

**CITY OF COBURG
LANE COUNTY, OREGON**

**FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2009**



12700 SW 72nd Ave.
Tigard, OR 97223

**CITY OF COBURG
COBURG, OREGON**

FINANCIAL STATEMENTS

**WITH
INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED JUNE 30, 2009

This Page Intentionally Left Blank

CITY OF COBURG
COBURG, OREGON

Mayor & City Council

June 30, 2009

<u>Name</u>	<u>POSITION</u>	<u>TERM EXPIRES</u>
Judy Volta	Mayor	December 31, 2010
Bill Judd	City Councilor	December 31, 2010
John Fox	City Councilor	December 31, 2012
Mike Watson	City Councilor	December 31, 2012
John Thiel	City Councilor	December 31, 2010
Brian Pech	City Councilor	December 31, 2010
Jerry Behney	City Councilor	December 31, 2012

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

This Page Intentionally Left Blank

CITY OF COBURG
COBURG, OREGON

TABLE OF CONTENTS

	<u>PAGE</u> <u>NUMBER</u>
FINANCIAL SECTION:	
Independent Auditors' Report	1
Management's Discussion and Analysis	I-XI
Statement of Net Assets	2
Statement of Activities	3
Governmental Funds Balance Sheet	4
Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Assets	5
Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances	6
Reconciliation of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds – To the Statement of Activities	7
Statement of Proprietary Net Assets	8
Statement of Revenues, Expenditures and Changes in Fund Balances – Proprietary Funds	9
Combining Statement of Cash Flows – All Proprietary Funds	10
Statement of Net Assets – Fiduciary Fund	11
Statements of Revenues, Expenditures and Changes in Fund Balance – Actual and Budget:	
General Fund	12
Park Fund	13
Street Fund	14
Notes to Financial Statements	15
SUPPLEMENTARY INFORMATION:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Actual and Budget	
Water Fund	27
Sewer Fund	28
Park Capital Improvement Fund	29
Street Capital Improvement Fund	30
Water Capital Improvement Fund	31
Sewer Capital Improvement Fund	32
Schedule of Property Tax Transactions	33
Auditors' Comments and Disclosures	34

This Page Intentionally Left Blank



PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

January 4, 2010

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, 2009, 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, 2009, 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.

The Management's Discussion and Analysis, as listed on the table of contents, is not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Pauly, Rogers and Co., P.C.

PAULY, ROGERS and CO., P.C.

This Page Intentionally Left Blank

**CITY OF COBURG
FISCAL YEAR 2009
ANNUAL FINANCIAL REPORT**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of City of Coburg's annual financial report presents management's discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2009. Please read it in conjunction with the City's financial statements, which follow this section. The City is on a modified accrual accounting basis. The City changed from a cash basis to a modified accrual basis in Fiscal Year 2008.

FINANCIAL HIGHLIGHTS

- The assets of the City of Coburg exceeded liabilities on June 30, 2009 by \$2,413,927 (*net assets*).
- Total net assets increased by \$898,841 during FY09, This reflects a 59% increase over the prior year.
- Total Fund Balances on June 30, 2009 were \$205,716, an increase of \$277,558 (386%) over the previous year.

PERFORMANCE HIGHLIGHTS

- The new revenue sources established in FY08 generated \$151,629 in FY09.
- City spending on operations activities (non-capital/debt service expenditures) in FY09 was \$1,177,919, 7% lower than in FY08.
- Annual City spending on operations activities for FY08 and FY09 were 41% lower than during the FY05 – FY07 period.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Coburg's basic financial statements. The City's basic financial statements have three components:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Government-wide Financial Statements

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as the associated transaction is recorded on the City's books.

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). The governmental activities of the City include:

- General Government
- Police
- Planning
- Public Works
- Capital Project Construction

The City has two proprietary (business-type) activities.

- Water Utility
- Sewer Utility

The City has one fiduciary fund

- Evidence Held

The City provides all administrative duties for the Coburg Urban Renewal Agency (CURA), a legally separate entity, in accordance with intergovernmental agreements. Therefore, management believes it would be misleading to exclude this entity from the government-wide financial statements. Financial information for this component unit is reported separately from the financial information presented for the primary government itself. Detailed information about this component unit is the subject of a separate audit report.

The government-wide financial statements can be found on pages 2, 3, and 3A of the basic financial statements.

Fund Financial Statements

The 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 City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Much of the revenue the City receives is restricted by either the provider of the revenue or by decision of the City Council. All of the funds of the City can be divided into three categories: government funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements (pages 3 and 3A). However, unlike the government-wide financial statements, governmental fund financial statements focus on the acquisition and use of current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

The City maintains seven individual governmental funds. Information is presented separately in the governmental fund Balance Sheet (pages 4 and 4A) and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances (pages 6 and 6a).

The City adopts an annual appropriated budget for all governmental funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided for the General, Park, and Street Funds beginning on page 12 and the remaining funds beginning on page 29.

Proprietary funds. The City maintains two proprietary funds – the Water Fund and the Sewer Fund. They are both enterprise funds. These are used to report the same functions presented as business-type activities in government-wide financial statements. The City uses these enterprise funds to account for its Water Utility and Sewer Utility.

The proprietary fund financial statements can be found on pages 8 and 9 in the basic financial statements.

Fiduciary funds. The City is the trustee, or *fiduciary*, for certain funds. The City is responsible for ensuring that the assets reported in a fiduciary fund are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use

these assets to finance its operations. The City has one Fiduciary Fund: Cash Evidence Held.

The fiduciary fund financial statements can be found on page 11 in the basic financial statements.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-26 of this report. The schedule of bonded debt and loan transactions and future debt service requirements are included in this section on pages 24 and 25.

Supplementary information. The enterprise funds and non major governmental funds are detailed in this section beginning on page 27. The schedule of property tax transactions is on page 33.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The government-wide financial analysis presented in this section of a municipal audit is based on the change in net assets over the subject year. In it, the change is identified, as are the causes of that change, and the benefit to the City of the change. Table 1 presents a summary of the change in Coburg's net assets between June 30, 2008 and June 30, 2009.

Table 1						
Change in Net Assets						
	<u>Government activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	2009	2008	2009	2008	2009	2008
Current & other assets	806,044	22,376	420,229	423,988	1,226,273	446,364
Capital assets	<u>567,782</u>	<u>637,305</u>	<u>7,177,790</u>	<u>4,943,134</u>	<u>7,745,572</u>	<u>5,580,439</u>
Total assets	1,373,826	659,681	7,598,019	5,367,122	8,971,845	6,026,803
Long-term liabilities outstanding	-	-	5,189,953	3,686,438	5,189,953	3,686,438
Other liabilities	<u>1,023,639</u>	<u>533,571</u>	<u>344,326</u>	<u>291,708</u>	<u>1,367,965</u>	<u>825,279</u>
Total liabilities	1,023,639	533,571	5,534,279	3,978,146	6,557,918	4,511,717
Net assets:						
Restricted	487,627	178,727	152,429	193,202	640,056	371,929
Unrestricted	<u>(137,440)</u>	<u>(52,617)</u>	<u>1,911,311</u>	<u>1,195,774</u>	<u>1,773,871</u>	<u>1,143,157</u>
Total net assets	<u>350,187</u>	<u>126,110</u>	<u>2,063,740</u>	<u>1,388,976</u>	<u>2,413,927</u>	<u>1,515,086</u>

Total Assets increased by \$898,841(59%) between June 30, 2008 and June 30, 2009. The sources of those changes are shown in Table 2.

