

**CITY OF COBURG**



**COBURG, OREGON**

**Annual Financial Report**

**June 30, 2018**

**UMPQUA VALLEY FINANCIAL, LLC**



**CITY OF COBURG**

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

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**CITY OFFICIALS**

- RAY SMITH . . . . . Mayor  
P.O. Box 8316, Coburg, Oregon 97408
- NANCY BELL . . . . . Council President  
P.O. Box 8316, Coburg, Oregon 97408
- SHARYL ABBASPOUR . . . . . Ex-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
- KYLE BLAIN . . . . . Councilor  
P.O. Box 8316, Coburg, Oregon 97408

**CITY ADMINISTRATION**

- ANNE HEATH . . . . . Finance Director  
P.O. Box 8316, Coburg, Oregon 97408

**CITY OF COBURG**

**AUDIT REPORT**

**JUNE 30, 2018**

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**CITY OF COBURG**

**AUDIT REPORT**

**JUNE 30, 2018**

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## **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, 2018 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 principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance 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 58-60, and the pension and other post-employment benefit schedules on pages 61-64 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 58-60 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.

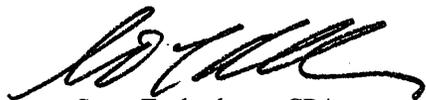
#### *Other Information*

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 65-75 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 65-75 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 January 22, 2019, 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  
January 22, 2019

**MANAGEMENT'S**

**DISCUSSION**

**AND ANALYSIS**

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**CITY OF COBURG**  
**Management's Discussion and Analysis (MD&A)**  
**For the Fiscal Year Ended June 30, 2018**

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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, 2018. 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, 2018 are as follows:

- The City's net position, increased by \$690,775 which represents a 4.7 percent increase from the previous year. This increase is primarily the result of a decrease in long-term liabilities.
- Total revenue for the City was \$4,698,818. That is a \$192,830 or 4% increase from the previous year. This increase is primarily a result of increased property taxes, Franchise Fees and Public Service Taxes, and reflects the inclusion of interdepartmental charges revenue from the proprietary funds.
- The City's long-term liabilities decreased in 2018 by \$769,948 due to the payment of long-term debt.
- Current liabilities decreased in 2018 primarily due to a payoff of the accounts payable recorded in the URA and due to the City. This is also reflected in the decrease 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, 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.

**CITY OF COBURG**  
**Management's Discussion and Analysis (MD&A)**  
**For the Fiscal Year Ended June 30, 2018**

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*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, 2018**

**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 \$15,354,532 compared to \$14,663,756 at the prior year end. This is an increase of \$690,775 or 4.7%. 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 (73 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.

