

**CITY OF COBURG
COBURG, OREGON**

FINANCIAL STATEMENTS

**WITH
INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED JUNE 30, 2012

CITY OF COBURG
COBURG, OREGON

Mayor & City Council

June 30, 2012

<u>Name</u>	<u>POSITION</u>	<u>TERM EXPIRES</u>
Vacant	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
Brian Pech	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

Petra Schuetz, 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

April 4, 2013

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

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Coburg, as of and for the year ended June 30, 2012, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*. 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 basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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, the aggregate discretely presented component unit, each major fund, the aggregate remaining fund information, and the respective budgetary comparison schedules for the General Fund, Street Fund, and Park Fund of the City of Coburg, at June 30, 2012 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated April 4, 2013, on our consideration of the City of Coburg's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of the reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and do not provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management has not presented a Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Coburg's financial statements. The supplementary information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents, is fairly stated in all material respects in relation to the financial statements as a whole.


PAULY, ROGERS AND CO., P.C.

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, 2012**

ASSETS	PRIMARY GOVERNMENT			URBAN RENEWAL AGENCY
	GOVERNMENTAL	BUSINESS TYPE	TOTAL	
Current:				
Cash and Investments	\$ 650,542	\$ 190,649	\$ 841,191	\$ 656,469
Internal Balances	-	-	-	895,597
Accounts Receivable	1,969,999	27,264	1,997,263	-
Property Taxes Receivable	40,445	-	40,445	26,558
Total Current Assets	<u>2,660,986</u>	<u>217,913</u>	<u>2,878,899</u>	<u>1,578,624</u>
Non-Current:				
Capital Assets (Net of Accumulated Depreciation)	367,397	16,447,982	16,815,379	109,410
Total Assets	<u>3,028,383</u>	<u>16,665,895</u>	<u>19,694,278</u>	<u>1,688,034</u>
LIABILITIES				
Current:				
Due to Component Unit	700,000	195,597	895,597	-
Accounts Payable	2,182,285	5,067	2,187,352	-
Retainage Payable	290,872	-	290,872	-
Payroll Liabilities	21,209	-	21,209	-
Accrued Compensated Absences	39,734	-	39,734	-
Accrued Interest	-	58,440	58,440	-
Bonds and Loans Payable - Current	-	181,564	181,564	-
Total Current Liabilities	<u>3,234,100</u>	<u>440,668</u>	<u>3,674,768</u>	<u>-</u>
Long Term:				
Bonds and Loans Payable	-	11,113,084	11,113,084	-
Total Long Term Liabilities	<u>-</u>	<u>11,113,084</u>	<u>11,113,084</u>	<u>-</u>
Total Liabilities	<u>3,234,100</u>	<u>11,553,752</u>	<u>14,787,852</u>	<u>-</u>
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	367,397	5,153,334	5,520,731	109,410
Restricted for:				
System Development Charges	233,592	-	233,592	-
Debt Service Loan Covenants	-	377,771	377,771	-
Unrestricted	(806,706)	(418,962)	(1,225,668)	1,578,624
TOTAL NET ASSETS	<u>\$ (205,717)</u>	<u>\$ 5,112,143</u>	<u>\$ 4,906,426</u>	<u>\$ 1,688,034</u>

See accompanying notes to the basic financial statements

**CITY OF COBURG
LANE COUNTY, OREGON**

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012**

	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
Functions/Programs						
Governmental Activities						
Municipal Department	\$ 186,236	\$ 53,735	\$ -	\$ -	\$ (132,501)	\$ -
Facilities Management	53,724	-	-	-	(53,724)	-
Planning Department	87,088	100	-	-	(86,988)	-
Economic Development	20,926	-	-	-	(20,926)	-
Police Department	436,576	156,084	-	-	(280,492)	-
Municipal Court	113,878	-	-	-	(113,878)	-
Highways and Streets	136,882	9,689	-	-	(127,193)	-
Parks and Recreation	42,075	225	426	-	(41,424)	-
Infrastructure	-	268,998	-	1,315,114	1,584,112	-
Total Governmental Activities	1,077,385	488,831	426	1,315,114	726,986	-
Business-Type Activities						
Water	350,061	407,109	-	-	-	57,048
Sewer	-	-	-	-	-	-
Total Business-Type Activities	350,061	407,109	-	-	-	57,048
Total Primary Government	\$ 1,427,446	\$ 895,940	\$ 426	1,315,114	\$ 726,986	\$ 57,048
Component Unit						
Agency	\$ 3,737	\$ -	\$ -	\$ -	-	-
General Revenues						
Property Taxes					513,544	-
Fines and Forfeitures					-	-
Licenses, Permits and Fees					140,614	-
Intergovernmental					137,179	-
Gain/Loss on Sale of Capital Assets					-	-
Interest and Miscellaneous					10,955	871
Transfers					30,000	(30,000)
Capital Contribution					(1,604,103)	1,604,103
Total General Revenues					(771,811)	1,574,974
Change in Net Assets					(44,825)	1,632,022
Beginning Net Assets					(160,892)	3,480,121
Ending Net Assets					\$ (205,717)	\$ 5,112,143

