

# **CITY OF COBURG**



## **COBURG, OREGON**

### **Audit Report**

**June 30, 2017**

**STEVE TUCHSCHERER**  
Certified Public Accountant  
A Professional Corporation

**CITY OF COBURG**

91136 N. Willamette Street  
P.O. Box 8316  
Coburg, Oregon 97408  
(541) 682-7850

---

**CITY OFFICIALS**

- RAY SMITH . . . . . Mayor  
P.O. Box 8316, Coburg, Oregon 97408
- SHARYL ABBASPOUR . . . . . Council President  
P.O. Box 8316, Coburg, Oregon 97408
- PATTI GIONONE . . . . . Councilor  
P.O. Box 8316, Coburg, Oregon 97408
- PATRICK KOCUREK . . . . . Councilor  
P.O. Box 8316, Coburg, Oregon 97408
- STEVE STEARNS . . . . . Councilor  
P.O. Box 8316, Coburg, Oregon 97408
- CHRIS PAGE . . . . . Councilor  
P.O. Box 8316, Coburg, Oregon 97408
- NANCY BELL . . . . . Councilor  
P.O. Box 8316, Coburg, Oregon 97408

**CITY ADMINISTRATION**

- PETRA SCHUETZ . . . . . Ex-City Administrator  
P.O. Box 8316, Coburg, Oregon 97408
- ANNE HEATH . . . . . Interim City Administrator  
P.O. Box 8316, Coburg, Oregon 97408

**CITY OF COBURG**

**AUDIT REPORT**

**JUNE 30, 2017**

---

**TABLE OF CONTENTS**

	<b><u>PAGE</u></b>
<b>INDEPENDENT AUDITOR'S REPORT . . . . .</b>	<b>1a - 1b</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS. . . . .</b>	<b>2 - 13</b>
<b>BASIC FINANCIAL STATEMENTS:</b>	
<b><u>Government-wide Financial Statements:</u></b>	
Statement of Net Position . . . . .	14
Statement of Activities . . . . .	15
<b><u>Governmental Fund Financial Statements:</u></b>	
Balance Sheet - Governmental Funds . . . . .	16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds . . . . .	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities . . . . .	19
<b><u>Proprietary Fund Financial Statements:</u></b>	
Statement of Net Position - Proprietary Funds . . . . .	20
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	21
Statement of Cash Flows - Proprietary Funds . . . . .	22
<b><u>Fiduciary Fund</u></b>	
Statement of Fiduciary Net Position . . . . .	23
<b><u>Notes to the Basic Financial Statements</u></b> . . . . .	<b>24 - 51</b>

**REQUIRED SUPPLEMENTARY INFORMATION:**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	
General Fund . . . . .	52
Street Fund . . . . .	53
Coburg Urban Renewal Agency . . . . .	54
Schedule of Proportionate Share of the Net Pension Liability . . . . .	55
Schedule of Employer Contributions. . . . .	56

**CITY OF COBURG**

**AUDIT REPORT**

**JUNE 30, 2017**

---

**TABLE OF CONTENTS (CONT.)**

**PAGE**

**OTHER SUPPLEMENTARY INFORMATION:**

**Proprietary Funds:**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	
Water Fund . . . . .	57
Sewer Fund . . . . .	58

**Additional Supporting Schedules:**

Schedule of Long Term Debt Transactions . . . . .	59 - 60
Schedule of Future Requirements for Retirement of Long Term Debt . . . . .	61 - 65

**ACCOMPANYING INFORMATION:**

Independent Auditor's Report Required by Oregon State Regulations . . . . .	66
---	----



## **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and City Council  
City of Coburg, Oregon

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Coburg as of and for the year ended June 30, 2017 which collectively comprise the City's 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 standards 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 financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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 entity's 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 entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Opinions**

In my 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, each major fund, and the aggregate remaining fund information of City of Coburg as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2-13, the schedules of revenues, expenditures and changes in fund balances – budget and actuals on pages 52-54, and the pension schedules on pages 55-56 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.

I have applied certain limited procedures to the management's discussion and analysis and the pension schedules in accordance with the auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedules of revenues, expenditures and changes in fund balances – budget and actuals described above on pages 52-54 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The schedules of revenues, expenditures and changes in fund balances – budget and actuals have 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedules of revenues, expenditures and changes in fund balances – budget and actuals are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Coburg's basic financial statements. The other supplementary information on pages 57-65 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Coburg.

The other supplementary information on pages 57-65 is the responsibility of management and was derived from and relate 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 other 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 my opinion, the other supplementary information is fairly stated in all material respects in relation to the financial statements taken as a whole.

**Report on Other Legal and Regulatory Requirements**

In accordance with the *Minimum Standards for Audits of Oregon Municipal Corporations*, I have issued my report dated December 15, 2017, on my consideration of the City of Coburg's 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 my testing of compliance and the results of that testing and not to provide an opinion on the City's compliance.



Steve Tuchscherer, CPA  
December 15, 2017

**MANAGEMENT'S**

**DISCUSSION**

**AND ANALYSIS**

**CITY OF COBURG**  
**Management's Discussion and Analysis (MD&A)**  
**For the Fiscal Year Ended June 30, 2017**

---

The management discussion and analysis of the City of Coburg, Oregon (the City) financial performance provides an overview of the City's financial activities for the fiscal year that ended June 30, 2017. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the City's financial performance.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the fiscal year ended June 30, 2017 are as follows:

- The City made the decision to collapse funds in 2017. Therefore, the Park, Park Capital, and the Building Development fund were combined with the General Fund. The Street Capital Fund was combined with the Street Fund. The Water Capital Fund was combined with the Water Fund, and the Sewer Debt and Sewer Capital Funds were combined with the Sewer Fund. Departments were created for the collapsed funds under the General, Street, Water and Sewer Funds. Ending fund balances for the prior year 2015-16 were combined to create a beginning fund balance for 2016-17.
- The City's net position, increased by \$1,111,503 which represents an 8 percent increase from the previous year. This increase is primarily the result of a decrease in long-term liabilities most importantly loan forgiveness in the Sewer Department. (see notes to the financial statements).
- Total revenue for the City was \$4,505,988. That is a \$662,072 or 18% increase from the previous year. This increase is primarily a result of increased property taxes, Franchise Fees and Public Service Taxes, and a contribution of long-term debt relief.
- The City's long-term liabilities decreased in 2017 due to the loan forgiveness in the Sewer Department. However, the net pension liability which is recorded as a long-term liability increased by \$545,724. This is due to newly implemented reporting requirements of Pension Liability by the State of Oregon.
- Current liabilities increased in 2017 primarily due to a budgeted accounts payable amount recorded in the URA and due to the City, which was paid after the end of the fiscal year end. This is also reflected in the increase in overall Accounts Receivable at year-end recorded in the Sewer Debt Account.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. To supplement the basic financial statements, this report also includes required supplementary information, other supplementary information, and accompanying information.

*Government-wide Financial Statements*

The first of the government-wide statements is the *Statement of Net Position*. This is the City-wide statement of position presenting information that includes all of the City's assets and liabilities. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other non-financial factors such as the condition of buildings, and water and sewer systems facilities.

The second government-wide statement is the *Statement of Activities* which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the *Statement of Activities* is to show the financial reliance of the City's distinct activities or functions of the City that are principally supported by user fee revenues,

**CITY OF COBURG**  
**Management's Discussion and Analysis (MD&A)**  
**For the Fiscal Year Ended June 30, 2017**

---

intergovernmental revenues from grants, and property tax revenues. The governmental activities of the City include general government activities, street construction and maintenance, police services, and providing resources for library, culture and recreation. The proprietary activities of the City include water and sewer utilities.

*Fund Financial Statements*

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, Fund Financial Statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining and individual fund statements in a later section of this report. The City reports two types of funds:

*Governmental funds*, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. Unlike the government-wide financial statements, these statements report short-term fiscal accountability focusing on use of spendable resources during the year and balances of spendable resources available at the end of the fiscal year.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to government-wide statements to assist in understanding the differences between these two perspectives.

*Proprietary funds* are used to report the functions presented as business-type activities in the government-wide financial statements, only in more detail. The City maintains one type of proprietary fund - enterprise funds. The City uses enterprise funds to account for water and sewer operations. The proprietary fund financial statements provide separate information for the Water Fund and Sewer Fund. Combined with the Water Fund for the Proprietary Statements on pages 20-22 is one budgetary fund, the Water Capital Improvement Fund. Included in the Sewer Fund are two budgetary funds, the Sewer Capital Improvement Fund and the Sewer Debt Fund. These statements and schedules demonstrate compliance with the City's adopted and final revised budget.

*Notes to the Financial Statements*

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the basic financial statements begin immediately following the basic financial statements.

*Other Information*

In addition to the basic financial statements, budgetary comparison schedules are included as Required Supplementary Information for the General Fund, the Street Fund, the Street Capital Improvement Fund, and the Coburg Urban Renewal Agency Fund. The Required Supplementary Information section immediately follows the Notes to the Financial Statements.

Budgetary comparison schedules for the City's funds that are not included in the Required Supplementary Information section can be found in the Other Supplementary Information section along with combining statements, and additional supporting schedules. These statements and schedules immediately follow the Required Supplementary Information section of this report.

The budgetary comparison schedules demonstrate compliance with the City's adopted and final revised budget.

**CITY OF COBURG**  
**Management's Discussion and Analysis (MD&A)**  
**For the Fiscal Year Ended June 30, 2017**

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

Recall that the Statement of Net Position provides the perspective of the City as a whole. Net position may serve over time as a useful indicator of a government's financial position.

The City's net position at fiscal year-end is \$14,663,756 compared to \$13,552,253 at the prior year end. This is an increase of \$1,111,503 or 8%. Impacting factors include a significant increase in the net investment for capital assets, and a decrease in total liabilities of the City.

A significant portion of the City's net position (74 percent) reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, improvements other than buildings, vehicles, and machinery and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending.

Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

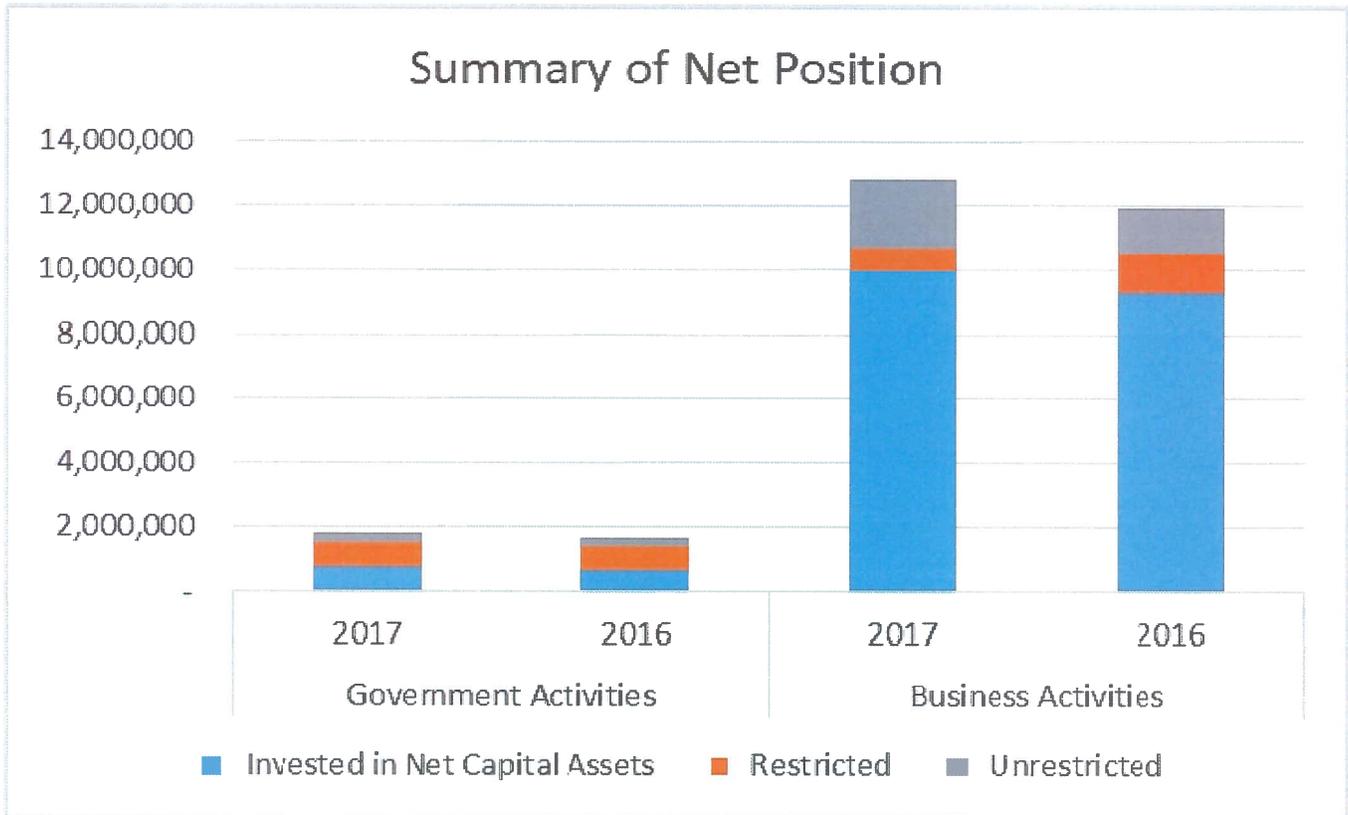
The following table provides a summary of the City's net position for the current and prior year.

	<b><u>Summary of Net Position</u></b>					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>Assets</b>						
Current and Other Assets	\$ 1,952,743	\$ 1,456,535	\$ 3,994,338	\$ 4,148,575	\$ 5,947,081	\$ 5,605,110
Capital Assets	1,419,955	1,320,272	27,542,255	28,149,355	28,962,210	29,469,627
<b>Total Assets</b>	<b>3,372,698</b>	<b>2,776,807</b>	<b>31,536,593</b>	<b>32,297,930</b>	<b>34,909,291</b>	<b>35,074,737</b>
<b>Deferred Outflow of Resources</b>	<b>369,563</b>	<b>13,322</b>	<b>38,777</b>	<b>1,149</b>	<b>408,340</b>	<b>14,471</b>
<b>Liabilities</b>						
Current Liabilities	553,820	192,012	988,146	972,386	1,541,966	1,164,398
Long-Term Liabilities	1,333,949	870,763	16,921,178	18,238,872	18,255,127	19,109,635
<b>Total Liabilities</b>	<b>1,887,769</b>	<b>1,062,774</b>	<b>17,909,324</b>	<b>19,211,258</b>	<b>19,797,093</b>	<b>20,274,032</b>
<b>Deferred Inflow of Resources</b>	<b>21,904</b>	<b>68,901</b>	<b>834,875</b>	<b>1,194,022</b>	<b>856,779</b>	<b>1,262,923</b>
<b>Net Position</b>						
Net Investment in Capital Assets	796,598	677,688	9,991,956	9,281,343	10,788,554	9,959,031
Restricted	822,129	738,297	643,012	1,176,439	1,465,141	1,914,736
Unrestricted	213,860	242,469	2,196,201	1,436,017	2,410,061	1,678,486
<b>Total Net Position</b>	<b>\$ 1,832,587</b>	<b>\$ 1,658,454</b>	<b>\$12,831,169</b>	<b>\$ 11,893,799</b>	<b>\$ 14,663,756</b>	<b>\$ 13,552,253</b>

**CITY OF COBURG**  
**Management's Discussion and Analysis (MD&A)**  
**For the Fiscal Year Ended June 30, 2017**

---

See the chart below to gain an understanding of the City's actual financial position and how each component relates to the activities performed.



**CITY OF COBURG**  
**Management's Discussion and Analysis (MD&A)**  
**For the Fiscal Year Ended June 30, 2017**

**Changes in net position** - The City's total revenues for the fiscal year ended June 30, 2017 were \$4,505,988. The total cost of all programs and services was \$3,394,485. The following table shows a comparative analysis of government-wide revenues, expenses and changes in net position.

