

**CITY OF COBURG
LANE COUNTY, OREGON**

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2011



**12700 SW 72nd Ave.
Tigard, OR 97223**

**CITY OF COBURG
COBURG, OREGON**

FINANCIAL STATEMENTS

**WITH
INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED JUNE 30, 2011

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CITY OF COBURG
COBURG, OREGON

Mayor & City Council

June 30, 2011

<u>Name</u>	<u>POSITION</u>	<u>TERM EXPIRES</u>
Judy Volta	Mayor	December 31, 2012
John Fox	City Councilor	December 31, 2012
Jae Pudewell	Council President	December 31, 2012
John Thiel	City Councilor	December 31, 2014
Don Nelson	City Councilor	December 31, 2014
Jerry Behney	City Councilor	December 31, 2012
Bill Judd	City Councilor	December 31, 2014

All City Council members will receive mail at the following address:

City of Coburg
P.O. Box 8316
Coburg, Oregon 97408

ADMINISTRATION

Donald R. Schuessler, City Administrator

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CITY OF COBURG
COBURG, OREGON

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PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

-
- 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
 - (503) 620-2632 • FAX (503) 684-7523

February 9, 2012

To the Honorable Mayor and Members of the City Council
City of Coburg
Lane County, Oregon

INDEPENDENT AUDITORS' REPORT

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 Coburg, Lane County, Oregon, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to previously 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 Coburg, Lane County, Oregon, at June 30, 2011, and the respective changes in financial position, and, where applicable, the cash flows thereof and the respective budgetary comparisons for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information, which includes individual fund statements and other financial schedules, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. The City of Coburg has not presented this information that the Governmental Accounting Standards Board has determined is necessary to supplement the basic financial statements.


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CITY OF COBURG
LANE COUNTY, OREGON

BASIC FINANCIAL STATEMENTS

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CITY OF COBURG
LANE COUNTY, OREGON

STATEMENT OF NET ASSETS
June 30, 2011

ASSETS	PRIMARY GOVERNMENT		TOTAL	URBAN RENEWAL AGENCY
	GOVERNMENTAL	BUSINESS TYPE		
Current:				
Cash and Investments	\$ 8,833	\$ 195,256	\$ 204,089	\$ 528,206
Internal Balances	-	-	-	700,000
Accounts Receivable	234,115	27,558	261,673	-
Property Taxes Receivable	33,689	-	33,689	20,728
Total Current Assets	<u>276,637</u>	<u>222,814</u>	<u>499,451</u>	<u>1,248,934</u>
Non-Current:				
Capital Assets (Net of Accumulated Depreciation)	431,597	9,445,943	9,877,540	109,410
Total Assets	<u>708,234</u>	<u>9,668,757</u>	<u>10,376,991</u>	<u>1,358,344</u>
LIABILITIES				
Current:				
Due to Component Unit	700,000	-	700,000	-
Accounts Payable	127,737	5,115	132,852	-
Payroll Liabilities	17,121	-	17,121	-
Accrued Compensated Absences	24,268	-	24,268	-
Accrued Interest	-	67,512	67,512	-
Bonds and Loans Payable - Current	-	316,441	316,441	-
Total Current Liabilities	<u>869,126</u>	<u>389,068</u>	<u>1,258,194</u>	<u>-</u>
Long Term:				
Bonds and Loans Payable	-	5,799,568	5,799,568	-
Total Long Term Liabilities	<u>-</u>	<u>5,799,568</u>	<u>5,799,568</u>	<u>-</u>
Total Liabilities	<u>869,126</u>	<u>6,188,636</u>	<u>7,057,762</u>	<u>-</u>
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	431,597	3,329,934	3,761,531	109,410
Restricted for:				
Debt Service Loan Covenant	-	152,429	152,429	-
Parks SDC	91,790	-	91,790	-
Street SDC	216,967	-	216,967	-
Unrestricted	(901,246)	(2,242)	(903,488)	1,248,934
TOTAL NET ASSETS	<u>\$ (160,892)</u>	<u>\$ 3,480,121</u>	<u>\$ 3,319,229</u>	<u>\$ 1,358,344</u>

See accompanying notes to the basic financial statements

**CITY OF COBURG
LANE COUNTY, OREGON**

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011**

Functions/Programs	Program Revenues				Net Revenues (Expenses) and Changes in Net Assets	
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
Governmental Activities						
General Government	\$ 441,185	\$ 24,603	\$ 46,020	-	\$ (370,562)	\$ -
Public Safety	425,338	132,081	-	-	(293,257)	-
Highways and streets	117,041	9,818	-	-	(107,223)	-
Culture and Recreation	27,796	3,365	4,000	-	(20,431)	-
Total Governmental Activities	1,011,360	169,866	50,020	-	(791,473)	-
Business-Type Activities						
Water	351,498	359,781	-	-	-	8,283
Sewer	5,267	-	-	-	-	(5,267)
Total Business-Type Activities	356,765	359,781	-	-	-	3,016
Total Primary Government	\$ 1,368,125	\$ 529,647	\$ 50,020	-	\$ (791,473)	\$ 3,016
Component Unit						
Agency	\$ 357,284	\$ -	\$ -	\$ -		

General Revenues

Property Taxes	511,380	-
Fines and Forfeitures	40,687	-
Licenses, Permits and Fees	116,634	-
Intergovernmental	323,359	65,199
Gain/Loss on Sale of Capital Assets	2,000	-
Interest and Miscellaneous	133,407	2,139
Transfers	-	-
Capital Contribution	(211,637)	211,637
Total General Revenues	915,830	278,975
Change in Net Assets	124,356	281,991
Beginning Net Assets	(285,248)	3,198,130
Ending Net Assets	\$ (160,892)	\$ 3,480,121

See accompanying notes to the basic financial statements

<u>Total</u>	<u>Component Unit</u>
\$ (370,562)	\$ -
(293,257)	-
(107,223)	-
<u>(20,431)</u>	<u>-</u>
(791,473)	-
8,283	-
<u>(5,267)</u>	<u>-</u>
3,016	-
<u>\$ (788,457)</u>	<u>\$ -</u>
	<u>(357,284)</u>
511,380	327,432
40,687	-
116,634	-
388,558	-
2,000	-
135,546	2,089
-	-
-	-
<u>1,194,805</u>	<u>329,521</u>
406,347	(27,763)
<u>2,912,882</u>	<u>1,386,107</u>
<u>\$ 3,319,229</u>	<u>\$ 1,358,344</u>

