-	708,485	66,477	774,962
2030-2034	-	-	-	744,625	30,336	774,961
2035-2039	-	-	-	156,995	1,606	158,601
TOTALS	<u>\$ 1,136,442</u>	<u>\$ 105,184</u>	<u>\$ 1,241,626</u>	<u>\$ 2,925,589</u>	<u>\$ 332,862</u>	<u>\$ 3,258,451</u>

Year Ended June 30,	NOTE PAYABLE Business Oregon G06001			REVENUE BOND PAYABLE USDA RUS 92-01		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 219,153	\$ 79,955	\$ 299,108	\$ 61,702	\$ 43,138	\$ 104,840
2016	120,967	178,141	299,108	64,324	40,516	104,840
2017	125,805	173,303	299,108	67,058	37,782	104,840
2018	130,837	168,271	299,108	69,908	34,932	104,840
2019	136,071	163,037	299,108	72,879	31,961	104,840
2020-2024	766,484	729,056	1,495,540	413,572	110,628	524,200
2025-2029	932,544	562,996	1,495,540	265,577	21,763	287,340
2030-2034	1,134,584	360,956	1,495,540	-	-	-
2035-2039	1,106,245	115,145	1,221,390	-	-	-
TOTALS	<u>\$ 4,672,688</u>	<u>\$ 2,530,860</u>	<u>\$ 7,203,548</u>	<u>\$ 1,015,020</u>	<u>\$ 320,720</u>	<u>\$ 1,335,740</u>

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**F. Restricted Net Position**

The following represent net positions that are restricted for debt service and systems development in the Statement of Net Position:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
<b>Debt Service:</b>			
Local Improvement District	\$ 15,314	\$ -	\$ 15,314
USDA RUS 92-01 bond reserve	-	83,872	83,872
DEQ Clean Water SRF R25140 note reserve	-	120,428	120,428
Total debt service	<u>\$ 15,314</u>	<u>\$ 204,300</u>	<u>\$ 219,614</u>
<b>Systems Development:</b>			
Parks	\$ 405,844	\$ -	\$ 405,844
Transportation	285,640	-	285,640
Water	-	2,136,188	2,136,188
Sewer	-	607,860	607,860
Total systems development	<u>\$ 691,484</u>	<u>\$ 2,744,047</u>	<u>\$ 3,435,531</u>

**G. Fund Balance Classifications**

The following represents governmental fund balances by classification:

	<u>General Fund</u>	<u>State Tax Street Fund</u>	<u>Capital Improvement Fund</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Restricted:</b>						
Building inspection	\$ -	\$ -	\$ -	\$ 111,196	\$ -	\$ 111,196
Capital projects	-	-	-	-	691,482	691,482
Debt service	-	-	-	-	15,103	15,103
Garden Lake Park	16,977	-	-	-	-	16,977
Transportation	-	766,427	-	-	55,037	821,465
Total restricted	<u>16,977</u>	<u>766,427</u>	<u>-</u>	<u>111,196</u>	<u>761,622</u>	<u>1,656,222</u>
<b>Assigned:</b>						
Capital projects	-	-	225,276	-	-	225,276
Total assigned	<u>-</u>	<u>-</u>	<u>225,276</u>	<u>-</u>	<u>-</u>	<u>225,276</u>
<b>Unassigned:</b>						
	1,543,943	-	-	-	-	1,543,943
Total fund balances	<u>\$ 1,560,920</u>	<u>\$ 766,427</u>	<u>\$ 225,276</u>	<u>\$ 111,196</u>	<u>\$ 761,622</u>	<u>\$ 3,425,441</u>

**4. OTHER INFORMATION**

**A. 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 is a member of

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City-County Insurance Services (CIS), a public entity risk pool currently operating a common risk management and insurance program. The City pays an annual premium to CIS for insurance coverage. Based on the experience of the City and pool, the City may be liable for an additional premium of up to approximately 20% of its initial premium or it may receive a refund. The City has never had to pay an additional premium. Predetermined limits and deductible amounts are stated in the policy.

**B. Defined Benefit Pension Plans – Oregon Public Employees Retirement System**

***Plan Description***

The City contributes to two pension plans administered by the Oregon Public Employees Retirement System (OPERS). The Oregon Public Employees State and Local Government Rate Pool (SLGRP) applies to the City's contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing, multiple-employer, defined benefit pension plan. The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs: the pension program and the defined benefit portion of the plan. OPSRP applies to qualifying City employees hired after August 29, 2003. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service. Beginning January 1, 2004, all OPERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. OPERS members retain their existing OPERS accounts, but any future member contributions are deposited into the member's IAP, not the member's OPERS account.

Both OPERS plans provide retirement and disability benefits, post-employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute (ORS) Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERS, P.O. Box 23700, Tigard, Oregon 97281-3700, by calling (503) 598-7277, or by accessing the PERS website at <http://oregon.gov/PERS/>.

***Funding Policy***

The City is required by ORS 238.225 to contribute at an actuarially determined rate for the *qualifying employees under the SLGRP plan and a general service rate for the qualifying employees under the OPSRP plan*. The SLGRP and OPSRP rates in effect for the year ended June 30, 2014 were 12.69% and 9.91%, respectively. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature. Covered employees are required by state statute to contribute 6% of their annual salary to the system, but the employer is allowed to pay any or all of the employees' contributions in addition to the required employer's contribution. The City has elected to pay the required employee contribution of 6% of covered payroll. The City's payroll for employees covered by OPERS was \$526,077 and the City's total payroll was \$598,701 for the year ended June 30, 2014.

The required contribution was determined as part of the actuarial valuation at December 31, 2011, using the projected unit credit actuarial cost method. The fair market value method is used to determine the actuarial value of the plan's assets. Significant actuarial assumptions used in the

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valuation include: (i) consumer price inflation of 2.75% per year, (ii) healthcare cost inflation graded from 6.9% in 2012 to 4.5% in 2029, (iii) a rate of return on the future investment earnings of the assets of the members' regular accounts are assumed to accrue at an annual rate of 8% compounded annually; (iv) a rate of return on the future investment earnings of the members' variable accounts are assumed to accrue at an annual rate of 8.25%, compounded annually; (v) projected annual rate of wage inflation of 3.75%, compounded annually, excluding merit or longevity increases; (vi) unfunded actuarial liability is amortized on a level percentage of combined annual payroll on a closed group, fixed-term basis over twenty years

***Annual Pension Cost***

For the fiscal years ending June 30, 2014, 2013 and 2012, the City's annual pension cost of \$93,319 \$115,122, and \$109,924, respectively, was equal to the City's required and actual contributions. For 2014, the City's annual pension cost for OPERS was equal to the City's required and actual contributions.

**Deferred Compensation Plan**

The City has a deferred compensation trust plan created in accordance with Internal Revenue Code Section 457. The trust holds assets for the exclusive benefit of plan participants and their beneficiaries.

**C. Other Postemployment Benefits (OPEB)**

**City Health Care Plan**

***Plan Description***

As required by ORS 243.303, the City provides retirees the same group health, dental and vision insurance as provided to current employees. Employees hired before August 9, 1999 may elect from either Option A or Option B as described below. All other employees may elect only Option B.

***Option A:*** Upon retirement with twelve years of full service with the City, the City will pay at age sixty-two, full health and dental benefits for the retiree. At age sixty-five, and for the life of the retiree, the health benefit reverts to a Medicare Supplement and the dental benefit continues.

***Option B:*** Upon employee retirement with 15 years of consecutive service with the City and eligible for full retirement benefits under the City's employee retirement system (PERS), the City will pay full health, dental and vision benefits for the retiree until the date the retiree becomes Medicare eligible or the employee reaches age 65, whichever occurs first.

The City's defined benefit postemployment healthcare plan is administered by City County Insurance Services (CIS), an agent multiple-employer healthcare provider for retirees who are non-Medicare eligible. CIS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to CIS, 1212 Court Street NE, Salem, OR 97301, or by accessing the CIS website at [www.cisservices.com](http://www.cisservices.com). PERS

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offers a Medicare supplemental policy for Medicare eligible retirees, which is paid directly to PERS by the City.

**Funding Policy**

The City funds the plan only to the extent of current year insurance premium requirement on a pay-as-you-go basis. There is no obligation on the part of the City to fund these benefits in advance. Retiree healthcare premiums are paid by the City to CIS or PERS. The City has not established an irrevocable trust to accumulate assets to fund the cost of the OPEB obligation.