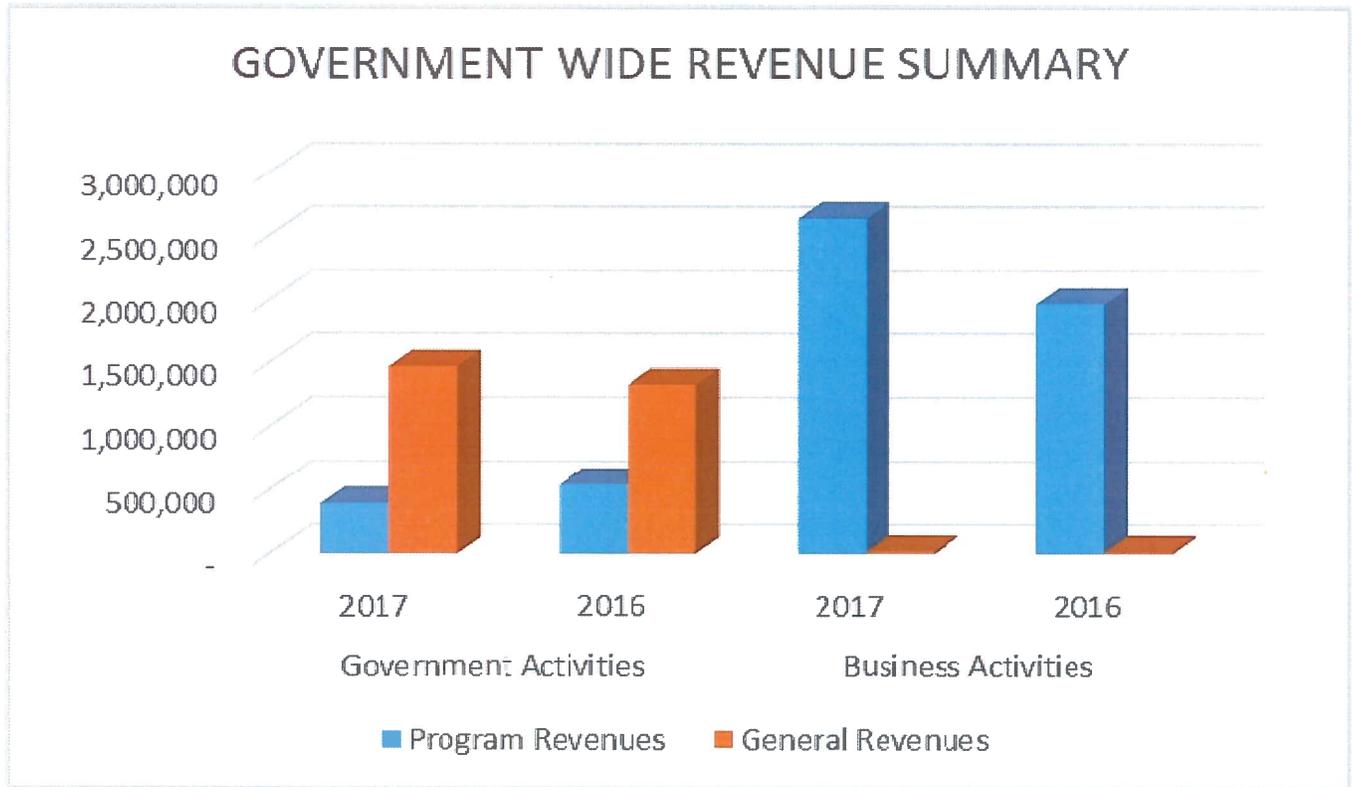
Summary of Changes in Net Position						
	Government Activities		Business Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for Services	352,723	401,916	1,938,303	1,966,794	2,291,026	2,368,710
Operating Grants and Contributions	36,883	64,208	27,678	-	64,561	64,208
Capital Grants and Contributions		75,000	666,687	-	666,687	75,000
<b>Total Program Revenues</b>	<b>389,606</b>	<b>541,124</b>	<b>2,632,668</b>	<b>1,966,794</b>	<b>3,022,274</b>	<b>2,507,918</b>
<b>General Revenues</b>						
Property Taxes, Franchise Fees, & Public Service Taxes	1,436,607	1,285,116	-	-	1,436,607	1,285,116
Interest and Investment Earnings	16,473	10,299	16,106	12,504	32,579	22,803
Other Revenue	14,528	28,079	-	-	14,528	28,079
<b>Total General Revenues</b>	<b>1,467,608</b>	<b>1,323,494</b>	<b>16,106</b>	<b>12,504</b>	<b>1,483,714</b>	<b>1,335,998</b>
<b>Total Revenues</b>	<b>1,857,214</b>	<b>1,864,618</b>	<b>2,648,774</b>	<b>1,979,298</b>	<b>4,505,988</b>	<b>3,843,916</b>
<b>Program Expenses</b>						
General Government	902,570	850,610	-	-	902,570	850,610
Public Safety	497,497	562,731	-	-	497,497	562,731
Public Works	376,203	479,945	-	-	376,203	479,945
Culture and Recreation	2,304	19,819	-	-	2,304	19,819
Urban Renewal Projects	10,595	2,300	-	-	10,595	2,300
Interest Expense	22,319	24,678	-	-	22,319	24,678
<b>Utility Services</b>						
Water Utilities	-	-	254,771	275,959	254,771	275,959
Sewer Utilities	-	-	1,328,226	1,505,159	1,328,226	1,505,159
<b>Total Program Expenses</b>	<b>1,811,488</b>	<b>1,940,083</b>	<b>1,582,997</b>	<b>1,781,118</b>	<b>3,394,485</b>	<b>3,721,201</b>
<b>Transfers</b>	128,407	156,480	(128,407)	(156,480)	-	-
<b>Prior Period Adjustment</b>	0	-489,461	0	-1,277,158	0	-1,766,619
<b>Change in Net Position</b>	<b>\$ 174,133</b>	<b>\$ (408,446)</b>	<b>\$ 937,370</b>	<b>\$ (1,235,458)</b>	<b>\$ 1,111,503</b>	<b>\$(1,643,904)</b>

**CITY OF COBURG**  
**Management's Discussion and Analysis (MD&A)**  
**For the Fiscal Year Ended June 30, 2017**

---

The Statement of Activities shows the cost of program services and the charges for services, grants, and contributions offsetting those services. The following table shows, for governmental activity, the total cost of the four major functional activities of the City. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

The following chart analyzes the revenue between governmental activities and business-type activities from prior to current year.



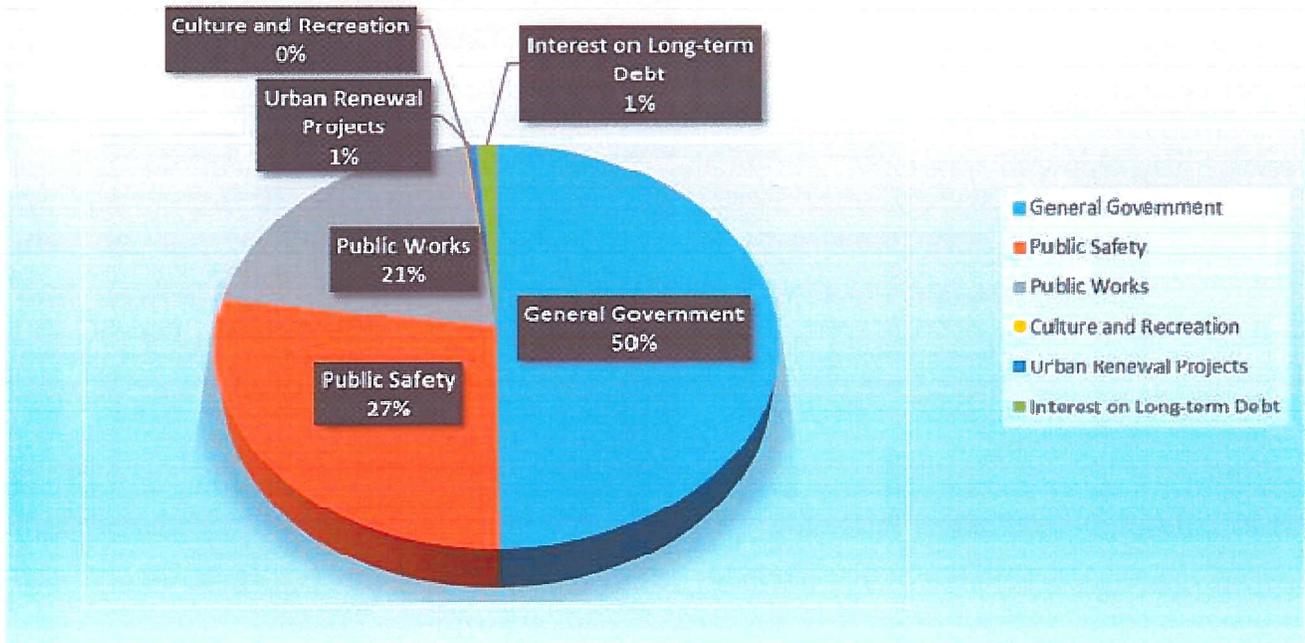
**CITY OF COBURG**  
**Management's Discussion and Analysis (MD&A)**  
**For the Fiscal Year Ended June 30, 2017**

<b>Governmental Activities</b>				
	<u>Total Cost of Services</u>		<u>Net (Cost) Profit of Services</u>	
	<u>2016-17</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2015-16</u>
<b>General Government</b>	\$ 902,570	\$ 850,610	\$ (870,687)	\$ (670,824)
<b>Public Safety</b>	497,497	562,731	(359,467)	(434,951)
<b>Public Works</b>	376,203	479,945	(201,414)	(327,624)
<b>Culture and Recreation</b>	2,304	19,819	42,600	61,418
<b>Urban Renewal Projects</b>				
<b>Interest Expense</b>	<u>22,319</u>	<u>24,678</u>	<u>(22,319)</u>	<u>(24,678)</u>
<b>Total Program Expenses</b>	<u>\$1,800,893</u>	<u>\$1,937,783</u>	<u>\$(1,411,287)</u>	<u>\$(1,396,659)</u>

The dependence on general revenues for general government activities is apparent. For Fiscal Year 2016-17 76% of general government activities are supported through general revenues.

This Chart represents the cost of the City's Program expenses by governmental activities

**Governmental Activities Expenses**

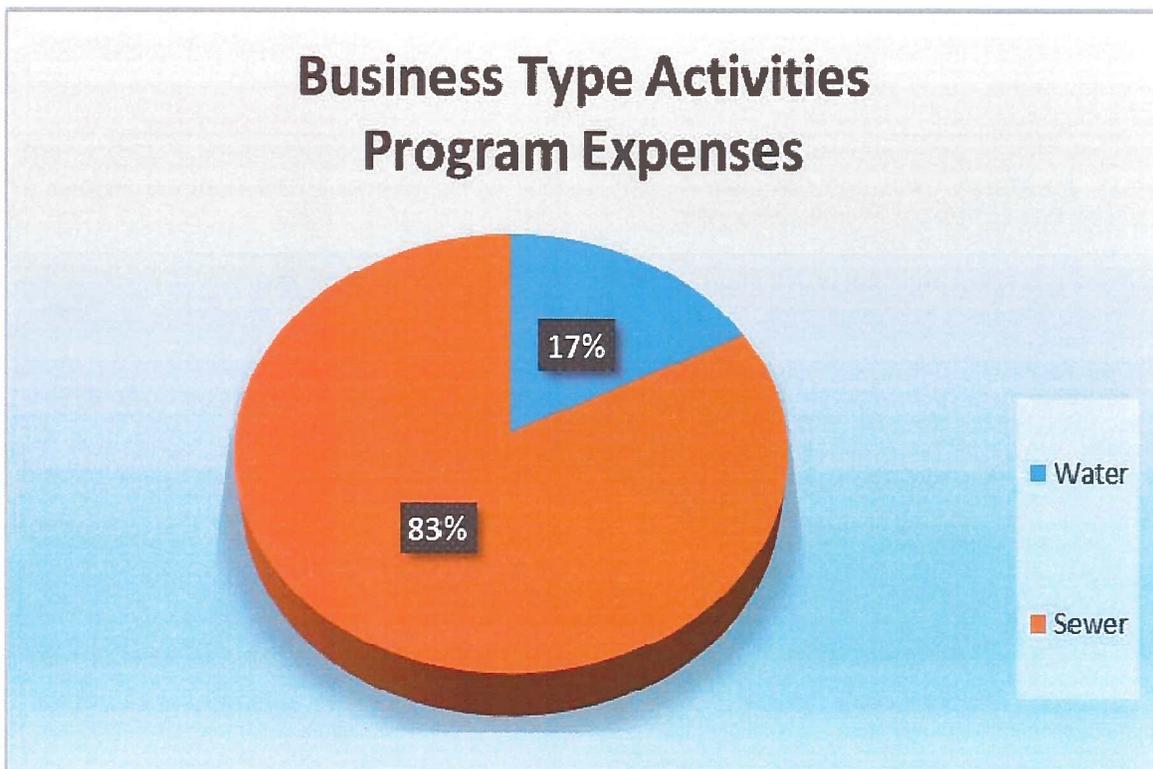


**CITY OF COBURG**  
**Management's Discussion and Analysis (MD&A)**  
**For the Fiscal Year Ended June 30, 2017**

Business type activities increased the City's net position by approximately \$937,370. Of the business-type activities, the Water and Sewer funds accounted for approximately 17% and 83% of expenses, respectively. This is primarily attributed to debt service payments made on the sewer system.

<b><u>Business-Type Activities</u></b>				
	<u>Total Cost of Services</u>		<u>Net (Cost) Profit of Services</u>	
	<u>2016-17</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2015-16</u>
<b>Utility Services</b>	<u>\$1,582,997</u>	<u>\$1,781,118</u>	<u>\$ 1,049,671</u>	<u>\$ 185,676</u>
<b>Total Program Expenses</b>	<u>\$1,582,997</u>	<u>\$1,781,118</u>	<u>\$ 1,049,671</u>	<u>\$ 185,676</u>

This graph represents the cost of the City's Program expenses by business-type activities.



**CITY OF COBURG**  
**Management's Discussion and Analysis (MD&A)**  
**For the Fiscal Year Ended June 30, 2017**

---

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on short-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 the City's net resources available for spending at the end of the fiscal year.

***Governmental Funds***

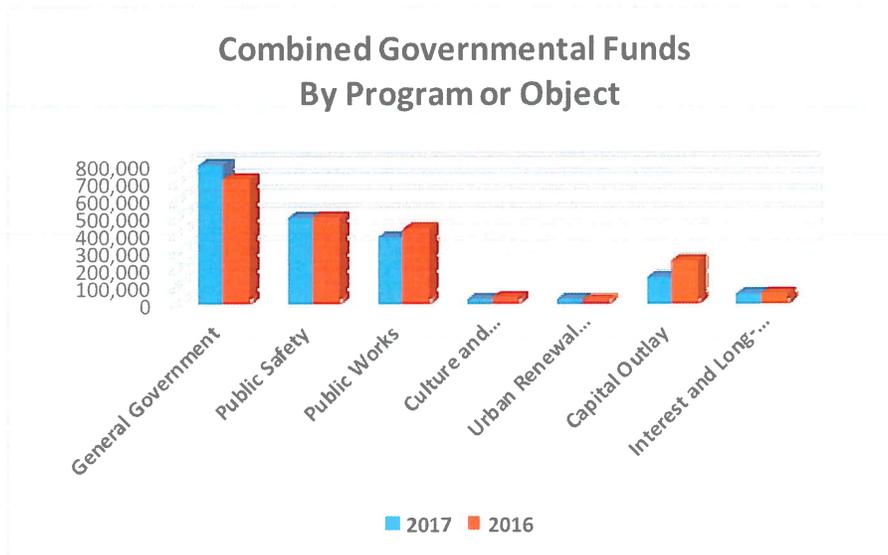
As the City completed the year, its governmental funds reported a combined fund balance of 1,276,443, an increase of \$170,495, from prior year. The fund balance constitutes restricted, committed, and unassigned amounts. Of the current fund balances a total of \$822,129 is restricted funds including, \$488,237 for Public Works Projects, \$93,009 for Capital Projects and \$240,883 for Urban Renewal Projects. The remaining balance of \$454,314 is considered unrestricted funds

The General Fund is the principal operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$454,314 and restricted fund balance was \$93,009 a total increase of \$104,246. This difference is attributed to an increase in revenues. The total fund balance also reflects the collapse of funds as reported on page 1. of this report and includes Park, Park Capital, and Building Development funds that have been reported in their own funds in prior years.

At the end of the current fiscal year, restricted fund balance of the Street Fund was \$488,237, an increase of \$50,043. This includes the total of both Street and Street Capital which were reported separately in prior years.

At the end of the current fiscal year, unassigned fund balance of the Coburg Urban Renewal Agency Fund was \$240,883 an increase of \$16,206 over the prior year.

Following is a comparison of current expenditures by program of the governmental funds.



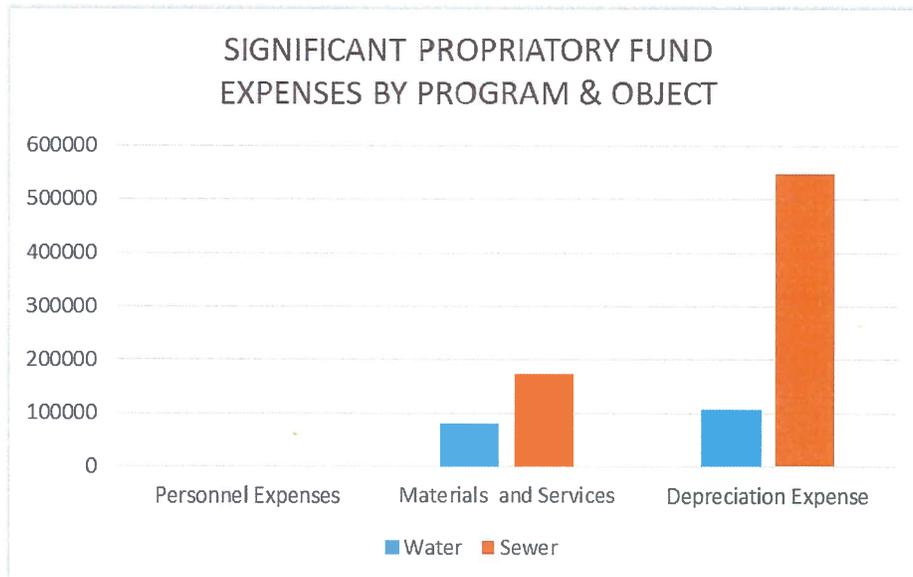
**CITY OF COBURG**  
**Management's Discussion and Analysis (MD&A)**  
**For the Fiscal Year Ended June 30, 2017**

---

*Proprietary Funds*

The City's enterprise funds reported total net position of \$12,831,169, an increase of \$937,370. This is primarily attributed to a reduction in long-term liabilities including debt forgiveness in the Sewer Fund. The enterprise funds also report \$643,012 in restricted fund which include debt service of \$531,103 and \$111,909 for public works projects. Capital Assets net of related debt was \$9,991,956 which includes sewer and water infrastructure, buildings and equipment.

Following is a comparison of current expenses by program of the proprietary funds.



Personnel expenses are minimal in the enterprise funds as all personnel costs are absorbed in the general fund and reimbursed by the utility funds according to hours charged to each department.

**Budgetary Highlights**

General Fund revenues were budgeted and anticipated to be collected in the amount of \$1,772,574 during the fiscal year. Actual revenues of \$1,336,414 were available which was \$436,160 less than budgeted. This is attributed to budgeted grants and donations that were not received in the park department. General Fund expenditures budget was under-spent by \$598,103 or 26%. This also reflects park projects that were budgeted but did not take place. The ending fund balance was greater than what was budgeted by \$103,690 and greater than the prior year by \$104,246.