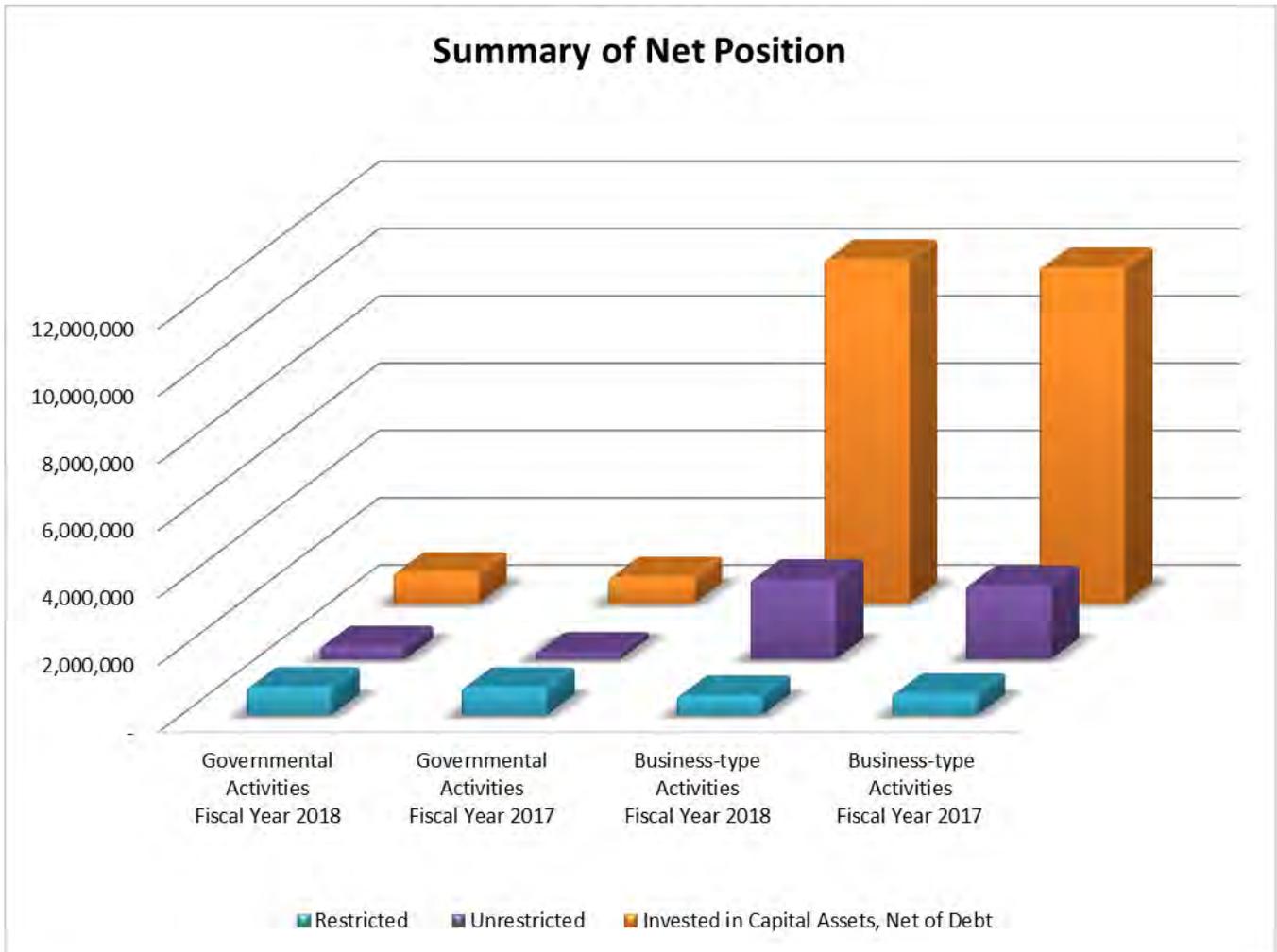
The City's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Assets</b>						
Current and Other Assets	\$ 1,858,363	\$ 1,952,743	\$ 3,940,608	\$ 3,994,338	\$ 5,798,971	\$ 5,947,081
Capital Assets	<u>1,532,233</u>	<u>1,419,955</u>	<u>27,062,355</u>	<u>27,542,255</u>	<u>28,594,588</u>	<u>28,962,210</u>
Total Assets	<u>3,390,596</u>	<u>3,372,698</u>	<u>31,002,963</u>	<u>31,536,593</u>	<u>34,393,559</u>	<u>34,909,291</u>
<b>Deferred Outflow of Resources</b>	<u>312,403</u>	<u>369,563</u>	<u>27,165</u>	<u>38,777</u>	<u>339,568</u>	<u>408,340</u>
<b>Liabilities</b>						
Current Liabilities	219,310	553,820	988,666	988,146	1,207,976	1,541,966
Long-Term Liabilities	<u>1,290,414</u>	<u>1,333,949</u>	<u>16,194,764</u>	<u>16,921,178</u>	<u>17,485,178</u>	<u>18,255,127</u>
Total Liabilities	<u>1,509,724</u>	<u>1,887,769</u>	<u>17,183,430</u>	<u>17,909,324</u>	<u>18,693,154</u>	<u>19,797,093</u>
<b>Deferred Inflow of Resources</b>	<u>34,499</u>	<u>21,904</u>	<u>650,943</u>	<u>834,875</u>	<u>685,442</u>	<u>856,779</u>
<b>Net Position</b>						
Net Investment in Capital Assets	928,438	796,598	10,236,299	9,991,956	11,164,737	10,788,554
Restricted	829,459	822,129	581,720	643,012	1,411,179	1,465,141
Unrestricted	<u>400,879</u>	<u>213,860</u>	<u>2,377,736</u>	<u>2,196,201</u>	<u>2,778,615</u>	<u>2,410,061</u>
Total Net Position	<u>\$ 2,158,777</u>	<u>\$ 1,832,587</u>	<u>\$ 13,195,755</u>	<u>\$ 12,831,169</u>	<u>\$ 15,354,532</u>	<u>\$ 14,663,756</u>

**CITY OF COBURG**  
**Management's Discussion and Analysis (MD&A)**  
**For the Fiscal Year Ended June 30, 2018**

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, 2018**

**Changes in net position** - The City's total revenues for the fiscal year ended June 30, 2018 were \$4,698,818. The total cost of all programs and services was \$4,008,043. The following table shows a comparative analysis of government-wide revenues, expenses and changes in net position.