**Annual OPEB Cost and Net OPEB Obligation**

The City's annual other postemployment benefit cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the fiscal year ending June 30, 2014, the amount actually contributed to the plans, and changes in the City's net OPEB obligation:

Normal Cost at year-end	\$ 13,919
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	<u>43,934</u>
Annual required contribution (ARC)	57,853
Interest on prior-year net OPEB obligation	2,387
Adjustment to ARC	<u>(8,075)</u>
Annual OPEB cost	52,165
Contribution	<u>(11,315)</u>
Increase in net OPEB obligation - 06/30/14	40,851
Net OPEB obligation - 06/30/13	<u>68,200</u>
Net OPEB obligation - 06/30/14	<u><u>\$ 109,050</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contribution to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2014 is as follows:

Fiscal Year End	Annual OPEB Cost	Contributions	Percentage of Annual OPEB Cost Contributions	Net OPEB Obligation
06/30/12	\$ 34,484	\$ 18,747	54%	\$ 45,626
06/30/13	\$ 34,984	\$ 12,410	35%	\$ 68,200
06/30/14	\$ 52,165	\$ 11,315	22%	\$ 109,050

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the

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employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

***Actuarial Methods and Assumptions***

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the August 1, 2012 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 3.5% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7.5% in the first year (August 12, 2013 compared with August 1, 2012 premiums). In future years, the medical and vision cost trend varies from 5.75% to 6.75% depending upon the timing of the excise tax scheduled to affect health care benefits beginning in 2018. The trend then settles to an ultimate rate of 5.50%.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
08/01/08	NA	NA	NA	NA	NA	NA
08/01/10	\$ -	\$ 327,776	\$ 327,776	0%	\$ 562,657	58%
08/01/12	\$ -	\$ 354,045	\$ 354,045	0%	\$ 526,077	67%

**Retirement Health Insurance Account Plan**

***Plan Description:***

The City contributes to the Oregon Public Employees Retirement Systems' (OPERS) Retiree Health Insurance Account (RHIA), a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the Oregon Public Employees Retirement Board (OPERB). RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. The plan, which was established under Oregon Revised Statutes 238.420, provides a payment of up to \$60 per month towards the costs of health insurance for eligible PERS retirees. RHIA post-employment benefits are set by state statute. A comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700 or by accessing the PERS web site at [www.oregon.gov/PERS/](http://www.oregon.gov/PERS/).

***Funding Policy***

Participating employers are contractually required to contribute at a rate assessed bi-annually by the OPERB, currently 0.59% of annual covered payroll for Tier 1/Tier 2, and .49% for OPSRP. The OPERB sets the employer contribution rate based on the annual required contribution of the

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employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed ten years. The City's contributions to PERS' RHIA for the year ended June 30, 2014 was \$2,924, which equaled the required contributions for that year.

**D. Unemployment Claims**

The City of Creswell has elected the "reimbursement" basis for unemployment claims to the State of Oregon Department of Human Resources Employment Division. If a terminated employee collects unemployment compensation based upon earnings from the City, the City is required to reimburse the State of Oregon for the amount of unemployment compensation paid. Amounts billed by the State of Oregon are charged to expenditures; however, amounts for which the City is potentially liable as a result of claims not yet filed are unknown.

**E. Property Tax Limitation**

The State of Oregon has a constitutional limit on property taxes for governmental operations. Under the limitation, tax revenue is separated into those for public schools and those for local governments other than public schools. The limitation specifies a maximum rate for all local government operations of \$10.00 per \$1,000 of real market value, while schools are similarly limited to a \$5.00 maximum rate. Local government taxes in the City currently do not exceed the \$10.00 rate limit; however, this limitation may affect the availability of future tax revenues for the City.

In May 1997, voters approved Measure 50, which rolled back assessed values to 90% of 1995-96 and limits future increases of taxable assessed values to 3% per year, except for major improvements. Tax rates are now fixed and not subject to change. Voters may approve local initiatives above the fixed rate provided a majority approves at either (i) a general election in an even numbered year, or (ii) at any other election in which at least 50% of registered voters cast a ballot.

**F. Capital Projects Fund**

In prior years, the City used the Capital Projects Fund to accumulate resources for capital projects and major equipment purchases. The funding sources were transfers in from the General Fund, Water Fund and Sewer Fund. Once the capital project was completed or the equipment was purchased, the capital asset is transferred back to the fund that provided the resources. At the end of any fiscal year, the fund balance consists of amounts that had been contributed by those funds but not yet distributed back to the fund that provided the resource.

During the 2012/2013 fiscal year, the City established two new funds, a Capital Improvement Reserve Fund within the Water Fund and a Capital Improvement Reserve Fund within the Sewer Fund. Part of the residual amounts due to the newly formed funds was transferred from the Capital Projects Fund during the 2012/2013 fiscal year. It is the City's intent to budget and transfer during the 2014/2015 fiscal year, the remaining balances due to those funds. These balances relate to interest earned while being held in the Capital Improvement Fund.

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**G. Encumbrances**

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts, or other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds, as well as the proprietary funds. Encumbrances outstanding at year-end do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. Encumbrances outstanding at June 30, 2014 are recognized in the following funds on a budgetary basis and are eliminated on the fund and government-wide basis:

General Fund	\$ 12,075
Capital Improvement Fund	14,414
Airport Fund	16,900
Total encumbrances	<u>\$ 43,389</u>

**H. Commitments**

At June 30, 2014, the City had the following commitments outstanding:

1. A contract with Nagao Pacific Architecture for design of the City Hall Parking Lot.

Contract amount	\$ 17,000
Liquidated through June 30, 2014	<u>(2,145)</u>
Balance on contract at June 30, 2014	<u>14,855</u>

2. A contract with Lane Council of Governments to develop a Comprehensive Plan.

Contract amount	107,600
Liquidated through June 30, 2014	<u>(95,528)</u>
Balance on contract at June 30, 2014	<u>12,072</u>

3. A contract with Precision Approach Engineering for an Airport AWOS system.

Contract amount	70,024
Liquidated through June 30, 2014	<u>(53,124)</u>
Balance on contract at June 30, 2014	<u>16,900</u>

Total commitments	<u>\$ 43,827</u>
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**I. Contingency**

In December 2011, a Part 16 Action was filed against the City with the Federal Aviation Administration. The financial implications to the City of the Part 16 proceedings are indirect. There is no monetary relief available under Part 16 and no civil penalties may be assessed. However, if the FAA finds that the City is in violation of FAA grant terms, the FAA can suspend payment and eligibility for future federal grants. As part of the civil suit noted below, the parties agreed to dismiss this FAA matter. By letter to the FAA dated December 5, 2013, the complainants provided the FAA with notice dismissing the Part 16 complaint.

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**J. Subsequent Events**

**DeBerry Landfill**

The City of Creswell operated a municipal solid waste landfill (landfill) which stopped taking refuse in the mid 1970's. The landfill was not closed in accordance with current State regulations which would require that the landfill be capped and that monitoring wells be installed to test the quality of any leachate from the contents of the landfill.

The City authorized a Phase I assessment to be performed during the current year. In October 2014, the City Council authorized the City Administrator to review and execute an Intergovernment Agreement with the Oregon Department of Environmental Services to perform a Phase II study on the DeBerry Landfill. The DEQ will provide a grant for up to \$100,000 for the Phase II assessment.

Due to uncertainties regarding the timing and other requirements, the City has not been able to make a cost estimate for this matter and therefore, no liability has been accrued for the cost of this project.

**Federal Aviation Administration Complaint**

In November 2014, an airport user filed an informal complaint with the Federal Aviation Administration (FAA), questioning the City's compliance of grant assurances #22 – Economic Discrimination, #24 – Fees and Rental Structure, and #25 – Airport Revenue with regard to its operations of the City owned municipal airport known as Hobby Field. The two main components of the complaint are: 1) Alleging the City is not charging rental fees in parity with all users, and 2) the City is charging a public safety fee to airport users contrary to the FAA's revenue use policies. The City responded to the FAA regarding these allegations on December 15, 2014. The potential financial impact to the City is unknown at this time.

**Water Rates**

In December, 2014, a Creswell resident submitted a proposed ballot measure to the City for circulation. The proposed ballot measure is a citizen initiative that proposes to amend the City Charter. In order to qualify for the ballot, the proposal must receive signatures from 15% of the voters in the City. The ballot has yet to begin circulation, so it is unknown as to whether this measure will ever qualify for the ballot. If it does qualify for the ballot, it will be subject to a vote in the City and will only become effective if it is approved by a majority of those casting votes in the election.

The ballot measure proposes to make an amendment to the City Charter by inserting a new procedure for increasing water rates. If the measure is approved, the City Council would retain the authority to increase water rates as long as the percentage rate increase does not exceed the percentage increase in the consumer price index. Any proposed increase that exceeds the increase in the consumer price index would require voter approval before the rate increase could take effect. Thus, if adopted, the City would only be able to unilaterally increase water rates at the rate of inflation. If the City were to propose water rate increases greater than the rate of inflation, the rate increase would need to be approved by the voters.

**CITY OF CRESWELL**  
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**K. Other**

**GASB Pronouncements Implemented**

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65), amends or supersedes the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities. The objective is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources, or recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). The City implemented this standard in the fiscal year ended June 30, 2014.

**GASB Pronouncements Upcoming**

GASB Statement No. 68 “Accounting and Reporting for Pension Plans—an Amendment of GASB Statement No. 27”: The statement establishes accounting and financial reporting requirements related to pensions provided by governments. The statement is effective for fiscal years beginning after June 15, 2014.