**CITY OF COBURG
LANE COUNTY, OREGON**

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011**

	GENERAL FUND	PARK FUND	STREET FUND
ASSETS			
Cash and Investments	\$ (449,534)	\$ -	\$ 136,594
Due from Other Funds	63,179	-	-
Accounts Receivable	29,406	-	15,278
Taxes Receivable, Net	33,689	-	-
Total Assets	\$ (323,260)	\$ -	\$ 151,872
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to URA	\$ -	\$ -	\$ -
Due to Other Funds	-	2,935	-
Deferred Revenue	44,249	-	-
Accounts Payable	19,113	653	2,721
Other Payables	17,121	-	-
Total Liabilities	80,483	3,588	2,721
Fund Balances:			
Non-Spendable	-	-	-
Restricted for:			
System Development Charges	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	(403,743)	(3,588)	149,151
Total Fund Balances	(403,743)	(3,588)	149,151
Total Liabilities and Fund Balances	\$ (323,260)	\$ -	\$ 151,872

See accompanying notes to the basic financial statements

<u>PARK CAPITAL IMPROVEMENT FUND</u>	<u>STREET CAPITAL IMPROVEMENT FUND</u>	<u>WATER CAPITAL IMPROVEMENT FUND</u>	<u>SEWER CAPITAL IMPROVEMENT FUND</u>	<u>TOTAL</u>
\$ 91,790	\$ 216,967	\$ 13,016	\$ -	\$ 8,833
-	-	-	-	63,179
-	-	47,514	141,917	234,115
-	-	-	-	33,689
<u>\$ 91,790</u>	<u>\$ 216,967</u>	<u>\$ 60,530</u>	<u>\$ 141,917</u>	<u>\$ 339,816</u>
\$ -	\$ -	\$ -	\$ 700,000	\$ 700,000
-	-	-	60,244	63,179
-	-	-	-	44,249
-	-	18,609	86,641	127,737
-	-	-	-	17,121
-	-	18,609	846,885	952,286
-	-	-	-	-
91,790	216,967	-	-	308,757
-	-	-	-	-
-	-	-	-	-
-	-	41,921	(704,968)	(921,227)
<u>91,790</u>	<u>216,967</u>	<u>41,921</u>	<u>(704,968)</u>	<u>(612,470)</u>
<u>\$ 91,790</u>	<u>\$ 216,967</u>	<u>\$ 60,530</u>	<u>\$ 141,917</u>	<u>\$ 339,816</u>

CITY OF COBURG
LANE COUNTY, OREGON

**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO STATEMENT OF NET ASSETS**
June 30, 2011

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

Fund Balances	\$ (612,470)
<p>The cost of capital assets (land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress) is reported as an expenditure in governmental funds. The statement of net assets includes those capital assets among the assets of the City as a whole.</p>	
Net Capital Assets	431,597
<p>Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.</p>	
Accrued Compensated Absences	(24,268)
<p>Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.</p>	
Deferred Revenue	<u>44,249</u>
Total Net Assets	<u><u>\$ (160,892)</u></u>

The accompanying notes are an integral part of the basic financial statements.

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**CITY OF COBURG
LANE COUNTY, OREGON**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011**

	GENERAL FUND	PARK FUND	STREET FUND	PARK CAPITAL IMPROVEMENT FUND
Revenues				
Property Taxes	\$ 511,952	\$ -	\$ -	\$ -
Fines & Forfeits	131,439	-	-	-
Licenses, Permits & Fees	188,164	-	8,932	-
Intergovernmental	59,117	-	119,316	3,365
Grants	6,848	-	-	-
Interest and Miscellaneous	127,091	433	-	20
Total Revenues	<u>1,024,611</u>	<u>433</u>	<u>128,248</u>	<u>3,385</u>
Expenditures				
Municipal Department	125,435	-	-	-
Facilities Management	45,539	-	-	-
Planning Department	71,226	-	-	-
Economic Development	26,726	-	-	-
Police Department	413,157	-	-	-
Municipal Court	123,010	-	-	-
Water and Sewer	-	-	-	-
Highways and Streets	-	-	114,029	-
Parks and Recreation	-	27,796	-	-
Total Expenditures	<u>805,093</u>	<u>27,796</u>	<u>114,029</u>	<u>-</u>
Excess of Revenues Over, -Under Expenditures	219,518	(27,363)	14,219	3,385
Other Financing Sources, -Uses				
Loan Proceeds	-	-	-	-
Sale of Capital Assets	2,000	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources, -Uses	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	221,518	(27,363)	14,219	3,385
Beginning Fund Balance	<u>(625,261)</u>	<u>23,775</u>	<u>134,932</u>	<u>88,405</u>
Ending Fund Balance	<u>\$ (403,743)</u>	<u>\$ (3,588)</u>	<u>\$ 149,151</u>	<u>\$ 91,790</u>

See accompanying notes to the basic financial statements

<u>STREET CAPITAL IMPROVEMENT FUND</u>	<u>WATER CAPITAL IMPROVEMENT FUND</u>	<u>SEWER CAPITAL IMPROVEMENT FUND</u>	<u>TOTAL</u>
\$ -	\$ -	\$ -	\$ 511,952
-	-	-	131,439
-	-	-	197,096
1,561	-	140,000	323,359
-	-	43,172	50,020
<u>25</u>	<u>2,664</u>	<u>3,174</u>	<u>133,407</u>
<u>1,586</u>	<u>2,664</u>	<u>186,346</u>	<u>1,347,273</u>
-	-	-	125,435
-	-	-	45,539
-	-	-	71,226
-	-	-	26,726
-	-	-	413,157
-	-	-	123,010
-	429,530	782,503	1,212,033
-	-	-	114,029
-	-	-	<u>27,796</u>
-	<u>429,530</u>	<u>782,503</u>	<u>2,158,951</u>
1,586	(426,866)	(596,157)	(811,678)
-	349,764	650,632	1,000,396
-	-	-	2,000
-	-	-	-
-	-	-	-
-	<u>349,764</u>	<u>650,632</u>	<u>1,002,396</u>
1,586	(77,102)	54,475	190,718
<u>215,381</u>	<u>119,023</u>	<u>(759,443)</u>	<u>(803,188)</u>
<u>\$ 216,967</u>	<u>\$ 41,921</u>	<u>\$ (704,968)</u>	<u>\$ (612,470)</u>

