

**CITY OF COBURG
LANE COUNTY, OREGON**

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2013



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

**CITY OF COBURG
COBURG, OREGON**

FINANCIAL STATEMENTS

**WITH
INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED JUNE 30, 2013

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CITY OF COBURG
COBURG, OREGON

Mayor & City Council

June 30, 2013

<u>Name</u>	<u>POSITION</u>	<u>TERM EXPIRES</u>
Jae Pudewell	Mayor	December 31, 2014
Jerry Behney	Council President	December 31, 2014
Don Nelson	City Councilor	December 31, 2014
Jeffrey Kaliner	City Councilor	December 31, 2014
Brian Pech	City Councilor	December 31, 2014
Sharyl Abasapour	City Councilor	December 31, 2016
Ray Smith	City Councilor	December 31, 2016

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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COBURG, OREGON

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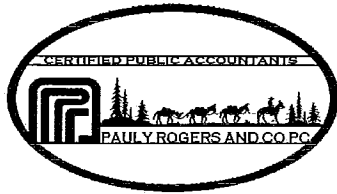
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June 30, 2014

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

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Coburg, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Coburg, as of June 30, 2013, and the respective changes in financial position and budgetary comparisons for the general, park and street funds, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The City adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, for the year ended June 30, 2013. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the Management's Discussion and Analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary, 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. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The listing of board members containing their term expiration dates located before the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our reports dated June 30, 2014 on our consideration of the internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 not to provide an opinion on internal control over financial reporting or on compliance. The reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated June 30, 2014, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

A handwritten signature in black ink that reads "Roy R. Rogers". The signature is written in a cursive style with a large, prominent "R" at the beginning.

**ROY R. ROGERS, CPA
PAULY, ROGERS AND CO., P.C.**

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**CITY OF COBURG
FISCAL YEAR 2013
ANNUAL FINANCIAL REPORT**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of City of Coburg's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2013. Please read it in conjunction with the City's financial statements, which follow this section. The City is on modified accrual basis of accounting.

FINANCIAL HIGHLIGHTS

- The City's total combined current assets at June 30, 2013 are \$1,182,315.
- The City's total combined liabilities at June 30, 2013 are \$17,269,232
- The City's total combined net position at June 30, 2008 is \$7,986,171.
- At June 30, 2013, the City's governmental funds reported a combined ending fund balance of (\$1,794,013) (see tables and discussion on page 5 and 6).
- The General Fund reported an ending fund balance this year of (\$382,504). This is a \$657 decrease from the previous year's fund balance of (\$381,847).

PERFORMANCE HIGHLIGHTS

- Conversion from the RIS information system to cloud system has saved the City significant funds and all computers were upgraded.
- With the sunset of AIRS reporting system, the Police Department converted to the Justice System.
- The City moved its health and dental insurance to a large pool with CIS, saving the City a projected minimum 30 % rate increase
- There have been no significant worker's compensation claim, and the city has experienced a clean safety record, which resulted in a decrease in Workers Compensation Coverage rates for FY 2013-14.
- The City had the opportunity to contract for a RARE participant, Laura Comstock who completed work in Economic Development and Historic Preservation for the City, including revitalization for the Historic Preservation Commission, listing as an Oregon Historic designation and obtaining a grant for Historic signage and mapping of historic properties in Coburg.
- Significant progress was made in the water department to upgrade water meters which increased revenues.
- The wastewater collection system was finished and the treatment facility anticipated start-up. This completed Phases two and three of the Wasterwater Capital Project. Phase four completion is anticipated in early FY2014-15. As the wastewater facility comes fully online the opportunity for development and growth will increase for the City.

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 comprise 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 using accrual-basis accounting. The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 City's net position changed during the most recent fiscal year. All changes in net position are reported as the associated cash 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
- Municipal Court
- Planning
- Public Works
- Capital Project Construction

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

- Water Utility
- Sewer Utility

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, 3A, and 3B of the basic financial statements.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The 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 (page 2). 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 (page 4A & 4B) and in the governmental fund Statement of Receipts, Disbursements, and Changes in Fund Balances (page 6A). Explanations of differences between the Government Fund Balance Sheet and the Government-Wide Statement of Net Position can be found on page 5.

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 28.

Proprietary funds. The City maintains two proprietary funds – the Water Fund and the Sewer Fund and 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, 9 and 10 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 position and a statement of changes in fiduciary net position. 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 15-27 of this report. The schedule of bonded debt and loan transactions and future debt service requirements are included in this section on pages 25 and 26.

Supplementary information. The enterprise funds and non major governmental funds are detailed in this section beginning on page 28. The schedule of property tax transactions is on page 34.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The government-wide financial analysis presented in this section of a municipal audit is based on the change in net position 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 position between June 30, 2013 and June 30, 2012.

Table 1			
Change in Net Position			
Assets:	June 30, 2013	June 30, 2012	Change
Cash & Investments	48,637	841,191	
Internal Balances	40,187	0	
Accounts Receivable	1,053,046	1,997,263	
Property Taxes Receivable	<u>40,445</u>	<u>40,445</u>	
Total Assets	1,182,315	2,878,899	(1,696,584)
Non-Current Capital Assets			
Net of Accumulated Deprec.	<u>24,073,088</u>	<u>16,815,379</u>	7,257,709
Total Assets	<u>25,255,403</u>	<u>19,694,278</u>	5,561,125
Liabilities:			
Due to Component Unit	995,597	895,597	
Internal Balances	40,187	0	
Accounts Payable	1,111,305	2,187,352	
Retainage Payable	801,198	290,872	
Payroll Liabilities	11,492	21,209	
Accrued Comp Absences	42,953	39,734	
Unearned Revenue	Due to Component Unit	0	
Accrued Interest	147,436	58,440	
Bonds/Loans Payable-Cur.	<u>128,113</u>	<u>181,564</u>	
Total Current Liabilities	<u>3,286,472</u>	<u>3,674,768</u>	(388,296)
Long-Term			
Bonds/Loans Payable	<u>13,982,760</u>	<u>11,113,084</u>	(2,869,676)
Total Liabilities	<u>17,269,232</u>	<u>14,787,852</u>	2,481,380
Net Position:			
Net Position in Capital Assets	9,962,215	5,520,731	
Restricted and reserved	593,131	611,363	
Unrestricted	<u>(2,569,175)</u>	<u>(1,225,668)</u>	
Total Net Position	<u>7,986,171</u>	<u>4,906,426</u>	3,079,745

Total Assets increased by \$5,561,125 between June 30, 2012 and June 30, 2013. The reason for this was due to an increase in Capital Assets in the Sewer Fund as project completions were capitalized. However, current assets decreased due to a lower Accounts Receivable and a decrease in cash and investments.

As of June 30, 2013, the portion of restricted net position was \$593,131. This amount of money is subjected to internal and external restrictions as shown in Table 3.

Table 3			
Restricted Accounts			
	Restriction Imposed By:		
	City	Lender	State Statute
SDC Reserves			215,360
Debt Service Loan Covenants		377,771	
Totals Restricted Accounts		377,771	215,360

Comparing Table 1 with Table 3 shows that assets are insufficient to cover restricted account requirements. Reducing this deficiency is the primary financial goal for FY14-15.