**REQUIRED SUPPLEMENTARY INFORMATION**

## MAJOR GOVERNMENTAL FUNDS

### **GENERAL FUND:**

This is the City's primary operating fund. It accounts for all 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, licenses and permits and state shared revenues. Primary expenditures are for general government, police protection and culture and recreation.

### **SPECIAL REVENUE FUNDS**

#### ***State Tax Street Fund:***

This fund accounts for the construction or reconstruction of streets. These improvements are paid primarily from funding received pursuant to the State of Oregon Gas Tax Apportionment.

#### ***Capital Improvement Fund:***

This fund accounts for all resources and expenditures used to finance capital projects. Transfers from the General Fund, Water Fund and Sewer Fund currently finance this fund.

#### ***Building Department Fund:***

This fund accounts for activities in the City's building and electrical code enforcement programs. Resources are provided from fees collected for the monitoring of building, structural, mechanical, plumbing and electrical code and plan reviews

**CITY OF CRESWELL**  
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**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2014

**GENERAL FUND**

	Budget Basis			Actual vs Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Property taxes	\$ 802,724	\$ 802,724	\$ 818,373	\$ 15,649
Franchise taxes	270,485	270,485	269,472	(1,013)
Grants	14,778	15,945	15,945	-
Intergovernmental	97,675	97,675	76,889	(20,786)
Other taxes	67,975	67,975	81,563	13,588
Fines and forfeitures	31,450	31,450	33,618	2,168
Licenses and permits	12,785	12,785	21,292	8,507
Charges for services	8,218	8,218	10,814	2,596
Donations	500	500	-	(500)
Investment earnings	7,655	7,655	8,721	1,066
Other revenue	2,250	2,250	10,135	7,885
Total revenues	1,316,495	1,317,662	1,346,822	29,160
<b>Expenditures</b>				
Personal services	287,774	287,774	198,368	89,406
Material and services	1,145,995	1,315,483	1,017,464	298,019
Capital outlay	64,450	64,450	4,193	60,257
Contingency	295,000	76,679	-	76,679
Total expenditures	1,793,219	1,744,386	1,220,025	524,361
Excess revenues over (under) expenditures	(476,724)	(426,724)	126,797	553,521
<b>Other Financing Sources (Uses)</b>				
Transfers out	(250,000)	(300,000)	(300,000)	-
Change in fund balance	(726,724)	(726,724)	(173,203)	553,521
<b>Fund Balance, July 1</b>	1,305,295	1,305,295	1,300,566	(4,729)
<b>Fund Balance, June 30</b>	\$ 578,571	\$ 578,571	1,127,363	\$ 548,792
<b>Reconciliation to GAAP Basis Fund Balance:</b>				
Encumbrances			12,075	
Combined with the State Revenue Sharing Fund (page 57)			421,482	
<b>GAAP Basis Fund Balance, June 30</b>			\$ 1,560,920	

**CITY OF CRESWELL**  
**LANE COUNTY, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2014

**STATE TAX STREET FUND**

	<b>Budget Basis</b>			Actual vs
	Original Budget	Final Budget	Actual	Final Budget - Positive (Negative)
<b>Revenues</b>				
Intergovernmental	\$ 386,632	\$ 386,632	\$ 394,531	\$ 7,899
Investment earnings	3,165	3,165	3,814	649
Other revenue	450	450	779	329
Total revenues	<u>390,247</u>	<u>390,247</u>	<u>399,124</u>	<u>8,877</u>
<b>Expenditures</b>				
Personal services	106,332	106,332	80,870	25,462
Material and services	269,235	269,235	59,372	209,863
Capital outlay	275,000	275,000	118,754	156,246
Contingency	70,000	70,000	-	70,000
Total expenditures	<u>720,567</u>	<u>720,567</u>	<u>258,996</u>	<u>461,571</u>
Excess revenues over (under) expenditures	(330,320)	(330,320)	140,128	470,448
<b>Other Financing Sources (Uses)</b>				
Transfers out	(3,250)	(3,250)	(2,862)	388
Change in fund balance	(333,570)	(333,570)	137,266	470,836
<b>Fund Balance, July 1</b>	<u>552,637</u>	<u>552,637</u>	<u>629,161</u>	<u>76,524</u>
<b>Fund Balance, June 30</b>	<u>\$ 219,067</u>	<u>\$ 219,067</u>	<u>\$ 766,427</u>	<u>\$ 547,360</u>

**CITY OF CRESWELL**  
**LANE COUNTY, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2014

**CAPITAL IMPROVEMENT FUND**

	<u>Budget Basis</u>			Actual vs
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Final Budget - Positive (Negative)
<b>Revenues</b>				
Investment earnings	\$ 1,300	\$ 1,300	\$ 1,201	\$ (99)
Total revenues	<u>1,300</u>	<u>1,300</u>	<u>1,201</u>	<u>(99)</u>
<b>Expenditures</b>				
Capital outlay	226,655	226,655	17,000	209,655
Total expenditures	<u>226,655</u>	<u>226,655</u>	<u>17,000</u>	<u>209,655</u>
Excess revenues over (under) expenditures	(225,355)	(225,355)	(15,799)	209,556
<b>Other Financing Sources (Uses)</b>				
Transfers in	150,000	150,000	150,000	-
Change in fund balance	(75,355)	(75,355)	134,201	209,556
<b>Fund Balance, July 1</b>	<u>75,355</u>	<u>75,355</u>	<u>76,661</u>	<u>1,306</u>
<b>Fund Balance, June 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 210,862</u>	<u>\$ 210,862</u>
<b>Reconciliation to GAAP Basis Fund Balance:</b>				
Encumbrances			<u>14,414</u>	
<b>GAAP Basis Fund Balance, June 30</b>			<u>\$ 225,276</u>	

**CITY OF CRESWELL**  
 LANE COUNTY, OREGON  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 For the Fiscal Year Ended June 30, 2014

**BUILDING DEPARTMENT FUND**

	<u>Budget Basis</u>			Actual vs Final Budget - Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
<b>Revenues</b>				
Licenses and permits	\$ 42,935	\$ 97,935	\$ 84,363	\$ (13,572)
Investment earnings	590	590	616	26
Other revenue	75	75	8	(67)
Total revenues	<u>43,600</u>	<u>98,600</u>	<u>84,987</u>	<u>(13,613)</u>
<b>Expenditures</b>				
Personal services	15,996	15,996	12,556	3,440
Material and services	50,755	105,755	69,101	36,654
Capital outlay	5,000	5,000	-	5,000
Contingency	15,000	15,000	-	15,000
Total expenditures	<u>86,751</u>	<u>141,751</u>	<u>81,657</u>	<u>60,094</u>
Excess revenues over (under) expenditures	(43,151)	(43,151)	3,330	46,481
<b>Fund Balance, July 1</b>	104,995	104,995	107,866	2,871
<b>Fund Balance, June 30</b>	<u>\$ 61,844</u>	<u>\$ 61,844</u>	<u>\$ 111,196</u>	<u>\$ 49,352</u>

**OTHER SUPPLEMENTARY INFORMATION**

***NON-MAJOR GOVERNMENTAL FUNDS***

## NON-MAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

***Bicycle/Foot Path Fund:***

This fund accounts for the development and maintenance of bicycle/foot paths within the City as required by Oregon statutes.

***Parks Development Fund:***

This fund accounts for receipts and expenditures of parks system improvement fees.

***Transportation Enhancement Fund:***

This fund accounts for receipts and expenditures of transportation system improvement.

### DEBT SERVICE FUND

***Local Improvement District Fund:***

This fund accounts for receipts and expenditures for all local improvement districts of the City. The major sources are assessment principal and interest payments received.

**CITY OF CRESWELL**  
**LANE COUNTY, OREGON**  
**COMBINING BALANCE SHEETS**  
 June 30, 2014

**NON-MAJOR GOVERNMENTAL FUNDS**

	<b>Debt Service Fund:</b>		
	<b>Non-major Special Revenue Funds</b>	<b>Local Improvement District Fund</b>	<b>Total Non-major Governmental Funds</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Assets</b>			
Cash and investments	\$ 746,519	\$ 15,103	\$ 761,622
Receivables:			
Assessments	-	8,942	8,942
Total assets	<u>\$ 746,519</u>	<u>\$ 24,045</u>	<u>\$ 770,564</u>
 <b>Deferred Inflows of Resources</b>			
Unavailable revenue, assessments	\$ -	\$ 8,942	\$ 8,942
Total deferred inflows of resources	<u>-</u>	<u>8,942</u>	<u>8,942</u>
 <b>Fund Balances</b>			
Restricted	746,519	15,103	761,622
Total fund balances	<u>746,519</u>	<u>15,103</u>	<u>761,622</u>
 Total deferred inflows of resources and fund balances	<u>\$ 746,519</u>	<u>\$ 24,045</u>	<u>\$ 770,564</u>

**CITY OF CRESWELL**  
**LANE COUNTY, OREGON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For the Fiscal Year Ended June 30, 2014**

