

RESOLUTION NO.

A RESOLUTION ACKNOWLEDGING THE RECEIPT OF THE
COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE
CITY OF EUGENE FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

The City Council of the City of Eugene finds that:

The firm of Isler CPA has completed the audit of the financial statements of the City of Eugene for the fiscal year ended June 30, 2014, as required by ORS 297.425 and, pursuant to ORS 297.465, reported to the Mayor and City Council on its findings.

NOW, THEREFORE,

BE IT RESOLVED by the City Council of the City of Eugene, a Municipal Corporation of the State of Oregon, as follows:

Section 1. That the Council hereby acknowledges that it has received the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014.

The foregoing resolution adopted the 9th day of February, 2015.

City Recorder



December 30, 2014



To the City Council
City of Eugene, Oregon

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eugene for the year ended June 30, 2014, and have issued our report thereon dated December 12, 2014. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 15, 2014, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the accounting principles generally accepted in the United States. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Eugene are described in the footnotes to the financial statements. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. The most significant estimate affecting the financial statements is the determination of depreciation on capital assets. The accounting policies relating to capital assets and depreciation are described in the footnotes to the comprehensive annual financial report.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit. There were no known or likely misstatements identified during the audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 12, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

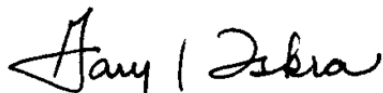
Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the City Council and management of the City of Eugene and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

ISLER CPA

A handwritten signature in black ink that reads "Gary Iskra". The signature is written in a cursive style with a large, stylized initial "G".

By Gary Iskra, a member of the firm

Information on General Fund, Fund Balance Trends

The FY14 Comprehensive Annual Financial Report (CAFR) includes key data related to the General Fund's Ending Fund Balance. Fund balance information is contained in several places:

- Governmental Funds, Balance Sheet, Exhibit 3, page 29.
- Governmental Funds, Statement of Revenues, Expenditures and Changes in Fund Balance, Exhibit 4, page 30.
- Notes to Basic Financial Statements, Note (O), Fund Balance, pages 46-47.
- General Fund, Schedule of Revenues, Expenditures and Changes in Fund Balances, Budget and Actual, Schedule A-1, page 77.

Included in these exhibits and statements is information on the change in General Fund balance from the prior year, as well as a breakdown of elements of fund balance.

General Fund Ending Working Capital (Budget Basis)

FY14 actual results show an ending working capital (EWC) in the General Fund, reporting fund (including the Main Subfund, Cultural Services Subfund and Equipment Replacement Subfund) of \$42,332,747 which is \$3,487,555 more than the FY13 EWC and \$7,861,511 more than anticipated for carryover resources in the FY15 Adopted Budget. These figures are reported on a Budget Basis of accounting. The chart below compares FY13 and FY14 Ending Working Capital for the General Fund (Budget Basis).

General Fund Ending Working Capital Budget Basis	Main Subfund	Cultural Services Subfund	Equipment Replacement Subfund	Total Reporting Fund *
FY13	\$35,415,888	\$2,313,908	\$1,115,396	\$38,845,192
FY14	\$38,503,285	\$2,487,501	\$1,341,961	\$42,332,747
Change	\$ 3,087,397	\$ 173,593	\$ 226,565	\$ 3,487,555

General Fund Ending Fund Balance (GAAP Basis)

On a Generally Accepted Accounting Principles (GAAP) basis, the FY13 Ending Fund Balance represented 32% of the General Fund revenues in FY13, which increased to 34% based upon FY14 actual results. GAAP results differ from budget basis results because the budget is created on a modified accrual basis while GAAP rules are slightly different in terms of when revenues and expenditures are recognized. The chart below compares FY13 and FY14 Ending Fund Balance for the General Fund (GAAP Basis).

General Fund Ending Fund Balance GAAP Basis	Main Subfund	Cultural Services Subfund	Equipment Replacement Subfund	Total Reporting Fund *
FY13	\$36,114,771	\$2,320,742	\$1,114,343	\$39,549,856
FY14	\$39,117,324	\$2,488,436	\$1,362,302	\$42,968,062
Change	\$ 3,002,553	\$ 167,694	\$ 247,959	\$ 3,418,206

*Source: CAFR Exhibit 3, page 29 (FY13).

*Source: CAFR Exhibit 3, page 29 (FY14).

General Fund Ending Balance Classifications

The General Fund Ending Fund Balances for FY13 and FY14 are shown below according to the classifications in the CAFR. This chart shows the components of the Ending Fund Balance and how they have changed from FY13 to FY14. It is important to remember that, although at June 30, 2014 there was a portion of fund balance that was considered, under accounting rules, to be "Unassigned", that amount has subsequently been appropriated by City Council and is no longer available for spending.

General Fund Ending Balance Classifications (FY13 and FY14)

Category	Item	Explanation	FY13	FY14
Non-Spendable		Prepays and deposits have already been paid out and are not available for other spending	\$ 762,321	\$ 623,852
Restricted	Cultural Services	From Transient Room Tax; must be spent according to state law.	1,058,040	1,088,331
Assigned	Unappropriated Ending Fund Balance	Pay bills and payroll until property taxes are received in November; set at 2 months of expenditures per Council policy	21,670,000	21,710,000
	Cultural Services	Prudent reserve for operation of Hult Center, etc.	1,262,701	1,400,106
	Reserve for Encumbrance	Contracts that were in effect but not complete as of June 30	1,432,484	2,439,332
	Reserve for Next Year's Spending	Used to balance the subsequent year's budget	3,970,995	1,724,995
	Reserve for Revenue Shortfall	Prudent reserve for the General Fund; target is 8% of expenditures	4,895,575	6,134,237
	Other Reserves	For property tax appeals and equipment replacement	1,536,335	1,224,706
Unassigned		Appropriated on supplemental budget #1 in December of the subsequent year and no longer available for spending	2,961,405	6,622,503
		Total Fund Balance	\$39,549,856	\$42,968,062

Source: CAFR Exhibit 3, page 29, and CAFR Note (1)(O), page 46-47 (FY13).

Source: CAFR Exhibit 3, page 29, and CAFR Note (1)(O), page 46-47 (FY14).