**Summary of Changes in Net Position**

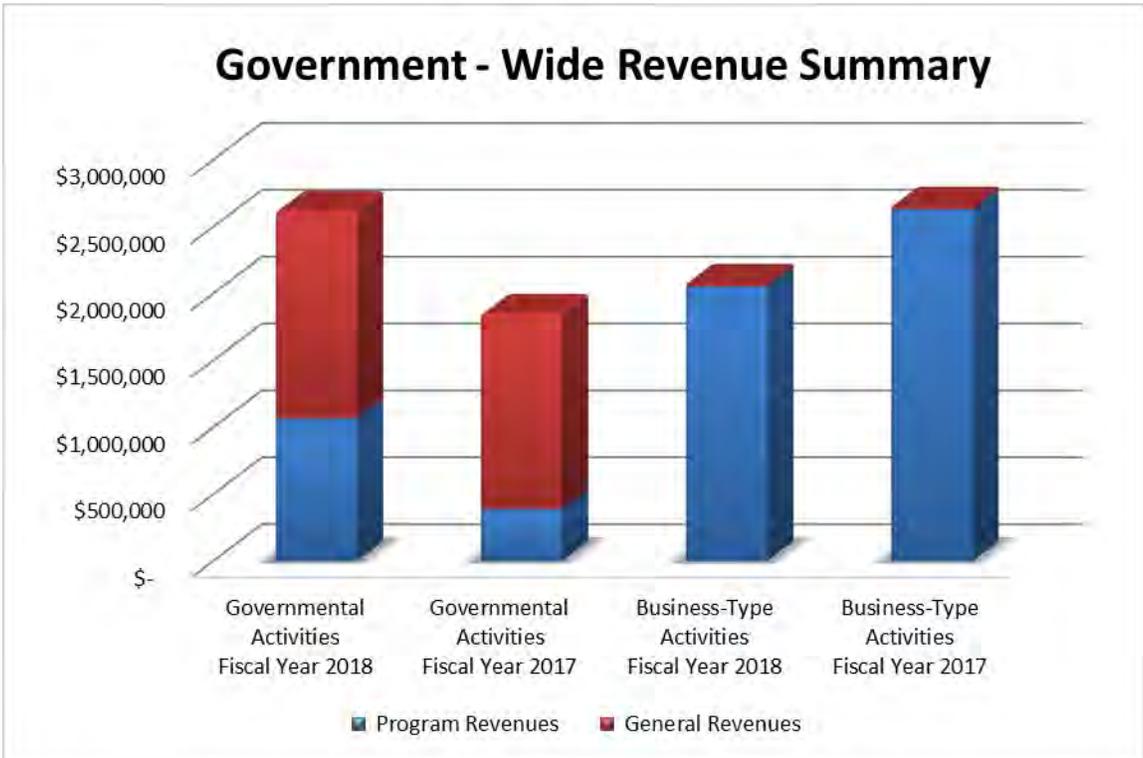
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017-18</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2016-17</u>
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 993,939	\$ 352,723	\$ 2,041,636	\$ 1,938,303	\$ 3,035,575	\$ 2,291,026
Operating Grants and Contributions	73,857	36,883	13,688	27,678	87,545	64,561
Capital Grants and Contributions	-	-	-	666,687	-	666,687
Total Program Revenues	<u>1,067,796</u>	<u>389,606</u>	<u>2,055,324</u>	<u>2,632,668</u>	<u>3,123,120</u>	<u>3,022,274</u>
General Revenues						
Local Sources						
Property Taxes, Franchise Fees, &						
Public Service Taxes	1,516,355	1,436,607	-	-	1,516,355	1,436,607
Interest & Investment Earnings	27,928	16,473	17,565	16,106	45,493	32,579
Other Revenues	13,850	14,528	-	-	13,850	14,528
Total General Revenues	<u>1,558,133</u>	<u>1,467,608</u>	<u>17,565</u>	<u>16,106</u>	<u>1,575,698</u>	<u>1,483,714</u>
Total Revenues	<u>2,625,929</u>	<u>1,857,214</u>	<u>2,072,889</u>	<u>2,648,774</u>	<u>4,698,818</u>	<u>4,505,988</u>
<b>Program Expenses</b>						
General Government	972,581	902,570	-	-	972,581	902,570
Public Safety	634,094	497,497	-	-	634,094	497,497
Public Works	144,520	376,203	-	-	144,520	376,203
Culture and Recreation	20,419	2,304	-	-	20,419	2,304
Urban Renewal Projects	4,909	10,595	-	-	4,909	10,595
Interest on Long-Term Debt	23,217	22,319	-	-	23,217	22,319
<b>Utility Services</b>						
Water Utilities	-	-	630,818	254,771	630,818	254,771
Sewer Utilities	-	-	1,577,485	1,328,226	1,577,485	1,328,226
Total Program Expenses	<u>1,799,740</u>	<u>1,811,488</u>	<u>2,208,303</u>	<u>1,582,997</u>	<u>4,008,043</u>	<u>3,394,485</u>
<b>Transfers</b>	<u>(500,000)</u>	<u>128,407</u>	<u>500,000</u>	<u>(128,407)</u>	<u>-</u>	<u>-</u>
<b>Change in Net Position</b>	<u>\$ 326,189</u>	<u>\$ 174,133</u>	<u>\$ 364,586</u>	<u>\$ 937,370</u>	<u>\$ 690,775</u>	<u>\$ 1,111,503</u>

**CITY OF COBURG**  
**Management's Discussion and Analysis (MD&A)**  
**For the Fiscal Year Ended June 30, 2018**

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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, 2018**