**CITY OF COBURG
LANE COUNTY, OREGON**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS - TO STATEMENT OF ACTIVITIES
For the year ended June 30, 2011**

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities

Excess of Revenues over Expenditures	\$ 190,718
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>	
Depreciation Expense	(67,278)
<p>Changes in Accrued Compensated Absences have an effect on net income in the governmental funds. On the government wide statements, however, changes are posted to the liability account on the balance sheet.</p>	
	2,836
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Deferred Revenues	<u>(1,920)</u>
Change in Net Assets	<u>\$ 124,356</u>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF COBURG
LANE COUNTY, OREGON**

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2011**

	ENTERPRISE FUNDS		
	Water Fund	Sewer Fund	Total
ASSETS:			
Current Assets			
Cash and Investments	\$ 135,928	\$ 59,328	\$ 195,256
Accounts Receivable	27,558	-	27,558
Total Current Assets	<u>163,486</u>	<u>59,328</u>	<u>222,814</u>
Capital Assets, Net	<u>3,610,335</u>	<u>5,835,608</u>	<u>9,445,943</u>
Total Assets	<u><u>3,773,821</u></u>	<u><u>5,894,936</u></u>	<u><u>9,668,757</u></u>
LIABILITIES:			
Current Liabilities			
Accounts Payable	5,115	-	5,115
Accrued Interest	64,500	3,012	67,512
Long Term Debt - Current Portion	<u>116,349</u>	<u>200,092</u>	<u>316,441</u>
Total Current Liabilities	<u>185,964</u>	<u>203,104</u>	<u>389,068</u>
Long Term Liabilities			
Long Term Debt	<u>2,039,764</u>	<u>3,759,804</u>	<u>5,799,568</u>
Total Liabilities	<u>2,225,728</u>	<u>3,962,908</u>	<u>6,188,636</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	1,454,222	1,875,712	3,329,934
Reserved for Debt Service Loan Covenant	31,960	120,469	152,429
Unreserved	<u>61,911</u>	<u>(64,153)</u>	<u>(2,242)</u>
Total Net Assets	<u><u>\$ 1,548,093</u></u>	<u><u>\$ 1,932,028</u></u>	<u><u>\$ 3,480,121</u></u>

See accompanying notes to the basic financial statements

CITY OF COBURG
LANE COUNTY, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
For the Year Ended June 30, 2011

	<u>ENTERPRISE FUNDS</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
OPERATING REVENUES			
Charges for Services	\$ 359,781	\$ -	\$ 359,781
Water Deposits	40	-	40
Intergovernmental	-	65,199	65,199
Total Operating Revenues	<u>359,821</u>	<u>65,199</u>	<u>425,020</u>
OPERATING EXPENDITURES			
Personal Service	121,326	-	121,326
Materials and Services	78,409	-	78,409
Depreciation	23,653	-	23,653
Total Operating Expenditures	<u>223,388</u>	<u>-</u>	<u>223,388</u>
Operating Income/(Loss)	<u>136,433</u>	<u>65,199</u>	<u>201,632</u>
NONOPERATING REVENUES (EXPENDITURES)			
Capital Contribution	79,766	131,871	211,637
Transfers Out	-	-	-
Interest on Investments	1,854	245	2,099
Interest on Long Term Loans	(128,110)	(5,267)	(133,377)
Total Nonoperating Revenues (Expenditures)	<u>(46,490)</u>	<u>126,849</u>	<u>80,359</u>
Change in Net Assets	89,943	192,048	281,991
Beginning Net Assets	<u>1,458,150</u>	<u>1,739,980</u>	<u>3,198,130</u>
Ending Net Assets	<u>\$ 1,548,093</u>	<u>\$ 1,932,028</u>	<u>\$ 3,480,121</u>

See accompanying notes to the basic financial statements

**CITY OF COBURG
LANE COUNTY, OREGON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2011**

	WATER FUND	SEWER FUND	TOTAL
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 367,701	\$ -	\$ 367,701
Intergovernmental	-	65,199	65,199
Cash Paid to Suppliers	(77,742)	-	(77,742)
Cash Paid to Employees	(121,326)	-	(121,326)
Net Cash Provided -Used by Operating Activities	<u>168,633</u>	<u>65,199</u>	<u>233,832</u>
Cash Flows from Capital and Related Financing Activities:			
Transfers Out	-	-	-
Payment of Principal of Bonds Payable	(110,552)	(122,956)	(233,508)
Interest Expense	(130,533)	(7,443)	(137,976)
Net Cash Provided -Used by Capital and Related Financing Activities	<u>(241,085)</u>	<u>(130,399)</u>	<u>(371,484)</u>
Cash Flows from Investing Activities:			
Interest on Investments	1,854	245	2,099
Net Increase -Decrease in Cash and Cash Equivalents	(70,598)	(64,955)	(135,553)
Cash and Investments at Beginning of Year	206,526	124,283	330,809
Cash and Investments at End of Year	<u>\$ 135,928</u>	<u>\$ 59,328</u>	<u>\$ 195,256</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income, -Loss	\$ 136,433	\$ 65,199	\$ 201,632
Noncash Items Included in Income:			
Depreciation	23,653	-	23,653
Decrease -Increase in Accounts Receivable and Accrued Liabilities	8,547	-	8,547
Net Cash Provided -Used by Operating Activities	<u>\$ 168,633</u>	<u>\$ 65,199</u>	<u>\$ 233,832</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF COBURG
LANE COUNTY, OREGON

STATEMENT OF NET ASSETS
FIDUCIARY FUND (AGENCY FUND)
June 30, 2011

	<u>FIDUCIARY FUND</u>
	Cash Evidence Held Fund
ASSETS:	
Current Assets	
Cash and Investments	\$ 22,422
Total Assets	<u>\$ 22,422</u>
LIABILITIES:	
Current Liabilities	
Refund Payables and Other	22,422
Total Liabilities	<u>\$ 22,422</u>