Financial Analysis of the Government Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 (\$1,794,013) (Table 4), a decrease of \$585,655 from the previous year-end fund balance total.

Table 4
Change in Ending Fund Balances
Government Funds

<u>Fund</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Change</u> <u>During FY13</u>
001 General Fund	\$ (382,504)	\$ (381,847)	\$ (657)
002 Park Fund	6,162	(5,416)	11,578
003 Street Fund	128,749	142,918	(14,169)
022 Parks CIP Fund	91,489	91,810	(321)
023 Street CIP Fund	220,515	216,992	3,523
024 Water CIP Fund	2,071	27,900	(25,829)
025 Sewer CIP Fund	<u>(1,860,495)</u>	<u>(678,015)</u>	<u>(1,182,480)</u>
Total	\$ (1,794,013)	\$ (585,658)	\$ (1,208,355)

The General Fund. The General Fund is the chief operating fund of the City. At the end of FY13 the Fund's balance was (\$382,504), a slight decrease from last year's ending fund balance of (\$381,847). The negative balance reflects interfund loans borrowed against other funds during years when the expenses of the City exceeded the revenues available.

For a discussion of the negative fund balance see the interfund debt issue discussion in the FY07 Management Analysis and Discussion.

All FY13 General Fund program expenditures were below authorized budget appropriations by \$75,514.

Other Governmental Funds. The changes in Fund Balances documented in Table 4 above reflect each Fund's gain or loss for the fiscal year. While all expenditures remained within budgeted appropriations, revenues were also under budget in most funds. This resulted in a loss in five out of seven funds, with the largest in the Sewer Capital Fund. This is a result of grant funds budgeted but not received as of the end of the year.

Enterprise Funds. The City's enterprise funds, the Water and Sewer Funds, had current assets of \$264,166 for FY13. This was \$46,253 higher than its position a year earlier and includes \$49,327 in loans to other funds, and \$86,094 in accounts receivable.

<u>Fund</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Change During FY13</u>
004 Water Fund	\$ 109,245	\$ 93,344	\$ 15,901
005 Sewer Fund	(141,332)	(76,095)	(65,237)
Total	\$ (32,087)	\$ 17,249	\$ (49,336)

In 2013 budgeted intergovernmental revenues were not received. However, the funds still had debt service that had to be paid resulting in a collective negative change in the amount of \$49,336.

All Funds Combined: Gain or Loss by Fund. In the year ended June 30, 2013, the City had expenses in excess of revenues in the amount of \$1,257,691 as shown in Table 6. This is compared to \$(2,615,037) in 2012. In both years the excess of expenses are directly related to the capital outlay in the Sewer Fund.

	7/1/2012 Beg. Fund	<u>Revenue</u>	<u>Expenses</u>	6/30/2013 End. Fund	Change in <u>Fund Balance</u>
General Fund	\$(381,847)	\$932,129	\$932,786	\$(382,504)	\$ (657)
Park Fund	(5,416)	150	(11,428)	6,162	11,578
Street Fund	142,918	105,111	119,280	128,749	(14,169)
Water Fund	93,344	538,617	522,716	109,245	15,901
Sewer Fund	(76,095)	15	65,252	(141,332)	(65,237)
Parks CIP Fund	91,810	2,239	2,560	91,489	(321)
Street CIP Fund	216,992	53,523	50,000	220,515	3,523
Water CIP Fund	27,900	2,447	28,276	2,071	(25,829)
Sewer CIP Fund	(678,015)	2,148,334	3,330,814	(1,860,495)	(1,182,480)
Total	\$(568,409)	\$3,782,565	(5,040,256)	(1,826,100)	\$(1,257,691)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City investment in capital assets for its governmental type activities as of June 30, 2013, was \$383,321. Capital outlay was limited to the Water Fund and the Park, Street and Sewer Capital Funds totaling \$8,835,247.

The City’s investment in business type activities - the water utility and the sanitary sewer systems – was \$23,689,767 at year-end, an increase of \$7,241,785 over the year. This increase is attributable to capitalization of completed projects.

Debt Administration. At the end of FY13, the City had total bonded debt outstanding of \$155,000 and total loans of \$13,955,873 for a total long-term debt of \$14,110,873 (Table 10). 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.

Table 10				
Debt by Utility System				
	July 1, 2012	Additions	Reductions	June 30, 2013
1973 GO Bond	\$ 5,000	\$ 0	\$ 0	\$ 5,000
Water Bonds	170,000	0	20,000	150,000
GO101 –Water Loan	888,128	0	42,625	845,503
BO1003-Water Loan	1,026,526	0	54,583	971,943
DEQ- Sewer System	64,356	0	64,356	0
DEQ- Sewer System	789,310	0	0	789,310
DEQ-Sewer System	4,432,517	\$2,088,752	1,160,782	5,360,487
DEQ-Sewer System	3,820,811	\$1,167,819	0	4,988,630
OECD	0	\$1,000,000	0	1,000,000
Development Loan	<u>\$ 98,000</u>	<u>Prior Per Adj.</u>	<u>\$ 98,000</u>	<u>\$ 0</u>
Total	\$11,294,648	\$ 4,256,571	\$ 1,440,346	\$14,110,873

The City’s total debt increased by \$2,816,225 (20%) in FY13. For additional information on the City’s long-term debt, see Note 7 on pages 25 and 26 of the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

As this document is being prepared, the national economy is experiencing a slow recovery. The local economy is also in a slow recovery. In February of 2014 the City hired contract consultants to provide interim financial support during financial staff transitions. These consultants are providing an analysis of the City's financial systems and a recommendation for improvements to policies and procedures. In the first few months the consultants discovered that interfund loans dating back to 2002 had not been recorded properly on the books. The results of this discovery are a higher than anticipated interfund loan balances. The Council is dedicated to creating a work plan which will allow for the City to pay back the loans in a short time span of five to six years. This plan will be implemented in the 2014-15 fiscal year. The budget process of the City was completed in the same week as this report was written. This budget reflects a true effort of the City's dedication to cut expenses in order to achieve a positive fund balance, and meet the obligatory debt payments to other funds.

A conservative list of assumptions would be as follows.

- The City will see minimal increase in tax revenues. Any revenue increases will result from new sources.
- The City will see a decrease in staffing due to budget reduction and therefore projects will be limited.
- Retirement benefit rates will remain level.
- Health insurance costs will increase by 5%.