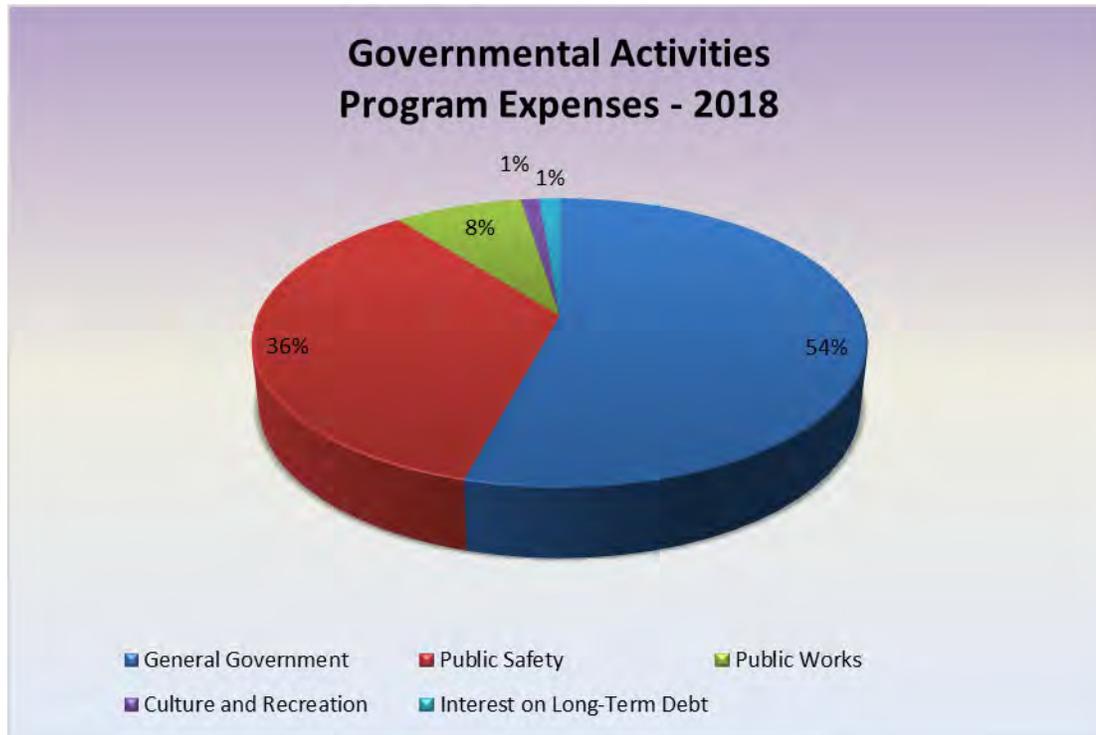
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**Governmental Activities**

	<u>Total Cost of Services</u>		<u>Net (Cost) Profit of Services</u>	
	<u>2017-18</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2016-17</u>
General Government	\$ 972,581	\$ 902,570	\$ (898,724)	\$ (870,687)
Public Safety	634,094	497,497	(499,642)	(359,467)
Public Works	144,520	376,203	646,941	(201,414)
Culture and Recreation	20,419	2,304	47,607	42,600
Interest Expense	23,217	22,319	(23,217)	(22,319)
<b>Total Program Expenses</b>	<b><u>\$ 1,794,831</u></b>	<b><u>\$ 1,800,893</u></b>	<b><u>\$ (727,035)</u></b>	<b><u>\$ (1,411,287)</u></b>

The dependence on general revenues for general government activities is apparent. For Fiscal Year 2017-18 41% of general government activities are supported through general revenues.