**NON-MAJOR GOVERNMENTAL FUNDS**

	<b>Non-major Special Revenue Funds</b>	<b>Local Improvement District Fund</b>	<b>Total Non-major Governmental Funds</b>
<b>Revenues</b>			
Special assessments	\$ -	\$ 2,133	\$ 2,133
System development charges	59,480	-	59,480
Investment earnings	3,759	79	3,838
Total revenues	<u>63,239</u>	<u>2,212</u>	<u>65,451</u>
<b>Expenditures</b>			
Current operating:			
Highways and streets	2,110	-	2,110
Debt service:			
Principal	-	1,571	1,571
Interest	-	472	472
Total expenditures	<u>2,110</u>	<u>2,043</u>	<u>4,153</u>
Excess revenues over (under) expenditures	61,129	169	61,298
<b>Other Financing Sources (Uses)</b>			
Transfers in	2,862	-	2,862
Change in fund balance	63,991	169	64,160
<b>Fund Balances, July 1</b>	<u>682,528</u>	<u>14,934</u>	<u>697,462</u>
<b>Fund Balances, June 30</b>	<u>\$ 746,519</u>	<u>\$ 15,103</u>	<u>\$ 761,622</u>

**CITY OF CRESWELL**  
LANE COUNTY, OREGON  
COMBINING BALANCE SHEETS  
June 30, 2014

**NON-MAJOR SPECIAL REVENUE FUNDS**

	<b>Bicycle and Foot Path Fund</b>	<b>Parks Development Fund</b>	<b>Transportation Enhancement Fund</b>	<b>Total Non-major Special Revenue Funds</b>
<b>Assets</b>				
Cash and investments	\$ 55,037	\$ 405,842	\$ 285,640	\$ 746,519
Total assets	<u>\$ 55,037</u>	<u>\$ 405,842</u>	<u>\$ 285,640</u>	<u>\$ 746,519</u>
<b>Fund Balance</b>				
Restricted	\$ 55,037	\$ 405,842	\$ 285,640	746,519
Total fund balances	<u>\$ 55,037</u>	<u>\$ 405,842</u>	<u>\$ 285,640</u>	<u>\$ 746,519</u>

**CITY OF CRESWELL**  
**LANE COUNTY, OREGON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For the Fiscal Year Ended June 30, 2014**

**NON-MAJOR SPECIAL REVENUE FUNDS**

	<b>Bicycle and Foot Path Fund</b>	<b>Parks Development Fund</b>	<b>Transportation Enhancement Fund</b>	<b>Total Non-major Special Revenue Funds</b>
<b>Revenues</b>				
System development charges	\$ -	\$ 19,391	\$ 40,089	\$ 59,480
Investment earnings	276	2,096	1,387	3,759
Total revenues	<u>276</u>	<u>21,487</u>	<u>41,476</u>	<u>63,239</u>
<b>Expenditures</b>				
Current operating:				
Highways and streets	<u>2,110</u>	-	-	<u>2,110</u>
Total expenditures	<u>2,110</u>	-	-	<u>2,110</u>
Excess revenues over (under) expenditures	(1,834)	21,487	41,476	61,129
<b>Other Financing Sources (Uses)</b>				
Transfers in	<u>2,862</u>	-	-	<u>2,862</u>
Change in fund balance	1,028	21,487	41,476	63,991
<b>Fund Balances, July 1</b>	<u>54,009</u>	<u>384,355</u>	<u>244,164</u>	<u>682,528</u>
<b>Fund Balances, June 30</b>	<u>\$ 55,037</u>	<u>\$ 405,842</u>	<u>\$ 285,640</u>	<u>\$ 746,519</u>

**CITY OF CRESWELL**  
**LANE COUNTY, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2014

**BICYCLE AND FOOT PATH FUND**

	<u>Budget Basis</u>			Actual vs
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Final Budget - Positive (Negative)
<b>Revenues</b>				
Investment earnings	\$ 280	\$ 280	\$ 276	\$ (4)
Total revenues	<u>280</u>	<u>280</u>	<u>276</u>	<u>(4)</u>
<b>Expenditures</b>				
Material and services	15,500	15,500	2,110	13,390
Capital outlay	39,765	39,765	-	39,765
Total expenditures	<u>55,265</u>	<u>55,265</u>	<u>2,110</u>	<u>53,155</u>
Excess revenues over (under) expenditures	(54,985)	(54,985)	(1,834)	53,151
<b>Other Financing Sources (Uses)</b>				
Transfers in	3,250	3,250	2,862	(388)
Change in fund balance	(51,735)	(51,735)	1,028	52,763
<b>Fund Balance, July 1</b>	<u>51,735</u>	<u>51,735</u>	<u>54,009</u>	<u>2,274</u>
<b>Fund Balance, June 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,037</u>	<u>\$ 55,037</u>

**CITY OF CRESWELL**  
**LANE COUNTY, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2014

**PARKS DEVELOPMENT FUND**

	<b>Budget Basis</b>			Actual vs Final Budget -
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Positive (Negative)
<b>Revenues</b>				
System development charges	\$ 16,160	\$ 16,160	\$ 19,391	\$ 3,231
Investment earnings	1,975	1,975	2,096	121
	<u>18,135</u>	<u>18,135</u>	<u>21,487</u>	<u>3,352</u>
Total revenues				
<b>Expenditures</b>				
Material and services	1,500	1,500	-	1,500
Capital outlay	397,755	397,755	-	397,755
	<u>399,255</u>	<u>399,255</u>	<u>-</u>	<u>399,255</u>
Total expenditures				
Excess revenues over (under) expenditures	(381,120)	(381,120)	21,487	402,607
<b>Fund Balance, July 1</b>	<u>381,120</u>	<u>381,120</u>	<u>384,355</u>	<u>3,235</u>
<b>Fund Balance, June 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 405,842</u>	<u>\$ 405,842</u>

**CITY OF CRESWELL**  
**LANE COUNTY, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2014

**TRANSPORTATION ENHANCEMENT FUND**

	<b>Budget Basis</b>			Actual vs Final Budget - Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
<b>Revenues</b>				
System development charges	\$ 6,269	\$ 6,269	\$ 40,089	\$ 33,820
Investment earnings	1,275	1,275	1,387	112
Total revenues	<u>7,544</u>	<u>7,544</u>	<u>41,476</u>	<u>33,932</u>
<b>Expenditures</b>				
Material and services	1,500	1,500	-	1,500
Capital outlay	248,929	248,929	-	248,929
Total expenditures	<u>250,429</u>	<u>250,429</u>	<u>-</u>	<u>250,429</u>
Excess revenues over (under) expenditures	(242,885)	(242,885)	41,476	284,361
<b>Fund Balance, July 1</b>	<u>242,885</u>	<u>242,885</u>	<u>244,164</u>	<u>1,279</u>
<b>Fund Balance, June 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 285,640</u>	<u>\$ 285,640</u>

**CITY OF CRESWELL**  
**LANE COUNTY, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2014

**LOCAL IMPROVEMENT DISTRICT FUND**

	<b>Budget Basis</b>			Actual vs Final Budget - Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Negative)</u>
<b>Revenues</b>				
Special assessments	\$ 2,930	\$ 2,930	\$ 2,133	\$ (797)
Investment earnings	60	60	79	19
Total revenues	<u>2,990</u>	<u>2,990</u>	<u>2,212</u>	<u>(778)</u>
<b>Expenditures</b>				
Material and services	4,675	4,675	-	4,675
Debt service:				
Principal	9,875	9,875	1,571	8,304
Interest and other charges	2,175	2,175	472	1,703
Total expenditures	<u>16,725</u>	<u>16,725</u>	<u>2,043</u>	<u>14,682</u>
Excess revenues over (under) expenditures	(13,735)	(13,735)	169	13,904
<b>Fund Balance, July 1</b>	<u>13,735</u>	<u>13,735</u>	<u>14,934</u>	<u>1,199</u>
<b>Fund Balance, June 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,103</u>	<u>\$ 15,103</u>

**OTHER SUPPLEMENTARY INFORMATION**

***OTHER GOVERNMENTAL FUND***

## **OTHER GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUND**

#### ***State Revenue Sharing***

This fund is a budgetary fund only which accounts for revenue sharing funds from the State of Oregon. City officials have assigned this fund to be used for a future fiber optic system within the City and is combined with the General Fund in the Fund Financial Statements.

**CITY OF CRESWELL**  
**LANE COUNTY, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2014

**STATE REVENUE SHARING FUND**

	<b>Budget Basis</b>			Actual vs Final Budget -
	Original Budget	Final Budget	Actual	Positive (Negative)
<b>Revenues</b>				
Intergovernmental	\$ 40,765	\$ 40,765	\$ 44,466	\$ 3,701
Investment earnings	1,640	1,640	2,059	419
	<u>42,405</u>	<u>42,405</u>	<u>46,525</u>	<u>4,120</u>
<b>Expenditures</b>				
Material and services	26,500	26,500	288	26,212
Capital outlay	371,480	371,480	-	371,480
	<u>397,980</u>	<u>397,980</u>	<u>288</u>	<u>397,692</u>
Excess revenues over (under) expenditures	(355,575)	(355,575)	46,237	401,812
<b>Fund Balance, July 1</b>	<u>355,575</u>	<u>355,575</u>	<u>375,245</u>	<u>19,670</u>
<b>Fund Balance, June 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 421,482</u>	<u>\$ 421,482</u>
<b>Reconciliation to GAAP Basis Fund Balance:</b>				
Combined with the General Fund (page 45)			(421,482)	
<b>GAAP Basis Fund Balance, June 30</b>			<u>\$ -</u>	

## PROPRIETARY FUNDS

These funds are used to account for the acquisition, operation, and maintenance of water, sewer and airport facilities. These funds are entirely or predominantly self-supported through user charges to customers.