See accompanying notes to the basic financial statements

<u>Total</u>	<u>Component Unit</u>
\$ (132,501)	\$ -
(53,724)	-
(86,988)	-
(20,926)	-
(280,492)	-
(113,878)	-
(127,193)	-
(41,424)	-
<u>1,584,112</u>	<u>-</u>
<u>726,986</u>	<u>-</u>
57,048	-
<u>-</u>	<u>-</u>
<u>57,048</u>	<u>-</u>
<u>\$ 784,034</u>	<u>\$ -</u>
	<u>(3,737)</u>
513,544	331,093
-	-
140,614	-
137,179	-
-	-
11,826	2,334
<u>-</u>	<u>-</u>
<u>803,163</u>	<u>333,427</u>
1,587,197	329,690
<u>3,319,229</u>	<u>1,358,344</u>
<u>\$ 4,906,426</u>	<u>\$ 1,688,034</u>

**CITY OF COBURG
LANE COUNTY, OREGON**

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012**

	<u>GENERAL FUND</u>	<u>PARK FUND</u>	<u>STREET FUND</u>
ASSETS			
Cash and Investments	\$ (364,293)	\$ -	\$ 136,286
Due from Other Funds	5,207	-	-
Accounts Receivable	21,552	-	8,434
Taxes Receivable, Net	40,445	-	-
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ (297,089)</u>	<u>\$ -</u>	<u>\$ 144,720</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to URA	\$ -	\$ -	\$ -
Due to Other Funds	-	5,207	-
Deferred Revenue	52,278	-	-
Accounts Payable	11,271	209	1,802
Retainage Payable	-	-	-
Other Payables	21,209	-	-
	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>84,758</u>	<u>5,416</u>	<u>1,802</u>
Fund Balances:			
Non-Spendable	-	-	-
Restricted for:			
System Development Charges	-	-	-
Assigned For:			
Parks	-	-	-
Streets	-	-	142,918
Water Infrastructure	-	-	-
Unassigned	(381,847)	(5,416)	-
	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>(381,847)</u>	<u>(5,416)</u>	<u>142,918</u>
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$ (297,089)</u>	<u>\$ -</u>	<u>\$ 144,720</u>

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>
\$ 91,810	\$ 216,992	\$ 27,953	\$ 541,794	\$ 650,542
-	-	-	-	5,207
-	-	-	1,940,013	1,969,999
-	-	-	-	40,445
<u>\$ 91,810</u>	<u>\$ 216,992</u>	<u>\$ 27,953</u>	<u>\$ 2,481,807</u>	<u>\$ 2,666,193</u>
\$ -	\$ -	\$ -	\$ 700,000	\$ 700,000
-	-	-	-	5,207
-	-	-	-	52,278
-	-	53	2,168,950	2,182,285
-	-	-	290,872	290,872
-	-	-	-	21,209
-	-	53	3,159,822	3,251,851
-	-	-	-	-
83,620	149,972	-	-	233,592
8,190	-	-	-	8,190
-	67,020	-	-	209,938
-	-	27,900	-	27,900
-	-	-	(678,015)	(1,065,278)
<u>91,810</u>	<u>216,992</u>	<u>27,900</u>	<u>(678,015)</u>	<u>(585,658)</u>
<u>\$ 91,810</u>	<u>\$ 216,992</u>	<u>\$ 27,953</u>	<u>\$ 2,481,807</u>	<u>\$ 2,666,193</u>

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**CITY OF COBURG
LANE COUNTY, OREGON**

**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO STATEMENT OF NET ASSETS
June 30, 2012**

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

Fund Balances	\$ (585,658)
<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	367,397
<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	(39,734)
<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>52,278</u>
Total Net Assets	<u>\$ (205,717)</u>

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

**CITY OF COBURG
LANE COUNTY, OREGON**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012**

	GENERAL FUND	PARK FUND	STREET FUND	PARK CAPITAL IMPROVEMENT FUND
Revenues				
Property Taxes	\$ 506,788	\$ -	\$ -	\$ -
Fines & Forfeits	153,822	-	-	-
Licenses, Permits & Fees	195,663	-	9,689	-
Intergovernmental	26,887	-	110,292	-
Charges for Services	-	-	-	-
Grants	-	-	-	-
Interest and Miscellaneous	5,730	2,136	546	20
Total Revenues	<u>888,890</u>	<u>2,136</u>	<u>120,527</u>	<u>20</u>
Expenditures				
Municipal Department	172,465	-	-	-
Facilities Management	49,751	-	-	-
Planning Department	80,648	-	-	-
Economic Development	19,379	-	-	-
Police Department	404,294	-	-	-
Municipal Court	105,457	-	-	-
Highways and Streets	-	-	126,760	-
Parks and Recreation	-	38,964	-	-
Capital Outlay	-	-	-	-
Total Expenditures	<u>831,994</u>	<u>38,964</u>	<u>126,760</u>	<u>-</u>
Excess of Revenues Over, -Under Expenditures	56,896	(36,828)	(6,233)	20
Other Financing Sources, -Uses				
Loan Proceeds	-	-	-	-
Transfers In	-	35,000	-	-
Transfers Out	(35,000)	-	-	-
Total Other Financing Sources, -Uses	<u>(35,000)</u>	<u>35,000</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	21,896	(1,828)	(6,233)	20
Beginning Fund Balance	(403,743)	(3,588)	149,151	91,790
Ending Fund Balance	<u>\$ (381,847)</u>	<u>\$ (5,416)</u>	<u>\$ 142,918</u>	<u>\$ 91,810</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>
\$ -	\$ -	\$ -	\$ 506,788
-	-	-	153,822
-	-	-	205,352
-	-	-	137,179
-	-	268,998	268,998
-	-	1,315,114	1,315,114
25	26	2,899	11,382
<u>25</u>	<u>26</u>	<u>1,587,011</u>	<u>2,598,635</u>
-	-	-	172,465
-	-	-	49,751
-	-	-	80,648
-	-	-	19,379
-	-	-	404,294
-	-	-	105,457
-	-	-	126,760
-	-	-	38,964
-	93,937	6,931,366	7,025,303
-	93,937	6,931,366	8,023,021
25	(93,911)	(5,344,355)	(5,424,386)
-	49,890	5,371,308	5,421,198
-	30,000	-	65,000
-	-	-	(35,000)
-	79,890	5,371,308	5,451,198
25	(14,021)	26,953	26,812
216,967	41,921	(704,968)	(612,470)
<u>\$ 216,992</u>	<u>\$ 27,900</u>	<u>\$ (678,015)</u>	<u>\$ (585,658)</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, 2012**