REQUESTS FOR INFORMATION

This financial report was prepared by Anne Heath, City of Coburg Finance Director in June of 2014. 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
91193 Willamette Ave
PO Box 8316
Coburg, OR 97408

**CITY OF COBURG
LANE COUNTY, OREGON**

BASIC FINANCIAL STATEMENTS

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CITY OF COBURG
LANE COUNTY, OREGON

STATEMENT OF NET POSITION
June 30, 2013

	PRIMARY GOVERNMENT		TOTAL	URBAN RENEWAL AGENCY
	GOVERNMENTAL	BUSINESS TYPE		
ASSETS				
Current				
Cash and Investments	\$ (80,108)	\$ 128,745	\$ 48,637	\$ 644,144
Internal Balances	40,187	-	40,187	-
Accounts Receivable	966,952	86,094	1,053,046	-
Loans Receivable	-	-	-	995,597
Property Taxes Receivable	40,445	-	40,445	27,221
Total Current Assets	<u>967,476</u>	<u>214,839</u>	<u>1,182,315</u>	<u>1,666,962</u>
Non-Current				
Capital Assets				
(Net of Accumulated Depreciation)	<u>383,321</u>	<u>23,689,767</u>	<u>24,073,088</u>	<u>-</u>
Total Assets	<u>\$ 1,350,797</u>	<u>\$ 23,904,606</u>	<u>\$ 25,255,403</u>	<u>\$ 1,666,962</u>
LIABILITIES				
Current				
Due to Component Unit	\$ 800,000	\$ 195,597	\$ 995,597	\$ -
Internal Balances	-	40,187	40,187	-
Accounts Payable	1,100,163	11,142	1,111,305	15
Retainage Payable	801,198	-	801,198	-
Payroll Liabilities	11,492	-	11,492	-
Accrued Compensated Absences	42,953	-	42,953	-
Unearned Revenue	8,191	-	8,191	-
Accrued Interest	-	147,436	147,436	-
Bonds and Loans Payable - Current	-	128,113	128,113	-
Total Current Liabilities	<u>2,763,997</u>	<u>522,475</u>	<u>3,286,472</u>	<u>15</u>
Non-Current				
Bonds and Loans Payable	<u>-</u>	<u>13,982,760</u>	<u>13,982,760</u>	<u>-</u>
Total Non-Current Liabilities	<u>-</u>	<u>13,982,760</u>	<u>13,982,760</u>	<u>-</u>
Total Liabilities	<u>2,763,997</u>	<u>14,505,235</u>	<u>17,269,232</u>	<u>15</u>
NET POSITION				
Net Investment in Capital Assets	383,321	9,578,894	9,962,215	-
Restricted for				
System Development Charges	215,360	-	215,360	-
Debt Service Loan Covenants	-	377,771	377,771	-
Unrestricted	<u>(2,011,881)</u>	<u>(557,294)</u>	<u>(2,569,175)</u>	<u>1,666,947</u>
TOTAL NET POSITION	<u>\$ (1,413,200)</u>	<u>\$ 9,399,371</u>	<u>\$ 7,986,171</u>	<u>\$ 1,666,947</u>

See accompanying notes to the basic financial statements

**CITY OF COBURG
LANE COUNTY, OREGON**

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013**

Functions/Programs	Program Revenues				Net Revenues (Expenses) and Changes in Net Position		
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities							
Municipal Department	\$ 209,476	\$ 55,490	\$ -	\$ -	\$ (153,986)	\$ -	
Facilities Management	41,113	-	-	-	(41,113)	-	
Planning Department	91,195	961	9,447	-	(80,787)	-	
Economic Development	29,761	-	-	-	(29,761)	-	
Police Department	431,958	165,247	-	-	(266,711)	-	
Municipal Court	132,234	-	-	-	(132,234)	-	
Highways and Streets	175,848	12,835	-	495,945	332,932	-	
Parks and Recreation	24,029	150	-	-	(23,879)	-	
Infrastructure	-	652,434	-	997,055	1,649,489	-	
Total Governmental Activities	1,135,613	887,117	9,447	1,493,000	1,253,951	-	
Business-Type Activities							
Water	456,499	483,514	-	-	-	27,015	
Sewer	92,877	-	-	-	-	(92,877)	
Total Business-Type Activities	549,376	483,514	-	-	-	(65,862)	
Total Primary Government	\$ 1,684,989	\$ 1,370,631	\$ 9,447	1,493,000	1,253,951	(65,862)	
Component Unit							
Coburg Urban Renewal Agency	\$ 343,889	\$ -	\$ -	\$ -			
		General Revenues					
					500,122	-	
					121,054	-	
					203,624	53,753	
					17,736	1,365	
					(3,303,970)	4,373,345	
					Total General Revenues	(2,461,434)	4,428,463
					Change in Net Position	(1,207,483)	4,362,601
					Prior Period Adjustment	-	(75,373)
					Beginning Net Position	(205,717)	5,112,143
					Ending Net Position	\$ (1,413,200)	\$ 9,399,371

See accompanying notes to the basic financial statements

<u>Total</u>	<u>Component Unit</u>
\$ (153,986)	\$ -
(41,113)	-
(80,787)	-
(29,761)	-
(266,711)	-
(132,234)	-
332,932	-
(23,879)	-
<u>1,649,489</u>	<u>-</u>
1,253,951	-
27,015	-
<u>(92,877)</u>	<u>-</u>
(65,862)	-
<u>1,188,089</u>	<u>-</u>
	<u>(343,889)</u>
500,122	320,058
121,054	-
257,377	-
19,101	2,744
<u>1,069,375</u>	<u>-</u>
<u>1,967,029</u>	<u>322,802</u>
3,155,118	(21,087)
(75,373)	-
<u>4,906,426</u>	<u>1,688,034</u>
<u>\$ 7,986,171</u>	<u>\$ 1,666,947</u>

See accompanying notes to the basic financial statements

**CITY OF COBURG
LANE COUNTY, OREGON**

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013**

	GENERAL FUND	PARK FUND	STREET FUND
ASSETS			
Cash and Investments	\$ (548,054)	\$ 6,468	\$ 108,735
Due from Other Funds	184,005	-	-
Accounts Receivable	33,662	-	21,208
Taxes Receivable, Net	40,445	-	-
	<u>(289,942)</u>	<u>6,468</u>	<u>129,943</u>
Total Assets	<u>\$ (289,942)</u>	<u>\$ 6,468</u>	<u>\$ 129,943</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Due to URA	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-
Deferred Revenue	48,636	-	-
Accounts Payable	32,434	306	1,194
Retainage Payable	-	-	-
Other Payables	11,492	-	-
	<u>92,562</u>	<u>306</u>	<u>1,194</u>
Total Liabilities	<u>92,562</u>	<u>306</u>	<u>1,194</u>
Fund Balances			
Restricted for			
System Development Charges	-	-	-
Assigned for			
Parks	-	-	-
Streets	-	-	128,749
Water Infrastructure	-	-	-
Unassigned	(382,504)	6,162	-
	<u>(382,504)</u>	<u>6,162</u>	<u>128,749</u>
Total Fund Balances	<u>(382,504)</u>	<u>6,162</u>	<u>128,749</u>
Total Liabilities and Fund Balances	<u>\$ (289,942)</u>	<u>\$ 6,468</u>	<u>\$ 129,943</u>