See accompanying notes to the basic financial statements

**CITY OF COBURG
LANE COUNTY, OREGON**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2011**

<u>GENERAL FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
Revenues				
Taxes	\$ 460,000	\$ 460,000	\$ 511,952	\$ 51,952
Licenses, Permits & Fees	144,200	144,200	188,164	43,964
Intergovernmental	29,000	29,000	59,117	30,117
Grants	16,000	16,000	6,848	(9,152)
Fines & Forfeits	217,790	217,790	131,439	(86,351)
Interest and Miscellaneous	12,200	12,200	127,091	114,891
Total Revenues	\$ 879,190	\$ 879,190	\$ 1,024,611	\$ 145,421
Expenditures				
Municipal Department	155,050	153,050 (1)	125,435	27,615
Facilities Management	42,200	44,200 (1)	45,539	(1,339)
Planning Department	71,900	71,900 (1)	71,226	674
Economic Development	32,000	32,000 (1)	26,726	5,274
Police Department	437,000	420,000 (1)	413,157	6,843
Municipal Court	107,690	124,690 (1)	123,010	1,680
Contingency	3,350	3,350 (1)	-	3,350
Total Expenditures	849,190	849,190	805,093	44,097
Excess of Revenues Over, -Under Expenditures	30,000	30,000	219,518	189,518
Other Financing Sources, -Uses				
Sale of Capital Assets	-	-	2,000	2,000
Transfers Out	(30,000)	(30,000) (1)	-	30,000
Total Other Financing Sources, -Uses	(30,000)	(30,000)	2,000	30,000
Net Change in Fund Balance	-	-	221,518	219,518
Beginning Fund Balance	662,372	662,372	(625,261)	(1,287,633)
Ending Fund Balance	\$ 662,372	\$ 662,372	\$ (403,743)	\$ (1,068,115)

(1) Appropriation Level

See accompanying notes to the basic financial statements

CITY OF COBURG
LANE COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2011

	<u>PARK FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
Revenues				
Interest and Miscellaneous	\$ -	\$ -	\$ 433	\$ 433
Total Revenues	<u>-</u>	<u>-</u>	<u>433</u>	<u>433</u>
Expenditures				
Personal Services	12,850	12,850 (1)	12,414	436
Materials and Services	<u>17,150</u>	<u>17,150 (1)</u>	<u>12,182</u>	<u>4,968</u>
Contingency	<u>3,200</u>	<u>3,200 (1)</u>	<u>3,200</u>	<u>-</u>
Total Expenditures	<u>33,200</u>	<u>33,200</u>	<u>27,796</u>	<u>5,404</u>
Excess of Revenues Over -Under Expenditures	(33,200)	(33,200)	(27,363)	5,837
OTHER FINANCING SOURCES				
Transfers In	<u>30,000</u>	<u>30,000</u>	<u>-</u>	<u>(30,000)</u>
Net Change in Fund Balance	(3,200)	(3,200)	(27,363)	(24,163)
Beginning Fund Balance	<u>20,833</u>	<u>20,833</u>	<u>23,775</u>	<u>2,942</u>
Ending Fund Balance	<u>\$ 17,633</u>	<u>\$ 17,633</u>	<u>\$ (3,588)</u>	<u>\$ (21,221)</u>

(1) Appropriation Level

See accompanying notes to the basic financial statements

**CITY OF COBURG
LANE COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2011**

	<u>STREET FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
Revenues				
Intergovernmental	\$ 115,000	\$ 115,000	\$ 119,316	\$ 4,316
Fees	9,000	9,000	8,932	(68)
Interest and Miscellaneous	-	-	-	-
Total Revenues	<u>124,000</u>	<u>124,000</u>	<u>128,248</u>	<u>4,248</u>
Expenditures				
Street Maintenance and Repair				
Personal Services	65,600	65,600 (1)	68,926	(3,326)
Materials and Services	<u>54,400</u>	<u>54,400 (1)</u>	<u>41,103</u>	<u>13,297</u>
Total Street Maintenance and Repair	<u>120,000</u>	<u>120,000</u>	<u>110,029</u>	<u>9,971</u>
Contingency	<u>4,000</u>	<u>4,000 (1)</u>	<u>4,000</u>	<u>-</u>
Total Expenditures	<u>124,000</u>	<u>124,000</u>	<u>114,029</u>	<u>9,971</u>
Net Change in Fund Balance	-	-	14,219	14,219
Beginning Fund Balance	<u>132,632</u>	<u>132,632</u>	<u>134,932</u>	<u>2,300</u>
Ending Fund Balance	<u>\$ 132,632</u>	<u>\$ 132,632</u>	<u>\$ 149,151</u>	<u>\$ 16,519</u>

(1) Appropriation Level

See accompanying notes to the basic financial statements

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**CITY OF COBURG
LANE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting policies. The more significant of the accounting policies are described below.

A. THE FINANCIAL REPORTING ENTITY

The City of Coburg operates under a City Charter, last updated in 1992. The Charter provides for the City to be governed by the City Council, consisting of six elected at-large City Councilors and an elected Mayor. The Council is responsible for rule making, budget preparation and enforcement, expenditure approval, and hiring the City Administrator. The Mayor and the Councilors are elected by a vote of the general public and the councilors serve staggered four-year terms and the mayor serves a two year term. Administrative functions are delegated to the City Administrator, whom the Mayor appoints, with the consent of the Council. The Mayor, with the consent of the Council, also appoints other City Officers as listed in the Charter, while the City Administrator appoints all employees.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable, as defined under GASB Statement 39. Based upon the application of the criteria, the Urban Renewal Agency was included within the City of Coburg's reporting entity, because the City is financially accountable for the Agency. Separate financial statements for Urban Renewal Agency may be obtained from the City Recorder at Coburg's City Hall.

B. BASIS OF PRESENTATION - FUND ACCOUNTING

Financial operations of the City are accounted for in the following major funds:

GENERAL FUND

The General Fund is the primary operating fund of the City. This fund is used to track revenues and expenditures that support Administration, Planning, Police, and Municipal Court. Principal sources of resource are property taxes, franchise fees from utilities using the City right of way, intergovernmental taxes such as cigarette and alcohol taxes collected by the state, and fines and bails assessed by the Coburg Municipal Court.

PARK FUND

The Park Fund is used to document revenues and expenditures for maintenance of the City's parks and recreational facilities. This Fund's major source of revenue is an annual transfer from the General Fund.

STREET FUND

The Street Fund is used to document revenues and expenditures for maintenance of the City's roads and storm drain system. The primary resources are a City fuel tax of three cents per gallon and a fuel tax collected and allocated to the City by the State of Oregon.

WATER FUND

The Water Fund is used to document revenues and expenditures for the maintenance, operations, and debt service of the City's water utility. The primary revenue source is water rate revenue paid by the City's water customers.