**Table 2
Sources of Changes in Net Assets**

Government Funds				
	2009	2008	Change	% Change
Fund balances	(232,218)	(512,595)	280,377	
Net capital assets	567,782	637,305	(69,523)	
Long term liabilities	(34,321)	(47,508)	13,187	
Deferred revenue	<u>48,944</u>	<u>48,908</u>	<u>36</u>	
Total	350,187	126,110	224,077	178%
Business-Type Funds				
	2009	2008	Change	
Operating Income gain/(loss)	336,887	237,426	99,461	
Net non-operating revenues/(expenses)	337,877	651,283	(313,406)	
Beginning net assets	1,388,976	297,412	1,091,564	
Change in basis of accounting	<u>-</u>	<u>202,855</u>	<u>(202,855)</u>	
Total	2,063,740	1,388,976	674,764	49%
Total Net Assets	2,413,927	1,515,086	898,841	59%

The most significant part of the change for the Government Funds is the increase in the Fund Balances. While the balance is still negative, it improved by more than half in FY09. The most significant change in the Business-Type Funds was in the gains in operating and non-operating net revenues.

A portion of the City's assets are restricted in use by either City policy, lender requirements, or by state statute. On June 30, 2009, the total restricted net assets were \$640,056. The amounts and the sources of the restriction are shown in Table 3.

**Table 3
Restricted Accounts**

	<u>City</u>	<u>Lender</u>	<u>State Statute</u>	<u>Total</u>
Library	12,738	-	-	12,738
Economic Development	79,510	-	-	79,510
DARE	15,605	-	-	15,605
Street Trees	2,125	-	-	2,125
Debt Service Covenants	-	152,429	-	152,429
Parks SDC	-	-	77,700	77,700
Transportation SDC	-	-	154,269	154,269
Water SDC	<u>-</u>	<u>-</u>	<u>145,680</u>	<u>145,680</u>
Total	109,978	152,049	377,649	640,056

Financial Analysis of the Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$(232,218) (Table 4), an improvement of \$280,377 (55%) from the previous year-end fund balance total of \$(512,595). All the governmental funds had improved fund balances, except for the Water Capital Improvement Project Fund. A transfer from the Water Fund is planned for FY10 to eliminate this situation.

Enterprise Funds. The City's enterprise funds (also called *business-type funds*), the Water and Sewer Funds, had a total ending fund balance of \$415,512 for FY09. This was a decrease of 1% from FY08.

Fiduciary Fund. The Evidence Held fund balance was the same at the end of FY09 as FY08. No refunds of cash evidence were made during FY09.

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>Increase/(Decrease)</u>	<u>% Change</u>
Government Funds				
General Fund	(790,346)	(837,381)	47,035	6%
Park Fund	30,632	15,376	15,256	99%
Street Fund	119,733	114,360	5,373	5%
Park CIP Fund	85,890	75,917	9,973	13%
Street CIP Fund	221,290	214,841	6,449	3%
Water CIP Fund	29,820	50,375	(20,555)	-41%
Sewer CIP Fund	70,763	(146,083)	216,846	148%
	<u>(232,218)</u>	<u>(512,595)</u>	280,377	55%
Business-Type Funds				
Water Fund	291,956	297,234	(5,278)	-2%
Sewer Fund	123,556	121,097	2,459	2%
	415,512	418,331	(2,819)	-1%
Fiduciary Fund				
Evidence Held Fund	22,422	22,422	-	0%
Total Fund Balance	205,716	(71,842)	277,558	386%

BUDGETARY HIGHLIGHTS

As with the last three annual financial reports, the City's financial results are examined in the light of fiscal years 2003 to 2007 when a significant negative fund balance in the General Fund developed. The details and the reasons for this deficit were presented in the FY06 financial report's Management Discussion and Analysis. The performance highlights presented here are part of Coburg's unrelenting efforts to overcome the impact of decisions made in the early 2000's while still meeting the service expectations of Coburg's citizens.

Revenue

Coburg's new revenue sources made a significant difference in FY09. See Table 5 below. While some of these revenues replaced lost revenues from other sources, e.g. County street funds, on a whole they kept the City stable for FY09.

Business Licensing	\$	3,300
Local Gas Tax		61,487
Street Tree Utility Fee		9,230
Fire suppression water fee		32,000
Aggressive Collection efforts		45,612
Total New Revenues	\$	151,629

Expenditures

Coburg has sustained an operating funds expenditure level of about \$1.2 million for FY08 and FY09, \$800,000 (40%) less than the average expenditures of \$2 million in FY05, FY06, and FY07. The graph below illustrates this spending control.

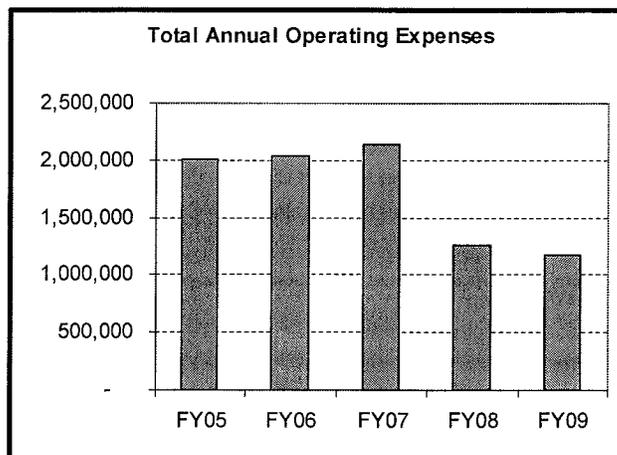
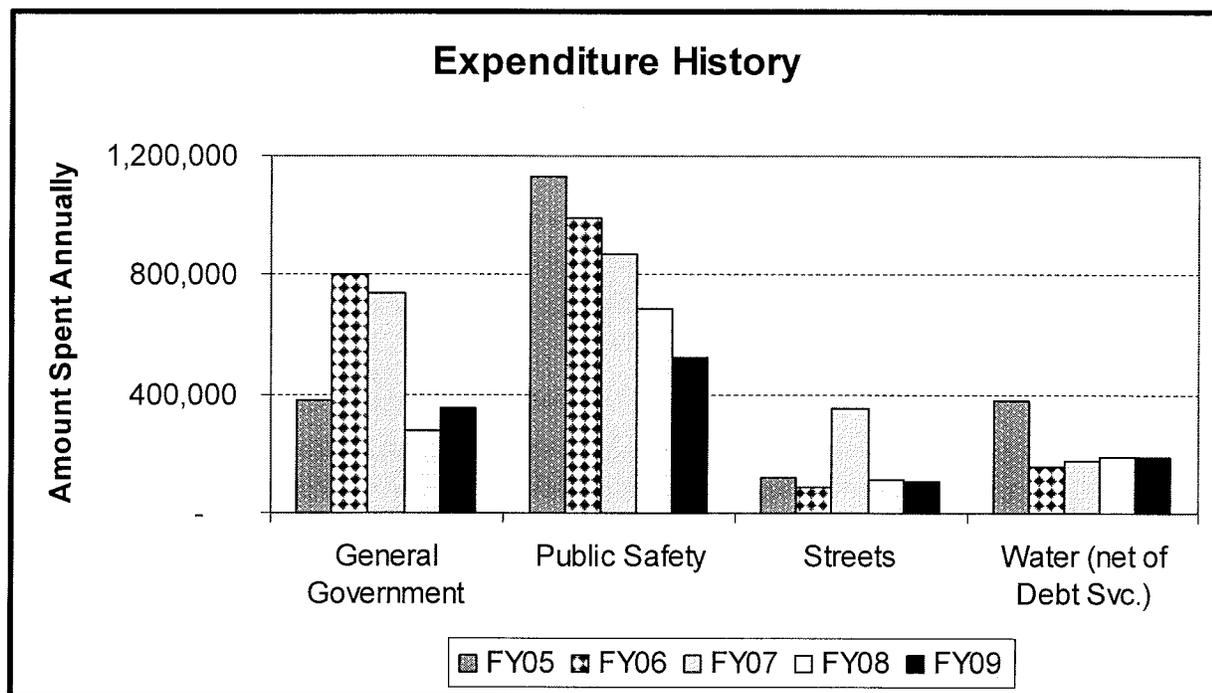


Table 6 shows the data behind this graph and the graph following illustrates the spending trends by functional area.