**CITY OF COBURG**  
**Management's Discussion and Analysis (MD&A)**  
**For the Fiscal Year Ended June 30, 2017**

---

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2017, the City had invested, before net reduction for accumulated depreciation, \$28,962,210 in capital assets, including buildings, land, vehicles, water and sewer utility systems, construction in progress and other equipment. This amount represents a decrease of \$507,417 from the prior year due to accumulated depreciation. The City added \$198,491 in new capital assets in fiscal year 2017.

Total depreciation expense for the year was \$705,908; of which \$49,130 is associated with general government activities with the remainder of \$656,778 associated with the water and sewer funds. Sewer Fund assets increased in fiscal year 2016 as the Sewer project was fully completed and the assets were capitalized. Therefore, depreciation on those assets increased in fiscal year 2017. Additional information on the City's capital assets can be found in Note 3 of the Notes to the Basic Financial Statements section of this report.

**Long-Term Debt**

At June 30, 2017, the City had total long-term debt outstanding of \$18,173,656 compared to 19,510,596 in the prior year which is a difference of \$1,336,940. Additional information on the City's long-term debt can be found in Note 4 of the Notes to the Basic Financial Statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

A number of factors were considered by the City's officials during the process of developing the fiscal year 2017-18 budget. The City's budget for the fiscal year ending June 30, 2018 represents an overall increase of 21 percent when compared with the fiscal year 2017. Included in this budget is necessary projects in the City planning process that address the update to mandatory City documents and comprehensive planning. Much of these projects have been on hold in past years due to economic challenges faced by the city. The City also budgeted to replace staff positions that had been eliminated due to budget cuts in prior years. In addition, in fiscal year 2018 the City committed to budgeted reserves in most funds. The City considered the current economic environment which includes a large increase in development, an increase in property tax revenues as a result of an increase in assessed property value, and an increase in development of residential and business properties.

Amounts available for appropriation in the General Fund are \$10,081,946 for the fiscal year 2017-18, an increase of \$887,115 or 29% percent. The increase is primarily attributable to an improvement in beginning fund balance as well as a property tax revenue increase from the prior fiscal year. The City has increased the work in the planning department in response to the upturn in development. In addition, the City has committed additional funds for Economic Development.

The Street Fund Budget for 2018 will increase by \$464,885. This reflects a large capital street project and street improvements to be completed during the fiscal year.

In 2018, the City increased the budget of the Water department by \$880,358. This reflects the City's implementation of Phase 1 of the Water Master Plan.

With the exceptions noted above, increases to operating costs of both governmental activities and business-type activities are expected to be similar to those of the 2016-17.

**CITY OF COBURG**  
**Management's Discussion and Analysis (MD&A)**  
**For the Fiscal Year Ended June 30, 2017**

---

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives.

If you have any questions about this report or need additional information, contact the City of Coburg at (541) 682-7870. The office is located inside City Hall at 91136 N. Willamette Street, Coburg, Oregon 97408.

This page intentionally left blank.

**BASIC FINANCIAL**  
**STATEMENTS**

**Government -Wide**  
**Financial Statements**

**CITY OF COBURG**  
**STATEMENT OF NET POSITION**  
**June 30, 2017**

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
<b>ASSETS:</b>			
Current Assets:			
Cash and Investments	\$ 1,693,433	\$ 2,075,555	\$ 3,768,988
Interfund Receivable	-	326,194	326,194
Accounts Receivable	56,000	103,377	159,377
LID Liens Receivable	-	655,171	655,171
SDCs Receivable	128,205	302,938	431,143
Property Taxes Receivable	75,105	-	75,105
<b>Total Current Assets</b>	<b>1,952,743</b>	<b>3,463,235</b>	<b>5,415,978</b>
Restricted Assets:			
Sinking Funds for Debt Service	-	531,103	531,103
<b>Total Restricted Assets</b>	<b>-</b>	<b>531,103</b>	<b>531,103</b>
Capital Assets, Net of Accumulated Depreciation	1,419,955	27,542,255	28,962,210
<b>Total Assets</b>	<b>3,372,698</b>	<b>31,536,593</b>	<b>34,909,291</b>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>			
Pension Related Deferrals	369,563	38,777	408,340
<b>Total Deferred Outflow of Resources</b>	<b>369,563</b>	<b>38,777</b>	<b>408,340</b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts Payable	78,056	36,620	114,676
Interfund Payable	326,194	-	326,194
Payroll Payable	33,593	-	33,593
Accrued Compensated Absences	33,072	9,480	42,552
Liens Payable	41,715	-	41,715
Interest Payable	2,872	246,204	249,076
Customer Deposits	-	1,598	1,598
Current Portion of Long-Term Liabilities:			
Notes Payable	38,318	597,166	635,484
Bonds Payable	-	97,078	97,078
<b>Total Current Liabilities</b>	<b>553,820</b>	<b>988,146</b>	<b>1,541,966</b>
Long-Term Liabilities:			
Noncurrent Portion of Long-Term Liabilities:			
Notes Payable	585,039	11,034,564	11,619,603
Bonds Payable	-	5,821,491	5,821,491
Net Pension Liability	748,910	65,123	814,033
<b>Total Long-Term Liabilities</b>	<b>1,333,949</b>	<b>16,921,178</b>	<b>18,255,127</b>
<b>Total Liabilities</b>	<b>1,887,769</b>	<b>17,909,324</b>	<b>19,797,093</b>
<b>DEFERRED INFLOW OF RESOURCES:</b>			
Receivables Currently not Collectable	-	832,970	832,970
Deferred Earnings on Pension Assets	21,904	1,905	23,809
<b>Total Deferred Inflow of Resources</b>	<b>21,904</b>	<b>834,875</b>	<b>856,779</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	796,598	9,991,956	10,788,554
Restricted for:			
Debt Service	-	531,103	531,103
Public Works	488,237	111,909	600,146
Capital Projects	93,009	-	93,009
Urban Renewal Projects	240,883	-	240,883
Unrestricted	213,860	2,196,201	2,410,061
<b>Total Net Position</b>	<b>\$ 1,832,587</b>	<b>\$ 12,831,169</b>	<b>\$ 14,663,756</b>

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

# CITY OF COBURG

## STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2017

	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b><u>GOVERNMENTAL ACTIVITIES:</u></b>					
General Government	\$ 902,570	\$ -	\$ 31,883	\$ -	\$ (870,687)
Public Safety	497,497	138,030	-	-	(359,467)
Public Works	376,203	169,789	5,000	-	(201,414)
Culture and Recreation	2,304	44,904	-	-	42,600
Urban Renewal Projects	10,595	-	-	-	(10,595)
Interest Expense	22,319	-	-	-	(22,319)
<b>Total Governmental Activities</b>	<b>1,811,488</b>	<b>352,723</b>	<b>36,883</b>	<b>-</b>	<b>(1,421,882)</b>
<b><u>BUSINESS-TYPE ACTIVITIES:</u></b>					
Water Utilities	254,771	809,865	27,678	-	582,772
Sewer Utilities	1,328,226	1,128,438	-	666,687	466,899
<b>Total Business-type Activities</b>	<b>1,582,997</b>	<b>1,938,303</b>	<b>27,678</b>	<b>666,687</b>	<b>1,049,671</b>
<b>Total Primary Government</b>	<b>\$ 3,394,485</b>	<b>\$ 2,291,026</b>	<b>\$ 64,561</b>	<b>\$ 666,687</b>	<b>\$ (372,211)</b>

	Governmental Activities	Business-type Activities	Total
<b><u>CHANGES IN NET POSITION:</u></b>			
Net (expense) revenue	\$ (1,421,882)	\$ 1,049,671	\$ (372,211)
General Revenues:			
Property Taxes, levied for general purposes	621,431	-	621,431
Property Taxes, levied for urban renewal programs	349,369	-	349,369
Intergovernmental Tax Turnovers	216,237	-	216,237
Franchise Taxes	249,570	-	249,570
Interest and Investment Earnings	16,473	16,106	32,579
Other Revenue	14,528	-	14,528
<b>Subtotal - General Revenues</b>	<b>1,467,608</b>	<b>16,106</b>	<b>1,483,714</b>
Interfund Transfers	128,407	(128,407)	-
Total general revenues, special items, and transfers	1,596,015	(112,301)	1,483,714
Change in Net Position	174,133	937,370	1,111,503
Net Position, July 1, 2016	1,658,454	11,893,799	13,552,253
<b>Net Position, June 30, 2017</b>	<b>\$ 1,832,587</b>	<b>\$ 12,831,169</b>	<b>\$ 14,663,756</b>

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

This page intentionally left blank.

**BASIC FINANCIAL**  
**STATEMENTS**

**Governmental Fund**  
**Financial Statements**

**CITY OF COBURG**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2017**

	<b>Component Unit</b>			
	<b>General Fund</b>	<b>Street Fund</b>	<b>Urban Renewal Agency Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS:</b>				
Cash and Investments	\$ 643,931	\$ 482,769	\$ 566,733	\$ 1,693,433
Receivables:				
Accounts, net	40,928	15,072	-	56,000
System Development Charges	54,205	74,000	-	128,205
Property Tax	48,534	-	26,571	75,105
<b>Total Assets</b>	<b>\$ 787,598</b>	<b>\$ 571,841</b>	<b>\$ 593,304</b>	<b>\$ 1,952,743</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>				
<b>LIABILITIES:</b>				
Accounts Payable	\$ 62,065	\$ 15,836	\$ 155	\$ 78,056
Interfund Payable	-	-	326,194	326,194
Interest Payable	1,927	-	-	1,927
Payroll Payable	33,593	-	-	33,593
Liens Payable	41,715	-	-	41,715
<b>Total Liabilities</b>	<b>139,300</b>	<b>15,836</b>	<b>326,349</b>	<b>481,485</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Delinquent Property Tax Revenue Not Available	47,615	-	26,072	73,687
Uncollected SDC Revenue	53,360	67,768	-	121,128
<b>Total Deferred Inflows of Resources</b>	<b>100,975</b>	<b>67,768</b>	<b>26,072</b>	<b>194,815</b>
<b>FUND BALANCES:</b>				
Restricted for:				
Public Works	-	488,237	-	488,237
Capital Projects	93,009	-	-	93,009
Urban Renewal Projects	-	-	240,883	240,883
Unassigned	454,314	-	-	454,314
<b>Total Fund Balances</b>	<b>547,323</b>	<b>488,237</b>	<b>240,883</b>	<b>1,276,443</b>
<b>Total Liabilities, Deferred Inflows of Resources &amp; Fund Balances</b>	<b>\$ 787,598</b>	<b>\$ 571,841</b>	<b>\$ 593,304</b>	<b>\$ 1,952,743</b>

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

# CITY OF COBURG

## RECONCILIATION OF THE BALANCE SHEET -- GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2017

---

**Total Fund Balances - Governmental Funds** \$ 1,276,443

**Amounts reported for governmental activities in the Statement of Net Position are different because:**

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the governmental funds.

The cost of the assets is -	\$ 2,068,608	
The accumulated depreciation is -	<u>(648,653)</u>	
Net Value of Assets		1,419,955

Certain receivables that will not be available to pay for current-period  
expenditures are deferred in the governmental funds:

Property Taxes	73,687	
Assessments	<u>121,128</u>	
		194,815

Deferred inflows and outflows of pension contributions and earnings are  
not reported in the governmental funds

Pension Related Deferrals		347,659
---------------------------	--	---------

Accrued Compensated Absences are not recorded in the governmental funds: (33,072)

Interest Payable is not recorded in the governmental funds: (945)

Long-term liabilities, including notes payable and net pension liability, are not due and  
payable in the current period and therefore are not reported in the governmental funds. (1,372,267)

**Net Position of Governmental Activities** **\$ 1,832,588**

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

# CITY OF COBURG

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

### GOVERNMENTAL FUNDS

**For the Fiscal Year Ended June 30, 2017**

	<u>Component Unit</u>			
	<u>General Fund</u>	<u>Street Fund</u>	<u>Urban Renewal Agency Fund</u>	<u>Total Governmental Funds</u>
<b><u>REVENUES:</u></b>				
Taxes and Assessments	\$ 616,871	\$ -	\$ 346,752	\$ 963,623
Intergovernmental	67,943	148,294	-	216,237
Franchise Taxes	249,570	-	-	249,570
Licenses & Permits	159,567	-	-	159,567
Charges for Service	53,165	25,333	-	78,498
Fines and Forfeitures	138,030	-	-	138,030
Investment Revenue	5,307	6,617	4,549	16,473
Grants and Donations	31,883	5,000	-	36,883
Other Revenue	14,078	450	-	14,528
<b>Total Revenues</b>	<b>1,336,414</b>	<b>185,694</b>	<b>351,301</b>	<b>1,873,409</b>
<b><u>EXPENDITURES:</u></b>				
Current Operating:				
General Government	791,429	-	-	791,429
Public Safety	482,473	-	-	482,473
Public Works	298,864	65,661	-	364,525
Culture and Recreation	9,304	-	-	9,304
Urban Renewal Projects	-	-	10,595	10,595
Debt Service:				
Principal	19,227	-	-	19,227
Interest	22,319	-	-	22,319
Capital Outlay	123,949	7,500	-	131,449
<b>Total Expenditures</b>	<b>1,747,565</b>	<b>73,161</b>	<b>10,595</b>	<b>1,831,321</b>
Excess (Deficiency) of Revenues Over Expenditures	(411,151)	112,533	340,706	42,088
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Interfund Transfers In	584,998	-	-	584,998
Interfund Transfers (Out)	(69,601)	(62,490)	(324,500)	(456,591)
<b>Total Other Financing Sources (Uses)</b>	<b>515,397</b>	<b>(62,490)</b>	<b>(324,500)</b>	<b>128,407</b>
Net Change in Fund Balances	104,246	50,043	16,206	170,495
Fund Balances - July 1, 2016	443,077	438,194	224,677	1,105,948
<b>Fund Balances - June 30, 2017</b>	<b>\$ 547,323</b>	<b>\$ 488,237</b>	<b>\$ 240,883</b>	<b>\$ 1,276,443</b>

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

# **CITY OF COBURG**

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

**For the Fiscal Year Ended June 30, 2017**

---

**Net Changes in Fund Balances - Total Governmental Funds** **\$ 170,495**

**Amounts reported for governmental activities in the Statement of Activities are different because:**

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.

Expenditures for capitalized assets	\$ 148,813	
Less current year depreciation	<u>(49,130)</u>	
		99,683

Some revenues will not be collected for several months after the City's fiscal year end and are therefore not considered "available" revenues in the governmental funds, instead these funds are shown as deferred revenue.

However, these funds are recorded as revenue in the Statement of Activities.

The changes in amounts deferred are as follows:

Property Taxes	7,178	
System Development Charges	<u>(23,372)</u>	
		(16,194)

Additions to certain liabilities are reported as an expense in the Statement of Activities.

Vacation Payable	(415)
------------------	-------

Repayment of long-term debt principal amounts are expenditures in the governmental funds, but the repayment reduces long-term debt liabilities in the Statement of Net Position.

Retirement of debt principal is as follows:

Notes Payable	19,227
---------------	--------

Adjustment for pension costs on accrued basis	(98,662)
---	----------

---

<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 174,134</u></b>
--	--------------------------

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

This page intentionally left blank.

**BASIC FINANCIAL**  
**STATEMENTS**

**Proprietary Fund**  
**Financial Statements**

**CITY OF COBURG**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2017**

	<b>Enterprise Funds</b>		<b>Total Proprietary Funds</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	
<b>ASSETS:</b>			
Current Assets:			
Cash and Investments	\$ 811,806	\$ 1,263,749	\$ 2,075,555
Accounts Receivable	66,103	37,274	103,377
LID Liens Receivable	-	655,171	655,171
SDCs Receivable	140,046	162,892	302,938
Interfund Receivable	-	326,194	326,194
Total Current Assets	<u>1,017,955</u>	<u>2,445,280</u>	<u>3,463,235</u>
Restricted Assets:			
Sinking Funds for Debt Service	31,960	499,143	531,103
Total Restricted Assets	<u>31,960</u>	<u>499,143</u>	<u>531,103</u>
Capital Assets:			
Land	-	217,293	217,293
Depreciable Assets, Net of Depreciation	<u>3,091,502</u>	<u>24,233,460</u>	<u>27,324,962</u>
Total Capital Assets	<u>3,091,502</u>	<u>24,450,753</u>	<u>27,542,255</u>
<b>Total Assets</b>	<b><u>4,141,417</u></b>	<b><u>27,395,176</u></b>	<b><u>31,536,593</u></b>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>			
Pension Related Deferrals	9,971	28,806	38,777
<b>Total Deferred Outflow of Resources</b>	<b><u>9,971</u></b>	<b><u>28,806</u></b>	<b><u>38,777</u></b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts Payable	14,767	21,853	36,620
LID Assessment Payable	9,480	-	9,480
Interest Payable	37,438	208,766	246,204
Customer Deposits	1,598	-	1,598
Current Portion of Long-Term Liabilities:			
Notes Payable	127,260	469,906	597,166
Bonds Payable	<u>25,000</u>	<u>72,078</u>	<u>97,078</u>
Total Current Liabilities	<u>215,543</u>	<u>772,603</u>	<u>988,146</u>
Long-Term Liabilities:			
Noncurrent Portion of Long-Term Liabilities:			
Notes Payable	997,206	10,037,358	11,034,564
Bonds Payable	30,000	5,791,491	5,821,491
Net Pension Liability	<u>16,746</u>	<u>48,377</u>	<u>65,123</u>
Total Long-Term Liabilities	<u>1,043,952</u>	<u>15,877,226</u>	<u>16,921,178</u>
<b>Total Liabilities</b>	<b><u>1,259,495</u></b>	<b><u>16,649,829</u></b>	<b><u>17,909,324</u></b>
<b>DEFERRED INFLOW OF RESOURCES:</b>			
Receivables Currently not Collectable	132,356	700,614	832,970
Pension Related Deferrals	<u>490</u>	<u>1,415</u>	<u>1,905</u>
<b>Total Deferred Inflow of Resources</b>	<b><u>132,846</u></b>	<b><u>702,029</u></b>	<b><u>834,875</u></b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	1,912,036	8,079,920	9,991,956
Restricted for Debt Service	31,960	499,143	531,103
Restricted for Public Works	111,909	-	111,909
Unrestricted	<u>703,142</u>	<u>1,493,059</u>	<u>2,196,201</u>
<b>Total Net Position</b>	<b><u>\$ 2,759,047</u></b>	<b><u>\$ 10,072,122</u></b>	<b><u>\$ 12,831,169</u></b>