See accompanying notes to the basic financial statements

PARK CAPITAL IMPROVEMENT FUND	STREET CAPITAL IMPROVEMENT FUND	WATER CAPITAL IMPROVEMENT FUND	SEWER CAPITAL IMPROVEMENT FUND	TOTAL
\$ 94,049	\$ 220,515	\$ 38,179	\$ -	\$ (80,108)
-	-	-	-	184,005
-	-	-	912,082	966,952
-	-	-	-	40,445
<u>\$ 94,049</u>	<u>\$ 220,515</u>	<u>\$ 38,179</u>	<u>\$ 912,082</u>	<u>\$ 1,111,294</u>
\$ -	\$ -	\$ -	\$ 800,000	\$ 800,000
-	-	34,198	109,620	143,818
-	-	-	-	48,636
2,560	-	1,910	1,061,759	1,100,163
-	-	-	801,198	801,198
-	-	-	-	11,492
<u>2,560</u>	<u>-</u>	<u>36,108</u>	<u>2,772,577</u>	<u>2,905,307</u>
67,726	147,634	-	-	215,360
23,763	-	-	-	23,763
-	72,881	-	-	201,630
-	-	2,071	-	2,071
-	-	-	(1,860,495)	(2,236,837)
<u>91,489</u>	<u>220,515</u>	<u>2,071</u>	<u>(1,860,495)</u>	<u>(1,794,013)</u>
<u>\$ 94,049</u>	<u>\$ 220,515</u>	<u>\$ 38,179</u>	<u>\$ 912,082</u>	<u>\$ 1,111,294</u>

See accompanying notes to the basic financial statements

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CITY OF COBURG
LANE COUNTY, OREGON

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
June 30, 2013

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

Fund Balances	\$ (1,794,013)
<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 position includes those capital assets among the assets of the City as a whole.</p>	
Net Capital Assets	383,321
<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 noncurrent, are reported in the statement of net position.</p>	
Accrued Compensated Absences	(42,953)
<p>Other long-term assets are not available to pay for current-period expenditures and therefore are unearned in the funds.</p>	
Unearned Revenue (taxes receivable)	<u>40,445</u>
Total Net Position	<u>\$ (1,413,200)</u>

See accompanying notes to the basic financial statements

CITY OF COBURG
LANE COUNTY, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

	GENERAL FUND	PARK FUND	STREET FUND	PARK CAPITAL IMPROVEMENT FUND
Revenues				
Property Taxes	\$ 511,955	\$ -	\$ -	\$ -
Fines & Forfeits	162,910	-	-	-
Licenses, Permits & Fees	176,888	-	13,039	-
Intergovernmental	53,736	-	91,755	2,211
Charges for Services	-	-	-	-
Grants	9,447	-	-	-
Interest and Miscellaneous	17,193	150	317	28
Total Revenues	932,129	150	105,111	2,239
Expenditures				
Municipal Department	201,652	-	-	-
Facilities Management	39,577	-	-	-
Planning Department	87,789	-	-	-
Economic Development	28,649	-	-	-
Police Department	415,824	-	-	-
Municipal Court	127,295	-	-	-
Highways and Streets	-	-	119,280	-
Parks and Recreation	-	20,572	-	2,560
Capital Outlay	-	-	-	-
Total Expenditures	900,786	20,572	119,280	2,560
Excess of Revenues Over, (Under) Expenditures	31,343	(20,422)	(14,169)	(321)
Other Financing Sources, (Uses)				
Loan Proceeds	-	-	-	-
Transfers In	-	32,000	-	-
Transfers Out	(32,000)	-	-	-
Total Other Financing Sources, (Uses)	(32,000)	32,000	-	-
Net Change in Fund Balance	(657)	11,578	(14,169)	(321)
Beginning Fund Balance	(381,847)	(5,416)	142,918	91,810
Ending Fund Balance	\$ (382,504)	\$ 6,162	\$ 128,749	\$ 91,489

See accompanying notes to the basic financial statements

STREET CAPITAL IMPROVEMENT FUND	WATER CAPITAL IMPROVEMENT FUND	SEWER CAPITAL IMPROVEMENT FUND	TOTAL
\$ -	\$ -	\$ -	\$ 511,955
-	-	-	162,910
-	-	2,900	192,827
53,488	2,434	-	203,624
-	-	652,434	652,434
-	-	1,493,000	1,502,447
35	13	-	17,736
<u>53,523</u>	<u>2,447</u>	<u>2,148,334</u>	<u>3,243,933</u>
-	-	-	201,652
-	-	-	39,577
-	-	-	87,789
-	-	-	28,649
-	-	-	415,824
-	-	-	127,295
50,000	-	-	169,280
-	-	-	23,132
-	28,276	8,869,414	8,897,690
<u>50,000</u>	<u>28,276</u>	<u>8,869,414</u>	<u>9,990,888</u>
3,523	(25,829)	(6,721,080)	(6,746,955)
-	-	5,538,600	5,538,600
-	-	-	32,000
-	-	-	(32,000)
<u>-</u>	<u>-</u>	<u>5,538,600</u>	<u>5,538,600</u>
3,523	(25,829)	(1,182,480)	(1,208,355)
<u>216,992</u>	<u>27,900</u>	<u>(678,015)</u>	<u>(585,658)</u>
<u>\$ 220,515</u>	<u>\$ 2,071</u>	<u>\$ (1,860,495)</u>	<u>\$ (1,794,013)</u>

See accompanying notes to the basic financial statements

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, 2013

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	\$ (1,208,355)
<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>	
Capital Assets Additions	55,120
Depreciation Expense	(39,196)
<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>	
	(3,219)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Unearned Revenues	<u>(11,833)</u>
Change in Net Position	<u>\$ (1,207,483)</u>

See accompanying notes to the basic financial statements

CITY OF COBURG
LANE COUNTY, OREGON

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013

	<u>ENTERPRISE FUNDS</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and Investments	\$ 123,807	\$ 4,938	\$ 128,745
Due From Other Funds	-	49,327	49,327
Accounts Receivable	86,094	-	86,094
Total Current Assets	209,901	54,265	264,166
Capital Assets, Net	3,464,869	20,224,898	23,689,767
Total Assets	\$ 3,674,770	\$ 20,279,163	\$ 23,953,933
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 11,142	\$ -	\$ 11,142
Due to URA	-	195,597	195,597
Due to Other Funds	89,514	-	89,514
Accrued Interest	55,455	91,981	147,436
Long Term Debt - Current Portion	128,113	-	128,113
Total Current Liabilities	284,224	287,578	571,802
Non-Current Liabilities			
Long Term Debt	1,844,333	12,138,427	13,982,760
Total Liabilities	2,128,557	12,426,005	14,554,562
NET POSITION			
Net Investment in Capital Assets	1,492,423	8,086,471	9,578,894
Restricted for Debt Service Loan Covenant	31,960	345,811	377,771
Unrestricted	21,830	(579,124)	(557,294)
Total Net Position	\$ 1,546,213	\$ 7,853,158	\$ 9,399,371

See accompanying notes to the basic financial statements

CITY OF COBURG
LANE COUNTY, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2013