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	\$ 26,812
<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	(64,200)
<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>	
	(15,466)
<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>8,029</u>
Change in Net Assets	<u>\$ (44,825)</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, 2012**

	ENTERPRISE FUNDS		
	Water Fund	Sewer Fund	Total
ASSETS:			
Current Assets			
Cash and Investments	\$ 71,147	\$ 119,502	\$ 190,649
Accounts Receivable	27,264	-	27,264
Total Current Assets	98,411	119,502	217,913
Capital Assets, Net	3,681,008	12,766,974	16,447,982
Total Assets	<u>3,779,419</u>	<u>12,886,476</u>	<u>16,665,895</u>
LIABILITIES:			
Current Liabilities			
Accounts Payable	5,067	-	5,067
Short Term Loan - URA	-	195,597	195,597
Accrued Interest	58,440	-	58,440
Long Term Debt - Current Portion	117,208	64,356	181,564
Total Current Liabilities	180,715	259,953	440,668
Long Term Liabilities			
Long Term Debt	1,972,446	9,140,638	11,113,084
Total Liabilities	<u>2,153,161</u>	<u>9,400,591</u>	<u>11,553,752</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	1,591,354	3,561,980	5,153,334
Reserved for Debt Service Loan Covenant	31,960	345,811	377,771
Unrestricted	2,944	(421,906)	(418,962)
Total Net Assets	<u>\$ 1,626,258</u>	<u>\$ 3,485,885</u>	<u>\$ 5,112,143</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, 2012**

	ENTERPRISE FUNDS		
	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Charges for Services	\$ 407,109	\$ -	\$ 407,109
Total Operating Revenues	407,109	-	407,109
OPERATING EXPENDITURES			
Personal Service	117,214	-	117,214
Materials and Services	85,077	-	85,077
Depreciation	23,262	-	23,262
Total Operating Expenditures	225,553	-	225,553
Operating Income/(Loss)	181,556	-	181,556
NONOPERATING REVENUES (EXPENDITURES)			
Capital Contribution	44,045	1,560,058	1,604,103
Transfers Out	(30,000)	-	(30,000)
Interest on Investments	956	(85)	871
Interest on Long Term Loans	(118,392)	(6,116)	(124,508)
Total Nonoperating Revenues (Expenditures)	(103,391)	1,553,857	1,450,466
Change in Net Assets	78,165	1,553,857	1,632,022
Beginning Net Assets	1,548,093	1,932,028	3,480,121
Ending Net Assets	\$ 1,626,258	\$ 3,485,885	\$ 5,112,143

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, 2012**

	WATER FUND	SEWER FUND	TOTAL
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 407,403	\$ -	\$ 407,403
Cash Paid to Suppliers	(85,125)	-	(85,125)
Cash Paid to Employees	(117,214)	-	(117,214)
Net Cash Provided -Used by Operating Activities	205,064	-	205,064
Cash Flows from Capital and Related Financing Activities:			
Transfers Out	(30,000)	-	(30,000)
Short Term Loan Proceeds	-	195,597	195,597
Payment of Principal of Long Term Debt	(116,349)	(126,210)	(242,559)
Interest Expense	(124,452)	(9,128)	(133,580)
Net Cash Provided -Used by Capital and Related Financing Activities	(270,801)	60,259	(210,542)
Cash Flows from Investing Activities:			
Interest on Investments	956	(85)	871
Net Increase -Decrease in Cash and Cash Equivalentents	(64,781)	60,174	(4,607)
Cash and Investments at Beginning of Year	135,928	59,328	195,256
Cash and Investments at End of Year	\$ 71,147	\$ 119,502	\$ 190,649
Reconciliation of Operating Income to			
Net Cash Provided by Operating Activities			
Operating Income, -Loss	\$ 181,556	\$ -	\$ 181,556
Noncash Items Included in Income:			
Depreciation	23,262	-	23,262
Decrease -Increase in Accounts Receivable and Accrued Liabilities	294	-	294
	(48)	-	(48)
Net Cash Provided -Used by Operating Activities	\$ 205,064	\$ -	\$ 205,064