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

# CITY OF COBURG

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

### PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2017

	Enterprise Funds		Total Proprietary Funds
	Water Fund	Sewer Fund	
<b><u>OPERATING REVENUES:</u></b>			
Charges for Services & Fees	\$ 808,169	\$ 1,126,713	\$ 1,934,882
Grants	27,678	-	27,678
Other Revenue	1,696	1,725	3,421
<b>Total Revenues</b>	<b>837,543</b>	<b>1,128,438</b>	<b>1,965,981</b>
<b><u>OPERATING EXPENSES:</u></b>			
Personnel Services	556	1,605	2,161
Materials and Supplies	79,581	171,056	250,637
Depreciation Expense	107,483	549,295	656,778
<b>Total Operating Expenses</b>	<b>187,620</b>	<b>721,956</b>	<b>909,576</b>
<b>Operating Income (Loss)</b>	<b>649,923</b>	<b>406,482</b>	<b>1,056,405</b>
<b><u>NON-OPERATING REVENUES (EXPENSES):</u></b>			
Loan Fees	-	(58,045)	(58,045)
Loan Forgiveness Revenue	-	666,687	666,687
Investment Revenue	6,995	9,111	16,106
Interest Expense	(67,151)	(548,225)	(615,376)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(60,156)</b>	<b>69,528</b>	<b>9,372</b>
Income Before Other Revenues, Expenses, and Transfers	589,767	476,010	1,065,777
<b><u>CAPITAL CONTRIBUTIONS AND TRANSFERS:</u></b>			
Transfers to Other Funds	(200,343)	(302,564)	(502,907)
Transfers from Other Funds	-	374,500	374,500
<b>Total Capital Contributions and Transfers</b>	<b>(200,343)</b>	<b>71,936</b>	<b>(128,407)</b>
Changes in Net Position	389,424	547,946	937,370
Net Position, July 1, 2016	2,369,623	9,524,176	11,893,799
<b>Net Position, June 30, 2017</b>	<b>\$ 2,759,047</b>	<b>\$ 10,072,122</b>	<b>\$ 12,831,169</b>

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

# CITY OF COBURG

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2017

	<u>Enterprise Funds</u>		<u>Total Proprietary Funds</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>			
Cash Received from User Charges	\$ 816,025	\$ 1,142,581	\$ 1,958,606
Cash Payments to Suppliers & Service Providers	(108,060)	(151,913)	(259,973)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>707,965</b>	<b>990,668</b>	<b>1,698,633</b>
<b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</u></b>			
Refund of Deposits & Non-Operating Payments	(1,029)	-	(1,029)
Non-Operating Receipts	(28,350)	(7,367)	(35,717)
Transfer to Other Funds	(200,343)	(302,564)	(502,907)
Transfer from Other Funds	-	374,500	374,500
<b>Net Cash Provided (Used) by Non-capital Financing Activities</b>	<b>(229,722)</b>	<b>64,569</b>	<b>(165,153)</b>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>			
Proceeds from Internal Balances	-	(326,194)	(326,194)
Acquisition of Capital Assets	(35,235)	(14,443)	(49,678)
Loan Fees Paid		(58,045)	(58,045)
Principal Paid on Long Term Debt	(146,130)	(504,896)	(651,026)
Interest Paid on Long Term Debt	(72,078)	(560,978)	(633,056)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(253,443)</b>	<b>(1,464,556)</b>	<b>(1,717,999)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>			
Investment Income	6,995	9,111	16,106
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>6,995</b>	<b>9,111</b>	<b>16,106</b>
Cash and Cash Equivalents at July 1, 2016	611,972	2,163,098	2,775,070
<b>Cash and Cash Equivalents at June 30, 2017</b>	<b>\$ 843,767</b>	<b>\$ 1,762,890</b>	<b>\$ 2,606,657</b>
<b><u>Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:</u></b>			
Income (loss) from operations	\$ 649,923	\$ 406,482	\$ 1,056,405
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:			
Depreciation	107,483	549,295	656,778
Change in assets and liabilities:			
Decrease (increase) in operating receivables	(21,518)	14,143	(7,375)
Increase (decrease) in payables	(28,479)	19,143	(9,336)
Increase (decrease) in pension related accounts	556	1,605	2,161
<b>Net cash provided (used) by operating activities</b>	<b>\$ 707,965</b>	<b>\$ 990,668</b>	<b>\$ 1,698,633</b>

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

**BASIC FINANCIAL**  
**STATEMENTS**

**Fiduciary Fund**

This page intentionally left blank.

**CITY OF COBURG**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUND (AGENCY FUND)**  
**June 30, 2017**

---

	<b>Fiduciary Fund</b>
	Cash Evidence Held Fund
<b><u>ASSETS:</u></b>	
Current Assets	
Cash & Investments	\$ 8,979
<b>Total Assets</b>	<b>\$ 8,979</b>
<b><u>LIABILITIES:</u></b>	
Current Liabilities	
Refund Payables and Other	\$ 8,987
<b>Total Liabilities</b>	<b>\$ 8,987</b>

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

This page intentionally left blank.

**BASIC FINANCIAL**  
**STATEMENTS**

**Notes to the Basic**  
**Financial Statements**

**CITY OF COBURG**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The City of Coburg, Oregon (City) is a municipal corporation incorporated under the laws of the State of Oregon. The City is governed by an elected Mayor and an elected six member council. Administration officials are appointed by the council and are responsible for the day-to-day operations of the City.

The financial statements of the City have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). GAAP Statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The following is a summary of the more significant policies of the City:

**A. Reporting Entity**

In determining the financial reporting entity, the City of Coburg complies with Governmental Accounting Standards Board Statement 14, "The Financial Reporting Entity." The criteria for including organizations as component units within the City's reporting entity, include whether 1) the organization is legally separate (can sue and be sued in their own name); 2) the City holds the corporate powers of the organization; 3) the City appoints a voting majority of the organization's board; 4) the City is able to impose its will on the organization; 5) the organization has the potential to impose a financial benefit/burden on the City; and 6) there is fiscal dependency by the organization on the City. Based on the aforementioned criteria, the City of Coburg has one component unit, the Urban Renewal Agency.

*Blended Component Unit.* The City has included the financial operations of its Urban Renewal Agency as a blended component unit in the basic financial statements. The Agency is a legally separate entity, which is governed by a board comprised of the members of the City Council as stipulated in the Agency's bylaws. The City Council has the ability to impose its will on the Agency as determined on the basis of budget adoption, taxing authority, and funding for the Agency. Complete financial statements for the Agency can be obtained from the Finance Department of the City.

**B. Basis of Presentation**

*Government-wide Statements:* The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the overall City. Eliminations have been made to minimize the double counting of internal activities. 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. Direct expenses are those that are specifically associated with a program of function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Net position are reported as restricted when constraints placed on net asset use are either externally restricted, imposed by creditors (such as through grantors, contributors or laws) or through constitutional provisions or enabling resolutions.

**CITY OF COBURG**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT):**

**B. Basis of Presentation (Cont.)**

*Fund Financial Statements:* The fund financial statements provide information about the city's funds including those of a fiduciary nature, if applicable. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds.

**Governmental Funds** are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City reports the following major governmental funds:

General Fund - The General Fund is the main operating fund of the City. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Street Fund - This fund accounts for activities related to the construction and maintenance of City streets. Revenues for this fund come from state highway taxes and grants.

Street Capital Improvement Fund – This fund accounts for activities related to major infrastructure construction and repairs. Revenues for this fund come from grants, system development charges and transfers from other funds.

Coburg Urban Renewal Agency Fund – This fund accounts for the General Fund revenues and expenditures of the Urban Renewal Agency. This fund is reported as a blended component unit of the City.

Additionally, the City also reports non-major funds within the governmental fund type.

Special Revenue Funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Non-major special revenue funds include the Park Fund, Building Development Fund and the Park Capital Improvement Fund.

**Proprietary Funds** are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position. The City has presented the following major proprietary funds:

Water Funds - The Water Fund is used to account for the provision of water services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water system and billing and collection activities. Included in the Water Funds is the Water Capital Improvement Fund.

Sewer Funds - The Sewer Fund is used to account for the provision of sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the sewer system and billing and collection activities. Included in the Sewer Funds is the Sewer Capital Improvement Fund and the Sewer Debt Fund.

**CITY OF COBURG**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

**B. Basis of Presentation (Cont.)**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Fiduciary Funds** are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organization, other governmental units or other funds. Fiduciary funds are custodial in nature and do not involve measurement of the results of operations.

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

**C. Measurement Focus/Basis of Accounting**

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the city receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis of accounting revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Under terms of grant agreements, the city funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the city's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (when they are measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The city considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt, which is recognized when the obligations are expected to be liquidated with expendable available financial resources. Property taxes, interest and special assessments are susceptible to accrual. Other receipts and taxes become measurable and available when the cash is received by the government and are recognized as revenue at that time. Entitlements and shared revenues are recorded at the time of receipt or earlier if the "susceptible to accrual" criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

**CITY OF COBURG**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

**C. Measurement Focus/Basis of Accounting (Cont.)**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the city's Sewer and Water Funds are charges to customers for sales and services. These funds also recognize fees intended to recover the cost of connecting new customers to the city's utility systems as operating revenue. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**D. Budgeting**

A budget is prepared for each city fund in accordance with the modified accrual basis of accounting and legal requirements set forth in the Oregon local budget law. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total personnel services, materials and services, capital outlay, interfund transfers, contingencies, and debt service by fund are the levels of control. The detail budget document, however, is required to contain more specific, detailed information for the above mentioned expenditure categories. Appropriations lapse at June 30. Unexpected additional resources may be added to the budget by a supplemental budget and appropriations resolution. A supplemental budget may require hearings before the public, publications in newspapers, and approval by the city council. Original and supplemental budgets may be modified by using appropriations transfers between the levels of control. Such transfers require approval by the city council. The city does not utilize encumbrance accounting for budgeted funds.

**E. Cash and Investments**

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand, checking, savings and money market accounts and any short-term, highly liquid investments with initial maturity dates of three months or less.

The City has adopted an investment policy requiring compliance with Oregon statutes, which authorizes the City to invest in obligations of the United States, the agencies and instrumentalities of the United States and the State of Oregon, and numerous other investment instruments.

The City's investments may consist of time certificates of deposit, banker's acceptances, commercial paper, U.S. Government Agency securities, and the State of Oregon Treasurer's Local Government Investment Pool (LGIP). The City's investments are reported at fair value at year-end. Changes in the fair value of investments are recorded as investment earnings. The LGIP is stated at cost, which approximates fair value. Fair value of the LGIP is the same as the City's value in the pool shares.

The Oregon State Treasury administers the LGIP. It is an open-ended, non-load diversified portfolio offered to any agency, political subdivision or public corporation of the State that by law is made the custodian of, or has control of, any fund. The LGIP is included in the Oregon Short Term Fund (OSTF) which was established by the State Treasurer.

In seeking to best serve local governments of Oregon, the Oregon legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment options of the LGIP.

**CITY OF COBURG**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

**F. Accumulated Compensated Absences**

Accumulated vested vacation and compensatory pay is accrued as it is earned. For governmental funds, compensation not expected to be liquidated with the current resources are reported as liabilities in the government-wide statements and represent a reconciling item between the fund level and government-wide presentations. In business-type funds both the current and long-term liabilities are recorded. Sick pay, which does not vest, is recognized in applicable funds when leave is taken.

**G. Receivables**

Amounts due from individuals, organizations or other governmental units are recorded as receivables at year-end. These amounts include charges for services rendered, or for goods and material provided by the City. All receivables are expected to be collected. Accordingly, receivables are reported at the gross amount without an allowance for uncollectible accounts.

Receivables are also recognized for property taxes and intergovernmental grants. Property taxes receivable consist of uncollected taxes levied and payable at the end of the fiscal year. All taxes are considered collectible. Consequently no allowance for uncollectible taxes has been established. In the governmental fund financial statements, property taxes not collected within sixty days of the end of the fiscal year are reported as a deferred inflow or resources. (See note 1.J.)

**H. Deferred Inflows/Outflows 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 a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the City has only one item that qualifies for reporting in this category, deferred pension contributions.

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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item that qualifies for reporting in this category, deferred earnings on pension assets. In the governmental funds balance sheet, a different category of deferred inflow of resources, delinquent property tax revenue not available, is reported. Property taxes levied and considered receivable at the end of the fiscal year, but not collected within sixty days of the end of the fiscal year are reported in this category. These amounts are recognized as an inflow of resources (revenue) in the period that the amounts become available.

**I. Inventory**

Inventories are valued at cost, which approximates market value, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased. The costs of proprietary fund type inventories are recorded as expenditures when consumed rather than when purchased.

**CITY OF COBURG**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

**J. Restricted Assets and Liabilities**

Certain resources are set aside and restricted for future bond payments and the related liability; these resources are segregated in the statement of net position and are classified as restricted assets on the Statement of Net Position because their use is limited. For the fiscal year ended June 30, 2017 the City had sinking funds for debt service of \$468,007 in restricted assets.

**K. Long-Term Debt**

All bonds and capital leases to be paid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. Amounts of the long-term debt due within the following fiscal year are included in the current liabilities section of the Statement of Net Position.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as it is in the government-wide statements.

**L. Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Purchased or constructed capital assets are reported at cost, or estimated cost when original cost is not available. Donated capital assets are valued at their estimated fair market value on the date received. Maintenance and repairs of capital assets that do not significantly extend the useful life of an asset are not capitalized, but rather are charged to expenditures in the funds.

Assets capitalized have an original cost of \$5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method.

The estimated useful lives are as follows:

Buildings and Improvements	10-50 years
Machinery and Equipment	3-20 years
Vehicles	5-10 years
Water and Sewer Systems	20-50 years
Infrastructure	25-35 years

**M. Use of 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 amount of assets and liabilities as well as disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**CITY OF COBURG**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

N. Equity Classifications:

*Government-wide Statements and Proprietary Fund Financial Statements*

Equity is classified as net position, which represents the difference between assets and liabilities, and deferred accounts. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantor, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

*Governmental Fund Financial Statements*

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. The City did not have any nonspendable resources as of June 30, 2017.
- Restricted: This classification includes fund balance amounts that are constrained for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The City has restricted funds for public works projects, capital projects, urban renewal projects and debt service.
- Committed: This classification includes fund balance amounts that are constrained for specific purpose that are internally imposed by the government through resolution of the highest level of decision making authority, the City Council, and does not lapse at year-end. The City has committed resources as of June 30, 2017.
- Assigned: This classification includes fund balance amounts that are intended to be used for specific purposes that are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to selected staff members or through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned: This classification includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories, and negative fund balances of other governmental funds.

The City's policy is to use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of the constrained fund balances.

**CITY OF COBURG**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

**O. Property Taxes**

The assessment date for the tax year is July 1. Personal and real property taxes are a lien on July 1. Total personal property tax becomes due and is delinquent when any installment is not paid by its due date. Real property tax is due and payable on November 15. However, a taxpayer may pay real property taxes in three equal installments, due the 15th day of November, February and May. Real property taxes become delinquent if not paid by May 15.

**P. Inter-Fund Transactions**

Quasi-external transactions are accounted for as revenues or expenditures. 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. All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers in the fund financial statements. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

**Q. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement Fund (OPERF) and the Oregon Public Service Retirement Plan (OPSRP) and additions to/deductions from OPERF's and OPSRP's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**2. CASH AND INVESTMENTS:**

For discussion of deposit and investment policies and other related information, see Note 1.E.

The City follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by state statutes. These restrictions are summarized at Note 1.E.

Investments, including amounts held in pool cash and investments are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value. Fair value is determined at the quoted market prices, if available; otherwise, the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value.

**CITY OF COBURG**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

---

**2. CASH AND INVESTMENTS (CONT.):**

Deposits - All cash is deposited in compliance with Oregon statutes. The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. FDIC insurance of \$250,000 applies to the deposits in each depository. ORS 295 governs the collateralization of Oregon public funds and provides the statutory requirements for the Oregon Public Funds Collateralization Program (PFCP). Where balances continually exceed \$250,000, ORS 295 requires the depositor to verify that deposit accounts are only maintained at financial institutions on the list of qualified depositories found on the state treasurer's website.

Custodial Credit Risk for Deposits - Custodial credit risk for deposits exists when, in the event of a depository failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk.

As of June 30, 2017, the reported amount of the City's deposits was \$3,216,930; the bank balance was \$2,648,402 and \$302 in petty cash. Of the bank balance, the entire amount was insured by the FDIC or covered by the collateral held in a multiple financial institutions collateral pool administered by the Oregon State Treasurer.

Investments - Oregon statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, banker's acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the Local Governmental Investment Pool. The City has no credit risk policy or investment policy that would further limit its investment choices

Credit Risk - Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. As of June 30, 2017, the City's investment in the Oregon State Treasurer's Local Government Investment Pool (LGIP) was unrated.

At June 30, 2017, the City's investments in financial institutions are as follows:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Oregon State Treasurer's Local Government Investment Pool (LGIP)	<u>\$ 1,082,860</u>	N/A
Total Investments	<u>\$ 1,082,860</u>	

Investments in the LGIP and federal agency notes do not require disclosure credit rating quality.

Concentration of Credit Risk - An increased risk of loss occurs as more investments are acquired from one issuer. This results in a concentration of credit risk. The City places no limit on the amount that may be invested in any one issuer. More than 5 percent of the City's investments are in the Oregon State Treasurer's Local Government Investment Pool (LGIP). This investment is 100% of the City's total investments.