	ENTERPRISE FUNDS		
	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Charges for Services	\$ 483,514	\$ -	\$ 483,514
Intergovernmental	53,753	-	53,753
Total Operating Revenues	<u>537,267</u>	<u>-</u>	<u>537,267</u>
OPERATING EXPENDITURES			
Personal Service	144,174	-	144,174
Materials and Services	99,952	-	99,952
Depreciation	105,968	-	105,968
Total Operating Expenditures	<u>350,094</u>	<u>-</u>	<u>350,094</u>
Operating Income, (Loss)	<u>187,173</u>	<u>-</u>	<u>187,173</u>
NONOPERATING REVENUES (EXPENDITURES)			
Capital Contribution	11,210	4,362,135	4,373,345
Interest on Investments	1,350	15	1,365
Interest on Long Term Loans	<u>(106,405)</u>	<u>(92,877)</u>	<u>(199,282)</u>
Total Nonoperating Revenues (Expenditures)	<u>(93,845)</u>	<u>4,269,273</u>	<u>4,175,428</u>
Change in Net Position	93,328	4,269,273	4,362,601
Prior Period Adjustment	(173,373)	98,000	(75,373)
Beginning Net Position	<u>1,626,258</u>	<u>3,485,885</u>	<u>5,112,143</u>
Ending Net Position	<u>\$ 1,546,213</u>	<u>\$ 7,853,158</u>	<u>\$ 9,399,371</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, 2013

	WATER FUND	SEWER FUND	TOTAL
Cash Flows from Operating Activities			
Cash Received from Customers	\$ 478,437	\$ -	\$ 478,437
Cash Paid to Suppliers	(93,877)	-	(93,877)
Cash Paid to Employees	(144,174)	-	(144,174)
Net Cash Provided (Used) by Operating Activities	<u>240,386</u>	<u>-</u>	<u>240,386</u>
Cash Flows from Capital and Related Financing Activities			
Due to/Due From	89,514	(49,327)	40,187
Payment of Principal of Long Term Debt	(117,208)	(64,356)	(181,564)
Interest Expense	(109,390)	(896)	(110,286)
Capital Contributions	11,210	-	11,210
Purchase of Capital Assets	(63,202)	-	(63,202)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(189,076)</u>	<u>(114,579)</u>	<u>(303,655)</u>
Cash Flows from Investing Activities			
Interest on Investments	1,350	15	1,365
Net Increase (Decrease) in Cash and Cash Equivalents	52,660	(114,564)	(61,904)
Cash and Investments at Beginning of Year	71,147	119,502	190,649
Cash and Investments at End of Year	<u>\$ 123,807</u>	<u>\$ 4,938</u>	<u>\$ 128,745</u>
Reconciliation of Operating Income to			
Net Cash Provided by Operating Activities			
Operating Income, (Loss)	\$ 187,173	\$ -	\$ 187,173
Noncash Items Included in Income:			
Depreciation	105,968	-	105,968
Decrease (Increase) in Accounts Receivable and Accrued Liabilities	(58,830)	-	(58,830)
	<u>6,075</u>	<u>-</u>	<u>6,075</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 240,386</u>	<u>\$ -</u>	<u>\$ 240,386</u>

See accompanying notes to the basic financial statements

CITY OF COBURG
LANE COUNTY, OREGON

STATEMENT OF NET POSITION
FIDUCIARY FUND (AGENCY FUND)
June 30, 2013

	<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, 2013**

<u>GENERAL FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
Revenues				
Property Taxes	\$ 500,000	\$ 500,000	\$ 511,955	\$ 11,955
Licenses, Permits & Fees	221,100	221,100	176,888	(44,212)
Intergovernmental	59,500	59,500	53,736	(5,764)
Grants	23,000	23,000	9,447	(13,553)
Fines & Forfeits	181,500	181,500	162,910	(18,590)
Interest and Miscellaneous	23,200	23,200	17,193	(6,007)
Total Revenues	<u>1,008,300</u>	<u>1,008,300</u>	<u>932,129</u>	<u>(76,171)</u>
Expenditures				
Administration Department	235,784	242,784 (1)	201,652	41,132
Facilities Management	45,700	45,700 (1)	39,577	6,123
Planning Department	78,197	92,197 (1)	87,789	4,408
Economic Development	30,000	30,000 (1)	28,649	1,351
Police Department	410,814	428,814 (1)	415,824	12,990
Municipal Court	136,087	136,087 (1)	127,295	8,792
Contingency	39,718	718 (1)	-	718
Total Expenditures	<u>976,300</u>	<u>976,300</u>	<u>900,786</u>	<u>75,514</u>
Excess of Revenues Over, (Under) Expenditures	32,000	32,000	31,343	(657)
Other Financing Sources, (Uses) Transfers Out	<u>(32,000)</u>	<u>(32,000) (1)</u>	<u>(32,000)</u>	<u>-</u>
Net Change in Fund Balance	-	-	(657)	(657)
Beginning Fund Balance	<u>(275,000)</u>	<u>(275,000)</u>	<u>(381,847)</u>	<u>(106,847)</u>
Ending Fund Balance	<u>\$ (275,000)</u>	<u>\$ (275,000)</u>	<u>\$ (382,504)</u>	<u>\$ (107,504)</u>

(1) Appropriation Level

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, 2013

	<u>PARK FUND</u>			VARIANCE
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>TO FINAL</u>
	<u>BUDGET</u>	<u>BUDGET</u>		<u>BUDGET</u>
Revenues				
Interest and Miscellaneous	\$ 1,600	\$ 1,600	\$ 150	\$ (1,450)
Expenditures				
Personal Services	10,575	13,075 (1)	9,544	3,531
Materials and Services	17,925	17,925 (1)	11,028	6,897
Contingency	2,500	- (1)	-	-
Total Expenditures	<u>31,000</u>	<u>31,000</u>	<u>20,572</u>	<u>10,428</u>
Excess of Revenues Over (Under) Expenditures	(29,400)	(29,400)	(20,422)	8,978
Other Financing Sources, (Uses)				
Transfers In	<u>32,000</u>	<u>32,000</u>	<u>32,000</u>	<u>-</u>
Net Change in Fund Balance	2,600	2,600	11,578	8,978
Beginning Fund Balance	<u>226</u>	<u>226</u>	<u>(5,416)</u>	<u>(5,642)</u>
Ending Fund Balance	<u>\$ 2,826</u>	<u>\$ 2,826</u>	<u>\$ 6,162</u>	<u>\$ 3,336</u>

(1) Appropriation Level

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, 2013**

	<u>STREET FUND</u>			
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
Revenues				
Intergovernmental	\$ 114,000	\$ 114,000	\$ 91,755	\$ (22,245)
Licenses, Permits & Fees	9,200	9,200	13,039	3,839
Interest and Miscellaneous	-	-	317	317
Total Revenues	<u>123,200</u>	<u>123,200</u>	<u>105,111</u>	<u>(18,089)</u>
Expenditures				
Personal Services	60,649	74,649 (1)	62,388	12,261
Materials and Services	65,800	55,800 (1)	56,892	(1,092)
Contingency	4,000	- (1)	-	-
Total Expenditures	<u>130,449</u>	<u>130,449</u>	<u>119,280</u>	<u>11,169</u>
Net Change in Fund Balance	<u>(7,249)</u>	<u>(7,249)</u>	<u>(14,169)</u>	<u>(6,920)</u>
Beginning Fund Balance	<u>165,384</u>	<u>165,384</u>	<u>142,918</u>	<u>(22,466)</u>
Ending Fund Balance	<u>\$ 158,135</u>	<u>\$ 158,135</u>	<u>\$ 128,749</u>	<u>\$ (29,386)</u>

(1) Appropriation Level

See accompanying notes to the basic financial statements

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 61. 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 (FIDUCIARY)

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 position and the statement of changes in net position) report information on all of the nonfiduciary activities of the City 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 City 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. 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 the fiscal year ended June 30, 2013 except in the following funds: Street Fund – Materials and Services was over expended by \$1,092; Water Fund – Materials and Services was over expended by \$11,652 and Capital Outlay was over expended by \$51,992; Water Capital Improvement Fund – Materials and Services was over expended by \$7,885.