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, 2012**

	<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, 2012**

GENERAL FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Revenues				
Property Taxes	\$ 509,000	\$ 509,000	\$ 506,788	\$ (2,212)
Licenses, Permits & Fees	199,500	199,500	195,663	(3,837)
Intergovernmental	39,700	39,700	26,887	(12,813)
Grants	11,500	11,500	-	(11,500)
Fines & Forfeits	180,500	180,500	153,822	(26,678)
Interest and Miscellaneous	4,100	4,100	5,730	1,630
Total Revenues	\$ 944,300	\$ 944,300	\$ 888,890	\$ (55,410)
Expenditures				
Municipal Department	178,829	196,329 (1)	172,465	23,864
Facilities Management	49,600	49,600 (1)	49,751	(151)
Planning Department	68,400	96,400 (1)	80,648	15,752
Economic Development	23,000	23,000 (1)	19,379	3,621
Police Department	460,552	414,552 (1)	404,294	10,258
Municipal Court	120,548	114,548 (1)	105,457	9,091
Contingency	14,371	9,371 (1)	-	9,371
Total Expenditures	915,300	903,800	831,994	71,806
Excess of Revenues Over; -Under Expenditures	29,000	40,500	56,896	16,396
Other Financing Sources, -Uses				
Sale of Capital Assets	1,000	1,000	-	(1,000)
Transfers Out	(30,000)	(35,000) (1)	(35,000)	-
Total Other Financing Sources, -Uses	(29,000)	(34,000)	(35,000)	(1,000)
Net Change in Fund Balance	-	6,500	21,896	15,396
Beginning Fund Balance	(469,267)	(469,267)	(403,743)	65,524
Ending Fund Balance	\$ (469,267)	\$ (462,767)	\$ (381,847)	\$ 80,920

(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, 2012**

PARK FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Revenues				
Interest and Miscellaneous	\$ 500	\$ 500	\$ 2,136	\$ 1,636
Total Revenues	<u>500</u>	<u>500</u>	<u>2,136</u>	<u>1,636</u>
Expenditures				
Personal Services	23,076	23,076 (1)	22,835	241
Materials and Services	<u>22,100</u>	<u>22,100 (1)</u>	<u>16,129</u>	<u>5,971</u>
Contingency	<u>3,000</u>	<u>3,000 (1)</u>	<u> </u>	<u>3,000</u>
Total Expenditures	<u>48,176</u>	<u>48,176</u>	<u>38,964</u>	<u>9,212</u>
Excess of Revenues Over -Under Expenditures	(47,676)	(47,676)	(36,828)	10,848
OTHER FINANCING SOURCES				
Transfers In	<u>30,000</u>	<u>35,000</u>	<u>35,000</u>	<u>-</u>
Net Change in Fund Balance	(17,676)	(12,676)	(1,828)	10,848
Beginning Fund Balance	<u>21,623</u>	<u>21,623</u>	<u>(3,588)</u>	<u>(25,211)</u>
Ending Fund Balance	<u>\$ 3,947</u>	<u>\$ 8,947</u>	<u>\$ (5,416)</u>	<u>\$ (14,363)</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, 2012**

STREET FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Revenues				
Intergovernmental	\$ 113,000	\$ 113,000	\$ 110,292	\$ (2,708)
Fees	9,000	9,000	9,689	689
Interest and Miscellaneous	-	-	546	546
Total Revenues	<u>122,000</u>	<u>122,000</u>	<u>120,527</u>	<u>(1,473)</u>
Expenditures				
Street Maintenance and Repair				
Personal Services	54,132	76,132 (1)	76,063	69
Materials and Services	67,800	49,800 (1)	50,697	(897)
Total Street Maintenance and Repair	<u>121,932</u>	<u>125,932</u>	<u>126,760</u>	<u>(828)</u>
Contingency	4,000	- (1)		-
Total Expenditures	<u>125,932</u>	<u>125,932</u>	<u>126,760</u>	<u>(828)</u>
Net Change in Fund Balance	<u>(3,932)</u>	<u>(3,932)</u>	<u>(6,233)</u>	<u>(2,301)</u>
Beginning Fund Balance	<u>112,960</u>	<u>112,960</u>	<u>149,151</u>	<u>36,191</u>
Ending Fund Balance	<u>\$ 109,028</u>	<u>\$ 109,028</u>	<u>\$ 142,918</u>	<u>\$ 33,890</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.

**CITY OF COBURG
LANE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

B. BASIS OF PRESENTATION - FUND ACCOUNTING (CONTINUED)

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.

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.

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

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 2011-2012, except in the following funds; General Fund – Facilities Management was over expended by \$151, Street Fund – Materials and Services was over expended by \$897, Sewer Fund – Debt Service was over expended by \$4,738.

F. DEFICIT FUND BALANCES

As of June 30, 2012, the following funds had budgetary basis deficits in fund balance:

General Fund	\$ (381,847)
Park Fund	\$ (5,416)
Sewer Capital Improvement Fund	\$ (678,015)

CITY OF COBURG
LANE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

F. DEFICIT FUND BALANCES (CONTINUED)

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 loan from the Urban Renewal Agency. 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.

**CITY OF COBURG
LANE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

K. FUND EQUITY (CONTINUED)

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.

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, 2012.

**CITY OF COBURG
LANE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. As of June 30, 2012 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.