**CITY OF COBURG**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

June 30, 2017

**3. CAPITAL ASSETS:**

The following is a summary of capital asset activity for the fiscal year ended June 30, 2017:

<u>Governmental Activities</u>	<u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
<b>Assets not being depreciated:</b>				
Land	\$ 317,231	\$ -	\$ -	\$ 317,231
Construction In Progress	-	50,988	-	50,988
<b>Assets being depreciated:</b>				
Buildings and Infrastructure	1,251,919	61,260	-	1,313,179
Equipment and Vehicles	356,515	36,565	5,870	387,210
Total Depreciable Assets	1,608,434	97,825	5,870	1,700,389
<b>Less: Accumulated Depreciation</b>				
Buildings and Infrastructure	285,008	33,850	-	318,858
Equipment and Vehicles	320,385	15,280	5,870	329,795
Total Accumulated Depreciation	605,393	49,130	5,870	648,653
Net Value of Capital Assets Being Depreciated	1,003,041	48,695	-	1,051,736
Total Governmental Activities—Net Value of Capital Assets	<u>\$ 1,320,272</u>	<u>\$ 48,695</u>	<u>\$ -</u>	<u>\$ 1,419,955</u>
<b>Business-type Activities</b>				
<b>Assets not being depreciated:</b>				
Land	\$ 217,293	\$ -	\$ -	\$ 217,293
Construction In Progress	19,961	24,292	-	44,253
<b>Assets being depreciated:</b>				
Utility Plant	29,562,145	-	-	29,562,145
Equipment and Vehicles	225,846	25,386	-	251,232
Total Depreciable Assets	29,787,991	25,386	-	29,813,377
<b>Less: Accumulated Depreciation</b>				
Utility Plant	1,834,455	644,518	-	2,478,973
Equipment and Vehicles	41,435	12,260	-	53,695
Total Accumulated Depreciation	1,875,890	656,778	-	2,532,668
Net Value of Capital Assets Being Depreciated	27,912,101	(631,392)	-	27,280,709
Total Business-type Activities—Net Value of Capital Assets	<u>\$ 28,149,355</u>	<u>\$ (607,100)</u>	<u>\$ -</u>	<u>\$ 27,542,255</u>
<b>Total Net Value of Capital Assets of Primary Government</b>	<u>\$ 29,469,627</u>	<u>\$ (558,405)</u>	<u>\$ -</u>	<u>\$ 28,962,210</u>

**Depreciation expense was charged to functions of the primary government as follows:**

Governmental Activities:	Business-Type Activities:
General Government	Water Utilities
\$ 49,130	\$ 107,483
-	Sewer Utilities
-	549,295
Total depreciation expense - governmental activities	
<u>\$ 49,130</u>	<u>\$ 656,778</u>

\*With the implementation of GASB #34, the City elected the prospective reporting approach for infrastructure assets. Accordingly, only infrastructure assets acquired on July 1, 2003 and thereafter will be presented in the financial statements.

**CITY OF COBURG**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**4. LONG-TERM DEBT:**

In the following paragraphs, long-term debt information is presented separately with respect to governmental and business-type activities. The table below presents current year changes in those obligations and the current portions due for each issue.

	Outstanding Balance July 1, 2016	New Issues and Interest Matured	Principal and Interest Retired	Outstanding Balance June 30, 2017	Due within One Year
--	--	---------------------------------------	--------------------------------------	---	------------------------

**GOVERNMENTAL ACTIVITIES:**

Mortgage loan dated January 16, 2014 with Summit Bank for the purchase of City Hall. Original balance \$685,000. Interest rate is 3.59%.

Principal	\$ 642,584	\$ -	\$ 19,227	\$ 623,357	\$ 19,487
Interest	-	22,319	22,319	-	22,062
Totals	\$ 642,584	\$ 22,319	\$ 41,546	\$ 623,357	\$ 41,549

**TOTAL GOVERNMENTAL ACTIVITIES DEBT AGREEMENTS:**

Principal	\$ 642,584	\$ -	\$ 19,227	\$ 623,357	\$ 19,487
Interest	-	22,319	22,319	-	22,062
Totals	\$ 642,584	\$ 22,319	\$ 41,546	\$ 623,357	\$ 41,549

**BUSINESS-TYPE ACTIVITIES:**

Note payable to Department of Environmental Quality #R23041 for new wastewater system. Original balance \$789,310. Interest rate 3.51%. Service fee of .5%. Dated March 20, 2002. Reserve of \$57,039.

Principal	\$ 760,526	\$ -	\$ 29,803	\$ 730,723	\$ 30,858
Interest	-	26,435	26,435	-	29,034
Totals	\$ 760,526	\$ 26,435	\$ 56,238	\$ 730,723	\$ 59,892

Note payable to Department of Environmental Quality #R23042 for new wastewater system. Original balance \$9,209,228. Interest rate 2.81%. Service fee of .5%. Dated October 20, 2005. Reserve of \$314,514.

Principal	\$ 8,848,850	\$ -	\$ 370,577	\$ 8,478,273	\$ 381,063
Interest	-	246,067	246,067	-	277,972
Totals	\$ 8,848,850	\$ 246,067	\$ 616,644	\$ 8,478,273	\$ 659,035

Note payable to Department of Environmental Quality #R23044 for new wastewater system. Original balance \$2,000,000. Interest rate 1.85%. Reserve of \$64,494. Service fee of .5% Dated March 12, 2014

Principal	\$ 2,000,000	\$ -	\$ 701,732	\$ 1,298,268	\$ 57,985
Interest	-	65,987	65,987	-	30,098
Totals	\$ 2,000,000	\$ 65,987	\$ 767,719	\$ 1,298,268	\$ 88,083

**CITY OF COBURG**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**4. LONG-TERM DEBT (CONT.):**

	Outstanding Balance July 1, 2016	New Issues and Interest Matured	Principal and Interest Retired	Outstanding Balance June 30, 2017	Due within One Year
Revenue Bonds held by USDA Rural Development for the construction of wastewater system. Loan # 39009, Bond #1. Original balance \$3,000,000. Interest rate 3.75%. Dated January 27, 2015.					
Principal	\$ 2,966,520	\$ -	\$ 34,736	\$ 2,931,785	\$ 36,039
Interest	-	111,245	111,245	-	109,941
Totals	\$ 2,966,520	\$ 111,245	\$ 145,980	\$ 2,931,785	\$ 145,980
Revenue Bonds held by USDA Rural Development for the construction of wastewater system. Loan # 39010, Bond #2. Original balance \$3,000,000. Interest rate 3.75%. Dated January 27, 2015.					
Principal	\$ 2,966,520	\$ -	\$ 34,736	\$ 2,931,785	\$ 36,039
Interest	-	111,245	111,245	-	109,941
Totals	\$ 2,966,520	\$ 111,245	\$ 145,980	\$ 2,931,785	\$ 145,980
IFA Loan with Business Oregon for Water System Improvements. Loan #B01003. Original balance \$1,596,800. Interest rate varies. Dated December 01, 2001.					
Principal	\$ 550,459	\$ -	\$ 66,767	\$ 483,692	\$ 72,397
Interest	-	29,948	29,948	-	26,375
Totals	\$ 550,459	\$ 29,948	\$ 96,715	\$ 483,692	\$ 98,772
IFA Loan with Business Oregon for Pioneer Valley Estates Water System. Loan #G01001. Original balance \$1,251,270. Interest rate 5.37%. Dated December 01, 2001.					
Principal	\$ 695,137	\$ -	\$ 54,363	\$ 640,774	\$ 54,863
Interest	-	37,970	37,970	-	35,061
Totals	\$ 695,137	\$ 37,970	\$ 92,333	\$ 640,774	\$ 89,924
City of Coburg Water Revenue Bonds, Series 1999 held by Wells Fargo Corporate Trust Services. Original balance \$375,000. Dated September 1998. Variable interest rate of 3.6% to 5.2%.					
Principal	\$ 80,000	\$ -	\$ 25,000	\$ 55,000	\$ 25,000
Interest	-	4,160	4,160	-	2,860
Totals	\$ 80,000	\$ 4,160	\$ 29,160	\$ 55,000	\$ 27,860
<b>TOTAL BUSINESS-TYPE ACTIVITIES DEBT AGREEMENTS:</b>					
Principal	\$ 18,868,012	\$ -	\$ 1,317,713	\$ 17,550,299	\$ 694,244
Interest	-	633,056	633,056	-	621,283
Totals	\$ 18,868,012	\$ 633,056	\$ 1,950,769	\$ 17,550,299	\$ 1,315,527
<b>TOTAL DEBT AGREEMENTS:</b>					
Principal	\$ 19,510,596	\$ -	\$ 1,336,940	\$ 18,173,656	\$ 713,731
Interest	-	655,375	655,375	-	643,345
Totals	\$ 19,510,596	\$ 655,375	\$ 1,992,315	\$ 18,173,656	\$ 1,357,076

**CITY OF COBURG**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**4. LONG-TERM DEBT (CONT.):**

The debt service requirements on the above debt is as follows:

	<u>Due Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b><u>Governmental Activities:</u></b>				
Mortgage Loan for purchase of City Hall	2018	19,487	22,062	41,549
	2019	20,104	21,595	41,699
	2020	20,687	21,227	41,914
	2021	21,526	20,388	41,914
	2022	22,303	19,611	41,914
	2023-2024	519,251	29,380	548,631
	Total	\$ 623,357	\$ 134,264	\$ 757,621
<b><u>Business-Type Activities:</u></b>				
Water Funds Bonds and Notes Payable	2018	152,260	64,297	216,557
	2019	168,463	56,125	224,588
	2020	144,731	47,088	191,819
	2021	151,066	39,272	190,338
	2022	145,996	30,964	176,960
	2023-2026	416,950	50,569	467,519
	Total	\$ 1,179,466	\$ 288,314	\$ 1,467,780
Sewer Funds Bonds and Notes Payable	2018	541,984	504,594	1,046,578
	2019	557,638	488,940	1,046,578
	2020	574,350	472,228	1,046,578
	2021	589,804	456,774	1,046,578
	2022	607,457	439,121	1,046,578
	2023-2027	3,312,117	1,920,773	5,232,890
	2028-2032	3,823,317	1,409,573	5,232,890
	2033-2037	2,592,297	868,016	3,460,313
	2038-2042	811,210	648,590	1,459,800
	2043-2047	975,162	484,640	1,459,802
	2048-2052	1,172,346	287,454	1,459,800
	2053-2055	813,152	61,784	874,936
	Total	<u>\$ 16,370,834</u>	<u>\$ 8,042,487</u>	<u>\$ 24,413,321</u>

**CITY OF COBURG**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

---

**5. PENSION PLAN:**

**A. Name of Pension Plan**

The Oregon Public Employees Retirement System (PERS) consists of a cost-sharing multiple-employer defined benefit pension plan.

**B. Description of Benefit Terms**

*Plan Benefits*

All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A.

**1. Tier One/Tier Two Retirement Benefit (Chapter 238).** Tier One/Tier Two Retirement Benefit plan is closed to new members hired on or after August 29, 2003.

*Pension Benefits*

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

*Death Benefits*

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- the member was employed by a PERS employer at the time of death,
- the member died within 120 days after termination of PERS-covered employment,
- the member died as a result of injury sustained while employed in a PERS-covered job, or
- the member was on an official leave of absence from a PERS-covered job at the time of death.

*Disability Benefits*

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

**CITY OF COBURG**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

---

**5. PENSION PLAN (Cont.):**

*Benefit Changes After Retirement*

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2017 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

**2. OPSRP Defined Benefit Pension Program (OPSRP DB).** The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003.

*Pension Benefits*

This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the OPSRP Pension Program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

*Death Benefits*

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

*Disability Benefits*

A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

*Benefit Changes After Retirement*

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2017 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

**3. IAP Plan Description:**

**OPSRP Individual Account Program (OPSRP IAP)**

*Pension Benefits*

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies. Upon retirement, a member of the OPSRP Individual Account Program (IAP)

**CITY OF COBURG**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

---

**5. PENSION PLAN (Cont.):**

may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

*Death Benefits*

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

*Recordkeeping*

PERS contracts with VOYA Financial to maintain IAP participant records.

**C. Contributions**

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans.

Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2015. The state of Oregon and certain schools, community colleges, and political subdivisions have made lump sum payments to establish side accounts, and their rates have been reduced.

Employer contributions for the year ended June 30, 2017 were \$83,006, excluding amounts to fund employer specific liabilities.

**D. Pension Plan CAFR**

Oregon PERS produces an independently audited CAFR which can be found at:  
[http://www.oregon.gov/pers/Pages/section/financial\\_reports/financials.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx)

**E. Actuarial Valuations**

The employer contribution rates effective July 1, 2015, through June 30, 2017, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

**CITY OF COBURG**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**5. PENSION PLAN (Cont.):**

**F. Actuarial Methods and Assumptions Used in Developing Total Pension Liability**

Valuation Date	December 31, 2014
Measurement Date	June 30, 2016
Experience Study	2014, published September 2015
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Inflation rate	2.50 percent (reduced from 2.75%)
Long-term expected rate of return	7.50 percent (reduced from 7.75%)
Discount rate	7.50 percent (reduced from 7.75%)
Projected salary increases	3.50 percent (reduced from 3.75%)
Cost of living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision; blend based on service.
Mortality	<p>Healthy retirees and beneficiaries:  RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members:  Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees:  Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per Scale BB, disabled mortality table.</p>
<p>1 At its September 25, 2015 meeting, the PERS Board reduced the assumed rate of return on investments from 7.75 percent to 7.50 percent.</p>	

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

*Discount Rate*

The discount rate used to measure the total pension liability was 7.50 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF COBURG**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**5. PENSION PLAN (Cont.):**

*Depletion Date Projection*

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for PERS:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is our independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

*Assumed Asset Allocation*

<u>Asset Class/Strategy</u>	<u>OIC Policy Range</u>	<u>OIC Target Allocation</u>	<u>Asset Class/Strategy</u>	<u>Actual Allocation</u>
Cash	0.0% - 3.0%	0.0%	Cash	3.9%
Debt Securities	15.0% - 25.0%	20.0%	Debt Securities	20.7%
Public Equity	32.5% - 42.5%	37.5%	Public Equity	37.9%
Real estate	9.5% - 15.5%	12.5%	Real estate	12.0%
Private Equity	13.5% - 21.5%	17.5%	Private Equity	19.5%
Alternative Equity	0.0% - 12.5%	12.5%	Alternative Equity	4.1%
Opportunity Portfolio	0.0% - 3.0%	0.0%	Opportunity Portfolio	1.9%
Total		<u>100%</u>	Total	<u>100%</u>

**CITY OF COBURG**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**5. PENSION PLAN (Cont.):**

*Long-Term Expected Rate of Return*

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below.

Asset Class	Target Allocation*	Annual Arithmetic Mean	Compound Annual (Geometric) Return	Standard Deviation
Core Fixed Income	8.00%	4.10%	4.00%	4.68%
Short-Term Bonds	8.00%	3.65%	3.61%	2.74%
Bank/Leveraged Loans	3.00%	5.69%	5.42%	7.82%
High Yield Bonds	1.00%	6.67%	6.20%	10.28%
Large/Mid Cap US Equities	15.75%	7.96%	6.70%	17.07%
Small Cap US Equities	1.31%	8.93%	6.99%	21.35%
Micro Cap US Equities	1.31%	9.37%	7.01%	23.72%
Developed Foreign Equities	13.13%	8.34%	6.73%	19.40%
Emerging Foreign Equities	4.13%	10.56%	7.25%	28.45%
Non-US Small Cap Equities	1.88%	9.01%	7.22%	20.55%
Private Equity	17.50%	11.60%	7.97%	30.00%
Real Estate (Property)	10.00%	6.48%	5.84%	12.00%
Real Estate (REITS)	2.50%	8.74%	6.69%	22.02%
Hedge Fund of Funds - Diversified	2.50%	4.94%	4.64%	8.09%
Hedge Fund - Event-driven	0.63%	7.07%	6.72%	8.90%
Timber	1.88%	6.60%	5.85%	13.00%
Farmland	1.88%	7.11%	6.37%	13.00%
Infrastructure	3.75%	8.31%	7.13%	16.50%
Commodities	1.88%	6.07%	4.58%	18.40%
<b>Assumed Inflation - Mean</b>			<b>2.50%</b>	<b>1.85%</b>

\* Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, revised as of December 3, 2014. The revised allocation was adopted at the June 3, 2015 OIC meeting.

**CITY OF COBURG**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

---

**5. PENSION PLAN (Cont.):**

**G. Sensitivity Analysis**

The following presents the employer's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease 6.50%	Discount Rate 7.50%	1% Increase 8.50%
Employer's proportionate share of the net pension liability	\$ 1,314,391	\$ 814,033	\$ 395,820

**H. Summary of Significant Accounting Policies**

*Reporting Entity*

PERS' financial statements are prepared on the basis of a fiscal year ended June 30. The Oregon State Treasurer has statutory responsibility for custody and investment of PERS assets. As a result of this fiduciary responsibility, PERS is included as part of the primary government in the State of Oregon Comprehensive Annual Financial Report.

*Basis of Presentation*

The accompanying financial statements are prepared in accordance with Governmental Accounting Standards Board Statements and generally accepted accounting principles that apply to governmental accounting for fiduciary funds.

*Basis of Accounting*

The accrual basis of accounting is used. Revenues are recognized when earned. Contributions are recognized when due, pursuant to formal commitments, as well as statutory and Board requirements. Expenses are recognized when incurred. Benefits are recognized when currently due and payable. Withdrawals are recognized in the month they are due and payable.

*Investments*

Oregon Revised Statute (ORS) 293.706 established the Oregon Investment Council (OIC), which consists of five voting members. Four members of the council, who are qualified by training and experience in the field of investment or finance, are appointed by the governor subject to state Senate confirmation. The state treasurer serves as the council's remaining voting member. In addition, the director of the Public Employees Retirement System serves as a non-voting OIC member.