CITY OF COBURG
LANE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

B. BASIS OF PRESENTATION - FUND ACCOUNTING (CONTINUED)

SEWER FUND

The Sewer Fund was initiated in the 2009 fiscal year and is used to pay debt service on sewer project loans. When the wastewater treatment system is constructed the operational revenues and costs will be tracked in this fund. Currently, the only revenue for this fund is an annual cash transfer from the Urban Renewal Agency specifically for the debt service payments.

CAPITAL IMPROVEMENT PROJECT FUNDS

In addition to the Parks, Streets, Water and Sewer Operation Funds, each of these functional areas also has a Capital Improvement Projects Fund. Major infrastructure construction and repairs are tracked in these funds. Revenues for the funds are from grants, reserves, and Systems Development Charges.

EVIDENCE FUND

The Evidence Fund is a holding fund for cash that has been confiscated by the Police Department in the investigation of crimes. Upon judicial dispensation of the crime, the cash taken as evidence is returned to the citizen from whom it was confiscated.

C. GOVERNMENT-WIDE FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and the proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

CITY OF COBURG
LANE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be measurable to accrue as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received.

E. BUDGET

A budget is prepared for all funds in accordance with the modified accrual basis of accounting and legal requirements set forth in the Oregon Local Budget Law. For governmental fund types, the budgetary basis of accounting is the same as generally accepted accounting principles. The budget process begins early in each fiscal year with the establishment of the Budget Committee. Recommendations are developed through late winter with the Budget Committee approving the budget in early spring. Public notices of the budget hearing are published generally in early spring with a public hearing being held approximately three weeks later. The Council may amend the budget prior to adoption, however, budgeted expenditures for each fund may not be increased by more than ten percent. The budget is then adopted, appropriations are made and the tax levy declared no later than June 30th.

Expenditure budgets are appropriated at the function level in the General Fund and the following levels for all other funds: Personal Services, Materials and Services, Capital Outlay, Interfund Transactions, Debt Service, and Operating Contingency. Expenditures cannot legally exceed the above appropriations levels. Appropriations lapse at the fiscal year end. Supplemental appropriations may occur if the City Council approves them due to a need which exists which was not determined at the time the budget was adopted.

Budget amounts shown in the basic financial statements reflect the original appropriations, and several appropriation transfers. Expenditures of the various funds were within authorized appropriation levels for fiscal year 2010-2011, except in the following funds; General Fund – Facilities Management was over expended by \$1,339, Street Fund – Personal Services was over expended by \$3,326, Water Capital Improvement Fund – Personal Services was over expended by \$11,650 and Materials and Services was over expended by \$1,188, Sewer Capital Improvement Fund – Personal Services was over expended by \$26,401 and Materials and Services was over expended by \$4,940.

CITY OF COBURG
LANE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

F. DEFICIT FUND BALANCES

As of June 30, 2011, the following fund had budgetary basis deficits in fund balance:

General Fund	\$ (403,743)
Park Fund	\$ (3,588)
Sewer Capital Improvement Fund	\$ (704,968)

On July 1, 2007 the City adopted a new fund structure. The number of funds was decreased from 23 to 10. Several of the original funds had negative fund balances and, as part of this consolidation of funds, all negative fund balances were moved to the General Fund. The balance effectively represents cash owed to the other funds. The City Council has instituted several new revenue sources and expenditure reductions to address this negative fund balance. The Sewer Capital Improvement Fund had a negative fund balance due to a prior period adjustment. The City anticipates that future grants and loan proceeds will increase the fund balance in this fund.

Also in July 2007, the Urban Renewal Agency accounting was removed from the City accounting system and established in a separate accounting system of its own.

G. PROPERTY TAXES RECEIVABLE

Property taxes receivable is recorded in the General Fund to indicate the amount of uncollected taxes that the City can expect to receive in the future. Such taxes are offset by a liability to indicate that these amounts have not been recorded as revenues. Real and personal property are assessed and property taxes become a lien against the property as of July 1 of each year. Property taxes are payable in three installments, following the lien date on November 15, February 15, and May 15. Taxes not received by May 15th are considered delinquent. As required by law, Lane County manages tax collections for the City. Substantially all taxes receivable are considered collectible through liens on the underlying property.

H. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets in the proprietary fund types are stated at cost, or the estimated fair market value at the date of receipt for gifts or projects constructed by others and accepted for ownership and maintenance by the City. Maintenance and repairs are expensed as incurred. Replacements which improve or extend the lives of property are capitalized. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. Upon disposal of such assets, the accounts are relieved of the related costs and accumulated depreciation and resulting gains or losses are reflected in operations. Estimated useful lives used in computing depreciation are:

Buildings and improvements	40 to 50 years
Equipment and machinery	10 to 15 years
Computers and portable electronic equipment	1 to 3 years
Vehicles and rolling stock	5 to 10 years

CITY OF COBURG
LANE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

I. 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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. Premiums received on debt issuances are 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.

J. RETIREMENT PLANS

City employees are participants in Public Employees Retirement System (PERS). Contributions to PERS are made on a current basis as required by the plan and are charged to expenditures as funded.

K. FUND EQUITY

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications – nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable fund balance represents amounts that are not in a spendable form. The nonspendable fund balance represents inventories and prepaid items.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body. This authority was given to the Finance Director.
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

The governing body has approved the following order of spending regarding fund balance categories: Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and unassigned.

**CITY OF COBURG
LANE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

L. INTERFUND TRANSACTIONS

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Operating interfund transactions are reported as transfers.

M. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Proprietary Funds consider cash to include their proportional share of the cash and investment common pool since it has the general characteristics of demand deposit accounts in that the Proprietary Funds may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty.

N. ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. CASH AND INVESTMENTS

State statutes govern the City's cash management policies. Statutes authorize the City to invest in banker's acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

Investments

The State Treasurer's Local Government Investment Pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon Revised Statutes and the Oregon Investment Council govern the State's investment policies. The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. These funds must be invested, and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the Fund are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund was in compliance with all portfolio guidelines at June 30, 2011.

Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. As of June 30, 2011 the fair value of the position in the Local Government Investment Pool is 100% of the value of the pool shares as reported in the Oregon Short Term Fund audited financial statements. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

**CITY OF COBURG
LANE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

The City maintains a cash pool that is available for use by all funds. Each fund type's portion of this pool is reported on the combined balance sheet as Cash and Investments or amounts Due to/from Other Funds. The Component Unit's money, however, is not available for use by the City's funds. Cash and Investments (recorded at fair value) at June 30, 2011 consisted of:

	2011
Petty Cash	\$ 300
Demand Deposits	31,511
Investments	194,700
 Total	 \$ 226,511

Reported In:

Governmental	\$ 8,833
Business Type	195,256
Fiduciary Funds	22,422
	\$ 226,511

The City had the following investment and maturities:

Interest Rate Risk

Investment Type	Fair Value	Investment Maturities (in months)	
		Less than 3	More than 3
State Treasurer's Investment Pool	\$ 194,700	\$ 194,700	\$ -
Total	\$ 194,700	\$ 194,700	\$ -

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. The City does not have any investments that have a maturity date.