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, 2012 consisted of:

	2012
Petty Cash	\$ 300
Demand Deposits	575,751
Investments	287,562
 Total	 \$ 863,613

Reported In:

Governmental	\$ 650,542
Business Type	190,649
Fiduciary Funds	22,422
	\$ 863,613

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	\$ 287,562	\$ 287,562	\$ -
Total	\$ 287,562	\$ 287,562	\$ -

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.

**CITY OF COBURG
LANE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

At year end, the City's net carrying amount of deposits was \$575,751 and the bank balance was \$603,935. Of these deposits, \$250,000 was covered by federal depository insurance. The remainder is collateralized by the Oregon Public Funds Collateralization Program (PFCP). Oregon Revised Statutes and City policy require depository institutions to maintain on deposit, with the collateral pool manager, securities having a value not less than 10% of their quarter-end public fund deposits if they were all capitalized, 25% of their quarter end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer.

3. CAPITAL ASSETS

The changes in capital assets for the fiscal year ended June 30, 2012 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	391,710	26,414	-	418,124
Equipment	339,654	37,786	-	377,440
Total	731,364	\$ 64,200	\$ -	795,564
Total Net Capital Assets	\$ 431,597			\$ 367,397

Governmental Depreciation was allocated to the functions as follows:

Municipal	\$ 11,098
Facilities	3,201
Planning	5,189
Economic Development	1,247
Public Safety	26,015
Municipal Court	6,786
Highways and Streets	8,157
Parks and Recreation	2,507
Total Governmental Activities	\$ 64,200

**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	3,127,638	93,935	-	3,221,573
Equipment	30,833	-	-	30,833
Total	<u>3,904,762</u>	<u>93,935</u>	<u>-</u>	<u>4,428,227</u>
Accumulated Depreciation				
Utility System	693,124	23,262	-	716,386
Equipment	30,833	-	-	30,833
Total	<u>700,304</u>	<u>\$ 23,262</u>	<u>\$ -</u>	<u>747,219</u>
Total Net Capital Assets	<u>\$ 3,204,458</u>			<u>\$ 3,681,008</u>

SEWER FUND

	Balance Beginning Of Year	Additions	(Deletions)	Balance End Of Year
Cost				
Construction in process	\$ 5,835,608	\$ 6,931,366	\$ -	\$ 12,766,974
Total	<u>5,835,608</u>	<u>6,931,366</u>	<u>-</u>	<u>12,766,974</u>
Total Net Capital Assets	<u>\$ 5,835,608</u>			<u>\$ 12,766,974</u>
Total Net Capital Assets, All Proprietary Funds	<u>\$ 9,040,066</u>			<u>\$ 16,447,982</u>

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, 2011 is 5.21% of covered payroll. The City's contribution to the plan for the years ending June 30, 2012, 2011, and 2010 were \$65,679, \$68,138, and \$61,110, 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 Citys, and education service Citys. 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 Citys 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, 2012 is comprised of the following:

	July 1, 2011	Additions	Reductions	June 30, 2012
\$225,000 was issued in 1973 of General Obligation bonds which bears The Interest rate is 5.25% to 5.40%. The Bond Mated at June 30, 1999, with one \$5000 bond outstandingand that bond remains outstanding.	\$ 5,000	\$ -	\$ -	\$ 5,000
\$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.	190,000	-	20,000	170,000
\$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 5.37%.	930,373	-	42,245	888,128
\$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 5.37%.	1,030,740	49,890	54,104	1,026,526
\$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 2.63%	190,566	-	126,210	64,356
\$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 2.63%	789,310	-	-	789,310
\$9,209,228 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 3.51%	2,980,000	1,452,517	-	4,432,517
\$6,000,000 was issued on July 1, 2011 (loan number R23043. Same source as above). The interest rate is 1.28%.	-	3,820,811	-	3,820,811
\$3,000,000 was issued on July 1, 2011 of UDSA Rural Development loans. The interest rate is 4.25% and payments commence after the final draw.	-	98,000	-	98,000
Total Long Term Debt	\$ 6,115,989	\$ 5,421,218	\$ 242,559	\$11,294,648

**CITY OF COBURG
LANE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

7. LONG-TERM DEBT (CONTINUED)

Future maturities of significant long term debt items are as follows:

Business Type Bonds Payable:

	1999 Water Revenue Bond		
	Principal	Interest Due	
Amounts Payable in Fiscal Year:			
2012-2013	20,000	8,840	
2013-2014	20,000	7,800	27,800
2014-2015	25,000	6,760	31,760
2015-2016	25,000	5,460	30,460
2016-2017	25,000	4,160	29,160
2017-2019	55,000	4,420	29,710/yr
	<u>\$ 170,000</u>	<u>\$ 37,440</u>	

Business Type Notes and Contracts Payable:

	Water Project Loan G01001		Water Project Loan B01003		Clean Water Loan R23040		
	Principal	Interest Due	Principal	Interest Due	Principal	Interest Due	
Amounts Payable in Fiscal Year:							
2012-2013	42,625	48,129	54,583	61,385	64,356	846	8/2022
2013-2014	48,026	45,891	60,087	58,519	212,523	-	
2014-2015	48,448	43,370	60,617	55,365	207,800	-	
2015-2016	53,892	40,826	66,174	52,182	213,064	-	
2016-2017	54,363	37,970	66,767	48,675	207,775	-	
2017-2022	319,952	142,888	404,067	184,074	210,196/yr	-	
2022-2027	320,822	45,280	314,231	59,403	147,967/yr	-	
	<u>888,128</u>	<u>404,354</u>	<u>1,026,526</u>	<u>519,603</u>	<u>64,356</u>	<u>846</u>	
	<u>Clean Water Loan R23041</u>						
	Principal	Interest Due					
2012-2013	-	-					
2013-2014	-	279,776					
2014-2015	28,784	27,454					
2015-2016	29,803	26,435					
2016-2017	30,858	25,380					
2017-2022	171,474	109,716					
2022-2027	204,058	77,132					
2027-2032	242,836	38,354					
2033-2034	81,497	2,877					
	<u>789,310</u>	<u>587,124</u>					

Note: Payments on loans R23042, R23043, and USDA do not commence until after the final draw. The final amortization schedule will be provided at that time.

**CITY OF COBURG
LANE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

8. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS AND CONTINGENCIES

As of June 30, 2012, 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.

The City had balances of contract remaining for Phase 2 and Phase 3 of the wastewater construction project of \$781,486 and \$5,001,925 respectively.

In February, 2013, the City settled a contract dispute with Canby Excavating for \$98,000. The settlement was added to the original contract amount and billed as a change order. The City has accrued the settlement as a cost of construction and liability (component of accounts payable) at June 30, 2012.

9. NET ASSET RESTRICTIONS

The Net Assets are restricted to show loan covenants of \$377,771. Net Assets are also restricted for all SDC monies that are unspent as of the year-end (if any). State law states that SDC monies must be spent for the specific purpose for which they were charged.

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**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, 2012**

WATER FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Revenues				
Water Service	\$ 391,300	\$ 391,300	\$ 407,109	\$ 15,809
Intergovernmental	-	45,000	-	(45,000)
Interest and Miscellaneous	1,900	1,900	956	(944)
Total Revenues	393,200	438,200	408,065	(30,135)
Expenditures				
Personal Services	105,340	117,340 (1)	117,214	126
Materials and Services	91,600	124,600 (1)	85,077	39,523
Debt Service	241,500	241,500 (1)	240,801	699
Contingency	1,236	1,236 (1)	-	1,236
Total Expenditures	439,676	484,676	443,092	41,584
Excess of Revenues Over, -Under Expenditures	(46,476)	(46,476)	(35,027)	11,449
Other Financing Sources, -Uses				
Transfers Out	(30,000)	(30,000) (1)	(30,000)	-
Total Other Financing Sources, -Uses	(30,000)	(30,000)	(30,000)	-
Net Change in Fund Balance	(76,476)	(76,476)	(65,027)	11,449
Beginning Fund Balance	224,080	224,080	158,371	(65,709)
Ending Fund Balance	\$ 147,604	\$ 147,604	\$ 93,344	\$ (54,260)

Reconciliation to the Statement of Proprietary Net Assets:

Net Capital Assets	3,681,008
Long Term Debt	(2,089,654)
Accrued Interest	(58,440)
Net Assets	\$ 1,626,258

(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, 2012**

SEWER FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
Revenues				
Intergovernmental	\$ 130,600	\$ 130,600	\$ -	\$ (130,600)
Interest and Miscellaneous	400	400	(85)	(485)
Total Revenues	<u>131,000</u>	<u>131,000</u>	<u>(85)</u>	<u>(131,085)</u>
Expenditures				
Debt Service	<u>130,600</u>	<u>130,600</u> (1)	<u>135,338</u>	<u>(4,738)</u>
Total Expenditures	<u>130,600</u>	<u>130,600</u>	<u>135,338</u>	<u>(4,738)</u>
Net Change in Fund Balance	400	400	(135,423)	(126,347)
Beginning Fund Balance	<u>123,958</u>	<u>123,958</u>	<u>59,328</u>	<u>(64,630)</u>
Ending Fund Balance	<u>\$ 124,358</u>	<u>\$ 124,358</u>	<u>\$ (76,095)</u>	<u>\$ (200,453)</u>
Reconciliation to the Statement of Proprietary Net Assets:				
Net Capital Assets			12,766,974	
Long Term Debt			<u>(9,204,994)</u>	
Net Assets			<u>\$ 3,485,885</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, 2012**

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	\$ 50	\$ 50	\$ 20	\$ (30)
Total Revenues	<u>50</u>	<u>50</u>	<u>20</u>	<u>(30)</u>
Expenditures				
Contingency	<u>13,000</u>	<u>13,000 (1)</u>	<u>-</u>	<u>13,000</u>
Total Expenditures	<u>13,000</u>	<u>13,000</u>	<u>-</u>	<u>13,000</u>
Net Change in Fund Balance	(12,950)	(12,950)	20	(13,030)
Beginning Fund Balance	<u>89,344</u>	<u>89,344</u>	<u>91,790</u>	<u>2,446</u>
Ending Fund Balance	<u>\$ 76,394</u>	<u>\$ 76,394</u>	<u>\$ 91,810</u>	<u>\$ 15,416</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, 2012**