OIC ensures moneys in the investment funds are invested and reinvested to achieve the investment objective of making the moneys as productive as possible. Furthermore, the investments of those funds are managed as a prudent investor would do under the prevailing circumstances and in light of the purposes, terms, distribution requirements, and laws governing each investment fund. This standard requires the exercise of reasonable care, skill, and caution and is applied to investments not in isolation, but in the context of each fund's portfolio as part of an overall investment strategy. The strategy should incorporate risk and return objectives reasonably suitable to the particular investment fund.

**CITY OF COBURG**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

---

**5. PENSION PLAN (Cont.):**

When implementing investment decisions, OIC has a duty to diversify the investments of the investment funds unless, under the circumstances, it is not prudent to do so. In addition, OIC must act with prudence when selecting agents and delegating authority.

Investments are recognized at fair value, the amount at which financial instruments could be exchanged in a current transaction between willing parties other than in a forced or liquidation sale.

The fair value of publicly traded debt and equity securities in active markets is determined by the custodian's pricing agent using nationally recognized pricing services. The custodian's pricing agent values equity securities traded on a national or international exchange at the last reported sales price, and generally values debt securities by using evaluated bid prices. For securities that do not have an active market, such as private placements or commingled investment vehicles, a market price is calculated by either the custodian's pricing agent or the investment manager. For example, a similar benchmark security may be used to derive the fair value. The benchmark will typically have a coupon rate and maturity date comparable to the debt security being valued, and its market risk will be similar, considering current market conditions. The fair value of real estate investment trust (REIT) securities is determined by the custodian's pricing agent using recognized pricing services.

Investments in private equities are recorded at fair value, as of June 30, 2015, as determined by management based on valuation information provided by the general partner. Investments in private equities representing publicly traded securities are stated at quoted market price. Where observable market inputs are not available, valuation models are applied. The general partner determines fair value based on the best information available and by reference to information including, but not limited to, the following: projected sales, net earnings, earnings before interest, taxes, depreciation and amortization, balance sheets, public and private transactions, valuations for publicly traded comparable companies, and/or other measures, and consideration of any other pertinent information including the types of securities held and the general partner's own assumptions regarding the investment. The methods used to determine the fair value of these investments typically include: (1) the market approach (whereby fair value is derived by reference to observable valuation measures for comparable companies or assets) and (2) the income approach (e.g., the discounted cash flow method).

Investments in real estate, with the exception of publicly traded REITS, for which observable market prices in active markets do not exist, are reported at fair value as of June 30, 2014, as determined by management based on valuation information provided in good faith by the general partner. Direct investments in real estate are appraised every two to three years, and between appraisals, investment managers adjust values to reflect current and projected operating performance and financial transactions. In the absence of observable market prices, general partners determine the fair value of real estate partnerships using valuation methods considered most appropriate. A variety of factors are considered, including the nature of the investment, local market conditions, trading values on public exchanges for comparable investments, current and projected operating performance, and financing transactions subsequent to the acquisition of the investment.

Investments in the opportunity and alternatives portfolios are recorded at fair value as of June 30, 2015 by the respective general partner or account manager. Investments in the opportunity and alternatives portfolios representing publicly traded securities are stated at quoted market price. Where observable market inputs are not available, valuation models are applied. The general partner or account manager determines fair value based on the best information available and by reference to information including, but not limited to, the following: projected sales, net earnings, earnings before interest, taxes, depreciation, and amortization, balance sheets, public and private transactions, valuations for publicly traded comparable companies, and/or other measures, and consideration of any other pertinent information including the types of securities held and the general partner's own assumptions regarding the investment. The methods used to determine the fair value of these investments typically include: (1) the market approach (whereby fair value is derived by reference to observable valuation measures for comparable companies or assets); (2) the income approach (e.g. the discounted cash flow method).

**CITY OF COBURG**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

---

**5. PENSION PLAN (Cont.):**

Due to the inherent uncertainty and the degree of judgment involved in determining private equity, opportunity, alternatives, and real estate portfolio investment valuations, the fair values reflected in the accompanying financial statements may differ significantly from values that would have been used had a readily determinable market value for the investments existed and the difference could be material. In addition, these investments are generally considered to be illiquid long-term investments, and the recorded fair values may materially differ from the amounts that eventually may be realized from the sale or other disposition of these investments.

OIC has approved the following asset classes for the PERF: Short-Term Investing, Fixed Income, Real Estate, Public and Private Equities, and Alternative Investments. In addition, PERF invests in the Opportunity Portfolio which may be populated with investment approaches across a wide range of investment opportunities with no limitation as to asset classes or strategies. OIC must approve, in advance, the purchase of investments in a new asset class not described above.

As of June 30, 2016, PERS did not hold investments in any one organization that represent 5 percent or more of PERS' fiduciary net position.

**I. Changes in Assumptions**

A summary of key changes implemented since the December 31, 2013 valuation are described briefly below. Additional detail and a comprehensive list of changes in methods and assumptions can be found in the 2014 Experience Study for the System, which was published on September 23, 2015, and can be found at:

[https://www.oregon.gov/pers/docs/2014\\_experience\\_study\\_9-23-15.pdf](https://www.oregon.gov/pers/docs/2014_experience_study_9-23-15.pdf)

*Changes in Actuarial Methods and Allocation Procedures*

There were no changes to actuarial methods and procedures since the December 31, 2014 valuation.

*Changes in Economic Assumptions*

There were no changes to economic assumptions since the December 31, 2014 valuation.

*Changes in Demographic Assumptions*

There were no changes to economic assumptions since the December 31, 2014 valuation.

*Changes in Benefit Terms and Assumptions*

**Benefit Terms:** The Oregon Supreme Court decision in *Moro v. State of Oregon*, issued on April 30, 2015, reversed a significant portion of the reductions the 2013 Oregon Legislature made to future System Cost of Living Adjustments (COLA) through Senate Bills 822 and 861. This reversal increased the total pension liability as of June 30, 2015 compared to June 30, 2014 total pension liability.

**Assumptions:** The PERS Board adopted assumption changes that were used to measure the June 30, 2016 total pension liability. The changes include the lowering of the long-term expected rate of return to 7.50 percent and lowering of the assumed inflation to 2.50 percent. In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and assumptions were updated for merit increases, unused sick leave, and vacation pay were updated.

**CITY OF COBURG**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

June 30, 2017

**5. PENSION PLAN (Cont.):**

Mortality Rates

A summary of the current assumed mortality rates and recommended changes is shown below:

Assumption	December 31, 2013 Valuation	Recommended December 31, 2014 and 2015 Valuations
<b>Healthy Annuitant Mortality</b>	<b>RP2000 Generational with Scale AA, Combined Active/Healthy Annuitant, Sex Distinct</b>	<b>RP2000 Generational with Scale BB, Combined Active/Healthy Annuitant, Sex Distinct</b>
School District male	No collar, set back 24 months	No change to collar adjustment or set back
Other General Service male (and male beneficiary)	Blended 25% blue collar/75% white collar, set back 12 months	No change to collar adjustment or set back
Police & Fire male	Blended 25% blue collar/75% white collar, set back 12 months	No change to collar adjustment or set back
School District female	White collar, set back 24 months	No collar, set back 24 months
Other female (and female beneficiary)	White collar, no setback	Blended 25% blue collar/75% white collar, no setback
<b>Disabled Retiree Mortality</b>	<b>RP 2000 Static, Disabled, No Collar, Sex distinct</b>	<b>RP 2000 Generational with Scale BB, Disabled, No Collar, Sex distinct</b>
Male	65% of Disabled table, but not less than corresponding healthy annuitant rates	70% of Disabled table, but not less than corresponding healthy annuitant rates
Female	90% of Disabled table, but not less than corresponding healthy annuitant rates	95% of Disabled table, but not less than corresponding healthy annuitant rates
<b>Non-Annuitant Mortality</b>	<b>Fixed Percentage of Healthy Annuitant Mortality</b>	<b>No change</b>
School District male	70%	60%
Other General Service male	85%	75%
Police & Fire male	95%	75%
School District female	60%	55%
Other female	55%	60%

**CITY OF COBURG**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

---

**5. PENSION PLAN (Cont.):**

*Change in Proportionate Share*

Since the December 31, 2013 actuarial valuation, the system-wide actuarial accrued liability has increased primarily due to the Moro decision and assumption changes, along with interest on the liability as current active members get closer to retirement. The Oregon Supreme Court decision in Moro v. State of Oregon, issued on April 30, 2015, reversed a significant portion of the reductions the 2013 Oregon Legislature made to future system Cost of Living Adjustments (COLA) through Senate Bills 822 and 861. This reversal increased the benefits projected to be paid by Employers compared to those developed in the prior actuarial valuation, and consequently increased plan liabilities. The employers' projected long-term contribution effort has been adjusted for the estimated impact of the Moro Decision. In accordance with statute, a biennial review of actuarial methods and assumptions was completed in 2105 to be used for the December 31, 2014 actuarial valuation. After completion of this review and subsequent to the measurement date, the PERS Board adopted several assumption changes, including lowering the investment return assumption to 7.50%, which will be effective January 1, 2017.

*Deferred Items*

Deferred items are calculated at the system-wide level and are allocated to employers based on their proportionate share. For the measurement period ending June 30, 2015, employers will report the following deferred items:

- A difference between expected and actual experience, which is being amortized over 5.4 years, the remaining service lives of all plan participants, including retirees. One year of this amortization is included in the employer's total pension expense for the measurement period.
- Changes in employer proportion since the prior measurement date, which is being amortized over 5.4 years, the remaining service lives of all plan participants, including retirees. One year of this amortization is included in the employer's total pension expense for the measurement period.
- A Net difference between projected and actual earnings which is being amortized over a closed five year period. One year's amortization is being recognized in the employer's total pension expense for the measurement period.

**I. Employer Contributions**

PERS includes accrued contributions when due pursuant to legal requirements, as of June 30 in its Statement of Changes in Fiduciary Net Position. These are normally included in the employer statements cut off as of the fifth of the following month. PERS does not try to accrue contributions based on payday.

Beginning with fiscal year 2017, PERS will be able to report cash contributions and UAL side account amortization by employer, and will publish this information on the PERS Website. Prior to fiscal year 2017, contributions to the OPSRP Defined Benefit plan were not accounted for by employer, as all employers were pooled for actuarial purposes.

**J. Elements of Changes in Net Position**

This information can be found in the Schedule of Changes in Net Pension Liability found on page 69, of the June 30, 2016 PERS CAFR.

*Pension Liabilities/(Assets), Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions*

At June 30, 2017, the employer reported a liability of \$814,033 for its proportionate share of the net pension liability. The net pension liability/(asset) was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on a projection of the employer's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

**CITY OF COBURG**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**5. PENSION PLAN (Cont.):**

At June 30, 2015, the employer's proportion was 0.00542243 percent.

For the year ended June 30, 2017, the employer recognized pension expense of \$148,625. At June 30, 2017, the employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 26,932	\$ -
Changes of assumptions	173,614	-
Net difference between projected and actual earnings on investements	160,819	-
Changes in proportionate share	40,334	6,639
Differences between employer contributions and employer's proportionate share of system contributions	-	17,170
Total Deferred Outflows/Inflows	\$ 401,699	\$ 23,809
Post-measurement date contributions	83,006	N/A
Total Deferred Outflow/(Inflow) of Resources	\$ 484,705	\$ 23,809
Net Deferred Outflow/(Inflow) of Resources prior to post-measurement date contributions		377,890

\$377,890 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense/(income) as follows:

Employer subsequent fiscal years	Deferred Outflow/(Inflow) of Resources (prior to post-measurement date contributions)
1st Fiscal Year	\$ 67,795
2nd Fiscal Year	67,795
3rd Fiscal Year	127,440
4th Fiscal Year	99,628
5th Fiscal Year	15,230
Thereafter	-
Total	\$ 377,890

**CITY OF COBURG**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

---

**6. OTHER POST-EMPLOYMENT BENEFITS (OPEB):**

*Oregon Public Employees Retirement Systems' (PERS) Retiree Health Insurance Account (RHIA)*

**Plan Description**

The City contributes to the Oregon Public Employees Retirement Systems' (PERS) Retiree Health Insurance Account (RHIA), a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the Oregon Public Employees Retirement Board (OPERB). The plan, which was established under Oregon Revised Statutes 238.420, provides a payment of up to \$60 per month towards the costs of health insurance for eligible PERS retirees. RHIA post-employment benefits are set by state statute. The plan was closed to new entrants hired on or after August 29, 2003.

To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

A comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700, by calling (503) 598-7377, or by accessing the PERS web site at <http://oregon.gov/PERS/>.

**Funding Policy**

Participating employers are contractually required to contribute at a rate assessed bi-annually by the OPERB, currently 0.53% of annual covered PERS payroll and 0.45% for OPSRP payroll. The OPERB sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years.

**Contributions**

The City's contributions to PERS' RHIA for the years ended June 30, 2017, 2016, and 2015 were \$3,031, \$3,257, and \$1,777 respectively, which equaled the required contributions for the year.

*Retiree Healthcare Insurance Premiums*

**Plan Description**

The City does not have a formal post-employment benefits plan for any employee groups. However, the City is required by Oregon Revised Statutes 243.303 to provide retirees with group health insurance from the date of retirement to age 65 at the same rate provided to current employees. Although the City does not pay any portion of the retiree's healthcare insurance, a retired employee receives the implicit benefit of a lower healthcare premium which is subsidized amount the premium cost of coverage for active employee. GASB Statement 45 is applicable to the City due only to this implicit rate subsidy. This "plan" is not a stand-alone plan, and therefore, does not issue its own financial statements.

**CITY OF COBURG**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

---

**6. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Cont.):**

Funding Policy

Although the City does not currently have any retirees participating in their health insurance plan, it will, when applicable, collect insurance premiums from all retirees each month and deposit them. The City will then pay healthcare insurance premiums for all retirees at the applicable rate for each family classification. Since the existing coverage is through a multiple-employee plan, given the City's small size in relation to the other employers, the City's rate is not affected by the age of its participants in the Plan. Therefore, there is no implicit benefit considered by management to be earned by current employees. As a result, the City does not report a liability for any potential accrued liability under GASB Statement 45.

**7. CONTINGENT LIABILITIES:**

Amounts received or receivable from grantor agencies are subject to review and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amount, if any, to be immaterial.

The City of Coburg has elected the "reimbursement" basis for unemployment claims to the State of Oregon Department of Human Resources Employment Division. If a terminated employee collects unemployment compensation based upon earnings from the City, the City will be required to reimburse the State of Oregon for the amount of unemployment compensation paid. Amounts billed by the State of Oregon are charged to expenditures, but amounts for which the City is potentially liable as a result of claims not yet filed are unknown.

**8. 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 is a member of City-County Insurance Services (CIS), a public entity risk pool currently operating a common risk management and insurance program. The City pays an annual premium to CIS for insurance coverage.

Based on the experience of the City and pool, the City may be liable for an additional premium of up to approximately 20% of its initial premium or it may receive a refund. The City has never had to pay an additional premium. Predetermined limits and deductible amounts are stated in the policy. There have been no significant reductions in coverage from the prior years and settlements have not exceeded insurance coverage in the past three years.

**CITY OF COBURG**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**9. OVER-EXPENDITURE OF APPROPRIATIONS:**

Expenditures in excess of appropriation in individual funds for the year ended June 30, 2017 occurred as follows:

<u>Fund / Department</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
General Fund / Administration	\$ 584,893	\$ 587,417	\$ 2,524
General Fund / Planning	\$ 193,557	\$ 201,327	\$ 7,770
General Fund / Debt Service	\$ 49,921	\$ 49,934	\$ 13
URA General Fund / Materials & Supplies	\$ 6,950	\$ 10,595	\$ 3,645

**10. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:**

Interfund transfers for the year ended June 30, 2017 were as follows:

	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	\$ 69,601	\$ 584,998
Street Fund	62,490	-
Coburg Urban Renewal Agency Fund	324,500	-
Water Fund	200,343	-
Sewer Fund	302,564	374,500
Total	<u>\$ 959,498</u>	<u>\$ 959,498</u>

The City makes various interfund transfers to move resources between funds to provide resources for expenditures that are not supported by other revenues. The transfers are part of the City's budget preparation and adoption. The Coburg Urban Renewal Agency Fund transferred funds to the Sewer Debt Fund for the purpose of debt payments.

The City budgets and reports as interfund transfers overhead administration and payroll reimbursement allocations.

This page intentionally left blank.