	General Government	Public Safety	Streets	Water (net of Debt Svc.)	Total	
FY05	380,945	1,128,530	122,725	377,458	2,009,658	
FY06	804,613	990,489	90,831	160,368	2,046,301	2%
FY07	735,815	868,628	354,282	178,414	2,137,139	4%
FY08	277,103	685,620	114,540	190,523	1,267,786	-41%
FY09	354,931	524,354	108,431	190,203	1,177,919	-7%

Note: General Government includes culture and recreation



ACCOUNTING AND FINANCIAL OVERSIGHT CHANGES

At the beginning of FY08 Coburg simplified its fund structure, reducing the number of funds by 50% and instituting logic into the structure. Coburg also simplified banking processes and instituted monthly reporting to Council on “cash in the bank.” These changes have brought more transparency and oversight to the finance functions.

Three more significant changes were instituted in FY09.

- Established separate accounting and banking system for the Urban Renewal Agency
- Segregated all banking transactions for capital improvement projects (CIP)
- Enhanced the duties of the finance and audit committee

The removal of the URA and the segregation of CIP banking provided City Council with a sharp focus on the operating funds' financial health and cash situation. It could be said that the Council has an unobstructed view of the operating funds' cash balance each month. This has led to much more control over spending.

The finance and audit committee meets monthly with the Finance Director and semi annually with the Auditor.

SYSTEM DEVELOPMENT CHARGES ADMINISTRATION

The City's Systems Development Charges (SDC) activity was minor in FY09 and is shown in Table 7.

Table 7					
Systems Development Charges					
	<u>Beginning</u> <u>Balance</u>	<u>Revenue</u>	<u>Interest</u> <u>Earnings</u>	<u>Expenses</u>	<u>Ending</u> <u>Balance</u>
Parks	67,726	9,873	101	-	77,700
Transportation	147,634	6,443	192	-	154,269
Water	144,445	1,159	76	-	145,680
Total	359,805	17,475	369	-	377,649

As of June 30, 2009, SDC levels are \$762 for Transportation, \$3,500 for Water, and \$2,476/\$519 for Parks (Resolution 2009-01).

During FY09 initial work was completed on a Sewer SDC. Final Council action on that SDC was deferred pending an evaluation of the Wastewater Financial Plan. Adoption of the Sewer SDC remained on hold on June 30, 2009.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City's investment in capital assets for its governmental type activities as of June 30, 2009, was \$567,782. This was a \$69,523 (11%) decrease, due entirely to depreciation (Table 8).

The City's investment in business type activities - the water utility and the sanitary sewer systems – was \$7,177,790 at year-end, an increase of \$2,234,656 (45%) over the year. This increase is attributable to Water Utility projects and construction in process on the sanitary sewer system.

	June 30, 2008	Additions	Subtractions	Depreciation	June 30, 2009
Governmental funds	637,305		-	(69,523)	567,782
Business-type funds	<u>4,943,134</u>	<u>2,259,611</u>	<u>-</u>	<u>(24,955)</u>	<u>7,177,790</u>
Total	5,580,439	2,259,611	-	(94,478)	7,745,572

Debt Administration. At the end of FY09, the City had total outstanding debt of \$5,458,104 (Table 9). This debt was backed by water revenues, general fund revenues, future sewer revenues, a local improvement district, system development charges, and the property tax receipts of the Coburg Urban Renewal Agency.

	June 30, 2008	Additions	Subtractions	June 30, 2009
Water Utility Debt				
Bonds	250,000		15,000	235,000
Loans	<u>1,626,190</u>	<u>66,376</u>	<u>84,106</u>	<u>1,608,460</u>
Total	1,876,190	66,376	99,106	1,843,460
Wastewater Utility Debt				
Loans	2,026,821	1,705,290	117,467	3,614,644
Total Debt	3,903,011	1,771,666	216,573	5,458,104

The City's total debt increased by \$1,555,093 (40%) in FY09. For additional information on the City's long-term debt, see Note 6 on pages 24 and 25 of the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

As this document is being prepared the local, national, and international economies are leaning toward stabilization, but are still considered fragile. In light of the 2008 economic

downturn, the City budgeted very conservatively for FY10. It appears, halfway through FY10, that because the City has severely limited expenditures, that the result will be revenues in excess of expenditures for the general fund.

Continuing that conservative approach, the City is entering the FY11 budget preparation period with the following assumptions.

- The City will not see any increase in revenues. They will remain at the FY10 levels, except for property taxes which will be budgeted at a reduced level.
- Interest earnings will be negligible.
- Any cost increased due to inflation will have to be offset by expenditure reductions.
- Retirement benefit rates will remain level.
- Health insurance costs will increase by 20%.

REQUESTS FOR INFORMATION

This financial report was prepared by Craig Gibons, City of Coburg Finance Director/Treasurer in February 2010. It is designed to provide a general overview of the City's finances for those with an interest in the City. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Finance Director
City of Coburg
91069 Willamette Ave
PO Box 8316
Coburg, OR 97408

This Page Intentionally Left Blank

CITY OF COBURG
LANE COUNTY, OREGON

BASIC FINANCIAL STATEMENTS

This Page Intentionally Left Blank

CITY OF COBURG
LANE COUNTY, OREGON

STATEMENT OF NET ASSETS
June 30, 2009

ASSETS	PRIMARY GOVERNMENT		TOTAL	URBAN RENEWAL AGENCY
	GOVERNMENTAL	BUSINESS TYPE		
Current:				
Cash and Investments	\$ (5,714)	\$ 388,164	\$ 382,450	\$ 399,523
Internal Balances	-	-	-	823,951
Accounts Receivable	780,125	32,065	812,190	-
Property Taxes Receivable	31,633	-	31,633	19,882
Total Current Assets	806,044	420,229	1,226,273	1,243,356
Non-Current:				
Capital Assets (Net of Accumulated Depreciation)	567,782	7,177,790	7,745,572	109,410
Total Assets	1,373,826	7,598,019	8,971,845	1,352,766
LIABILITIES				
Current:				
Due to Component Unit	823,951	-	823,951	-
Accounts Payable	153,812	4,717	158,529	41,364
Retainage Payable	10,000	-	10,000	-
Payroll Liabilities	1,555	-	1,555	-
Accrued Compensated Absences	34,321	-	34,321	-
Accrued Interest	-	71,458	71,458	-
Bonds and Loans Payable - Current	-	268,151	268,151	-
Total Current Liabilities	1,023,639	344,326	1,367,965	41,364
Long Term:				
Bonds and Loans Payable	-	5,189,953	5,189,953	-
Total Long Term Liabilities	-	5,189,953	5,189,953	-
Total Liabilities	1,023,639	5,534,279	6,557,918	41,364
NET ASSETS:				
Restricted for:				
Library	12,738	-	12,738	-
Economic Development	79,510	-	79,510	-
DARE Program	15,605	-	15,605	-
Debt Service Loan Covenant	-	152,429	152,429	-
Street Trees	2,125	-	2,125	-
Parks SDC	77,700	-	77,700	-
Transportation SDC	154,269	-	154,269	-
Water SDC	145,680	-	145,680	-
Unrestricted	(137,440)	1,911,311	1,773,871	1,311,402
TOTAL NET ASSETS	\$ 350,187	\$ 2,063,740	\$ 2,413,927	\$ 1,311,402