### ***Water Funds:***

- Water Fund
- Water SDC Reserve Fund
- Water Capital Improvement Reserve Fund

### ***Sewer Funds:***

- Sewer Fund
- Sewer SDC Reserve Fund
- Sewer Capital Improvement Reserve Fund

### ***Airport Fund:***

- Airport Fund

**CITY OF CRESWELL**  
**LANE COUNTY, OREGON**  
**COMBINING STATEMENT OF NET POSITION**  
June 30, 2014

**WATER FUNDS**

	<b>Water Fund</b>	<b>Water SDC Reserve Fund</b>	<b>Water Capital Improvement Reserve Fund</b>	<b>Total Water Funds</b>
<b>Assets</b>				
<i>Current assets:</i>				
Cash and investments	\$ 3,029,872	\$ 2,136,187	\$ 1,126,495	\$ 6,292,554
<i>Receivables:</i>				
Accounts	158,567	-	-	158,567
Inventory	165,495	-	-	165,495
Total current assets	<u>3,353,934</u>	<u>2,136,187</u>	<u>1,126,495</u>	<u>6,616,616</u>
<i>Noncurrent assets:</i>				
Land and construction in progress	326,849	-	-	326,849
Other capital assets, net	12,054,928	-	-	12,054,928
Total noncurrent	<u>12,381,777</u>	<u>-</u>	<u>-</u>	<u>12,381,777</u>
Total assets	<u>\$ 15,735,711</u>	<u>\$ 2,136,187</u>	<u>\$ 1,126,495</u>	<u>\$ 18,998,393</u>
<b>Liabilities and Net Position</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 8,117	\$ -	\$ -	\$ 8,117
Deposits	33,467	-	-	33,467
Interest payable	16,912	-	-	16,912
Notes payable	344,890	-	-	344,890
Total current liabilities	<u>403,386</u>	<u>-</u>	<u>-</u>	<u>403,386</u>
<i>Noncurrent liabilities:</i>				
Compensated absences	28,052	-	-	28,052
Notes payable	7,253,387	-	-	7,253,387
Total noncurrent liabilities	<u>7,281,439</u>	<u>-</u>	<u>-</u>	<u>7,281,439</u>
Total liabilities	<u>7,684,825</u>	<u>-</u>	<u>-</u>	<u>7,684,825</u>
<b>Net Position</b>				
Invested in capital assets, net of related debt	4,783,500	-	-	4,783,500
Restricted for:				
Systems development	-	2,136,187	-	2,136,187
Unrestricted	3,267,386	-	1,126,495	4,393,881
Total net position	<u>\$ 8,050,886</u>	<u>\$ 2,136,187</u>	<u>\$ 1,126,495</u>	<u>\$ 11,313,568</u>
Total liabilities and net position	<u>\$ 15,735,711</u>	<u>\$ 2,136,187</u>	<u>\$ 1,126,495</u>	<u>\$ 18,998,393</u>

**CITY OF CRESWELL**  
**LANE COUNTY, OREGON**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
For the Fiscal Year Ended June 30, 2014

**WATER FUNDS**

	<b>Water Fund</b>	<b>Water SDC Reserve Fund</b>	<b>Water Capital Improvement Reserve Fund</b>	<b>Total Water Funds</b>
<b>Operating Revenues</b>				
Charges for services	\$ 1,371,932	\$ -	\$ -	\$ 1,371,932
Rental income	3,500	-	-	3,500
Other revenue	1,517	-	-	1,517
Total operating revenue	<u>1,376,949</u>	<u>-</u>	<u>-</u>	<u>1,376,949</u>
<b>Operating Expenses</b>				
Personal services	338,990	-	-	338,990
Contractual services	30,104	-	-	30,104
Repairs and maintenance	9,758	-	-	9,758
Materials and supplies	162,134	-	-	162,134
Utilities	66,789	-	-	66,789
Other operating expenses	6,863	-	-	6,863
Depreciation and amortization	425,796	-	-	425,796
Total operating expenses	<u>1,040,434</u>	<u>-</u>	<u>-</u>	<u>1,040,434</u>
Operating income (loss)	<u>336,515</u>	<u>-</u>	<u>-</u>	<u>336,515</u>
<b>Non-operating Revenues (Expenses)</b>				
System development charges	-	67,865	-	67,865
Investment earnings	17,234	11,111	5,927	34,272
Interest expense	(175,312)	-	-	(175,312)
Total non-operating revenues (expenses)	<u>(158,078)</u>	<u>78,976</u>	<u>5,927</u>	<u>(73,175)</u>
Net income (loss) before transfers	178,437	78,976	5,927	263,340
Transfers in	-	-	50,000	50,000
Transfers out	(50,000)	-	-	(50,000)
Change in net position	<u>128,437</u>	<u>78,976</u>	<u>55,927</u>	<u>263,340</u>
<b>Net Position, July 1</b>	7,922,449	2,057,211	1,070,568	11,050,228
<b>Net Position, June 30</b>	<u>\$ 8,050,886</u>	<u>\$ 2,136,187</u>	<u>\$ 1,126,495</u>	<u>\$ 11,313,568</u>

**CITY OF CRESWELL**  
**LANE COUNTY, OREGON**  
**COMBINING STATEMENT OF CASH FLOWS**  
For the Fiscal Year Ended June 30, 2014

**WATER FUNDS**

	<b>Water Fund</b>	<b>Water SDC Reserve Fund</b>	<b>Water Capital Improvement Reserve Fund</b>	<b>Total Water Funds</b>
<b>Cash flows from operating activities:</b>				
Receipts from customers and users	\$ 1,376,615	\$ -	\$ -	\$ 1,376,615
Other operating receipts	1,517	-	-	1,517
Payments to suppliers for goods and services	(349,792)	-	-	(349,792)
Payments to employees for services	(329,931)	-	-	(329,931)
Net cash provided by (used for) operating activities	<u>698,409</u>	<u>-</u>	<u>-</u>	<u>698,409</u>
<b>Cash flows from noncapital financing activities:</b>				
Operating transfers from (to) other funds	(50,000)	-	50,000	-
Net cash provided by (used for) noncapital financing activities	<u>(50,000)</u>	<u>-</u>	<u>50,000</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>				
System development charges	-	67,864	-	67,864
Acquisition of capital assets	(14,848)	-	-	(14,848)
Principal paid on long-term obligations	(611,526)	-	-	(611,526)
Interest paid	(179,120)	-	-	(179,120)
Net cash provided by (used for) capital and related financing activities	<u>(805,494)</u>	<u>67,864</u>	<u>-</u>	<u>(737,630)</u>
<b>Cash flows from investing activities:</b>				
Interest received	17,234	11,111	5,927	34,272
Net cash provided by (used for) investing activities	<u>17,234</u>	<u>11,111</u>	<u>5,927</u>	<u>34,272</u>
Net increase (decrease) in cash and cash equivalents	(139,851)	78,975	55,927	(4,949)
<b>Cash and cash equivalents - July 1</b>	<u>3,169,723</u>	<u>2,057,212</u>	<u>1,070,568</u>	<u>6,297,503</u>
<b>Cash and cash equivalents - June 30</b>	<u>\$ 3,029,872</u>	<u>\$ 2,136,187</u>	<u>\$ 1,126,495</u>	<u>\$ 6,292,554</u>
<b>Reconciliation of operating income to net cash provided by (used for) operating activities:</b>				
Operating income (loss)	\$ 336,515	\$ -	\$ -	\$ 336,515
<i>Adjustments to reconcile net income to net cash provided by (used for) operating activities:</i>				
Depreciation expense	425,796	-	-	425,796
(Increase) decrease in accounts receivable	927	-	-	927
(Increase) decrease in inventory	(79,779)	-	-	(79,779)
Increase (decrease) in accounts payable	5,704	-	-	5,704
Increase (decrease) in other accrued liabilities	8,990	-	-	8,990
Increase (decrease) in water deposits payable	256	-	-	256
Total adjustments	<u>361,894</u>	<u>-</u>	<u>-</u>	<u>361,894</u>
Net cash provided by (used for) operating activities	<u>\$ 698,409</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 698,409</u>