**REQUIRED**  
**SUPPLEMENTARY**  
**INFORMATION**

# CITY OF COBURG

## Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

### GENERAL FUND

For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Over (Under)
	Original	Final		
<b><u>REVENUES:</u></b>				
Taxes and Assessments	\$ 607,455	\$ 607,455	\$ 616,871	\$ 9,416
Intergovernmental	63,288	63,288	67,943	4,655
Franchise Fees	252,500	252,500	249,570	(2,930)
Licenses, Permits, & Misc Fees	130,951	158,951	159,567	616
Fines and Forfeitures	122,500	122,500	138,030	15,530
Investment Revenue	4,000	4,000	5,307	1,307
Grants and Donations	491,800	513,800	31,883	(481,917)
Charges for Services	35,250	35,250	53,165	17,915
Other Revenue	14,830	14,830	14,078	(752)
<b>Total Revenues</b>	<b>1,722,574</b>	<b>1,772,574</b>	<b>1,336,414</b>	<b>(436,160)</b>
<b><u>EXPENDITURES:</u></b>				
Administration Department	560,893	584,893	587,417	2,524
Planning Department	167,557	193,557	201,327	7,770
Police Department	405,820	431,820	400,150	(31,670)
Municipal Court	111,547	111,547	105,999	(5,548)
Economic Development	50,500	50,500	50,451	(49)
Park	47,435	26,935	20,332	(6,603)
Park Capital	467,040	467,040	41,479	(425,561)
Contingency	116,000	116,000	-	(116,000)
Public Works Administration	317,376	320,876	298,864	(22,012)
Not Allocated to an Organizational Unit:				
Debt Service				
Principal	20,000	20,000	19,227	(773)
Interest	22,500	22,500	22,319	(181)
<b>Total Expenditures</b>	<b>2,286,668</b>	<b>2,345,668</b>	<b>1,747,565</b>	<b>(598,103)</b>
Excess (Deficiency) of Revenues Over Expenditures	(564,094)	(573,094)	(411,151)	161,943
<b><u>OTHER FINANCING SOURCES / (USES):</u></b>				
Operating Transfer In	630,400	630,400	584,998	(45,402)
Operating Transfer (Out)	(87,414)	(87,414)	(69,601)	(17,813)
<b>Total Other Financing Sources (Uses)</b>	<b>542,986</b>	<b>542,986</b>	<b>515,397</b>	<b>(27,589)</b>
Net Change in Fund Balance	(21,108)	(30,108)	104,246	134,354
Fund Balance - July 1, 2016	473,741	473,741	443,077	(30,664)
<b>Fund Balance - June 30, 2017</b>	<b>\$ 452,633</b>	<b>\$ 443,633</b>	<b>\$ 547,323</b>	<b>\$ 103,690</b>

# CITY OF COBURG

## Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

### STREET FUND

For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary Basis) (See Note 1)	Final Budget Over (Under)
<b><u>REVENUES:</u></b>				
Intergovernmental	\$ 148,500	\$ 148,500	\$ 148,294	\$ (206)
Grants	50,000	50,000	5,000	(45,000)
Investment Revenue	2,900	2,900	6,617	3,717
Charges for Services	41,000	41,000	25,333	(15,667)
Miscellaneous Revenue	-	-	450	450
<b>Total Revenues</b>	<b>242,400</b>	<b>242,400</b>	<b>185,694</b>	<b>(56,706)</b>
<b><u>EXPENDITURES:</u></b>				
Street	162,950	162,950	69,227	(93,723)
Contingency	50,000	50,000	-	(50,000)
Street Capital	5,160	5,160	3,934	(1,226)
Contingency	100,000	100,000	-	(100,000)
<b>Total Expenditures</b>	<b>318,110</b>	<b>318,110</b>	<b>73,161</b>	<b>(244,949)</b>
Excess (Deficiency) of Revenues Over Expenditures	(75,710)	(75,710)	112,533	188,243
<b><u>OTHER FINANCING SOURCES / (USES):</u></b>				
Operating Transfer (Out)	(74,557)	(74,557)	(62,490)	(12,067)
<b>Total Other Financing Sources (Uses)</b>	<b>(74,557)</b>	<b>(74,557)</b>	<b>(62,490)</b>	<b>(12,067)</b>
Net Change In Fund Balance	(150,267)	(150,267)	50,043	176,176
Fund Balance - July 1, 2016	206,448	206,448	438,194	231,746
<b>Fund Balance - June 30, 2017</b>	<b>\$ 56,181</b>	<b>\$ 56,181</b>	<b>\$ 488,237</b>	<b>\$ 407,922</b>

# CITY OF COBURG

## Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual URBAN RENEWAL AGENCY FUND - A COMPONENT UNIT

For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Over (Under)
	Original	Final		
<b><u>REVENUES:</u></b>				
Taxes and Assessments	\$ 280,781	\$ 280,781	\$ 346,752	\$ 65,971
Investment Revenue	4,000	4,000	4,549	549
<b>Total Revenues</b>	<b>284,781</b>	<b>284,781</b>	<b>351,301</b>	<b>66,520</b>
<b><u>EXPENDITURES:</u></b>				
Materials and supplies	6,950	6,950	10,595	3,645
<b>Total Expenditures</b>	<b>6,950</b>	<b>6,950</b>	<b>10,595</b>	<b>3,645</b>
Excess (Deficiency) of Revenues Over Expenditures	277,831	277,831	340,706	62,875
<b><u>OTHER FINANCING SOURCES / (USES):</u></b>				
Operating Transfer (Out)	(324,500)	(324,500)	(324,500)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(324,500)</b>	<b>(324,500)</b>	<b>(324,500)</b>	<b>-</b>
Net Change In Fund Balance	(46,669)	(46,669)	16,206	62,875
Fund Balance - July 1, 2016	198,844	198,844	224,677	25,833
<b>Fund Balance - June 30, 2017</b>	<b>\$ 152,175</b>	<b>\$ 152,175</b>	<b>\$ 240,883</b>	<b>\$ 88,708</b>

**CITY OF COBURG**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE**  
**NET PENSION LIABILITY**  
**PERS**  
**Last 10 Fiscal Years\***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability (asset)	0.00542243%	0.00467319%	0.00517355%
Employer's proportionate share of the net pension liability (asset)	\$ 814,033	\$ 268,309	\$ (117,270)
Employer's covered - employee payroll	\$ 680,984	\$ 675,338	\$ 416,570
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	119.54%	39.73%	-28.15%
Plan fiduciary net position as a percentage of the total pension liability	80.5%	91.9%	103.6%

\*This schedule is presented to illustrate the requirement to show information for 10 years. However the full 10-year trend will be presented for those years for which information is available

**CITY OF COBURG**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**PERS**

**Last 10 Fiscal Years\***

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 83,006	\$ 82,856	\$ 45,190	\$ 45,098
Contributions in relation to the contractually required contribution	<u>83,006</u>	<u>82,856</u>	<u>45,190</u>	<u>45,098</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Employer's covered - employee payroll	\$ 680,984	\$ 675,338	\$ 416,570	\$ 577,960
Contributions as a percentage of covered - employee payroll	12.19%	12.27%	10.85%	7.80%

\*This schedule is presented to illustrate the requirement to show information for 10 years. However the full 10-year trend will be presented for those years for which information is available

**OTHER**  
**SUPPLEMENTARY**  
**INFORMATION**

**Proprietary Funds**

# CITY OF COBURG

## Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

### WATER FUND

For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
			(Budgetary Basis)	Over
			(See Note 1)	(Under)
<b>REVENUES:</b>				
Charges for Services	\$ 879,500	\$ 879,500	\$ 808,169	\$ (71,331)
Investment Revenue	6,840	6,840	6,995	155
Other Revenue	2,000	2,000	29,374	27,374
<b>Total Revenues</b>	<b>888,340</b>	<b>888,340</b>	<b>844,538</b>	<b>(43,802)</b>
<b>EXPENDITURES:</b>				
Water	120,740	120,740	81,960	(38,780)
Contingency	200,000	200,000	-	(200,000)
Water Capital	152,540	152,540	31,774	(120,766)
Contingency	200,000	200,000	-	(200,000)
Debt Service				
Principal	139,980	139,980	147,212	7,232
Interest	95,585	95,585	72,078	(23,507)
<b>Total Expenditures</b>	<b>908,845</b>	<b>908,845</b>	<b>333,024</b>	<b>(575,821)</b>
Excess (Deficiency) of Revenues Over Expenditures	(20,505)	(20,505)	511,514	532,019
<b>OTHER FINANCING SOURCES / (USES):</b>				
Operating Transfer (Out)	(215,755)	(215,755)	(200,343)	(15,412)
<b>Total Other Financing Sources (Uses)</b>	<b>(215,755)</b>	<b>(215,755)</b>	<b>(200,343)</b>	<b>15,412</b>
Net Change In Fund Balance	(236,260)	(236,260)	311,171	547,431
Fund Balance - July 1, 2016	423,715	423,715	580,125	156,410
<b>Fund Balance - June 30, 2017</b>	<b>\$ 187,455</b>	<b>\$ 187,455</b>	<b>\$ 891,296</b>	<b>\$ 703,841</b>

**Reconciliation to generally accepted accounting principles basis**

Net Change in Fund Balance - from above	\$ 311,171
Change in Accrued Interest	4,927
Debt Principal Payments	146,130
Capital outlay that is capitalized	35,235
Change in Pension Expense	(556)
Depreciation Expense	(107,483)
Change in Net Position as Reported in Proprietary Funds Statement of Revenues, Expenditures, and Changes in Net Position	<u>\$ 389,424</u>

# CITY OF COBURG

## Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

### SEWER FUND

For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Over (Under)
	Original	Final		
<b><u>REVENUES:</u></b>				
Taxes & Assessments	\$ 175,000	\$ 175,000	\$ 224,226	\$ 49,226
Charges for Services	913,000	913,000	904,212	(8,788)
Investment Revenue	4,500	4,500	9,111	4,611
<b>Total Revenues</b>	<b>1,092,500</b>	<b>1,092,500</b>	<b>1,137,549</b>	<b>45,049</b>
<b><u>EXPENDITURES:</u></b>				
Sewer	220,150	220,150	181,356	(38,794)
Sewer Capital	1,040	1,040	9	(1,031)
Contingency	200,000	200,000	-	(200,000)
Sewer Debt Service	5,000	5,000	4,134	(866)
Debt Service:				
Principal	540,937	540,937	504,896	(36,041)
Interest	592,352	592,352	619,023	26,671
<b>Total Expenditures</b>	<b>1,559,479</b>	<b>1,559,479</b>	<b>1,309,418</b>	<b>(250,061)</b>
Excess (Deficiency) of Revenues Over Expenditures	(466,979)	(466,979)	(171,869)	295,110
<b><u>OTHER FINANCING SOURCES / (USES):</u></b>				
Operating Transfer In	374,500	374,500	374,500	-
Operating Transfer (Out)	(302,674)	(302,674)	(302,564)	(110)
<b>Total Other Financing Sources (Uses)</b>	<b>71,826</b>	<b>71,826</b>	<b>71,936</b>	<b>(110)</b>
Net Change In Fund Balance	(395,153)	(395,153)	(99,933)	295,220
Fund Balance - July 1, 2016	1,929,141	1,929,141	2,321,887	392,746
<b>Fund Balance - June 30, 2017</b>	<b>\$ 1,533,988</b>	<b>\$ 1,533,988</b>	<b>\$ 2,221,954</b>	<b>\$ 687,966</b>

**Reconciliation to generally accepted accounting principles basis**

Net change in fund balance from above	\$ (99,933)
Change in Accrued Interest	12,753
Change in Pension Expense	(1,605)
Debt Principal Payments	504,896
Loan Forgiveness Revenue	666,687
Capital outlay that is capitalized	14,443
Depreciation Expense	(549,295)
Change in Net Position as Reported in Combining Statement of Revenues, Expenses, and Changes in Net Position	<u>\$ 547,946</u>

This page intentionally left blank.

**OTHER**  
**SUPPLEMENTARY**  
**INFORMATION**

**Additional**  
**Supporting Schedules**

# CITY OF COBURG

## SCHEDULE OF LONG-TERM DEBT TRANSACTIONS

For the Fiscal Year Ended June 30, 2017

	Outstanding Balance July 1, 2016	New Issues and Interest Matured	Principal and Interest Retired	Outstanding Balance June 30, 2017	Due within One Year
--	--	---------------------------------------	--------------------------------------	---	------------------------

**GOVERNMENTAL ACTIVITIES:**

Mortgage loan dated January 16, 2014 with Summit Bank for the purchase of City Hall. Original balance \$685,000. Interest rate is 3.59%.

Principal	\$ 642,584	\$ -	\$ 19,227	\$ 623,357	\$ 19,487
Interest	-	22,319	22,319	-	22,062
Totals	\$ 642,584	\$ 22,319	\$ 41,546	\$ 623,357	\$ 41,549

**TOTAL GOVERNMENTAL ACTIVITIES DEBT AGREEMENTS:**

Principal	\$ 642,584	\$ -	\$ 19,227	\$ 623,357	\$ 19,487
Interest	-	22,319	22,319	-	22,062
Totals	\$ 642,584	\$ 22,319	\$ 41,546	\$ 623,357	\$ 41,549

**BUSINESS-TYPE ACTIVITIES:**

Note payable to Department of Environmental Quality #R23041 for new wastewater system. Original balance \$789,310. Interest rate 3.51%. Service fee of .5%. Dated March 20, 2002. Reserve of \$57,039.

Principal	\$ 760,526	\$ -	\$ 29,803	\$ 730,723	\$ 30,858
Interest	-	26,435	26,435	-	29,034
Totals	\$ 760,526	\$ 26,435	\$ 56,238	\$ 730,723	\$ 59,892

Note payable to Department of Environmental Quality #R23042 for new wastewater system. Original balance \$9,209,228. Interest rate 2.81%. Service fee of .5%. Dated October 20, 2005. Reserve of \$314,514.

Principal	\$ 8,848,850	\$ -	\$ 370,577	\$ 8,478,273	\$ 381,063
Interest	-	246,067	246,067	-	277,972
Totals	\$ 8,848,850	\$ 246,067	\$ 616,644	\$ 8,478,273	\$ 659,035

Note payable to Department of Environmental Quality #R23044 for new wastewater system. Original balance \$2,000,000. Interest rate 1.85%. Reserve of \$64,494. Service fee of .5% Dated March 12, 2014

Principal	\$ 2,000,000	\$ -	\$ 701,732	\$ 1,298,268	\$ 57,985
Interest	-	65,987	65,987	-	30,098
Totals	\$ 2,000,000	\$ 65,987	\$ 767,719	\$ 1,298,268	\$ 88,083

Continued

# CITY OF COBURG

## SCHEDULE OF LONG-TERM DEBT TRANSACTIONS (Continued)

For the Fiscal Year Ended June 30, 2017

### BUSINESS-TYPE ACTIVITIES (CONT.):

	Outstanding Balance July 1, 2016	New Issues and Interest Matured	Principal and Interest Retired	Outstanding Balance June 30, 2017	Due within One Year
--	--	---------------------------------------	--------------------------------------	---	------------------------

Revenue Bonds held by USDA Rural Development for the construction of wastewater system. Loan # 39009, Bond #1. Original balance \$3,000,000. Interest rate 3.75%. Dated January 27, 2015.

Principal	\$ 2,966,520	\$ -	\$ 34,736	\$ 2,931,785	\$ 36,039
Interest	-	111,245	111,245	-	109,941
<b>Totals</b>	<b>\$ 2,966,520</b>	<b>\$ 111,245</b>	<b>\$ 145,980</b>	<b>\$ 2,931,785</b>	<b>\$ 145,980</b>

Revenue Bonds held by USDA Rural Development for the construction of wastewater system. Loan # 39010, Bond #2. Original balance \$3,000,000. Interest rate 3.75%. Dated January 27, 2015.

Principal	\$ 2,966,520	\$ -	\$ 34,736	\$ 2,931,785	\$ 36,039
Interest	-	111,245	111,245	-	109,941
<b>Totals</b>	<b>\$ 2,966,520</b>	<b>\$ 111,245</b>	<b>\$ 145,980</b>	<b>\$ 2,931,785</b>	<b>\$ 145,980</b>

IFA Loan with Business Oregon for Water System Improvements. Loan #B01003. Original balance \$1,596,800. Interest rate varies. Dated December 01, 2001.

Principal	\$ 550,459	\$ -	\$ 66,767	\$ 483,692	\$ 72,397
Interest	-	29,948	29,948	-	26,375
<b>Totals</b>	<b>\$ 550,459</b>	<b>\$ 29,948</b>	<b>\$ 96,715</b>	<b>\$ 483,692</b>	<b>\$ 98,772</b>

IFA Loan with Business Oregon for Pioneer Valley Estates Water System. Loan #G01001. Original balance \$1,251,270. Interest rate 5.37%. Dated December 01, 2001.

Principal	\$ 695,137	\$ -	\$ 54,363	\$ 640,774	\$ 54,863
Interest	-	37,970	37,970	-	35,061
<b>Totals</b>	<b>\$ 695,137</b>	<b>\$ 37,970</b>	<b>\$ 92,333</b>	<b>\$ 640,774</b>	<b>\$ 89,924</b>

City of Coburg Water Revenue Bonds, Series 1999 held by Wells Fargo Corporate Trust Services. Original balance \$375,000. Dated September 1998. Variable interest rate of 3.6% to 5.2%.

Principal	\$ 80,000	\$ -	\$ 25,000	\$ 55,000	\$ 25,000
Interest	-	4,160	4,160	-	2,860
<b>Totals</b>	<b>\$ 80,000</b>	<b>\$ 4,160</b>	<b>\$ 29,160</b>	<b>\$ 55,000</b>	<b>\$ 27,860</b>

### **TOTAL BUSINESS-TYPE ACTIVITIES DEBT AGREEMENTS:**

Principal	\$ 18,868,012	\$ -	\$ 1,317,713	\$ 17,550,299	\$ 694,244
Interest	-	633,056	633,056	-	621,283
<b>Totals</b>	<b>\$ 18,868,012</b>	<b>\$ 633,056</b>	<b>\$ 1,950,769</b>	<b>\$ 17,550,299</b>	<b>\$ 1,315,527</b>

### **TOTAL DEBT AGREEMENTS:**

Principal	\$ 19,510,596	\$ -	\$ 1,336,940	\$ 18,173,656	\$ 713,731
Interest	-	655,375	655,375	-	643,345
<b>Totals</b>	<b>\$ 19,510,596</b>	<b>\$ 655,375</b>	<b>\$ 1,992,315</b>	<b>\$ 18,173,656</b>	<b>\$ 1,357,076</b>

# CITY OF COBURG

## SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF LONG-TERM DEBT

For the Fiscal Year Ended June 30, 2017

Fiscal Year Ended June 30,	Total Payment	Principal	Interest	Fees	Fiscal Year-end Balance
<b><u>GOVERNMENTAL ACTIVITIES:</u></b>					
Mortgage loan dated January 16, 2014 with Summit Bank for the purchase of City Hall. Original balance \$685,000. Interest rate is 3.59%.					
2018	\$ 41,549	\$ 19,487	\$ 22,062	\$ -	\$ 603,870
2019	41,699	20,104	21,595	-	583,766
2020	41,914	20,687	21,227	-	563,080
2021	41,914	21,526	20,388	-	541,553
2022	41,914	22,303	19,611	-	519,251
2023	41,916	23,140	18,776	-	496,111
2024	506,715	496,111	10,604	-	(0)
<b>Totals</b>	<b>\$ 757,621</b>	<b>\$ 623,357</b>	<b>\$ 134,264</b>	<b>\$ -</b>	

### **BUSINESS-TYPE ACTIVITIES:**

Note payable to Department of Environmental Quality #R23041 for new wastewater system. Original balance \$789,310. Interest rate 3.51%. Service fee of .5%. Dated March 20, 2002. Reserve of \$57,039.