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



**CITY OF COBURG**  
**Management's Discussion and Analysis (MD&A)**  
**For the Fiscal Year Ended June 30, 2018**

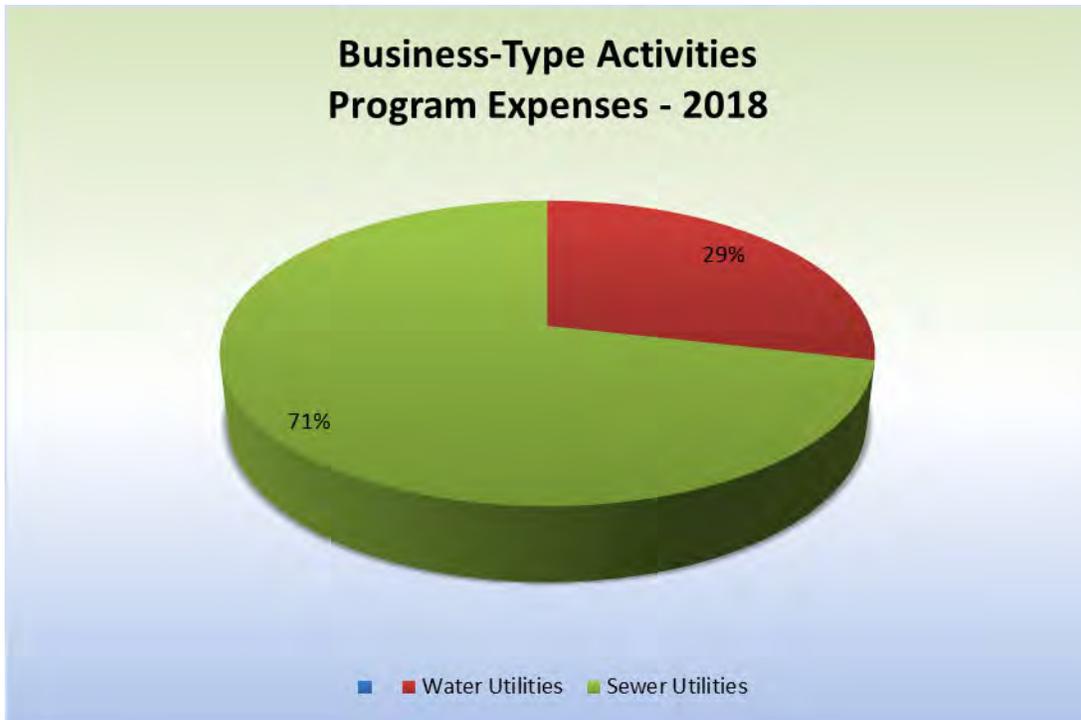
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Business type activities increased the City's net position by approximately \$364,586. Of the business-type activities, the Water and Sewer funds accounted for approximately 29% and 71% of expenses, respectively. This is primarily attributed to debt service payments made on the sewer system.

**Business-Type Activities**

	<u>Total Cost of Services</u>		<u>Net (Cost) Profit of Services</u>	
	<u>2017-18</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2016-17</u>
Utility Services	<u>\$2,208,303</u>	<u>\$1,582,997</u>	<u>\$ (152,979)</u>	<u>\$ 1,049,671</u>
Total Program Expenses	<u>\$2,208,303</u>	<u>\$1,582,997</u>	<u>\$ (152,979)</u>	<u>\$ 1,049,671</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, 2018**

**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***

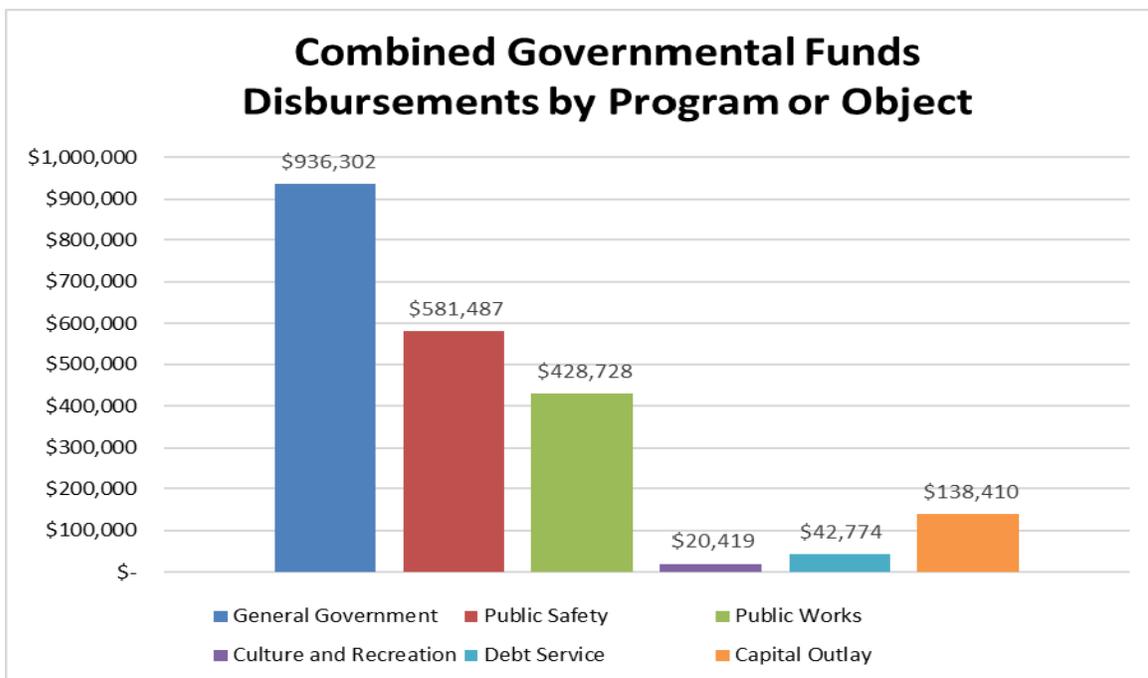
As the City completed the year, its governmental funds reported a combined fund balance of 1,561,748, an increase of \$285,384, from prior year. The fund balance constitutes restricted, committed, and unassigned amounts. Of the current fund balances a total of \$829,459 is restricted funds including, \$573,236 for Public Works Projects, \$144,899 for Capital Projects and \$111,324 for Urban Renewal Projects. The remaining balance of \$732,289 is considered unassigned 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 \$732,289 and restricted fund balance was \$144,899 a total increase of \$329,865. 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 \$573,236, an increase of \$84,999. 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 \$111,324 a decrease of \$129,560 over the prior year.