**CITY OF CRESWELL**  
LANE COUNTY, OREGON  
COMBINING STATEMENT OF NET POSITION  
June 30, 2014

**SEWER FUNDS**

	Sewer Fund	Sewer SDC Reserve Fund	Sewer Capital Improvement Reserve Fund	Total Sewer Funds
<b>Assets</b>				
<i>Current assets:</i>				
Cash and investments	\$ 607,638	\$ 812,160	\$ 891,382	\$ 2,311,180
Receivables:				
Accounts	103,411	-	-	103,411
Inventory	3,358	-	-	3,358
Total current assets	<u>714,407</u>	<u>812,160</u>	<u>891,382</u>	<u>2,417,949</u>
<i>Noncurrent assets:</i>				
Land and construction in progress	804,373	-	-	804,373
Other capital assets, net	7,974,710	-	-	7,974,710
Total noncurrent	<u>8,779,083</u>	<u>-</u>	<u>-</u>	<u>8,779,083</u>
Total assets	<u>\$ 9,493,490</u>	<u>\$ 812,160</u>	<u>\$ 891,382</u>	<u>\$ 11,197,032</u>
<b>Liabilities and Net Position</b>				
<b>Liabilities:</b>				
<i>Current liabilities:</i>				
Accounts payable	\$ 8,373	\$ -	\$ -	\$ 8,373
Interest payable	6,263	-	-	6,263
Notes payable	202,751	-	-	202,751
Bonds payable	61,702	-	-	61,702
Total current liabilities	<u>279,089</u>	<u>-</u>	<u>-</u>	<u>279,089</u>
<i>Noncurrent liabilities:</i>				
Compensated absences	25,044	-	-	25,044
Notes payable	933,691	-	-	933,691
Bonds payable	953,318	-	-	953,318
Total noncurrent liabilities	<u>1,912,053</u>	<u>-</u>	<u>-</u>	<u>1,912,053</u>
Total liabilities	<u>2,191,142</u>	<u>-</u>	<u>-</u>	<u>2,191,142</u>
<b>Net Position:</b>				
Invested in capital assets, net of related debt	6,627,621	-	-	6,627,621
Restricted for:				
Debt service	-	204,300	-	204,300
Systems development	-	607,860	-	607,860
Unrestricted	674,727	-	891,382	1,566,109
Total net position	<u>\$ 7,302,348</u>	<u>\$ 812,160</u>	<u>\$ 891,382</u>	<u>\$ 9,005,890</u>
Total liabilities and net position	<u>\$ 9,493,490</u>	<u>\$ 812,160</u>	<u>\$ 891,382</u>	<u>\$ 11,197,032</u>

**CITY OF CRESWELL**  
**LANE COUNTY, OREGON**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**For the Fiscal Year Ended June 30, 2014**

**SEWER FUNDS**

	<b>Sewer Fund</b>	<b>Sewer SDC Reserve Fund</b>	<b>Sewer Capital Improvement Reserve Fund</b>	<b>Total Sewer Funds</b>
<b>Operating Revenues</b>				
Charges for services	\$ 941,607	\$ -	\$ -	\$ 941,607
Rental income	7,500	-	-	7,500
Other revenue	848	-	-	848
Total operating revenue	<u>949,955</u>	<u>-</u>	<u>-</u>	<u>949,955</u>
<b>Operating Expenses</b>				
Personal services	269,806	-	-	269,806
Contractual services	42,946	-	-	42,946
Repairs and maintenance	3,888	-	-	3,888
Materials and supplies	111,661	-	-	111,661
Utilities	33,809	-	-	33,809
Depreciation and amortization	346,011	-	-	346,011
Total operating expenses	<u>808,121</u>	<u>-</u>	<u>-</u>	<u>808,121</u>
Operating income (loss)	<u>141,834</u>	<u>-</u>	<u>-</u>	<u>141,834</u>
<b>Non-operating Revenues (Expenses)</b>				
System development charges	-	37,968	-	37,968
Investment earnings	3,554	4,217	4,690	12,461
Interest expense	(91,064)	-	-	(91,064)
Total non-operating revenues (expenses)	<u>(87,510)</u>	<u>42,185</u>	<u>4,690</u>	<u>(40,635)</u>
Net income (loss) before transfers	54,324	42,185	4,690	101,199
Transfers in	-	-	50,000	50,000
Transfers out	(50,000)	-	-	(50,000)
Change in net position	4,324	42,185	54,690	101,199
<b>Net Position, July 1</b>	<u>7,298,024</u>	<u>769,975</u>	<u>836,692</u>	<u>8,904,691</u>
<b>Net Position, June 30</b>	<u>\$ 7,302,348</u>	<u>\$ 812,160</u>	<u>\$ 891,382</u>	<u>\$ 9,005,890</u>

**CITY OF CRESWELL**  
**LANE COUNTY, OREGON**  
**COMBINING STATEMENT OF CASH FLOWS**  
For the Fiscal Year Ended June 30, 2014

**SEWER FUNDS**

	Sewer Fund	Sewer SDC Reserve Fund	Sewer Capital Improvement Reserve Fund	Total Sewer Funds
<b>Cash flows from operating activities:</b>				
Receipts from customers and users	\$ 951,541	\$ -	\$ -	\$ 951,541
Other operating receipts	848	-	-	848
Payments to suppliers for goods and services	(190,739)	-	-	(190,739)
Payments to employees for services	(261,946)	-	-	(261,946)
Net cash provided by (used for) operating activities	<u>499,704</u>	<u>-</u>	<u>-</u>	<u>499,704</u>
<b>Cash flows from noncapital financing activities:</b>				
Operating transfers from (to) other funds	(50,000)	-	50,000	-
Net cash provided by (used for) noncapital financing activities	<u>(50,000)</u>	<u>-</u>	<u>50,000</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>				
System development charges	-	37,967	-	37,967
Acquisition of capital assets	(88,729)	-	-	(88,729)
Principal paid on long-term obligations	(255,270)	-	-	(255,270)
Interest paid	(88,784)	-	-	(88,784)
Net cash provided by (used for) capital and related financing activities	<u>(432,783)</u>	<u>37,967</u>	<u>-</u>	<u>(394,816)</u>
<b>Cash flows from investing activities:</b>				
Interest received	3,554	4,217	4,690	12,461
Net cash provided by (used for) investing activities	<u>3,554</u>	<u>4,217</u>	<u>4,690</u>	<u>12,461</u>
Net increase (decrease) in cash and cash equivalents	20,475	42,184	54,690	117,349
<b>Cash and cash equivalents - July 1</b>	<u>587,163</u>	<u>769,976</u>	<u>836,692</u>	<u>2,193,831</u>
<b>Cash and cash equivalents - June 30</b>	<u>\$ 607,638</u>	<u>\$ 812,160</u>	<u>\$ 891,382</u>	<u>\$ 2,311,180</u>
<b>Reconciliation of operating income to net cash provided by (used for) operating activities:</b>				
Operating income (loss)	\$ 141,834	\$ -	\$ -	\$ 141,834
<i>Adjustments to reconcile net income to net cash provided by (used for) operating activities:</i>				
Depreciation expense	346,011	-	-	346,011
(Increase) decrease in accounts receivable	2,434	-	-	2,434
(Increase) decrease in inventory	(2,612)	-	-	(2,612)
Increase (decrease) in accounts payable	4,229	-	-	4,229
Increase (decrease) in other accrued liabilities	7,808	-	-	7,808
Total adjustments	<u>357,870</u>	<u>-</u>	<u>-</u>	<u>357,870</u>
Net cash provided by (used for) operating activities	<u>\$ 499,704</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 499,704</u>

**CITY OF CRESWELL**  
**LANE COUNTY, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2014

**WATER FUND**

	<b>Budget Basis</b>			Actual vs Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Grants	\$ -	\$ 30,000	\$ -	\$ (30,000)
Charges for services	1,340,390	1,340,390	1,370,317	29,927
Rental Income	4,200	4,200	3,500	(700)
Investment earnings	18,630	18,630	17,234	(1,396)
Other revenue	2,200	2,200	3,131	931
	<u>1,365,420</u>	<u>1,395,420</u>	<u>1,394,182</u>	<u>(1,238)</u>
<b>Expenditures</b>				
Personal services	409,727	409,727	329,931	79,796
Material and services	484,592	514,592	346,844	167,748
Capital outlay	455,845	455,845	23,431	432,414
<i>Debt service:</i>				
Principal	622,512	622,512	611,526	10,986
Interest and other charges	168,134	168,134	175,312	(7,178)
Contingency	324,000	324,000	-	324,000
	<u>2,464,810</u>	<u>2,494,810</u>	<u>1,487,044</u>	<u>1,007,766</u>
Excess revenues over (under) expenditures	(1,099,390)	(1,099,390)	(92,862)	1,006,528
<b>Other Financing Sources (Uses)</b>				
Transfers out	(50,000)	(50,000)	(50,000)	-
Change in fund balance	(1,149,390)	(1,149,390)	(142,862)	1,006,528
<b>Fund Balance, July 1</b>	<u>3,136,750</u>	<u>3,136,750</u>	<u>3,272,804</u>	<u>\$ 136,054</u>
<b>Fund Balance, June 30</b>	<u>\$ 1,987,360</u>	<u>\$ 1,987,360</u>	<u>3,129,942</u>	<u>\$ 1,142,582</u>
<b>Reconciliation to Net Position:</b>				
Inventory			165,495	
Land and construction in progress			326,849	
Other capital assets, net			12,054,928	
Compensated absences			(28,051)	
Notes payable			(7,598,277)	
<b>Net Position, June 30</b>			<u>\$ 8,050,886</u>	