Credit Risk

Oregon Revised Statutes does not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE. The State Investment Pool is not rated.

Custodial Credit Risk

At year end, the City's net carrying amount of deposits was \$31,511 and the bank balance was \$132,691. Of these deposits, the entire amount was covered by federal depository insurance.

**CITY OF COBURG
LANE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

3. CAPITAL ASSETS

The changes in capital assets for the fiscal year ended June 30, 2011 are as follows:

	GOVERNMENTAL FUNDS			Balance End Of Year
	Balance Beginning of Year	Additions	(Deletions)	
Cost				
Land	\$ 92,166	\$ -	\$ -	\$ 92,166
Buildings & Improvements	637,347	-	-	637,347
Equipment	433,448	-	-	433,448
Total	1,162,961	-	-	1,162,961
Accumulated Depreciation				
Buildings & Improvements	365,296	26,414	-	391,710
Equipment	298,790	40,864	-	339,654
Total	664,086	67,278	-	731,364
Total Net Capital Assets	\$ 498,875			\$ 431,597

Governmental Depreciation was allocated to the functions as follows:

General Government	\$ 50,458
Public Safety	13,456
Highways and Streets	3,364
Total Governmental Activities	\$ 67,278

**CITY OF COBURG
LANE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

3. CAPITAL ASSETS (CONTINUED)

PROPRIETARY FUNDS				
WATER FUND	Balance Beginning of Year	Additions	(Deletions)	Balance End Of Year
Cost				
Utility System	\$ 1,175,821	\$ -	\$ -	\$ 1,175,821
Construction in Process	2,698,108	429,530	-	3,127,638
Equipment	30,833	-	-	30,833
Total	3,904,762	429,530	-	4,334,292
Accumulated Depreciation				
Utility System	669,471	23,653	-	693,124
Equipment	30,833	-	-	30,833
Total	700,304	\$ 23,653	\$ -	723,957
Total Net Capital Assets	\$ 3,204,458			\$ 3,610,335
SEWER FUND				
	Balance Beginning Of Year	Additions	(Deletions)	Balance End Of Year
Cost				
Construction in process	\$ 5,053,105	\$ 782,503	\$ -	\$ 5,835,608
Total	5,053,105	782,503	-	5,835,608
Total Net Capital Assets	\$ 5,053,105			\$ 5,835,608
Total Net Capital Assets, All Proprietary Funds	\$ 8,257,563			\$ 9,445,943

4. 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 purchases commercial insurance to minimize its exposure to these risks. Settled claims have not exceeded this commercial coverage for any of the past three years.

**CITY OF COBURG
LANE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

5. STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM

Plan Description and Provisions:

All of the City's employees participate in the State of Oregon Public Employees Retirement System (PERS), an agent multiple-employer defined benefit, public employee pension plan. All City full-time employees become members of PERS after six months of service in any one year. Part-time and temporary employees are covered by the plan after 600 hours of employment. Generally, employees who retire at or after age 50 with 25 years of credited service are entitled to a retirement benefit, payable monthly for life, equal to 1.67 percent of their final average monthly salary for each year of credited service. Final average monthly salary is based upon either the three calendar years out of the last ten calendar years of employment during which the highest salaries were earned or the last 36 calendar months of membership, whichever is larger. Benefits fully vest on reaching 5 years of service. Vested employees with fewer than 25 years of service will receive reduced benefits if retirement occurs prior to age 55. PERS also provides death and disability benefits. Benefits are established by state statute.

The Oregon Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700.

Description of Funding Policy:

Covered employees are required by State statute to contribute 6% of their salary to the plan. The City is required to contribute at actuarially determined rates, as adopted by the PERS Board. The net PERS rate effective July 1, 2010 is 10.01% of covered payroll. The City's contribution to the plan for the years ending June 30, 2011, 2010, and 2009 were \$68,138, \$61,110 and \$95,792, respectively, and were equal to the required contributions for each year.

6. PROPERTY TAX LIMITATIONS

The State of Oregon imposes a constitutional limit on property taxes for schools and nonschool government operations. School operations include community colleges, local school districts, and education service districts. The limitation provides that property taxes for nonschool operations are limited to \$10.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt. The State further reduced property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit in 1997. This reduction is accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The State Constitution sets restrictive voter approval requirements for most tax and many fee increases and new bond issues, and requires the State to minimize the impact to school districts from the impact of the tax cuts.

CITY OF COBURG
LANE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. LONG-TERM DEBT

The changes in long-term debt for the year ended June 30, 2011 is comprised of the following:

	July 1, 2010	Additions	Reductions	June 30, 2011
<p>\$225,000 was issued in 1973 of General Obligation bonds which bears The Interest rate is 5.25% to 5.40%. The Bond Matured at June 30, 1999, with one \$5000 bond outstandingand that bond remains outstanding at June 30, 2008.</p>	\$ 5,000	\$ -	\$ -	\$ 5,000
<p>\$375,000 was issued in September 1998 of Water Revenue Bonds which bear an interest rate of 5.044% for the purpose of financing the costs of water facility improvements. The loan matures in February 2019.</p>	\$ 210,000	\$ -	\$ 20,000	\$ 190,000
<p>\$1,251,270 was issued on October 11, 2000 of General Obligation notes payable (loan number GO1001) obtained from the Special Public Works Fund of the Oregon Economic and Community Development Department for system improvements. The interest rate is 5.368</p>	\$ 972,265	\$ -	\$ 41,892	\$ 930,373
<p>\$1,596,800 was issued on October 11, 2000 of General Obligation notes payable (loan number BO1003) obtained from the Special Public Works Fund of the Oregon Economic and Community Development Department for system improvements. The interest rate is 5.369</p>	\$ 729,636	\$ 349,764	\$ 48,660	\$ 1,030,740
<p>\$550,000 was issued on August 31, 2007 of General Obligation notes payable (loan number R23040) obtained from the Clean Water State Revolving Fund of the Department of Environmental Quality for Planning improvements. The interest rate is 2.630% and the</p>	\$ 313,521	\$ -	\$ 122,955	\$ 190,566
<p>\$789,310 was issued on June 30, 2006 of General Obligation notes payable (loan number R23041) obtained from the Clean Water State Revolving Fund of the Department of Environmental Quality. The interest rate is 2.630% and the loan matures in February 202</p>	\$ 789,310	\$ -		\$ 789,310
<p>\$2,710,690 was issued on August 31, 2005 of General Obligation notes payable (loan number R23042) obtained from the Clean Water State Revolving Fund of the Department of Environmental Quality for System improvements. The interest rate is 3.510% and the</p>	\$ 2,329,388	\$ 650,632	\$ -	\$ 2,980,020
<p>Total Long Term Debt</p>	\$ 5,349,120	\$ 1,000,396	\$ 233,507	\$ 6,116,009