See accompanying notes to the basic financial statements

CITY OF COBURG
LANE COUNTY, OREGON

STATEMENT OF ACTIVITIES
June 30, 2009

Functions/Programs	Expenses	Program Revenues		Net Revenues (Expenses) and Changes in Net Assets		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
Governmental Activities						
General Government	\$ 338,362	\$ 14,663	\$ -	-	\$ (323,699)	\$ -
Public Safety	524,354	108,082	2,505	-	(413,767)	-
Highways and streets	108,431	13,222	-	477,028	381,819	-
Culture and Recreation	16,569	9,873	-	-	(6,696)	-
Total Governmental Activities	987,716	145,840	2,505	477,028	(362,343)	-
Business-Type Activities						
Water	356,112	420,554	-	-	-	64,442
Sewer	14,665	-	-	-	-	(14,665)
Total Business-Type Activities	370,777	420,554	-	-	-	49,777
Total Primary Government	\$ 1,358,493	\$ 566,394	\$ 2,505	477,028	\$ (362,343)	\$ 49,777
Component Unit						
Coburg Urban Renewal Agency	\$ 342,597	\$ -	\$ -	\$ -		
General Revenues						
					508,543	-
					79,354	-
					72,303	-
					385,417	130,398
					28,748	6,644
					(487,945)	487,945
					586,420	624,987
					224,077	674,764
					126,110	1,388,976
					-	-
					\$ 350,187	\$ 2,063,740

See accompanying notes to the basic financial statements

<u>Total</u>	<u>Component Unit</u>
\$ (323,699)	\$ -
(413,767)	-
381,819	-
<u>(6,696)</u>	<u>-</u>
<u>(362,343)</u>	<u>-</u>
64,442	-
<u>(14,665)</u>	<u>-</u>
<u>49,777</u>	<u>-</u>
<u>\$ (312,566)</u>	<u>\$ -</u>
	<u>(342,597)</u>
508,543	363,779
79,354	-
72,303	-
515,815	-
35,392	9,306
<u>-</u>	<u>-</u>
<u>1,211,407</u>	<u>373,085</u>
898,841	30,488
<u>1,515,086</u>	<u>1,190,136</u>
-	90,778
<u>\$ 2,413,927</u>	<u>\$ 1,311,402</u>

**CITY OF COBURG
LANE COUNTY, OREGON**

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009**

	GENERAL FUND	PARK FUND	STREET FUND
ASSETS			
Cash and Investments	\$ (615,304)	\$ 31,269	\$ 114,874
Accounts Receivable	23,546	-	8,645
Taxes Receivable, Net	31,633	-	-
Total Assets	\$ (560,125)	\$ 31,269	\$ 123,519
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to URA	\$ 123,951	\$ -	\$ -
Deferred Revenue	48,944	-	-
Accounts Payable	55,771	637	3,786
Retainage Payable	-	-	-
Other Payables	1,555	-	-
Total Liabilities	230,221	637	3,786
Fund Balances:			
Reserved for:			
Library	12,738	-	-
Economic Development	79,510	-	-
DARE Program	15,605	-	-
Street Trees	-	-	2,125
Parks SDC	-	-	-
Transportation SDC	-	-	-
Water SDC	-	-	-
Unreserved and Undesignated	(898,199)	30,632	117,608
Total Fund Balances	(790,346)	30,632	119,733
Total Liabilities and Fund Balances	\$ (560,125)	\$ 31,269	\$ 123,519

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>
\$ 85,890	\$ 221,476	\$ 68,114	\$ 87,967	\$ (5,714)
-	-	-	747,934	780,125
-	-	-	-	31,633
<u>\$ 85,890</u>	<u>\$ 221,476</u>	<u>\$ 68,114</u>	<u>\$ 835,901</u>	<u>\$ 806,044</u>
\$ -	\$ -	\$ -	\$ 700,000	\$ 823,951
-	-	-	-	48,944
-	186	28,294	65,138	153,812
-	-	10,000	-	10,000
-	-	-	-	1,555
<u>-</u>	<u>186</u>	<u>38,294</u>	<u>765,138</u>	<u>1,038,262</u>
-	-	-	-	12,738
-	-	-	-	79,510
-	-	-	-	15,605
-	-	-	-	2,125
77,700	-	-	-	77,700
-	154,269	-	-	154,269
-	-	145,680	-	145,680
<u>8,190</u>	<u>67,021</u>	<u>(115,860)</u>	<u>70,763</u>	<u>(719,845)</u>
<u>85,890</u>	<u>221,290</u>	<u>29,820</u>	<u>70,763</u>	<u>(232,218)</u>
<u>\$ 85,890</u>	<u>\$ 221,476</u>	<u>\$ 68,114</u>	<u>\$ 835,901</u>	<u>\$ 806,044</u>

CITY OF COBURG
LANE COUNTY, OREGON

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO STATEMENT OF NET ASSETS
June 30, 2009

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

Fund Balances	\$ (232,218)
<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	567,782
<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	(34,321)
<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>48,944</u>
Total Net Assets	<u>\$ 350,187</u>

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

This Page Intentionally Left Blank

**CITY OF COBURG
LANE COUNTY, OREGON**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009**

	GENERAL FUND	PARK FUND	STREET FUND	PARK CAPITAL IMPROVEMENT FUND
Revenues				
Property Taxes	\$ 508,507	\$ -	\$ -	\$ -
Fines & Forfeits	146,559	-	-	-
Licenses, Permits & Fees	150,938	-	-	-
Intergovernmental	70,619	-	111,618	-
Grants	2,505	-	-	-
Interest and Miscellaneous	7,728	325	59	9,973
Total Revenues	<u>886,856</u>	<u>325</u>	<u>111,677</u>	<u>9,973</u>
Expenditures				
Municipal Department	145,363	-	-	-
Facilities Management	44,159	-	-	-
Planning Department	55,314	-	-	-
Economic Development	45,570	-	-	-
Police Department	414,627	-	-	-
Municipal Court	103,288	-	-	-
Water and Sewer	-	-	-	-
Highways and Streets	-	-	106,304	-
Parks and Recreation	-	16,569	-	-
Total Expenditures	<u>808,321</u>	<u>16,569</u>	<u>106,304</u>	<u>-</u>
Excess of Revenues Over, -Under Expenditures	78,535	(16,244)	5,373	9,973
Other Financing Sources, -Uses				
Loan Proceeds	-	-	-	-
Transfers In	-	31,500	-	-
Transfers Out	(31,500)	-	-	-
Total Other Financing Sources, -Uses	<u>(31,500)</u>	<u>31,500</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	47,035	15,256	5,373	9,973
Beginning Fund Balance	<u>(837,381)</u>	<u>15,376</u>	<u>114,360</u>	<u>75,917</u>
Ending Fund Balance	<u>\$ (790,346)</u>	<u>\$ 30,632</u>	<u>\$ 119,733</u>	<u>\$ 85,890</u>