STREET CAPITAL IMPROVEMENT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Revenues				
Intergovernmental	\$ 50,000	\$ 50,000	\$ -	\$ (50,000)
Interest and Miscellaneous	24	24	25	1
Total Revenues	<u>50,024</u>	<u>50,024</u>	<u>25</u>	<u>(49,999)</u>
Expenditures				
Capital Outlay	50,000	50,000 (1)	-	50,000
Contingency	35,000	35,000 (1)	-	35,000
Total Expenditures	<u>85,000</u>	<u>85,000</u>	<u>-</u>	<u>85,000</u>
Net Change in Fund Balance	(34,976)	(34,976)	25	35,001
Beginning Fund Balance	<u>223,766</u>	<u>223,766</u>	<u>216,967</u>	<u>(6,799)</u>
Ending Fund Balance	<u>\$ 188,790</u>	<u>\$ 188,790</u>	<u>\$ 216,992</u>	<u>\$ 28,202</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, 2012**

WATER CAPITAL IMPROVEMENT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Revenues				
Interest and Miscellaneous	\$ 12	\$ 12	\$ 26	\$ 14
Total Revenues	<u>12</u>	<u>12</u>	<u>26</u>	<u>14</u>
Expenditures				
Personal Services	45,750	45,750 (1)	32,841	12,909
Materials and Services	600	600 (1)	53	547
Capital Outlay	<u>323,700</u>	<u>356,250 (1)</u>	<u>61,043</u>	<u>295,207</u>
Contingency	<u>53,121</u>	<u>20,571 (1)</u>	-	<u>20,571</u>
Total Expenditures	<u>423,171</u>	<u>423,171</u>	<u>93,937</u>	<u>329,234</u>
Excess of Revenues Over -Under Expenditures	(423,159)	(423,159)	(93,911)	329,248
OTHER FINANCING SOURCES				
Transfers In	30,000	30,000	30,000	-
Loan Proceeds	<u>337,150</u>	<u>337,150</u>	<u>49,890</u>	<u>(287,260)</u>
Total Other Financing Sources, -Uses	<u>367,150</u>	<u>367,150</u>	<u>79,890</u>	<u>(287,260)</u>
Net Change in Fund Balance	(56,009)	(56,009)	(14,021)	41,988
Beginning Fund Balance	<u>269,748</u>	<u>269,748</u>	<u>41,921</u>	<u>(227,827)</u>
Ending Fund Balance	<u>\$ 213,739</u>	<u>\$ 213,739</u>	<u>\$ 27,900</u>	<u>\$ (185,839)</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, 2012**

SEWER CAPITAL IMPROVEMENT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Revenues				
Charges for Services	\$ 390,000	\$ 390,000	\$ 268,998	\$ (121,002)
Grants	3,737,000	3,737,000	1,315,114	(2,421,886)
Interest and Miscellaneous	3,000	3,000	2,899	(101)
Total Revenues	4,130,000	4,130,000	1,587,011	(2,542,989)
Expenditures				
Personal Services	78,375	78,375 (1)	48,219	30,156
Materials and Services	28,625	38,625 (1)	21,259	17,366
Capital Outlay	13,195,000	13,245,000 (1)	6,861,888	6,383,112
Contingency	1,600,000	1,540,000 (1)	-	1,540,000
Total Expenditures	14,902,000	14,902,000	6,931,366	7,970,634
Excess of Revenues Over, -Under Expenditures	(10,772,000)	(10,772,000)	(5,344,355)	5,427,645
OTHER FINANCING SOURCES, -USES				
Loan Proceeds	11,000,000	11,000,000	5,371,308	(5,628,692)
Total Other Financing Sources, -Uses	11,000,000	11,000,000	5,371,308	(5,628,692)
Net Change in Fund Balance	228,000	228,000	26,953	(201,047)
Beginning Fund Balance	5,500,123	5,500,123	(704,968)	(6,205,091)
Ending Fund Balance	<u>\$ 5,728,123</u>	<u>\$ 5,728,123</u>	<u>\$ (678,015)</u>	<u>\$ (6,406,138)</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, 2012**

TAX YEAR	IMPOSED LEVY OR UNCOLLECTED AT 7-1-11	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6-30-12
CURRENT:						
2011-2012	\$ 525,380	\$ 13,218	\$ (1,371)	\$ 229	\$ 493,830	\$ 17,190
PRIOR YEARS:						
2010-11	\$ 15,232	\$ (101)	\$ (705)	\$ 539	\$ 5,139	\$ 10,028
2009-10	7,891	(87)	(332)	615	1,519	6,742
2008-09	4,353	(3)	(170)	753	3,081	1,858
2007-08	1,507	(1)	(71)	330	1,185	582
Prior	4,706	(1)	(573)	160	249	4,045
Total	\$ 559,069	\$ 13,025	\$ (3,222)	\$ 2,626	\$ 505,003	\$ 40,445

RECONCILIATION TO REVENUE

Cash Collections by County Treasurer Above	\$ 505,003
Other Taxes in Lieu of Property Taxes	<u>1,785</u>
Total Revenue	<u>\$ 506,788</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

April 4, 2013

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, 2012, and have issued our report thereon dated April 4, 2013. 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.**
- **Programs funded from outside sources.**
- **Highway revenues used for public highways, roads, and streets.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

In connection with our testing nothing came to our attention that caused us to believe the City of 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.