F. DEFICIT FUND BALANCES

As of June 30, 2013, the following funds had budgetary basis deficits in fund balance:

General Fund	\$ (382,504)
Sewer Fund	(141,332)
Sewer Capital Improvement Fund	(1,860,495)

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 one year. 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 position. 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. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

L. FUND BALANCE

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 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.

CITY OF COBURG
LANE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

L. FUND BALANCE (CONTINUED)

- 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.

There were no nonspendable or committed fund balances at year end.

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.

M. 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.

N. 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.

O. 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 cash management policies. Statutes authorize investing 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.

CITY OF COBURG
LANE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS

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, 2013.

Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. As of June 30, 2013 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, 2013 consisted of:

	2013
Petty Cash	\$ 300
Demand Deposits	(96,398)
Investments	167,157
Total	\$ 71,059
Reported In:	
Governmental	\$ (80,108)
Business Type	128,745
Fiduciary Funds	22,422
	\$ 71,059

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	\$ 167,157	\$ 167,157	\$ -
Total	\$ 167,157	\$ 167,157	\$ -

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.

CITY OF COBURG
LANE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

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 net carrying amount of deposits was \$71,059 and the bank balance was \$436,869. Of these deposits, \$383,188 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, 2013 are as follows:

	<u>GOVERNMENTAL FUNDS</u>			
	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>(Deletions)</u>	
Cost				
Land	\$ 92,166	\$ -	\$ -	\$ 92,166
Buildings & Improvements	637,347	55,120	-	692,467
Equipment	433,448	-	-	433,448
Total	<u>1,162,961</u>	<u>55,120</u>	<u>-</u>	<u>1,218,081</u>
Accumulated Depreciation				
Buildings & Improvements	418,124	23,363	-	441,487
Equipment	377,440	15,833	-	393,273
Total	<u>795,564</u>	<u>\$ 39,196</u>	<u>\$ -</u>	<u>834,760</u>
Total Net Capital Assets	<u>\$ 367,397</u>			<u>\$ 383,321</u>

Governmental Depreciation was allocated to the functions as follows:

Municipal	\$ 7,351
Facilities	1,443
Planning	2,690
Economic Development	1,044
Public Safety	15,159
Municipal Court	4,641
Highways and Streets	6,025
Parks and Recreation	843
Total Governmental Activities	<u>\$ 39,196</u>

**CITY OF COBURG
LANE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

3. CAPITAL ASSETS (CONTINUED)

PROPRIETARY FUNDS

WATER FUND

	Balance Beginning of Year	Prior Period Adjustments	Additions	(Deletions)	Balance End Of Year
Cost					
Utility System	\$ 1,175,821	\$ 1,386,983	\$ 1,897,792	\$ -	\$ 4,460,596
Construction in Process	3,221,573	(1,386,983)	-	(1,834,590)	-
Equipment	30,833	-	-	-	30,833
Total	<u>4,428,227</u>	<u>-</u>	<u>1,897,792</u>	<u>(1,834,590)</u>	<u>4,491,429</u>
Accumulated Depreciation					
Utility System	716,386	173,373	105,968	-	995,727
Equipment	30,833	-	-	-	30,833
Total	<u>747,219</u>	<u>173,373</u>	<u>105,968</u>	<u>-</u>	<u>1,026,560</u>
Total Net Capital Assets	<u>\$ 3,681,008</u>				<u>\$ 3,464,869</u>

SEWER FUND

	Balance Beginning Of Year	Prior Period Adjustments	Additions	(Deletions)	Balance End Of Year
Cost					
Construction in process	\$ 12,766,974	\$ -	\$ 7,457,924	\$ -	\$ 20,224,898
Total	<u>12,766,974</u>	<u>-</u>	<u>7,457,924</u>	<u>-</u>	<u>20,224,898</u>
Total Net Capital Assets	<u>\$ 12,766,974</u>				<u>\$ 20,224,898</u>
Total Net Capital Assets, All Proprietary Funds	<u>\$ 16,447,982</u>				<u>\$ 23,689,767</u>

See Note 10 for an explanation of the purpose of the Prior Period Adjustment.

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 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 for the two year period beginning July 1, 2011 is 5.21% of covered payroll. The City's contribution to the plan for the years ending June 30, 2013, 2012, and 2011 were \$57,414, \$65,679, and \$68,138, respectively, and were equal to the required contributions for each year.

6. PROPERTY TAX LIMITATIONS

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

CITY OF COBURG
LANE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. LONG-TERM DEBT

The changes in long-term debt for the year ended June 30, 2013 is comprised of the following:

	July 1, 2012	Prior Period Adjustment	Additions	Reductions	June 30, 2013
<u>Proprietary Funds:</u>					
\$225,000 was issued in 1973 of General Obligation bonds which bears The Interest rate is 5.25% to 5.40%. The Bond Matured at June 30, 1999, with one \$5000 bond outstanding and 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.	170,000	-	-	20,000	150,000
\$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%.	888,128	-	-	42,625	845,503
\$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%.	1,026,526	-	-	54,583	971,943
\$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%.	64,356	-	-	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%.	4,432,517	-	2,088,752	1,160,782	5,360,487
\$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	-	1,167,819	-	4,988,630
\$1,000,000 was issued on July 1, 2012 of OECDD loans. The interest rate is 3.92%.	-	-	1,000,000	-	1,000,000
\$3,000,000 was issued on July 1, 2011 of USDA Rural Development loans. The interest rate is 4.25% and payments commence after the final draw. As of June 30, 2013, nothing has been drawn down on the loan.	98,000	(98,000)	-	-	-
Total Proprietary Funds	11,294,648	(98,000)	4,256,571	1,342,346	14,110,873
Total Long Term Debt	\$ 11,294,648	\$ (98,000)	\$ 4,256,571	\$ 1,342,346	\$ 14,110,873

See Note 10 for an explanation of the purpose of the Prior Period Adjustment.