See accompanying notes to the basic financial statements

STREET CAPITAL IMPROVEMENT FUND	WATER CAPITAL IMPROVEMENT FUND	SEWER CAPITAL IMPROVEMENT FUND	TOTAL
\$ -	\$ -	\$ -	\$ 508,507
-	-	-	146,559
-	-	-	150,938
6,443	-	196,737	385,417
-	471,500	5,528	479,533
192	1,360	9,111	28,748
<u>6,635</u>	<u>472,860</u>	<u>211,376</u>	<u>1,699,702</u>
-	-	-	145,363
-	-	-	44,159
-	-	-	55,314
-	-	-	45,570
-	-	-	414,627
-	-	-	103,288
-	559,791	1,699,820	2,259,611
186	-	-	106,490
-	-	-	16,569
<u>186</u>	<u>559,791</u>	<u>1,699,820</u>	<u>3,190,991</u>
6,449	(86,931)	(1,488,444)	(1,491,289)
-	66,376	1,705,290	1,771,666
-	-	-	31,500
-	-	-	(31,500)
<u>-</u>	<u>66,376</u>	<u>1,705,290</u>	<u>1,771,666</u>
6,449	(20,555)	216,846	280,377
214,841	50,375	(146,083)	(512,595)
<u>\$ 221,290</u>	<u>\$ 29,820</u>	<u>\$ 70,763</u>	<u>\$ (232,218)</u>

**CITY OF COBURG
LANE COUNTY, OREGON**

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

June 30, 2008

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	\$ 280,377
<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	(69,523)
<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>	
	13,187
<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>36</u>
Change in Net Assets	<u><u>\$ 224,077</u></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, 2009

	ENTERPRISE FUNDS		
	Water Fund	Sewer Fund	Total
ASSETS:			
Current Assets			
Cash and Investments	\$ 264,608	\$ 123,556	\$ 388,164
Accounts Receivable	32,065	-	32,065
Total Current Assets	<u>296,673</u>	<u>123,556</u>	<u>420,229</u>
Capital Assets, Net	<u>3,089,153</u>	<u>4,088,637</u>	<u>7,177,790</u>
Total Assets	<u><u>3,385,826</u></u>	<u><u>4,212,193</u></u>	<u><u>7,598,019</u></u>
LIABILITIES:			
Current Liabilities			
Accounts Payable	4,717	-	4,717
Accrued Interest	66,710	4,748	71,458
Loans Payable - Current Portion	<u>104,811</u>	<u>163,340</u>	<u>268,151</u>
Total Current Liabilities	<u>176,238</u>	<u>168,088</u>	<u>344,326</u>
Long Term Liabilities			
Loans Payable	<u>1,738,649</u>	<u>3,451,304</u>	<u>5,189,953</u>
Total Liabilities	<u>1,914,887</u>	<u>3,619,392</u>	<u>5,534,279</u>
NET ASSETS:			
Reserved for Debt Service Loan Covenant	31,960	120,469	152,429
Unreserved	<u>1,438,979</u>	<u>472,332</u>	<u>1,911,311</u>
Total Net Assets	<u><u>\$ 1,470,939</u></u>	<u><u>\$ 592,801</u></u>	<u><u>\$ 2,063,740</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, 2009

	ENTERPRISE FUNDS		
	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Charges for Services	\$ 420,554	\$ -	\$ 420,554
Water Deposits	1,093	-	1,093
Intergovernmental	-	130,398	130,398
Total Operating Revenues	<u>421,647</u>	<u>130,398</u>	<u>552,045</u>
OPERATING EXPENDITURES			
Personal Service	110,798	-	110,798
Materials and Services	79,405	-	79,405
Depreciation	24,955	-	24,955
Total Operating Expenditures	<u>215,158</u>	<u>-</u>	<u>215,158</u>
Operating Income/(Loss)	<u>206,489</u>	<u>130,398</u>	<u>336,887</u>
NONOPERATING REVENUES (EXPENDITURES)			
Capital Contribution	493,416	(5,471)	487,945
Interest on Investments	3,092	2,459	5,551
Interest on Long Term Loans	(140,954)	(14,665)	(155,619)
Total Nonoperating Revenues (Expenditures)	<u>355,554</u>	<u>(17,677)</u>	<u>337,877</u>
Change in Net Assets	562,043	112,721	674,764
Beginning Net Assets	<u>908,896</u>	<u>480,080</u>	<u>1,388,976</u>
Ending Net Assets	<u>\$ 1,470,939</u>	<u>\$ 592,801</u>	<u>\$ 2,063,740</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, 2009**

	WATER FUND	SEWER FUND	TOTAL
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 418,629	\$ -	\$ 418,629
Intergovernmental	-	130,398	130,398
Cash Paid to Suppliers	(80,344)	-	(80,344)
Cash Paid to Employees	(110,798)	-	(110,798)
Net Cash Provided -Used by Operating Activities	<u>227,487</u>	<u>130,398</u>	<u>357,885</u>
Cash Flows from Capital and Related Financing Activities:			
Payment of Principal of Bonds Payable	(99,106)	(117,467)	(216,573)
Interest Expense	(140,709)	(12,931)	(153,640)
Net Cash Provided -Used by Capital and Related Financing Activities	<u>(239,815)</u>	<u>(130,398)</u>	<u>(370,213)</u>
Cash Flows from Investing Activities:			
Interest on Investments	3,092	2,459	5,551
Net Increase -Decrease in Cash and Cash Equivalents	(9,236)	2,459	(6,777)
Cash and Investments at Beginning of Year	<u>273,844</u>	<u>121,097</u>	<u>394,941</u>
Cash and Investments at End of Year	<u>\$ 264,608</u>	<u>\$ 123,556</u>	<u>\$ 388,164</u>
Reconciliation of Operating Income to			
Net Cash Provided by Operating Activities			
Operating Income, -Loss	\$ 206,489	\$ 130,398	\$ 336,887
Noncash Items Included in Income:			
Depreciation	24,956	-	24,956
Decrease -Increase in Accounts Receivable and Accrued Liabilities	(3,958)	-	(3,958)
Net Cash Provided -Used by Operating Activities	<u>\$ 227,487</u>	<u>\$ 130,398</u>	<u>\$ 357,885</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, 2009

FIDUCIARY FUND

Cash Evidence
Held Fund

ASSETS:

Current Assets

Cash and Investments

\$ 22,422

Total Assets

\$ 22,422

LIABILITIES:

Current Liabilities

Refund Payables and Other

22,422

Total Liabilities

\$ 22,422

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, 2009**

GENERAL FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Revenues				
Taxes	\$ 531,100	\$ 531,100	\$ 508,507	\$ (22,593)
Licenses, Permits & Fees	242,450	242,450	150,938	(91,512)
Intergovernmental	200,000	200,000	70,619	(129,381)
Grants	4,125	4,125	2,505	(1,620)
Fines & Forfeits	295,000	295,000	146,559	(148,441)
Interest and Miscellaneous	6,600	6,600	7,728	1,128
Total Revenues	<u>\$ 1,279,275</u>	<u>\$ 1,279,275</u>	<u>\$ 886,856</u>	<u>\$ (392,419)</u>
Expenditures				
Municipal Department	172,570	172,570 (1)	145,363	27,207
Facilities Management	47,550	47,550 (1)	44,159	3,391
Planning Department	89,385	89,385 (1)	55,314	34,071
Economic Development	209,000	209,000 (1)	45,570	163,430
Police Department	574,860	574,860 (1)	414,627	160,233
Municipal Court	154,410	154,410 (1)	103,288	51,122
Total Expenditures	<u>1,247,775</u>	<u>1,247,775</u>	<u>808,321</u>	<u>439,454</u>
Excess of Revenues Over, -Under Expenditures	31,500	31,500	78,535	47,035
Other Financing Sources, -Uses				
Transfers Out	(31,500)	(31,500) (1)	(31,500)	-
Total Other Financing Sources, -Uses	<u>(31,500)</u>	<u>(31,500)</u>	<u>(31,500)</u>	<u>-</u>
Net Change in Fund Balance	-	-	47,035	47,035
Beginning Fund Balance	-	-	(837,381)	(837,381)
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (790,346)</u>	<u>\$ (790,346)</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, 2009**