**CITY OF CRESWELL**  
**LANE COUNTY, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2014

**WATER SDC RESERVE FUND**

	<b>Budget Basis</b>			Actual vs
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Final Budget - Positive (Negative)
<b>REVENUES</b>				
System development charges	\$ 52,773	\$ 52,773	\$ 67,865	\$ 15,092
Investment earnings	10,465	10,465	11,111	646
Total revenues	<u>63,238</u>	<u>63,238</u>	<u>78,976</u>	<u>15,738</u>
<b>EXPENDITURES</b>				
Capital outlay	2,112,428	2,112,428	-	2,112,428
Total expenditures	<u>2,112,428</u>	<u>2,112,428</u>	<u>-</u>	<u>2,112,428</u>
Excess revenues over (under) expenditures	(2,049,190)	(2,049,190)	78,976	2,128,166
<b>Fund Balance, July 1</b>	2,049,190	2,049,190	2,057,211	8,021
<b>Fund Balance, June 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,136,187</u>	<u>\$ 2,136,187</u>

**CITY OF CRESWELL**  
**LANE COUNTY, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2014

**WATER CAPITAL IMPROVEMENT RESERVE FUND**

	<b>Budget Basis</b>			Actual vs Final Budget - Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
<b>Revenues</b>				
Investment earnings	\$ 5,895	\$ 5,895	\$ 5,927	\$ 32
Total revenues	<u>5,895</u>	<u>5,895</u>	<u>5,927</u>	<u>32</u>
<b>Expenditures</b>				
Capital outlay	1,126,035	1,126,035	-	1,126,035
Total expenditures	<u>1,126,035</u>	<u>1,126,035</u>	<u>-</u>	<u>1,126,035</u>
Excess revenues over (under) expenditures	(1,120,140)	(1,120,140)	5,927	1,126,067
<b>Other Financing Sources (Uses)</b>				
Transfers in	50,000	50,000	50,000	-
Change in fund balance	(1,070,140)	(1,070,140)	55,927	1,126,067
<b>Fund Balance, July 1</b>	<u>1,070,140</u>	<u>1,070,140</u>	<u>1,070,568</u>	<u>\$ 428</u>
<b>Fund Balance, June 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,126,495</u>	<u>\$ 1,126,495</u>

**CITY OF CRESWELL**  
LANE COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2014

**SEWER FUND**

	Budget Basis			Actual vs Final Budget -
	Original Budget	Final Budget	Actual	Positive (Negative)
<b>REVENUES</b>				
Charges for services	\$ 936,720	\$ 936,720	\$ 941,607	\$ 4,887
Rental Income	8,200	8,200	7,500	(700)
Investment earnings	3,875	3,875	3,554	(321)
Other revenue	2,075	2,075	848	(1,227)
	<u>950,870</u>	<u>950,870</u>	<u>953,509</u>	<u>2,639</u>
<b>EXPENDITURES</b>				
Personal services	332,422	332,422	261,945	70,477
Material and services	361,087	361,087	191,487	169,600
Capital outlay	287,675	287,675	92,157	195,518
<i>Debt service:</i>				
Principal	255,272	255,272	255,270	2
Interest and other charges	92,579	92,579	91,064	1,515
Contingency	175,000	175,000	-	175,000
	<u>1,504,035</u>	<u>1,504,035</u>	<u>891,923</u>	<u>612,112</u>
Excess revenues over (under) expenditures	(553,165)	(553,165)	61,586	614,751
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(50,000)	(50,000)	(50,000)	-
Change in fund balance	(603,165)	(603,165)	11,586	614,751
<b>Fund Balance, July 1</b>	630,715	630,715	684,829	54,114
<b>Fund Balance, June 30</b>	<u>\$ 27,550</u>	<u>\$ 27,550</u>	<u>696,415</u>	<u>\$ 668,865</u>
<b>Reconciliation to Net Position:</b>				
Inventory			3,358	
Land and construction in progress			804,373	
Other capital assets, net			7,974,710	
Compensated absences			(25,046)	
Notes payable			(1,136,442)	
Bonds payable			(1,015,020)	
<b>Net Position, June 30</b>			<u>\$ 7,302,348</u>	

**CITY OF CRESWELL**  
LANE COUNTY, OREGON  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2014

**SEWER SDC RESERVE FUND**

	<b>Budget Basis</b>			Actual vs Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
System development charges	\$ 47,460	\$ 47,460	\$ 37,968	\$ (9,492)
Investment earnings	3,945	3,945	4,217	272
Total revenues	51,405	51,405	42,185	(9,220)
<b>EXPENDITURES</b>				
Capital outlay	816,570	816,570	-	816,570
Excess revenues over (under) expenditures	(765,165)	(765,165)	42,185	807,350
<b>Fund Balance, July 1</b>	765,165	765,165	769,975	4,810
<b>Fund Balance, June 30</b>	\$ -	\$ -	\$ 812,160	\$ 812,160

***Fund Balance consists of:***

USDA RUS 92-01 bond reserve	\$ 83,872
DEQ Clean Water SRF R25140 note reserve	120,428
Remaining reserve	607,860
<b>Total Fund Balance</b>	<b>\$ 812,160</b>

**CITY OF CRESWELL**  
**LANE COUNTY, OREGON**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 For the Fiscal Year Ended June 30, 2014

**SEWER CAPITAL IMPROVEMENT RESERVE FUND**

	<b>Budget Basis</b>			Actual vs Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Investment earnings	\$ 4,125	\$ 4,125	\$ 4,690	\$ 565
Total revenues	4,125	4,125	4,690	565
<b>EXPENDITURES</b>				
Capital outlay	890,350	890,350	-	890,350
Total expenditures	890,350	890,350	-	890,350
Excess revenues over (under) expenditures	(886,225)	(886,225)	4,690	890,915
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	50,000	50,000	50,000	-
Change in fund balance	(836,225)	(836,225)	54,690	890,915
<b>Fund Balance, July 1</b>	836,225	836,225	836,692	467
<b>Fund Balance, June 30</b>	\$ -	\$ -	\$ 891,382	\$ 891,382

**CITY OF CRESWELL**  
**LANE COUNTY, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2014

**AIRPORT FUND**

	<b>Budget Basis</b>			Actual vs Final Budget - Positive
	Original Budget	Final Budget	Actual	(Negative)
<b>REVENUES</b>				
Grants	\$ 220,192	\$ 232,734	\$ 39,654	\$ (193,080)
Rental income	57,104	57,104	56,971	(133)
Fuel sales	365,000	365,000	253,550	(111,450)
Donations	20,000	20,000	1,000	(19,000)
Investment earnings	150	150	269	119
Other revenue	23,484	23,484	22,010	(1,474)
	<u>685,930</u>	<u>698,472</u>	<u>373,454</u>	<u>(325,018)</u>
<b>EXPENDITURES</b>				
Personal services	84,852	84,852	77,941	6,911
Material and services	431,400	481,400	367,174	114,226
Capital outlay	228,060	240,602	39,754	200,848
Contingency	35,000	35,000	-	35,000
	<u>779,312</u>	<u>841,854</u>	<u>484,869</u>	<u>356,985</u>
Excess revenues over (under) expenditures	(93,382)	(143,382)	(111,415)	31,967
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	100,000	150,000	150,000	-
	<u>6,618</u>	<u>6,618</u>	<u>38,585</u>	<u>31,967</u>
<b>Fund Balance, July 1</b>	<u>29,500</u>	<u>29,500</u>	<u>12,220</u>	<u>(17,280)</u>
<b>Fund Balance, June 30</b>	<u>\$ 36,118</u>	<u>\$ 36,118</u>	<u>50,805</u>	<u>\$ 14,687</u>
<b>Reconciliation to Net Position:</b>				
Inventory			10,789	
Land and construction in progress			229,937	
Other capital assets, net			825,353	
Encumbrances			16,900	
Compensated absences			(5,470)	
<b>Net Position, June 30</b>			<u>\$ 1,128,314</u>	

***OTHER FINANCIAL SCHEDULES***

**CITY OF CRESWELL**  
**LANE COUNTY, OREGON**  
**SCHEDULE OF PROPERTY TAX TRANSACTIONS**  
**For the Fiscal Year Ended June 30, 2014**