2018	\$ 59,892	\$ 30,858	\$ 25,380	\$ 3,654	\$ 699,865
2019	59,737	31,950	24,288	3,499	667,915
2020	59,578	33,082	23,156	3,340	634,833
2021	59,412	34,254	21,984	3,174	600,579
2022	59,241	35,466	20,772	3,003	565,113
2023	59,064	36,722	19,516	2,826	528,391
2024	58,880	38,022	18,216	2,642	490,369
2025	58,690	39,368	16,870	2,452	451,001
2026	58,493	40,763	15,475	2,255	410,238
2027	58,289	42,205	14,033	2,051	368,033
2028	58,078	43,700	12,538	1,840	324,333
2029	57,860	45,248	10,990	1,622	279,085
2030	57,633	46,850	9,388	1,395	232,235
2031	57,399	48,508	7,730	1,161	183,727
2032	57,157	50,226	6,012	919	133,501
2033	56,906	52,004	4,234	668	81,497
2034	56,645	53,846	2,392	407	27,651
2035	28,274	27,651	485	138	-
<b>Totals</b>	<b>\$ 1,021,228</b>	<b>\$ 730,723</b>	<b>\$ 253,459</b>	<b>\$ 37,046</b>	

Continued

**CITY OF COBURG**

**SCHEDULE OF FUTURE REQUIREMENTS FOR  
RETIREMENT OF LONG-TERM DEBT (Continued)**

**For the Fiscal Year Ended June 30, 2017**

Fiscal Year Ended June 30,	Total Payment	Principal	Interest	Fees	Fiscal Year-end Balance
<b><u>BUSINESS-TYPE ACTIVITIES (Cont.):</u></b>					
Note payable to Department of Environmental Quality #R23042 for new wastewater system. Original balance \$9,209,228. Interest rate 2.81%. Service fee of .5%. Dated October 20, 2005. Reserve of \$314,514.					
2018	\$ 659,035	\$ 381,063	\$ 235,581	\$ 42,391	\$ 8,097,210
2019	657,130	391,846	224,798	40,486	7,705,364
2020	655,171	402,935	213,709	38,527	7,302,429
2021	653,156	414,336	202,308	36,512	6,888,093
2022	651,084	426,060	190,584	34,440	6,462,033
2023	648,954	438,117	178,527	32,310	6,023,916
2024	646,764	450,515	166,129	30,120	5,573,401
2025	644,511	463,263	153,381	27,867	5,110,138
2026	642,195	476,373	140,271	25,551	4,633,765
2027	639,813	489,853	126,791	23,169	4,143,912
2028	637,364	503,714	112,930	20,720	3,640,198
2029	634,845	517,968	98,676	18,201	3,122,230
2030	632,255	532,625	84,019	15,611	2,589,605
2031	629,592	547,697	68,947	12,948	2,041,908
2032	626,854	563,195	53,449	10,210	1,478,713
2033	624,038	579,132	37,512	7,394	899,581
2034	621,142	595,520	21,124	4,498	304,061
2035	309,853	304,061	4,272	1,520	-
<b>Totals</b>	<b>\$ 11,213,756</b>	<b>\$8,478,273</b>	<b>\$2,313,008</b>	<b>\$422,475</b>	

Note payable to Department of Environmental Quality #R23044 for new wastewater system. Original balance \$2,000,000. Interest rate 1.85%. Reserve of \$64,494. Service fee of .5% Dated March 12, 2014					
2018	\$ 88,083	\$ 57,985	\$ 23,751	\$ 6,347	\$ 1,240,283
2019	87,790	59,062	22,674	6,054	1,181,221
2020	87,492	60,161	21,575	5,756	1,121,060
2021	87,189	61,278	20,458	5,453	1,059,782
2022	86,880	62,417	19,319	5,144	997,365
2023	86,565	63,577	18,159	4,829	933,788
2024	86,244	64,759	16,977	4,508	869,029
2025	85,917	65,962	15,774	4,181	803,067
2026	85,584	67,189	14,547	3,848	735,878
2027	85,245	68,437	13,299	3,509	667,441
2028	84,900	69,709	12,027	3,164	597,732
2029	84,548	71,005	10,731	2,812	526,727
2030	84,190	72,325	9,411	2,454	454,402
2031	83,825	73,669	8,067	2,089	380,733
2032	83,453	75,038	6,698	1,717	305,695
2033	83,074	76,432	5,304	1,338	229,263
2034	82,689	77,853	3,883	953	151,410
2035	82,296	79,300	2,436	560	72,110
2036	73,232	72,110	962	160	-
<b>Totals</b>	<b>\$ 1,609,196</b>	<b>\$1,298,268</b>	<b>\$ 246,052</b>	<b>\$ 64,876</b>	

Continued

**CITY OF COBURG**  
**SCHEDULE OF FUTURE REQUIREMENTS FOR**  
**RETIREMENT OF LONG-TERM DEBT (Continued)**  
**For the Fiscal Year Ended June 30, 2017**

Fiscal Year Ended June 30,	Total Payment	Principal	Interest	Fiscal Year-end Balance
<b><u>BUSINESS-TYPE ACTIVITIES (Cont.):</u></b>				
Revenue Bonds held by USDA Rural Development for the construction of wastewater system. Loan # 39009, Bond #1. Original balance \$3,000,000. Interest rate 3.75%. Dated January 27, 2015.				
2018	\$ 145,980	\$ 36,039	\$ 109,941	\$ 2,895,746
2019	145,980	37,390	108,590	2,858,356
2020	145,980	39,086	106,894	2,819,270
2021	145,980	39,968	106,012	2,779,302
2022	145,980	41,757	104,223	2,737,545
2023	145,980	43,323	102,657	2,694,222
2024	145,980	45,224	100,756	2,648,998
2025	145,980	46,371	99,609	2,602,627
2026	145,980	48,382	97,598	2,554,245
2027	145,980	50,196	95,784	2,504,049
2028	145,980	52,336	93,644	2,451,713
2029	145,980	53,789	92,191	2,397,924
2030	145,980	56,058	89,922	2,341,866
2031	145,980	58,161	87,819	2,283,705
2032	145,980	60,576	85,404	2,223,129
2033	145,980	62,385	83,595	2,160,744
2034	145,980	64,953	81,027	2,095,791
2035	145,980	67,388	78,592	2,028,403
2036	145,980	70,124	75,856	1,958,279
2037	145,980	72,344	73,636	1,885,935
2038	145,980	75,258	70,722	1,810,677
2039	145,980	78,080	67,900	1,732,597
2040	145,980	81,186	64,794	1,651,411
2041	145,980	83,883	62,097	1,567,528
2042	145,980	87,198	58,782	1,480,330
2043	145,980	90,468	55,512	1,389,862
2044	145,980	94,004	51,976	1,295,858
2045	145,980	97,253	48,727	1,198,605
2046	145,980	101,033	44,947	1,097,572
2047	145,981	104,823	41,158	992,749
2048	145,980	108,854	37,126	883,895
2049	145,980	112,744	33,236	771,151
2050	145,980	117,062	28,918	654,089
2051	145,980	121,452	24,528	532,637
2052	145,980	126,061	19,919	406,576
2053	145,981	130,693	15,288	275,883
2054	145,980	135,635	10,345	140,248
2055	145,507	140,248	5,259	(1)
<b>Totals</b>	<b>\$ 5,546,769</b>	<b>\$2,931,785</b>	<b>\$2,614,984</b>	

Continued

**CITY OF COBURG**

**SCHEDULE OF FUTURE REQUIREMENTS FOR  
RETIREMENT OF LONG-TERM DEBT (Continued)**

**For the Fiscal Year Ended June 30, 2017**

Fiscal Year Ended June 30,	Total Payment	Principal	Interest	Fiscal Year-end Balance
<b><u>BUSINESS-TYPE ACTIVITIES (Cont.):</u></b>				
Revenue Bonds held by USDA Rural Development for the construction of wastewater system. Loan # 39010, Bond #2. Original balance \$3,000,000. Interest rate 3.75%. Dated January 27, 2015.				
2018	\$ 145,980	\$ 36,039	\$ 109,941	\$ 2,895,746
2019	145,980	37,390	108,590	2,858,356
2020	145,980	39,086	106,894	2,819,270
2021	145,980	39,968	106,012	2,779,302
2022	145,980	41,757	104,223	2,737,545
2023	145,980	43,323	102,657	2,694,222
2024	145,980	45,224	100,756	2,648,998
2025	145,980	46,371	99,609	2,602,627
2026	145,980	48,382	97,598	2,554,245
2027	145,980	50,196	95,784	2,504,049
2028	145,980	52,336	93,644	2,451,713
2029	145,980	53,789	92,191	2,397,924
2030	145,980	56,058	89,922	2,341,866
2031	145,980	58,161	87,819	2,283,705
2032	145,980	60,576	85,404	2,223,129
2033	145,980	62,385	83,595	2,160,744
2034	145,980	64,953	81,027	2,095,791
2035	145,980	67,388	78,592	2,028,403
2036	145,980	70,124	75,856	1,958,279
2037	145,980	72,344	73,636	1,885,935
2038	145,980	75,258	70,722	1,810,677
2039	145,980	78,080	67,900	1,732,597
2040	145,980	81,186	64,794	1,651,411
2041	145,980	83,883	62,097	1,567,528
2042	145,980	87,198	58,782	1,480,330
2043	145,980	90,468	55,512	1,389,862
2044	145,980	94,004	51,976	1,295,858
2045	145,980	97,253	48,727	1,198,605
2046	145,980	101,033	44,947	1,097,572
2047	145,981	104,823	41,158	992,749
2048	145,980	108,854	37,126	883,895
2049	145,980	112,744	33,236	771,151
2050	145,980	117,062	28,918	654,089
2051	145,980	121,452	24,528	532,637
2052	145,980	126,061	19,919	406,576
2053	145,981	130,693	15,288	275,883
2054	145,980	135,635	10,345	140,248
2055	145,507	140,248	5,259	(1)
<b>Totals</b>	<b>\$ 5,546,769</b>	<b>\$2,931,785</b>	<b>\$2,614,984</b>	

Continued

# CITY OF COBURG

## SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF LONG-TERM DEBT (Continued)

For the Fiscal Year Ended June 30, 2017

Fiscal Year Ended June 30,	Total Payment	Principal	Interest	Fiscal Year-end Balance
<b><u>BUSINESS-TYPE ACTIVITIES (Cont.):</u></b>				
IFA Loan with Business Oregon for Water System Improvements. Loan #B01003. Original balance \$1,596,800. Interest rate varies. Dated December 01, 2001.				
2018	\$ 98,772	\$ 72,397	\$ 26,375	\$ 411,295
2019	100,533	78,067	22,466	333,228
2020	97,023	78,773	18,250	254,455
2021	98,513	84,516	13,997	169,939
2022	83,159	73,811	9,348	96,128
2023	101,416	96,128	5,289	0
<b>Totals</b>	<b>\$ 579,417</b>	<b>\$ 483,692</b>	<b>\$ 95,725</b>	

IFA Loan with Business Oregon for Pioneer Valley Estates Water System. Loan #G01001. Original balance \$1,251,270. Interest rate 5.37%. Dated December 01, 2001.

2018	\$ 89,924	\$ 54,863	\$ 35,061	\$ 585,911
2019	92,495	60,396	32,099	525,515
2020	94,795	65,958	28,837	459,557
2021	91,826	66,550	25,276	393,007
2022	93,800	72,185	21,615	320,822
2023	90,501	72,856	17,645	247,966
2024	92,201	78,563	13,638	169,403
2025	93,625	84,308	9,317	85,095
2026	89,775	85,095	4,680	-
<b>Totals</b>	<b>\$ 828,943</b>	<b>\$ 640,774</b>	<b>\$ 188,169</b>	

City of Coburg Water Revenue Bonds, Series 1999 held by Wells Fargo Corporate Trust Services. Original balance \$375,000. Dated September 1998. Variable interest rate of 3.6% to 5.2%.

2018	\$ 27,860	\$ 25,000	\$ 2,860	\$ 30,000
2019	31,560	30,000	1,560	-
<b>Totals</b>	<b>\$ 59,420</b>	<b>\$ 55,000</b>	<b>\$ 4,420</b>	

**ACCOMPANYING**  
**INFORMATION**

This page intentionally left blank.

**CITY OF COBURG**  
**INDEPENDENT AUDITOR'S REPORT**  
**REQUIRED BY OREGON STATE REGULATIONS**

**As of June 30, 2017**

---

To the Governing Body of the City of Coburg  
Coburg, Oregon

I have audited the basic financial statements of the City of Coburg as of and for the year ended June 30, 2017, and have issued my report thereon dated December 15, 2017. I conducted my 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, I 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, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion.

I performed procedures to the extent I 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 and roads (ORS Chapters 294, 368 & 373).**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

In connection with my testing nothing came to my attention that caused us to believe the City 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, with the following exceptions:

For the fiscal year ended June 30, 2017, over-expenditure of appropriations occurred in two funds, as noted on page 51 of the audit report.

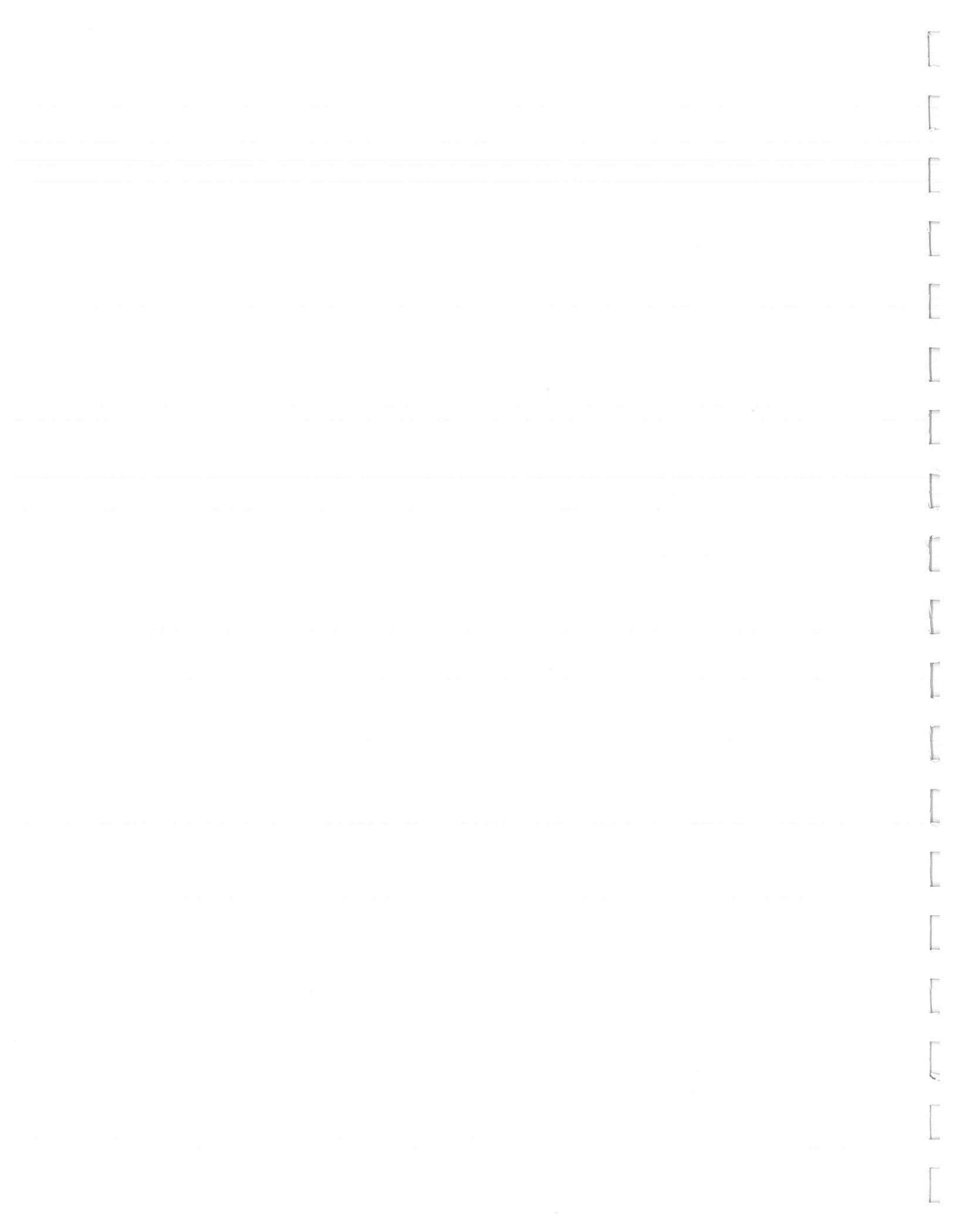
**OAR 162-10-0230 Internal Control**

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

This report is intended solely for the information and use of the City Council 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.



Steve Tuchscherer, CPA, PC  
Roseburg, Oregon  
December 15, 2017



**CITY OF COBURG**  
**INDEPENDENT AUDITOR'S REPORT**  
**REQUIRED BY OREGON STATE REGULATIONS**

**As of June 30, 2017**

---

To the Governing Body of the City of Coburg  
Coburg, Oregon

I have audited the basic financial statements of the City of Coburg as of and for the year ended June 30, 2017, and have issued my report thereon dated December 15, 2017. I conducted my 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, I 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, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion.

I performed procedures to the extent I 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 and roads (ORS Chapters 294, 368 & 373).**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

In connection with my testing nothing came to my attention that caused us to believe the City 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, with the following exceptions:

For the fiscal year ended June 30, 2017, over-expenditure of appropriations occurred in two funds, as noted on page 51 of the audit report.

**OAR 162-10-0230 Internal Control**

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

This report is intended solely for the information and use of the City Council 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.



Steve Tuchscherer, CPA, PC  
Roseburg, Oregon  
December 15, 2017