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



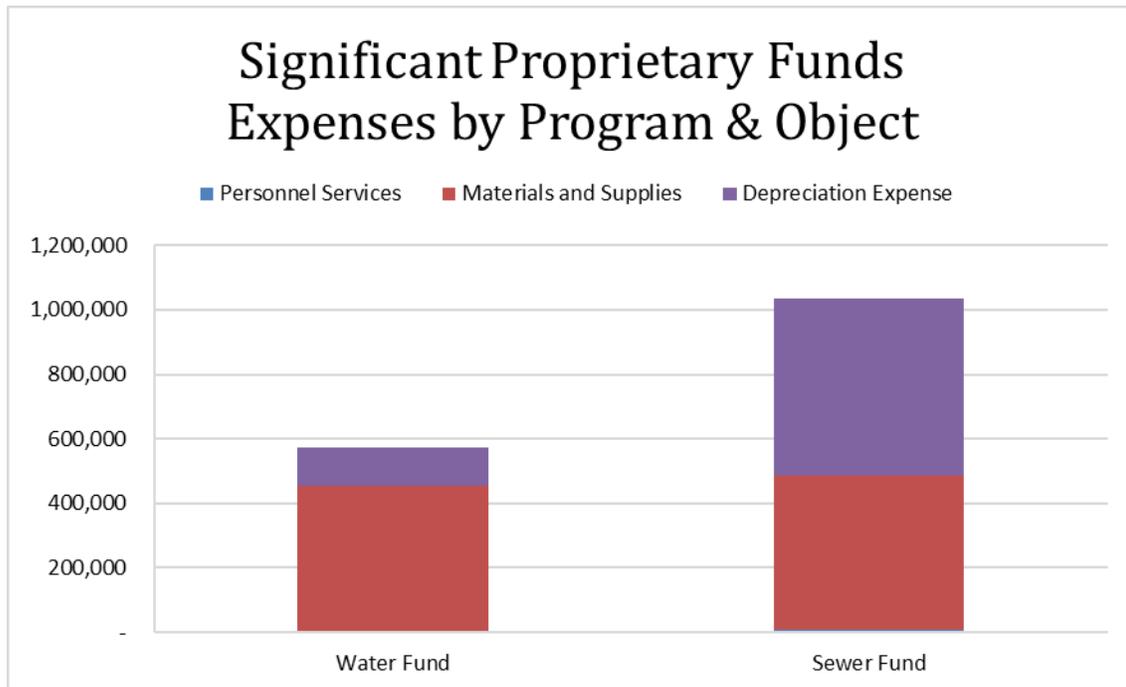
**CITY OF COBURG**  
**Management's Discussion and Analysis (MD&A)**  
**For the Fiscal Year Ended June 30, 2018**

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*Proprietary Funds*

The City's enterprise funds reported total net position of \$13,195,755, an increase of \$364,586. This is primarily attributed to a reduction in long-term liabilities. The enterprise funds also report \$581,720 in restricted fund which include debt service of \$379,318 and \$202,402 for public works projects. Capital Assets net of related debt was \$10,236,299 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 \$2,503,428 during the fiscal year. Actual revenues of \$2,323,250 were available which was \$180,178 less than budgeted. This is attributed to budgeted charges for services being less than anticipated. General Fund expenditures budget was under-spent by \$349,370 or 15%. The ending fund balance was less than what was budgeted by \$33,485 and greater than the prior year by \$329,865.

**CITY OF COBURG**  
**Management's Discussion and Analysis (MD&A)**  
**For the Fiscal Year Ended June 30, 2018**

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**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2018, the City had invested, before net reduction for accumulated depreciation, \$32,505,991 in capital assets, including buildings, land, vehicles, water and sewer utility systems, construction in progress and other equipment. This amount represents an increase of \$362,458 from the prior year due to the addition of new capital assets in fiscal year 2018.

Total depreciation expense for the year was \$730,082; of which \$59,898 is associated with general government activities with the remainder of \$670,183 associated with the water and sewer funds. Additional information on the City's capital assets can be found in the Capital Asset Note of the Notes to the Basic Financial Statements section of this report.

**Long-Term Debt**

At June 30, 2018, the City had total long-term debt outstanding of \$17,429,851 compared to \$18,173,656 in the prior year which is a difference of \$743,806. Additional information on the City's long-term debt can be found in the Long-Term Debt Note 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 2018-19 budget. The City's budget for the fiscal year ending June 30, 2019 represents an overall increase of 9 percent when compared with the fiscal year 2018. Included in this budget is the City's continued commitment to address the need to update mandatory City documents and comprehensive planning. In addition, the City has budgeted to begin necessary infrastructure projects in the Street and Water funds. Much of these projects have been on hold in past years due to economic challenges faced by the city. The City has continued to replace staff positions that had been eliminated due to budget cuts in prior years. In addition, in fiscal year 2019 the City has continued the commitment to budgeted reserves in most funds.