PARK FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Revenues				
Interest and Miscellaneous	\$ 1,000	\$ 1,000	\$ 325	\$ (675)
Total Revenues	1,000	1,000	325	(675)
Expenditures				
Personal Services	14,495	14,495 (1)	8,810	5,685
Materials and Services	17,210	17,210 (1)	7,759	9,451
Contingency	3,000	3,000 (1)	-	3,000
Total Expenditures	34,705	34,705	16,569	18,136
Excess of Revenues Over -Under Expenditures	(33,705)	(33,705)	(16,244)	17,461
OTHER FINANCING SOURCES				
Transfers In	31,500	31,500	31,500	-
Net Change in Fund Balance	(2,205)	(2,205)	15,256	17,461
Beginning Fund Balance	6,644	6,644	15,376	8,732
Ending Fund Balance	\$ 4,439	\$ 4,439	\$ 30,632	\$ 26,193

(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, 2009

STREET FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Revenues				
Intergovernmental	\$ 96,000	\$ 96,000	\$ 111,618	\$ 15,618
Interest and Miscellaneous	10,000	10,000	59	(9,941)
Total Revenues	<u>106,000</u>	<u>106,000</u>	<u>111,677</u>	<u>5,677</u>
Expenditures				
Street Maintenance and Repair				
Personal Services	65,970	65,970 (1)	55,187	10,783
Materials and Services	67,560	67,560 (1)	51,117	16,443
Total Street Maintenance and Repair	<u>133,530</u>	<u>133,530</u>	<u>106,304</u>	<u>27,226</u>
Contingency	<u>20,000</u>	<u>20,000 (1)</u>	<u>-</u>	<u>20,000</u>
Total Expenditures	<u>153,530</u>	<u>153,530</u>	<u>106,304</u>	<u>47,226</u>
Net Change in Fund Balance	(47,530)	(47,530)	5,373	52,903
Beginning Fund Balance	<u>108,856</u>	<u>108,856</u>	<u>114,360</u>	<u>5,504</u>
Ending Fund Balance	<u>\$ 61,326</u>	<u>\$ 61,326</u>	<u>\$ 119,733</u>	<u>\$ 58,407</u>

(1) Appropriation Level

See accompanying notes to the basic financial statements

This Page Intentionally Left Blank

**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 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 2008 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 can not 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 2008-2009, except for Materials and Services in the Water Capital Projects and Sewer Capital Projects Funds, which were overexpended by \$7,163 and \$820,372 respectively.

**CITY OF COBURG
LANE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

F. DEFICIT FUND BALANCES

As of June 30, 2009, the following fund had budgetary basis deficits in fund balance:

General Fund	\$ (790,346)
--------------	--------------

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.

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

Fund Equity is the individual fund balance. Reserves represent those portions of fund equity not appropriate for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

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.

K. 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.

K. 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.

CITY OF COBURG
LANE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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, 2009.

Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. As of June 30, 2009 the fair value of the position in the Local Government Investment Pool is 99.11% 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.

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, 2009 consisted of:

	<u>2009</u>
Petty Cash	\$ 300
Demand Deposits	100,479
Investments	<u>304,093</u>
Total	<u>\$ 404,872</u>

Reported In:

Governmental	\$ (5,714)
Business Type	388,164
Fiduciary Funds	<u>22,422</u>
	<u>\$ 404,872</u>

**CITY OF COBURG
LANE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

The City had the following investment and maturities:

Investment Type	Fair Value	Investment Maturities (in months)	
		Less than 3	More than 3
State Treasurer's Investment Pool	\$ 304,093	\$ 304,093	\$ -
Total	\$ 304,093	\$ 304,093	\$ -

Interest Rate Risk

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 \$100,479 and the bank balance was \$107,186. Of these deposits, the entire amount was covered by federal depository insurance.

3. CAPITAL ASSETS

The changes in capital assets for the fiscal year ended June 30, 2009 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	<u>1,162,961</u>	<u>-</u>	<u>-</u>	<u>1,162,961</u>
Accumulated Depreciation				
Buildings & Improvements	312,468	26,414	-	338,882
Equipment	213,188	43,109	-	256,297
Total	<u>525,656</u>	<u>69,523</u>	<u>-</u>	<u>595,179</u>
Total Net Capital Assets	<u>\$ 637,305</u>			<u>\$ 567,782</u>

**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	1,998,641	559,792	-	2,558,433
Equipment	30,833	-	-	30,833
Total	3,205,295	559,792	-	3,765,087
Accumulated Depreciation				
Utility System	620,146	24,955	-	645,101
Equipment	30,833	-	-	30,833
Total	650,979	\$ 24,955	\$ -	675,934
Total Net Capital Assets	\$ 2,554,316			\$ 3,089,153
 SEWER FUND				
	Balance End Of Year	Additions	(Deletions)	Balance End Of Year
Cost				
Construction in process	\$ 2,388,818	\$ 1,699,819	\$ -	\$ 4,088,637
Total	2,388,818	1,699,819	-	4,088,637
Total Net Capital Assets	\$ 2,388,818			\$ 4,088,637
Total Net Capital Assets, All Proprietary Funds	\$ 4,943,134			\$ 7,177,790

Governmental Depreciation was allocated to the functions as follows:

General Government	\$ 52,142
Public Safety	13,905
Highways and Streets	3,476
Total Governmental Activities	\$ 69,523

**CITY OF COBURG
LANE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

4. 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 current rate effective July 1, 2008 is 16.14% of covered payroll. The City's contribution to the plan for the years ending June 30, 2009 and 2008 were \$95,792 and \$101,816, respectively, and were equal to the required contributions for each year.

The actuarial information presented is the latest available according to PERS.