CITY OF COBURG
LANE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. LONG-TERM DEBT (CONTINUED)

Future maturities of long term debt are as follows:

Total Business Type Bonds Payable:

	Principal	Interest Due
Amounts Payable in Fiscal Year:		
2011-2012	20,000	9,880
2012-2013	20,000	8,840
2013-2014	20,000	7,800
2014-2015	25,000	6,760
2015-2016	25,000	5,460
2016-2021	80,000	8,580
2021-2023	5,000	-
	\$ 195,000	\$ 47,320

Total Business Type Notes and Contracts Payable:

	Principal	Interest Due
Amounts Payable in Fiscal Year:		
2011-2012	\$ 276,441	\$ 316,807
2012-2013	172,963	129,858
2013-2014	120,624	123,677
2014-2015	117,728	117,724
2015-2016	129,921	111,934
2016-2021	796,331	455,071
2021-2026	1,128,961	212,014
2026-2028	3,178,040	11,112
	\$ 5,921,009	\$ 1,478,197

8. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of June 30, 2011, the City had committed to receive three new loans. They are as follows:

Loan B08004, Special Public Works Fund through OECD for \$1,000,000 for construction of a city wide wastewater treatment system. Interim funding is provided a 1.67% interest, with permanent funding to be provided through future Oregon Bond Bank Bond Sales. Repayment will not begin until after the project is completed or 2.5 years after loan closing. Loan USDA 1 for \$3,000,000 for construction of a wastewater system. This is a 40-year loan at an interest rate of 4.25%. Repayment will not begin until after project completion. Interim construction financing is required but not yet secured. Loan USDA 2 for \$3,000,000 for construction of a wastewater system. This is a 40-year loan at an interest rate of 4.50%. Repayment will not begin until after project completion. Interim construction financing is required but not yet secured.

9. NET ASSET RESTRICTIONS

The Net Assets are restricted to show a DEQ imposed loan covenant of \$120,469. Net Assets are also restricted for all SDC monies that are unspent as of the year-end. State law states that SDC monies must be spent for the specific purpose for which they were charged.

CITY OF COBURG
LANE COUNTY, OREGON

SUPPLEMENTARY INFORMATION

**Combining, Individual Fund, and
Other Financial Schedules**

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CITY OF COBURG
LANE COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2011

<u>WATER FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
Revenues				
Water Service	\$ 391,200	\$ 391,200	\$ 359,781	\$ (31,419)
Water Deposits	-	-	40	40
Interest and Miscellaneous	1,200	1,200	1,854	654
Total Revenues	<u>392,400</u>	<u>392,400</u>	<u>361,675</u>	<u>(30,725)</u>
Expenditures				
Personal Services	121,500	121,500 (1)	121,326	174
Materials and Services	91,700	91,700 (1)	78,409	13,291
Debt Service	241,500	241,500 (1)	241,085	415
Contingency	30,000	30,000 (1)	-	30,000
Total Expenditures	<u>484,700</u>	<u>484,700</u>	<u>440,820</u>	<u>43,880</u>
Excess of Revenues Over, -Under Expenditures	(92,300)	(92,300)	(79,145)	13,155
Other Financing Sources, -Uses				
Transfers Out	-	- (1)	-	-
Total Other Financing Sources, -Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(92,300)	(92,300)	(79,145)	13,155
Beginning Fund Balance	<u>224,080</u>	<u>224,080</u>	<u>237,516</u>	<u>13,436</u>
Ending Fund Balance	<u>\$ 131,780</u>	<u>\$ 131,780</u>	<u>\$ 158,371</u>	<u>\$ 26,591</u>

Reconciliation to the Statement of Proprietary Net Assets:

Net Capital Assets	3,610,335
Long Term Debt	(2,156,113)
Accrued Interest	(64,500)
Net Assets	<u>\$ 1,548,093</u>

(1) Appropriation Level

**CITY OF COBURG
LANE COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2011**

<u>SEWER FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>(NEGATIVE)</u>
Revenues				
Intergovernmental	\$ 130,600	\$ 130,600	\$ 65,199	\$ (65,401)
Interest and Miscellaneous	400	400	244	(156)
Total Revenues	<u>131,000</u>	<u>131,000</u>	<u>65,443</u>	<u>(65,557)</u>
Expenditures				
Debt Service	<u>130,600</u>	<u>130,600</u> (1)	<u>130,398</u>	<u>202</u>
Total Expenditures	<u>130,600</u>	<u>130,600</u>	<u>130,398</u>	<u>202</u>
Net Change in Fund Balance	400	400	(64,955)	(65,759)
Beginning Fund Balance	<u>123,958</u>	<u>123,958</u>	<u>124,283</u>	<u>325</u>
Ending Fund Balance	<u>\$ 124,358</u>	<u>\$ 124,358</u>	<u>\$ 59,328</u>	<u>\$ (65,030)</u>
Reconciliation to the Statement of Proprietary Net Assets:				
Net Capital Assets			5,835,608	
Long Term Debt			(3,959,896)	
Accrued Interest			<u>(3,012)</u>	
Net Assets			<u>\$ 1,932,028</u>	

(1) Appropriation Level

**CITY OF COBURG
LANE COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2011**

PARK CAPITAL IMPROVEMENT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Revenues				
Intergovernmental	\$ -	\$ -	\$ 3,365	\$ 3,365
Interest and Miscellaneous	-	-	20	20
Total Revenues	-	-	3,385	3,385
Expenditures				
Contingency	13,000	13,000 (1)	-	13,000
Total Expenditures	13,000	13,000	-	13,000
Net Change in Fund Balance	(13,000)	(13,000)	3,385	(9,615)
Beginning Fund Balance	85,940	85,940	88,405	2,465
Ending Fund Balance	<u>\$ 72,940</u>	<u>\$ 72,940</u>	<u>\$ 91,790</u>	<u>\$ 18,850</u>