The City has experienced a seven percent (7%) increase in overall value of properties within the City limits, and continues to see increases in development of commercial and residential housing. It is anticipated that a similar growth of value and development will be experienced in 2019. Therefore, the City Planning budget reflects both revenues and expenditures that anticipate the increase of development activity.

Amounts available for appropriation in the General Fund are \$2,759,986 for the fiscal year 2018-19, an increase of \$542,231 or 19% percent. The increase is primarily attributable to an increase in cost of City services, as well as capital park projects. In addition, there is budgeted contingency of \$100,000.

The Street Fund Budget for 2019 will increase by \$158,330. This reflects a slight increase in operating expenses of the street fund and street improvements to be completed during the fiscal year.

In 2019, the City increased the budget of the Water department by \$962,451. This reflects the City's implementation of the planned Water infrastructure project.

With the exceptions noted above, overall increases to the operating costs of both governmental activities and business-type activities are expected to rise by 3%.

**CITY OF COBURG**  
**Management's Discussion and Analysis (MD&A)**  
**For the Fiscal Year Ended June 30, 2018**

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**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.

**BASIC FINANCIAL**  
**STATEMENTS**

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

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**CITY OF COBURG**  
**STATEMENT OF NET POSITION**  
**June 30, 2018**

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS:</b>			
Current Assets:			
Cash and Investments	\$ 1,571,864	\$ 2,706,095	\$ 4,277,959
Accounts Receivable	120,080	92,378	212,458
LID Liens Receivable	-	522,619	522,619
SDCs Receivable	99,525	226,294	325,819
Property Taxes Receivable	64,413	-	64,413
Grants Receivable	-	13,688	13,688
Total Current Assets	1,855,882	3,561,074	5,416,956
Restricted Assets:			
Sinking Funds for Debt Service	-	379,318	379,318
Net OPEB Asset (RHIA)	2,481	216	2,697
Total Restricted Assets	2,481	379,534	382,015
Capital Assets, Net of Accumulated Depreciation	1,532,233	27,062,355	28,594,588
<b>Total Assets</b>	<b>3,390,596</b>	<b>31,002,963</b>	<b>34,393,559</b>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>			
Pension Related Deferrals	308,762	26,848	335,610
OPEB Related Deferrals - RHIA	3,025	263	3,288
OPEB Related Deferrals - CIS	616	54	670
<b>Total Deferred Outflow of Resources</b>	<b>312,403</b>	<b>27,165</b>	<b>339,568</b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Due to Component Unit			
Accounts Payable	92,973	66,334	159,307
Payroll Payable	35,058	-	35,058
Accrued Compensated Absences	31,644	-	31,644
Interest Payable	950	224,703	225,653
Customer Deposits	-	1,528	1,528
Current Portion of Long-Term Liabilities:			
Notes Payable	58,685	621,321	680,006
Bonds Payable	-	74,780	74,780
Total Current Liabilities	219,310	988,666	1,207,976
Long-Term Liabilities:			
Noncurrent Portion of Long-Term Liabilities:			
Notes Payable	545,110	10,413,243	10,958,353
Bonds Payable	-	5,716,712	5,716,712
Net OPEB Obligation - CIS	36,145	3,143	39,288
Net Pension Liability	709,159	61,666	770,825
Total Long-Term Liabilities	1,290,414	16,194,764	17,485,178
<b>Total Liabilities</b>	<b>1,509,724</b>	<b>17,183,430</b>	<b>18,693,154</b>
<b>DEFERRED INFLOW OF RESOURCES:</b>			
Receivables Currently not Collectable	-	647,943	647,943
Deferred Earnings on Pension Assets	30,740	2,673	33,413
OPEB Related Deferrals - RHIA	1,291	112	1,403
OPEB Related Deferrals - CIS	2,468	215	2,683
<b>Total Deferred Inflow of Resources</b>	<b>34,499</b>	<b>650,943</b>	<b>685,442</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	928,438	10,236,299	11,164,737
Restricted for:			
System Development Charges			
Debt Service	-	379,318	379,318
Public Works	573,236	202,402	775,638
Capital Projects	144,899	-	144,899
Urban Renewal Projects	111,324	-	111,324
Unrestricted	400,879	2,377,736	2,778,615
<b>Total Net Position</b>	<b>\$ 2,158,777</b>	<b>\$ 13,195,755</b>	<b>\$ 15,354,532</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, 2018