The City's Schedule of Funding Progress:

Dec 31 Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Percent	Covered Payrol Payroll	Unfunded Actuarial Accrued Liability/ Payroll
2007	\$ 2,240,097	\$ 1,691,243	\$ (548,854)	132%	\$ 613,900	-89%
2005	\$ 1,742,400	\$ 1,464,882	\$ (277,518)	119%	\$ 490,987	-57%
2003	\$ 1,099,667	\$ 1,057,879	\$ (41,788)	104%	\$ 821,496	-5%

5. 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

6. LONG-TERM DEBT

The changes in long-term debt for the year ended June 30, 2009 is comprised of the following:

	July 1, 2008	Additions	Reductions	June 30, 2009
<p>\$225,000 was issued in 1973 of General Obligation Bonds which bears an interest rate of 5.25% to 5.40%. The bond matured on June 30, 1999, with one \$5,000 bond outstanding and that bond remains outstanding at June 30, 2009.</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>	\$ 245,000	\$ -	\$ 15,000	\$ 230,000
<p>\$1,251,270 was issued on October 11, 200 of General Obligation notes payable (loan number GO 1001) obtained from the Special Public Works Fund of the Oregon Economic and Community Development Department for system improvements. The interest rate is 5.368% and the loan matures in January 2026.</p>	\$ 1,045,079	\$ -	\$ 36,251	\$ 1,008,828
<p>\$1,596,800 was issued on October 11, 200 of General Obligation notes payable (loan number GO 1001) obtained from the Special Public Works Fund of the Oregon Economic and Community Development Department for system improvements. The interest rate is 5.369% and the loan matures in January 2026.</p>	\$ 581,111	\$ 66,376	\$ 47,855	\$ 599,632
<p>\$550,000 was issued on August 31, 2007 of General Obligation notes payable obtained (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 loan matures in August 2012.</p>	\$ 550,772	\$ -	\$ 117,467	\$ 433,305
<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 2028.</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 loan matures in August 2025. The City is still drawing down on this loan.</p>	\$ 686,739	\$ 1,705,290	\$ -	\$ 2,392,029
<p>Total Long Term Debt</p>	\$ 3,903,011	\$ 1,771,666	\$ 216,573	\$ 5,458,104

**CITY OF COBURG
LANE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

6. LONG-TERM DEBT (CONTINUED)

Future maturities of long term debt are as follows:

Total Business Type Bonds Payable:

	<u>Principal</u>	<u>Interest Due</u>
Amounts Payable in Fiscal Year:		
2009-2010	\$ 20,000	\$ 11,960
2010-2011	20,000	10,920
2011-2012	20,000	9,880
2012-2013	20,000	8,840
2013-2014	20,000	7,800
2014-2019	130,000	20,800
2019-2023	5,000	-
	<u>\$ 235,000</u>	<u>\$ 70,200</u>

Total Business Type Notes and Contracts Payable:

	<u>Principal</u>	<u>Interest Due</u>
Amounts Payable in Fiscal Year:		
2009-2010	\$ 248,151	\$ 312,428
2010-2011	243,833	156,222
2011-2012	253,958	147,098
2012-2013	194,075	137,427
2013-2014	141,776	130,159
2014-2019	803,042	539,154
2019-2024	1,030,521	312,371
2024-2028	2,307,748	56,061
	<u>\$ 5,223,104</u>	<u>\$ 1,790,920</u>

7. 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

8. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

At June 30, 2009, the City had two construction contracts outstanding. The commitments remaining on those contracts totaled \$63,590.

9. NET ASSET RESTRICTIONS

The Net Assets are restricted to show lender imposed loan covenants of \$152,429. 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**

This Page Intentionally Left Blank

**CITY OF COBURG
LANE COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2009**

WATER FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
Revenues				
Water Service	\$ 450,000	\$ 450,000	\$ 420,554	\$ (29,446)
Water Deposits	-	-	1,093	1,093
Interest and Miscellaneous	4,000	4,000	3,092	(908)
Total Revenues	<u>454,000</u>	<u>454,000</u>	<u>424,739</u>	<u>(29,261)</u>
Expenditures				
Personal Services	111,375	111,375 (1)	110,798	577
Materials and Services	111,260	111,260 (1)	79,405	31,855
Debt Service	239,816	239,816 (1)	239,814	2
Contingency	<u>25,000</u>	<u>25,000 (1)</u>	<u>-</u>	<u>25,000</u>
Total Expenditures	<u>487,451</u>	<u>487,451</u>	<u>430,017</u>	<u>57,434</u>
Net Change in Fund Balance	(33,451)	(33,451)	(5,278)	28,173
Beginning Fund Balance	<u>421,349</u>	<u>421,349</u>	<u>297,234</u>	<u>(124,115)</u>
Ending Fund Balance	<u>\$ 387,898</u>	<u>\$ 387,898</u>	<u>\$ 291,956</u>	<u>\$ (95,942)</u>

Reconciliation to the Statement of Proprietary Net Assets:

Net Capital Assets	3,089,153
Long Term Debt	(1,843,460)
Accrued Interest	<u>(66,710)</u>
Net Assets	<u>\$ 1,470,939</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, 2009

SEWER FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
Revenues				
Intergovernmental	\$ 130,428	\$ 130,428	\$ 130,398	\$ (30)
Interest and Miscellaneous	-	-	2,459	2,459
Total Revenues	<u>130,428</u>	<u>130,428</u>	<u>132,857</u>	<u>2,429</u>
Expenditures				
Debt Service	<u>130,428</u>	<u>130,428</u> (1)	<u>130,398</u>	<u>30</u>
Total Expenditures	<u>130,428</u>	<u>130,428</u>	<u>130,398</u>	<u>30</u>
Net Change in Fund Balance	-	-	2,459	2,459
Beginning Fund Balance	<u>-</u>	<u>-</u>	<u>121,097</u>	<u>121,097</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 123,556</u>	<u>\$ 123,556</u>

Reconciliation to the Statement of Proprietary Net Assets:

Net Capital Assets	4,088,637
Long Term Debt	(3,614,644)
Accrued Interest	<u>(4,748)</u>
Net Assets	<u>\$ 592,801</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, 2009

PARK CAPITAL IMPROVEMENT FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
Revenues				
Interest and Miscellaneous	\$ -	\$ -	\$ 9,973	\$ 9,973
Total Revenues	<u>-</u>	<u>-</u>	<u>9,973</u>	<u>9,973</u>
Expenditures				
Contingency	8,192	8,192 (1)	-	8,192
Total Expenditures	<u>8,192</u>	<u>8,192</u>	<u>-</u>	<u>8,192</u>
Net Change in Fund Balance	(8,192)	(8,192)	9,973	1,781
Beginning Fund Balance	<u>76,256</u>	<u>76,256</u>	<u>75,917</u>	<u>(339)</u>
Ending Fund Balance	<u>\$ 68,064</u>	<u>\$ 68,064</u>	<u>\$ 85,890</u>	<u>\$ 17,826</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, 2009**

STREET CAPITAL IMPROVEMENT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Revenues				
Intergovernmental	\$ 120,000	\$ 120,000	\$ 6,443	\$ (113,557)
Interest and Miscellaneous	-	-	192	192
Total Revenues	<u>120,000</u>	<u>120,000</u>	<u>6,635</u>	<u>(113,365)</u>
Expenditures				
Capital Outlay	<u>160,000</u>	<u>160,000</u> (1)	<u>186</u>	<u>159,814</u>
Contingency	<u>20,000</u>	<u>37,585</u> (1)	<u>-</u>	<u>37,585</u>
Total Expenditures	<u>180,000</u>	<u>197,585</u>	<u>186</u>	<u>197,399</u>
Net Change in Fund Balance	(60,000)	(77,585)	6,449	84,034
Beginning Fund Balance	<u>214,104</u>	<u>231,689</u>	<u>214,841</u>	<u>(16,848)</u>
Ending Fund Balance	<u>\$ 154,104</u>	<u>\$ 154,104</u>	<u>\$ 221,290</u>	<u>\$ 67,186</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, 2009