(1) Appropriation Level

CITY OF COBURG
LANE COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2011

STREET CAPITAL IMPROVEMENT FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
Revenues				
Intergovernmental	\$ 50,000	\$ 50,000	\$ 1,561	\$ (48,439)
Interest and Miscellaneous	-	-	25	25
Total Revenues	<u>50,000</u>	<u>50,000</u>	<u>1,586</u>	<u>(48,414)</u>
Expenditures				
Capital Outlay	50,000	50,000 (1)	-	50,000
Contingency	33,500	33,500 (1)	-	33,500
Total Expenditures	<u>83,500</u>	<u>83,500</u>	<u>-</u>	<u>83,500</u>
Net Change in Fund Balance	(33,500)	(33,500)	1,586	35,086
Beginning Fund Balance	<u>222,180</u>	<u>222,180</u>	<u>215,381</u>	<u>(6,799)</u>
Ending Fund Balance	<u>\$ 188,680</u>	<u>\$ 188,680</u>	<u>\$ 216,967</u>	<u>\$ 28,287</u>

(1) Appropriation Level

**CITY OF COBURG
LANE COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2011**

WATER CAPITAL IMPROVEMENT FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
Revenues				
Grants	\$ -	\$ -	\$ -	\$ -
Interest and Miscellaneous	-	-	2,664	2,664
Total Revenues	<u>-</u>	<u>-</u>	<u>2,664</u>	<u>2,664</u>
Expenditures				
Personal Services	25,550	25,550 (1)	37,200	(11,650)
Materials and Services	-	- (1)	1,188	(1,188)
Capital Outlay	564,300	564,300 (1)	391,142	173,158
Contingency	143,000	143,000 (1)	-	143,000
Total Expenditures	<u>732,850</u>	<u>732,850</u>	<u>429,530</u>	<u>303,320</u>
Excess of Revenues Over -Under Expenditures	(732,850)	(732,850)	(426,866)	305,984
OTHER FINANCING SOURCES				
Transfers In	30,000	30,000	-	(30,000)
Loan Proceeds	702,850	702,850	349,764	(353,086)
Total Other Financing Sources, -Uses	<u>732,850</u>	<u>732,850</u>	<u>349,764</u>	<u>(353,086)</u>
Net Change in Fund Balance	-	-	(77,102)	(47,102)
Beginning Fund Balance	55,919	55,919	119,023	63,104
Ending Fund Balance	<u>\$ 55,919</u>	<u>\$ 55,919</u>	<u>\$ 41,921</u>	<u>\$ 16,002</u>

(1) Appropriation Level

**CITY OF COBURG
LANE COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2011**

SEWER CAPITAL IMPROVEMENT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Revenues				
Intergovernmental	\$ 91,000	\$ 91,000	\$ 140,000	\$ 49,000
Grants	-	-	43,172	43,172
Interest and Miscellaneous	3,000	3,000	3,174	174
Total Revenues	<u>94,000</u>	<u>94,000</u>	<u>186,346</u>	<u>92,346</u>
Expenditures				
Personal Services	52,500	52,500 (1)	78,901	(26,401)
Materials and Services	38,200	38,200 (1)	43,140	(4,940)
Capital Outlay	5,765,000	5,765,000 (1)	660,462	5,104,538
Contingency	702,056	702,056 (1)	-	702,056
Total Expenditures	<u>6,557,756</u>	<u>6,557,756</u>	<u>782,503</u>	<u>5,775,253</u>
Excess of Revenues Over, -Under Expenditures	(6,463,756)	(6,463,756)	(596,157)	5,867,599
OTHER FINANCING SOURCES, -USES				
Loan Proceeds	6,400,000	6,400,000	650,632	(5,749,368)
Total Other Financing Sources, -Uses	6,400,000	6,400,000	650,632	(5,749,368)
Net Change in Fund Balance	(63,756)	(63,756)	54,475	118,231
Beginning Fund Balance	63,756	63,756	(759,443)	(823,199)
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (704,968)</u>	<u>\$ (704,968)</u>

(1) Appropriation Level

**CITY OF COBURG
LANE COUNTY, OREGON**

**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED - GENERAL FUND
For the Year Ended June 30, 2011**

TAX YEAR	IMPOSED LEVY OR UNCOLLECTED AT 7-1-10	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6-30-11
CURRENT:						
2010-2011	\$ 527,888	\$ 13,343	\$ (1,423)	\$ 233	\$ 498,123	\$ 15,232
PRIOR YEARS:						
2009-10	\$ 17,343	\$ (11)	\$ (1,481)	\$ 725	\$ 8,707	\$ 7,891
2008-09	7,835	(11)	(1,185)	626	2,934	4,353
2007-08	3,494	(1)	(742)	580	1,826	1,507
2006-07	1,185	-	(288)	229	614	512
Prior	4,404	-	(218)	125	117	4,194
Total	\$ 562,149	\$ 13,320	\$ (5,337)	\$ 2,518	\$ 512,321	\$ 33,689

RECONCILIATION TO REVENUE

Cash Collections by County Treasurer Above	\$ 512,321
Other Taxes in Lieu of Property Taxes	<u>(369)</u>
Total Revenue	<u>\$ 511,952</u>

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CITY OF COBURG
LANE COUNTY, OREGON

**INDEPENDENT AUDITORS' REPORT REQUIRED
BY OREGON STATE REGULATIONS**

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PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

• 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
• (503) 620-2632 • FAX (503) 684-7523

February 9, 2012

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the City of Coburg as of and for the year ended June 30, 2011, and have issued our report thereon dated February 9, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the City of Coburg'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, our audit was not directed primarily toward obtaining knowledge of such noncompliance. As such, 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.**
- **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 Coburg was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except as follows:

1. We noted that the City's budgeted ending fund balance in the General Fund was negative. Oregon budget law requires that budgeted ending fund balances not be negative.
2. There were instances where actual expenditures exceeded appropriations as noted on page 17.

INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS

OAR 162-10-0230 Internal Control

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

We noted matters involving the internal control structure and its operation that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants, which are noted in our management letter.

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


PAULY, ROGERS AND CO., P.C.