CITY OF COBURG
LANE COUNTY, OREGON

GRANT COMPLIANCE REVIEW

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**CITY OF COBURG
LANE COUNTY, OREGON**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT PERIOD	EXPENDITURES	
US DEPARTMENT OF COMMERCE				
Direct Award				
Investments for Public Works and Economic Development Facilities	11.300	9/16/2008 - completion	890,925	(1)
ENVIRONMENTAL PROTECTION AGENCY				
Direct Award				
Congressionally Mandated Projects	66.202	6/1/06 - 12/31/12	<u>424,189</u>	(1)
TOTAL FEDERAL FINANCIAL AWARDS			<u>\$ 1,315,114</u>	

(1) Major Program

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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

April 4, 2013

To the City Council
City of Coburg, Oregon

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

We have audited the financial statements of the City of Coburg as of and for the year ended June 30, 2012, and have issued our report thereon dated April 4, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the component unit were not audited in accordance with Government Auditing Standards.

Internal Control over Financial Reporting

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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the governing body, and 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.


PAULY, ROGERS AND CO., P.C.



PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

April 4, 2013

To the City Council
City of Coburg, Oregon

Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Compliance

We have audited the compliance of the City of Coburg with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2012. The City of Coburg's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Coburg's management. Our responsibility is to express an opinion on the City of Coburg's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Coburg's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Coburg's compliance with those requirements.

In our opinion, the City of Coburg complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

The management of the City of Coburg is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Coburg's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, *the Council*, others within the entity, and 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.


PAULY, ROGERS AND CO., P.C.

**CITY OF COBURG
LANE COUNTY, OREGON**

**SCHEDULE OF PRIOR AND CURRENT YEAR AUDIT FINDINGS,
QUESTIONED COSTS, AND NOTES RELATIVE TO FEDERAL AWARDS**

For the Year Ended June 30, 2012

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS

Type of auditors’ report issued Unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(s) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Any GAGAS audit findings disclosed that are required to be reported in accordance with section 505(d)(2) of OMB Circular A-133? yes no

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiency(s) identified that are not considered to be material weaknesses? yes none reported

Type of auditors’ report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, section 510(a)? yes no

IDENTIFICATION OF MAJOR PROGRAMS

<u>CFDA NUMBER</u>	<u>NAME OF FEDERAL PROGRAM CLUSTER</u>
11.300	Investments for Public Works and Economic Development Facilities
66.202	Congressionally Mandated Projects

**CITY OF COBURG
LANE COUNTY, OREGON**

**SCHEDULE OF PRIOR AND CURRENT YEAR AUDIT FINDINGS,
QUESTIONED COSTS, AND NOTES RELATIVE TO FEDERAL AWARDS**

For the Year Ended June 30, 2012

SECTION I – SUMMARY OF AUDITORS’ RESULTS (CONTINUED)

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

SECTION II – FINANCIAL STATEMENT FINDINGS

2012-FS-1

Condition:

The City has not adopted a formal plan to eliminate its negative fund balances.

Criteria:

The City’s fund balance should be positive in accordance with Oregon Budget Law.

Effect:

Having negative fund balances puts the City at a higher risk of not being able to meet all of its obligations.

Cause:

Many years ago the City extremely over spent the general fund monies.

Recommendations:

The City should adopt a formal written plan detailing how it will accomplish its goal of eliminating all negative fund balances.

Management’s Response:

Management will complete a formal plan and present it to council prior to the end of the 2012-2013 fiscal year.

**CITY OF COBURG
LANE COUNTY, OREGON**

**SCHEDULE OF PRIOR AND CURRENT YEAR AUDIT FINDINGS,
QUESTIONED COSTS, AND NOTES RELATIVE TO FEDERAL AWARDS**

For the Year Ended June 30, 2012

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2012-FS-2

Condition:

The City does not reconcile utility billing accounts receivable per the aging report to the general ledger balance.

Criteria:

The utility billing accounts receivable aging report should always be reconciled to the general ledger.

Effect:

At the end of each accounting period, the City's utility revenues are not correct until they are adjusted.

Cause:

Utility accounts are tracked in a separate module from the general ledger, which creates the need for an additional step to record a journal entry and reconcile the data.

Recommendations:

The City should reconcile accounts receivable per the general ledger to the detailed balances in the UB module at least monthly.

Management's Response:

Management will implement a reconciliation process for accounts receivable between the utility billing system and the general ledger as soon as possible.

2012-FS-3

Condition:

The City's balance sheet accounts (including cash) were not reconciled until March of 2013.

Criteria:

Good internal control requires that all accounts be reconciled on a timely basis.

**CITY OF COBURG
LANE COUNTY, OREGON**

**SCHEDULE OF PRIOR AND CURRENT YEAR AUDIT FINDINGS,
QUESTIONED COSTS, AND NOTES RELATIVE TO FEDERAL AWARDS**

For the Year Ended June 30, 2012

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

Effect:

If the balance sheet accounts are not reconciled timely, there is a greater risk that the City's related revenue and expenditure accounts are not correct as they are being reviewed throughout the year.

Cause:

The bookkeeper is learning the process of accruals in the current accounting system.

Recommendations:

All balance sheet accounts on the City's master trial balance should be reconciled to the detailed supporting documentation for each month of the year. The year end trial balance should be complete and ready for audit no later than two months after the end of the fiscal year.

Management's Response:

Management will ensure that all trial balance accounts are reconciled to the supporting detail on a monthly basis going forward.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONS COSTS:

None

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of The City of Coburg and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.