Fiscal Year	Uncollected Balance 6/30/2013	2013-14 Levy	Collections	Discounts and Adjustments	Uncollected Balance 6/30/2014	Interest
2013-14	\$ -	845,666	(797,251)	\$ (24,442)	\$ 23,973	\$ 210
2012-13	26,256	-	(10,598)	(1,618)	14,040	611
2011-12	14,363	-	(4,824)	(367)	9,172	657
2010-11	9,538	-	(3,123)	(311)	6,104	694
2009-10	5,987	-	(2,099)	(203)	3,685	557
2008-09	878	-	(268)	(142)	468	109
2007-08	570	-	(136)	(82)	352	67
Prior years	1,436	-	(74)	(145)	1,217	53
<b>Totals</b>	<u>\$ 59,028</u>	<u>\$ 845,666</u>	<u>\$ (818,373)</u>	<u>\$ (27,311)</u>	<u>\$ 59,010</u>	<u>\$ 2,958</u>

**CITY OF CRESWELL**  
**LANE COUNTY, OREGON**  
**SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF LONG-TERM DEBT**  
**For the Fiscal Year Ended June 30, 2014**

Year Ended	<u>Note Payable</u>			<u>Note Payable</u>		
	<u>DEQ Clean Water SRF R25140</u>			<u>Business Oregon S06004</u>		
	<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 202,751	\$ 34,105	\$ 236,856	\$ 125,737	\$ 29,256	\$ 154,993
2016	209,167	27,689	236,856	126,994	27,999	154,993
2017	215,787	21,069	236,856	128,264	26,729	154,993
2018	222,616	14,240	236,856	129,547	25,446	154,993
2019	229,661	7,195	236,856	130,842	24,150	154,992
2020	56,460	886	57,346	132,150	22,842	154,992
2021	-	-	-	133,472	21,521	154,993
2022	-	-	-	134,807	20,186	154,993
2023	-	-	-	136,155	18,838	154,993
2024	-	-	-	137,516	17,476	154,992
2025	-	-	-	138,891	16,101	154,992
2026	-	-	-	140,280	14,712	154,992
2027	-	-	-	141,683	13,309	154,992
2028	-	-	-	143,100	11,893	154,993
2029	-	-	-	144,531	10,462	154,993
2030	-	-	-	145,976	9,016	154,992
2031	-	-	-	147,436	7,556	154,992
2032	-	-	-	148,910	6,082	154,992
2033	-	-	-	150,399	4,593	154,992
2034	-	-	-	151,904	3,089	154,993
2035	-	-	-	153,423	1,570	154,993
2036	-	-	-	3,572	36	3,608
Totals	\$ 1,136,442	\$ 105,184	\$ 1,241,626	\$ 2,925,589	\$ 332,862	\$ 3,258,451

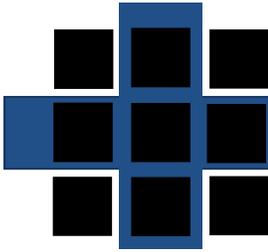
Year Ended	<u>Note Payable</u>			<u>Revenue Bond Payable</u>		
	<u>Business Oregon G06001</u>			<u>USDA RUS 92-01</u>		
	<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 219,153	\$ 79,955	\$ 299,108	\$ 61,702	\$ 43,138	\$ 104,840
2016	120,967	178,141	299,108	64,324	40,516	104,840
2017	125,805	173,303	299,108	67,058	37,782	104,840
2018	130,837	168,271	299,108	69,908	34,932	104,840
2019	136,071	163,037	299,108	72,879	31,961	104,840
2020	141,514	157,594	299,108	75,976	28,864	104,840
2021	147,174	151,934	299,108	79,205	25,635	104,840
2022	153,061	146,047	299,108	82,571	22,269	104,840
2023	159,184	139,924	299,108	86,081	18,759	104,840
2024	165,551	133,557	299,108	89,739	15,101	104,840
2025	172,173	126,935	299,108	93,553	11,287	104,840
2026	179,060	120,048	299,108	97,529	7,311	104,840
2027	186,222	112,886	299,108	74,495	3,166	77,661
2028	193,671	105,437	299,108	-	-	-
2029	201,418	97,690	299,108	-	-	-
2030	209,475	89,633	299,108	-	-	-
2031	217,854	81,254	299,108	-	-	-
2032	226,568	72,540	299,108	-	-	-
2033	235,631	63,477	299,108	-	-	-
2034	245,056	54,052	299,108	-	-	-
2035	254,858	44,250	299,108	-	-	-
2036	265,053	34,055	299,108	-	-	-
2037	275,655	23,453	299,108	-	-	-
2038	286,681	12,427	299,108	-	-	-
2039	23,998	960	24,958	-	-	-
Totals	\$ 4,672,688	\$ 2,530,860	\$ 7,203,548	\$ 1,015,020	\$ 320,721	\$ 1,335,741

**CITY OF CRESWELL**  
**LANE COUNTY, OREGON**  
**SCHEDULE OF LONG-TERM DEBT TRANSACTIONS**  
**For the Fiscal Year Ended June 30, 2014**

	<b>Date of Issue</b>	<b>Interest Rate</b>	<b>Principal Payments</b>				<b>Balance June 30, 2014</b>
			<b>Balance</b>	<b>Issued</b>	<b>Matured</b>	<b>Paid</b>	
			<b>July 1, 2013</b>				
<i>Revenue Bond Payable:</i>							
USDA RUS 92-01	06/01/06	4.25%	\$ 1,074,707	\$ -	\$ 59,165	\$ 59,687	\$ 1,015,020
<i>Notes Payable:</i>							
Bancroft	10/15/10	4.65%	10,302	-	1,570	1,570	8,732
DEQ Clean Water SRF R25140	07/09/03	3.14%	1,332,024	-	196,561	195,582	1,136,442
Business Oregon G06001	12/11/06	2.91%	4,961,702	-	-	289,014	4,672,688
Business Oregon S06004	05/08/06	1.00%	3,248,101	-	118,491	322,512	2,925,589
Total notes payable			<u>9,552,129</u>	<u>-</u>	<u>316,622</u>	<u>808,678</u>	<u>8,743,451</u>
Total long-term debt payable			<u>\$ 10,626,836</u>	<u>\$ -</u>	<u>\$ 375,787</u>	<u>\$ 868,365</u>	<u>\$ 9,758,471</u>

	<b>Date of Issue</b>	<b>Interest Rate</b>	<b>Interest Payments</b>				<b>Balance June 30, 2014</b>
			<b>Balance</b>	<b>Issued</b>	<b>Matured</b>	<b>Paid</b>	
			<b>July 1, 2013</b>				
<i>Revenue Bond Interest:</i>							
USDA RUS Loan 92-01 - Sewer Fund	06/01/06	4.25%	\$ -	\$ -	\$ 45,152	\$ 45,152	\$ -
Total revenue bond interest			<u>-</u>	<u>-</u>	<u>45,152</u>	<u>45,152</u>	<u>-</u>
<i>Notes Interest:</i>							
Bancroft	10/15/10	4.65%	-	-	472	472	-
DEQ Clean Water SRF R25140	07/09/03	3.14%	-	-	40,302	40,302	-
Business Oregon G06001	12/11/06	2.91%	-	-	146,639	146,639	-
Business Oregon S06004	05/08/06	1.00%	-	-	32,481	32,481	-
Total note interest			<u>-</u>	<u>-</u>	<u>219,894</u>	<u>219,894</u>	<u>-</u>
Total interest			<u>\$ -</u>	<u>\$ -</u>	<u>\$ 265,046</u>	<u>\$ 265,046</u>	<u>\$ -</u>

**COMPLIANCE SECTION:**



## RICHARD MAXWELL CPA LLC

1600 Valley River Dr., Suite 370, Eugene, OR 97401 (541) 334-4498 fax (541) 334-1755

### **Independent Auditor's Report Required by Oregon State Regulations**

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Creswell, Lane County, Oregon as of and for the year ended June 30, 2014, and have issued our report thereon dated December 24, 2014.

#### **Compliance**

As part of obtaining reasonable assurance about whether the City of Creswell, Lane County, Oregon'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 of Creswell, Lane County, Oregon 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.

#### **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 to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City of Creswell, Lane County, Oregon's internal control. However, in accordance with *Government Auditing Standards*, we have issued our report dated December 24, 2014 on internal control over financial reporting.

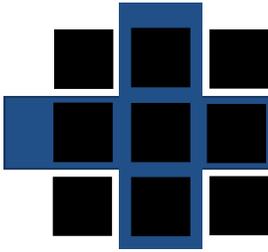
**Restrictions on Use**

This report is intended solely for the information and use of the City Council and management of the City of Creswell and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

A handwritten signature in black ink that reads "Richard Maxwell CPA LLC". The signature is written in a cursive, slightly slanted style.

Richard Maxwell CPA LLC

Eugene, Oregon  
December 24, 2014



## RICHARD MAXWELL CPA LLC

1600 Valley River Dr., Suite 370, Eugene, OR 97401 (541) 334-4498 fax (541) 334-1755

### **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the City Council  
City of Creswell, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Creswell, Oregon, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Creswell, Oregon's basic financial statements, and have issued our report thereon dated December 24, 2014.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Creswell, Oregon's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 of Creswell, Oregon's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Creswell, Oregon'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 a 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Creswell, Oregon's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature in cursive script that reads "Richard Maxwell CPA LLC".

Richard Maxwell CPA LLC

Eugene, Oregon

December 24, 2014