WATER CAPITAL IMPROVEMENT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Revenues				
Grants	\$ -	\$ -	\$ 471,500	\$ 471,500
Interest and Miscellaneous	3,000	3,000	1,360	(1,640)
Total Revenues	<u>3,000</u>	<u>3,000</u>	<u>472,860</u>	<u>469,860</u>
Expenditures				
Personal Services	41,300	41,300 (1)	35,680	5,620
Materials and Services	-	- (1)	7,163	(7,163)
Capital Outlay	639,000	639,000 (1)	516,948	122,052
Contingency	50,000	50,000 (1)	-	50,000
Total Expenditures	<u>730,300</u>	<u>730,300</u>	<u>559,791</u>	<u>170,509</u>
Excess of Revenues Over -Under Expenditures	(727,300)	(727,300)	(86,931)	640,369
OTHER FINANCING SOURCES				
Loan Proceeds	639,000	639,000	66,376	(572,624)
Net Change in Fund Balance	(88,300)	(88,300)	(20,555)	67,745
Beginning Fund Balance	<u>237,569</u>	<u>237,569</u>	<u>50,375</u>	<u>(187,194)</u>
Ending Fund Balance	<u>\$ 149,269</u>	<u>\$ 149,269</u>	<u>\$ 29,820</u>	<u>\$ (119,449)</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, 2009**

SEWER CAPITAL IMPROVEMENT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Revenues				
Intergovernmental	\$ 845,800	\$ 845,800	\$ 196,737	\$ (649,063)
Grants	1,133,700	1,133,700	5,528	(1,128,172)
Interest and Miscellaneous	2,000	2,000	9,111	7,111
Total Revenues	<u>1,981,500</u>	<u>1,981,500</u>	<u>211,376</u>	<u>(1,770,124)</u>
Expenditures				
Personal Services	55,750	55,750 (1)	43,446	12,304
Materials and Services	40,050	40,050 (1)	860,422	(820,372)
Capital Outlay	9,150,000	9,150,000 (1)	795,952	8,354,048
Contingency	1,010,000	1,010,000 (1)	-	1,010,000
Total Expenditures	<u>10,255,800</u>	<u>10,255,800</u>	<u>1,699,820</u>	<u>8,555,980</u>
Excess of Revenues Over, -Under Expenditures	(8,274,300)	(8,274,300)	(1,488,444)	6,785,856
OTHER FINANCING SOURCES, -USES				
Proceeds from Loans	8,274,300	8,274,300	1,705,290	6,569,010
Total Other Financing Sources, -Uses	8,274,300	8,274,300	1,705,290	6,569,010
Net Change in Fund Balance	-	-	216,846	216,846
Beginning Fund Balance	-	-	(146,083)	(146,083)
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,763</u>	<u>\$ 70,763</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, 2009

<u>TAX YEAR</u>	<u>IMPOSED LEVY OR UNCOLLECTED AT 7-1-08</u>	<u>DEDUCT DISCOUNTS</u>	<u>ADJUSTMENTS TO ROLLS</u>	<u>ADD INTEREST</u>	<u>CASH COLLECTIONS BY COUNTY TREASURER</u>	<u>BALANCE UNCOLLECTED OR UNSEGREGATED AT 6-30-09</u>
CURRENT:						
2008-09	\$ 527,020	\$ 13,120	\$ (1,866)	\$ 215	\$ 495,565	\$ 16,684
PRIOR YEARS:						
2007-08	\$ 14,153	\$ (16)	\$ (836)	\$ 489	\$ 7,445	\$ 6,377
2006-07	5,268	(5)	(213)	390	2,637	2,813
2005-06	2,602	(3)	(127)	364	1,717	1,125
2004-05	1,079	(1)	(27)	183	785	451
Prior	4,467	-	(65)	38	257	4,183
Total	<u>\$ 554,589</u>	<u>\$ 13,095</u>	<u>\$ (3,134)</u>	<u>\$ 1,679</u>	<u>\$ 508,406</u>	<u>\$ 31,633</u>

RECONCILIATION TO REVENUE

Cash Collections by County Treasurer Above	\$ 508,406
Other Taxes in Lieu of Property Taxes	<u>101</u>
Total Revenue	<u>\$ 508,507</u>

This Page Intentionally Left Blank

CITY OF COBURG
LANE COUNTY, OREGON

AUDITORS' COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS

This Page Intentionally Left Blank



PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

January 4, 2010

2008-2009 AUDITORS' COMMENTS AND DISCLOSURES

Oregon Administrative Rules 162-10-000 through 162-16-000 of the Minimum Standards for Audits of Oregon Municipal Corporations, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required statements and schedules are set forth in preceding pages of this report. Required comments and disclosures related to our audit of such statements and schedules are set forth as follows:

REPORT ON INTERNAL ACCOUNTING CONTROL

We have audited the basic financial statements of City of Coburg, Oregon, for the year ended June 30, 2009, and have issued our report thereon dated January 4, 2010.

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 basic financial statements are free of material misstatements.

In planning and performing our audit of the basic financial statements of City of Coburg, Oregon, for the year ended June 30, 2009, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

The management of City of Coburg, Oregon, is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of basic financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records or to all the phases of a transaction. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected.

REPORT ON INTERNAL ACCOUNTING CONTROL (CONTINUED)

A *control 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by the internal control.

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. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the school's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the school's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

The significant deficiencies noted are contained in our letter to management dated January 4, 2010.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We did not consider any of the significant deficiencies noted to be material weaknesses.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses as defined above.

These factors were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the basic financial statements, and this report does not affect our report on the basic financial statements dated January 4, 2010.

This report is intended solely for the information and use of the City Council, audit committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

ACCOUNTING RECORDS

The City's financial accounting records are adequate for audit.

BUDGET TRANSACTIONS

Expenditures of the various funds were within authorized appropriation levels except as noted on page 17.

2008-2009 AND 2009-2010 BUDGETS

The budgets adopted by the City for the current and ensuing fiscal year were examined during the audit. Based on our testing it was determined that budget preparation and adoption procedures followed by the City of Coburg were in compliance with the Oregon Local Budget Law, except for the fact that the City should budget for the negative fund balances in the General Fund.

COLLATERAL SECURING BANK DEPOSIT

Deposits appeared to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury based upon our testing throughout the year. Deposits in the State Local Government Investment Pool are not required to be collateralized.

INVESTMENTS

The City's investments for the year ending June 30, 2009, were reviewed and based upon our testing, appeared to comply with the legal requirements pertaining to the investment of public funds contained in ORS 294.035.

PUBLIC CONTRACTS AND PURCHASING

The City's procedures for awarding public contracts were reviewed, and based upon our testing, we found no instances of non-compliance with ORS Chapter 279 during 2008-2009.

INSURANCE AND FIDELITY BONDS

Details concerning insurance and fidelity bond coverage were reviewed during the audit. The coverage provided appears to meet legal requirements. We do not have the professional expertise to state whether the insurance coverage is adequate.

STATUTORY BONDED DEBT LIMITATION

The City's bonded debt outstanding was within the provisions of ORS 478.410

PROGRAMS FUNDED FROM OUTSIDE SOURCES

We reviewed and tested, to the extent we considered necessary in the circumstances, transactions and reports relative to federal and state programs. Since the City did not expend greater than \$500,000 in federal financial assistance for the year ended June 30, 2009, it was not necessary to perform, nor did we perform, tests in accordance with the Federal Single Audit Act, as amended (U.S. Office of Management and Budget Circular A-133).

STATE HIGHWAY

The City's compliance with requirements of Article IX, Section 3a of the Oregon Constitution and ORS 294 and 373 was reviewed, and based upon our testing, were found to comply with the restrictions on the use of revenue from taxes on motor vehicle use and fuel.

SCHEDULE OF ACCOUNTABILITY OF ELECTED OFFICIALS

Not applicable.

Pauly, Rogers and Co., P.C.

PAULY, ROGERS AND CO., P.C.

This Page Intentionally Left Blank