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:

Amounts Payable in Fiscal Year:	1999 Water Revenue Bond		1973 Water Matured Bonds	
	Principal	Interest Due	Principal	Interest Due
2013-2014	20,000	7,800	-	-
2014-2015	25,000	6,760	-	-
2015-2016	25,000	5,460	-	-
2016-2017	25,000	4,160	-	-
2017-2018	25,000	2,860	-	-
2018-2023	30,000	1,560	5,000	-
	<u>\$ 150,000</u>	<u>\$ 28,600</u>	<u>\$ 5,000</u>	<u>\$ -</u>

Business Type Notes and Contracts Payable:

Amounts Payable in Fiscal Year:	Water Project Loan G01001		Water Project Loan B01003	
	Principal	Interest Due	Principal	Interest Due
2013-2014	\$ 48,026	\$ 45,891	\$ 60,087	\$ 58,519
2014-2015	48,448	43,370	60,617	55,365
2015-2016	53,892	40,826	66,174	52,182
2016-2017	54,363	37,970	66,767	48,675
2017-2018	54,863	35,061	72,397	45,103
2018-2023	337,945	125,472	427,826	162,079
2023-2027	247,966	27,635	218,075	36,295
	<u>\$ 845,503</u>	<u>\$ 356,225</u>	<u>\$ 971,943</u>	<u>\$ 458,218</u>

	Clean Water Loan R23041		OECD Loan B08004	
	Principal	Interest Due	Principal	Interest Due
2013-2014	\$ -	\$ 279,776	\$ -	\$ -
2014-2015	28,784	27,454	-	85,383
2015-2016	29,803	26,435	33,861	39,200
2016-2017	30,858	25,380	35,189	37,873
2017-2018	31,950	24,288	36,568	36,493
2018-2023	177,546	103,644	205,500	159,806
2023-2028	211,284	69,906	249,063	116,244
2028-2033	251,434	29,756	301,861	63,449
2033-2034	27,651	485	137,958	8,164
	<u>\$ 789,310</u>	<u>\$ 587,124</u>	<u>\$ 1,000,000</u>	<u>\$ 546,612</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, 2013, 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 at 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 3 and Phase 4 of the wastewater construction project of \$786,614 and \$3,880,835 respectively at the end of the fiscal year.

9. NET POSITION RESTRICTIONS

The Net Position is restricted to show loan covenants of \$377,771. Net Position is 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.

10. PRIOR PERIOD ADJUSTMENTS

Two prior period adjustments were made to the proprietary funds Statement of Revenues, Expenditures and Changes in Net Position due to the discovery of two errors. The first error was an error in the capital assets listing for the Water Fund - \$1,386,983 should have been moved from Construction in Progress to Utility System in a prior year and depreciated. The \$173,373 adjustment is to record this depreciation. The second prior period adjustment is to remove a \$98,000 draw down on a USDA loan that the City thought would be reimbursed by this grant but has never actually been drawn down on the loan.

**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, 2013

<u>WATER FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
Revenues				
Water Service	\$ 387,200	\$ 387,200	\$ 483,514	\$ 96,314
Intergovernmental	-	-	53,753	53,753
Interest and Miscellaneous	750	750	1,350	600
	<u>387,950</u>	<u>387,950</u>	<u>538,617</u>	<u>150,667</u>
Total Revenues				
Expenditures				
Personal Services	145,254	157,254 (1)	144,174	13,080
Materials and Services	100,300	88,300 (1)	99,952	(11,652)
Debt Service	244,950	244,950 (1)	226,598	18,352
Capital Outlay	-	- (1)	51,992	(51,992)
Contingency	3,300	3,300 (1)	-	3,300
	<u>493,804</u>	<u>493,804</u>	<u>522,716</u>	<u>(28,912)</u>
Total Expenditures				
Excess of Revenues Over, (Under) Expenditures	(105,854)	(105,854)	15,901	121,755
Other Financing Sources, (Uses)				
Transfers Out	(10,000)	(10,000) (1)	-	10,000
Net Change in Fund Balance	(115,854)	(115,854)	15,901	131,755
Beginning Fund Balance	330,802	330,802	93,344	(237,458)
Ending Fund Balance	<u>\$ 214,948</u>	<u>\$ 214,948</u>	109,245	<u>\$ (105,703)</u>

Reconciliation to the Statement of Proprietary Net Position:

Net Capital Assets	3,464,869
Long Term Debt	(1,972,446)
Accrued Interest	<u>(55,455)</u>
Net Position	<u>\$ 1,546,213</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, 2013**

SEWER FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
Revenues				
Intergovernmental	\$ 65,199	\$ 65,199	\$ -	\$ (65,199)
Interest and Miscellaneous	300	300	15	(285)
Total Revenues	<u>65,499</u>	<u>65,499</u>	<u>15</u>	<u>(65,484)</u>
Expenditures				
Debt Service	<u>65,300</u>	<u>65,300</u> (1)	<u>65,252</u>	<u>48</u>
Net Change in Fund Balance	199	199	(65,237)	(65,532)
Beginning Fund Balance	<u>123,958</u>	<u>123,958</u>	<u>(76,095)</u>	<u>(200,053)</u>
Ending Fund Balance	<u>\$ 124,157</u>	<u>\$ 124,157</u>	<u>(141,332)</u>	<u>\$ (265,489)</u>

Reconciliation to the Statement of Proprietary Net Position:

Net Capital Assets	20,224,898
Long Term Debt	<u>(12,138,427)</u>
Net Position	<u>\$ 7,853,158</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, 2013**

PARK CAPITAL IMPROVEMENT FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
Revenues				
Intergovernmental	\$ 400,000	\$ 400,000	\$ 2,211	\$ (397,789)
Interest and Miscellaneous	50	50	28	(22)
Total Revenues	<u>400,050</u>	<u>400,050</u>	<u>2,239</u>	<u>(397,811)</u>
Expenditures				
Capital Outlay	<u>400,025</u>	<u>400,025 (1)</u>	<u>2,560</u>	<u>397,465</u>
Net Change in Fund Balance	25	25	(321)	(795,276)
Beginning Fund Balance	<u>147,544</u>	<u>147,544</u>	<u>91,810</u>	<u>(55,734)</u>
Ending Fund Balance	<u>\$ 147,569</u>	<u>\$ 147,569</u>	<u>\$ 91,489</u>	<u>\$ (56,080)</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, 2013**

STREET CAPITAL IMPROVEMENT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
Revenues				
Intergovernmental	\$ 50,000	\$ 50,000	\$ 53,488	\$ 3,488
Interest and Miscellaneous	24	24	35	11
Total Revenues	<u>50,024</u>	<u>50,024</u>	<u>53,523</u>	<u>3,499</u>
Expenditures				
Capital Outlay	50,000	50,000 (1)	50,000	-
Contingency	30,000	30,000 (1)	-	30,000
Total Expenditures	<u>80,000</u>	<u>80,000</u>	<u>50,000</u>	<u>30,000</u>
Net Change in Fund Balance	(29,976)	(29,976)	3,523	33,499
Beginning Fund Balance	<u>216,967</u>	<u>216,967</u>	<u>216,992</u>	<u>25</u>
Ending Fund Balance	<u>\$ 186,991</u>	<u>\$ 186,991</u>	<u>\$ 220,515</u>	<u>\$ 33,524</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, 2013**

WATER CAPITAL IMPROVEMENT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
Revenues				
Intergovernmental	\$ -	\$ -	\$ 2,434	\$ 2,434
Interest and Miscellaneous	12	12	13	1
Total Revenues	12	12	2,447	2,435
Expenditures				
Personal Services	11,245	17,245 (1)	16,391	854
Materials and Services	-	4,000 (1)	11,885	(7,885)
Capital Outlay	16,700	16,700 (1)	-	16,700
Contingency	30,896	20,896 (1)	-	20,896
Total Expenditures	58,841	58,841	28,276	30,565
Excess of Revenues Over (Under) Expenditures	(58,829)	(58,829)	(25,829)	33,000
Other Financing Sources, (Uses)				
Transfers In	10,000	10,000	-	(10,000)
Net Change in Fund Balance	(48,829)	(48,829)	(25,829)	23,000
Beginning Fund Balance	197,579	197,579	27,900	(169,679)
Ending Fund Balance	\$ 148,750	\$ 148,750	\$ 2,071	\$ (146,679)

(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, 2013

SEWER CAPITAL IMPROVEMENT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
Revenues				
Licenses, Permits & Fees	\$ 2,900	\$ 2,900	\$ 2,900	\$ -
Charges for Services	472,000	472,000	652,434	180,434
Grants	3,051,000	3,051,000	1,493,000	(1,558,000)
Total Revenues	<u>3,525,900</u>	<u>3,525,900</u>	<u>2,148,334</u>	<u>(1,377,566)</u>
Expenditures				
Personal Services	186,080	186,080 (1)	113,414	72,666
Materials and Services	62,400	62,400 (1)	22,305	40,095
Capital Outlay	10,381,978	10,406,978 (1)	8,733,695	1,673,283
Contingency	1,622,220	1,597,220 (1)	-	1,597,220
Total Expenditures	<u>12,252,678</u>	<u>12,252,678</u>	<u>8,869,414</u>	<u>3,383,264</u>
Excess of Revenues Over, (Under) Expenditures	(8,726,778)	(8,726,778)	(6,721,080)	2,005,698
Other Financing Sources, (Uses)				
Loan Proceeds	7,864,450	7,864,450	5,538,600	(2,325,850)
Net Change in Fund Balance	(862,328)	(862,328)	(1,182,480)	(320,152)
Beginning Fund Balance	<u>862,328</u>	<u>862,328</u>	<u>(678,015)</u>	<u>(1,540,343)</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,860,495)</u>	<u>\$ (1,860,495)</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, 2013**

TAX YEAR	IMPOSED LEVY OR UNCOLLECTED AT 07/01/12	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 06/30/13
CURRENT:						
2012-13	\$ 526,999	\$ 13,359	\$ (3,469)	\$ 206	\$ 495,501	\$ 14,876
PRIOR YEARS:						
2011-12	17,190	(14)	(1,437)	553	6,552	9,768
2010-11	10,028	(2)	(925)	646	3,222	6,529
2009-10	6,742	-	(941)	743	2,400	4,144
2008-09	1,858	-	(501)	355	928	784
Prior	4,627	(1)	(245)	135	174	4,344
Total	\$ 567,444	\$ 13,342	\$ (7,518)	\$ 2,638	\$ 508,777	\$ 40,445

RECONCILIATION TO REVENUE

Cash Collections by County Treasurer Above	\$ 508,777
Other Taxes in Lieu of Property Taxes	<u>3,178</u>
Total Revenue	<u>\$ 511,955</u>

CITY OF COBURG
LANE COUNTY, OREGON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	EXPENDITURES
US DEPARTMENT OF COMMERCE		
Direct Award		
Investments for Public Works and Economic Development Facilities	11.300	\$ 987,441 (1)
ENVIRONMENTAL PROTECTION AGENCY		
Direct Award		
Congressionally Mandated Projects	66.202	<u>9,614</u>
TOTAL FEDERAL FINANCIAL AWARDS		<u><u>\$ 997,055</u></u>

(1) Major Program

**CITY OF COBURG
LANE COUNTY, OREGON**

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

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June 30, 2014

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, 2013, and have issued our report thereon dated June 30, 2014. 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. Principal and interest amounts were not segregated on the detailed budget document. Oregon budget law requires that these amounts be shown separately.
3. There were instances where actual expenditures exceeded appropriations as noted on page 17.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the 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 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 the schedule of findings and questioned costs on page 43.

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.



ROY R. ROGERS, CPA
PAULY, ROGERS AND CO., P.C.

**CITY OF COBURG
LANE COUNTY, OREGON**

GRANT COMPLIANCE REVIEW

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June 30, 2014

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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Coburg as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated June 30, 2014. The financial statements of the City of Coburg Urban Renewal Agency were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of internal control.

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements are free from material misstatement, we performed tests of 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*.

We noted certain matters that we reported to management of on the Schedule of Findings and Questioned Costs on page 43.

The management responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the responses and, accordingly, we express no opinion on them.

Purpose of this Report

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



ROY R. ROGERS, CPA
PAULY, ROGERS AND CO., P.C.



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June 30, 2014

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

Report on Compliance for Each Major Federal Program

We have audited the City of Coburg's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2013. The major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the major federal programs based on our audit of the types of compliance requirements referred to above. 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Coburg, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



ROY R. ROGERS, CPA
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, 2013

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS

Type of auditors’ report issued Unmodified

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: Unmodified

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

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

Auditee qualified as low-risk auditee? yes no

**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, 2013

SECTION II – FINANCIAL STATEMENT FINDINGS

2013-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. This was also recommended in the prior year.

Management's Response:

Management will complete a formal plan and present it to council prior to the end of the 2014-2015 fiscal year.

2013-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.

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, 2013

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

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 utility billing module at least monthly. This recommendation was also made during the prior year audit.

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.

2013-FS-3

Condition:

The City's balance sheet accounts (including cash) were not reconciled until June of 2014.

Criteria:

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

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. This same recommendation was made in the prior year.

Management's Response:

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

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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, 2013

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2013-FS-4

Condition:

Bank reconciliations are not documented as to when they are completed or when they are independently reviewed.

Criteria:

Bank reconciliations should always be documented upon completion and review.

Effect:

Bank reconciliations may not be completed or reviewed in a timely manner.

Cause:

The finance staff were not following the procedures for preparing and reviewing bank reconciliations during the fiscal year.

Recommendations:

The City should document the timely completion and review of the bank reconciliations.

Management's Response:

Management will ensure that bank reconciliations are performed on a monthly basis as of the date of this report. Reconciliations will be reviewed quarterly by a contracted CPA beginning in FY 2014-15.

2013-FS-5

Condition:

The permits system is completely manual and only one person has access to all forms, tracks permits through the system, and receives payments.

Criteria:

One employee should not have access to both physical assets and the related accounting records or to all phases of a transaction.

Effect:

Unintentional or intentional errors or irregularities could exist and not be promptly detected.

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

For the Year Ended June 30, 2013

Cause:

Due to a limited number of staff, the City was unable to segregate the duties involved in the permits process.

Recommendations:

The City should evaluate the possibility of segregating these duties so that one employee doesn't have access to the physical assets and related accounting records of the permits process. Also, the Council should continually monitor the financial activities to mitigate this risk.

Management's Response:

Permits intake is done at the front counter. Permits are reviewed and signed off by City Planner, Building Official (Outside agency contracted by the City). The Building Department assigns and tracks the permits and fees, as well as prepare the quarterly reports for the state.

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.

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