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b><u>GOVERNMENTAL ACTIVITIES:</u></b>					
General Government	\$ 972,581	\$ -	\$ 73,857	\$ -	\$ (898,724)
Public Safety	634,094	134,452	-	-	(499,642)
Public Works	144,520	791,461	-	-	646,941
Culture and Recreation	20,419	68,026	-	-	47,607
Urban Renewal Projects	4,909	-	-	-	(4,909)
Interest Expense	23,217	-	-	-	(23,217)
<b>Total Governmental Activities</b>	<b>1,799,740</b>	<b>993,939</b>	<b>73,857</b>	<b>-</b>	<b>(731,944)</b>
<b><u>BUSINESS-TYPE ACTIVITIES:</u></b>					
Water Utilities	630,818	878,719	13,688	-	261,589
Sewer Utilities	1,577,485	1,162,917	-	-	(414,568)
Interest on Long-Term Debt					
<b>Total Business-type Activities</b>	<b>2,208,303</b>	<b>2,041,636</b>	<b>13,688</b>	<b>-</b>	<b>(152,979)</b>
<b>Total Primary Government</b>	<b>\$ 4,008,043</b>	<b>\$ 3,035,575</b>	<b>\$ 87,545</b>	<b>\$ -</b>	<b>\$ (884,923)</b>

<b><u>CHANGES IN NET POSITION:</u></b>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net (expense) revenue	\$ (731,944)	\$ (152,979)	\$ (884,923)
General Revenues:			
Property Taxes, levied for general purposes	636,089	-	636,089
Property Taxes, levied for urban renewal programs	370,761	-	370,761
Intergovernmental Tax Turnovers	239,862	-	239,862
Franchise Taxes	269,643	-	269,643
Interest and Investment Earnings	27,928	17,565	45,493
Other Revenue	13,850	-	13,850
<b>Subtotal - General Revenues</b>	<b>1,558,133</b>	<b>17,565</b>	<b>1,575,698</b>
Interfund Transfers	(500,000)	500,000	-
Total general revenues, special items, and transfers	1,058,133	517,565	1,575,698
Change in Net Position	326,189	364,586	690,775
Net Position, July 1, 2017	1,832,587	12,831,169	14,663,756
<b>Net Position, June 30, 2018</b>	<b>\$ 2,158,777</b>	<b>\$13,195,755</b>	<b>\$ 15,354,532</b>

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

**BASIC FINANCIAL**  
**STATEMENTS**

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

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**CITY OF COBURG**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2018**

	<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>ASSETS:</u></b>				
Cash and Investments	\$ 892,495	\$ 568,640	\$ 110,729	\$ 1,571,864
Receivables:				
Accounts, net	39,548	15,532	-	55,080
System Development Charges	43,687	55,838	-	99,525
Grants	65,000	-	-	65,000
Property Tax	41,197	-	23,216	64,413
<b>Total Assets</b>	<b>\$ 1,081,927</b>	<b>\$ 640,010</b>	<b>\$ 133,945</b>	<b>\$ 1,855,882</b>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</u></b>				
LIABILITIES:				
Accounts Payable	\$ 81,530	\$ 10,936	\$ 504	\$ 92,970
Payroll Payable	35,058	-	-	35,058
<b>Total Liabilities</b>	<b>116,588</b>	<b>10,936</b>	<b>504</b>	<b>128,028</b>
DEFERRED INFLOWS OF RESOURCES:				
Delinquent Property Tax Revenue Not Available	39,300	-	22,117	61,417
Uncollected SDC Revenue	48,851	55,838	-	104,689
<b>Total Deferred Inflows of Resources</b>	<b>88,151</b>	<b>55,838</b>	<b>22,117</b>	<b>166,106</b>
FUND BALANCES:				
Restricted for:				
Public Works	-	573,236	-	573,236
Capital Projects	144,899	-	-	144,899
Urban Renewal Projects	-	-	111,324	111,324
Unassigned	732,289	-	-	732,289
<b>Total Fund Balances</b>	<b>877,188</b>	<b>573,236</b>	<b>111,324</b>	<b>1,561,748</b>
<b>Total Liabilities, Deferred Inflows of Resources &amp; Fund Balances</b>	<b>\$ 1,081,927</b>	<b>\$ 640,010</b>	<b>\$ 133,945</b>	<b>\$ 1,855,882</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, 2018

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**Total Fund Balances - Governmental Funds** \$ 1,561,748

**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 -	\$ 2,240,785	
The accumulated depreciation is -	<u>(708,552)</u>	
Net Value of Assets		1,532,233

Net pension assets reported in governmental activities are not financial resources and therefore are not reported in the governmental funds. 2,481

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

Property Taxes	61,417	
Assessments	<u>104,689</u>	
		166,106

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

Pension and OPEB Related Deferrals	277,901
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Interest Payable is not recorded in the governmental funds:

Accrued Compensated Absences are not recorded in the governmental funds: (31,644)

Interest Payable is not recorded in the governmental funds: (950)

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.

(1,349,099)

**Net Position of Governmental Activities** **\$ 2,158,777**

# CITY OF COBURG

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

### GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2018

	<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	\$ 648,359	\$ -	\$ 370,761	\$ 1,019,120
Intergovernmental	71,036	168,826	-	239,862
Franchise Taxes	269,643	-	-	269,643
Licenses & Permits	328,356	-	-	328,356
Charges for Service	68,026	60,501	-	128,527
Fines and Forfeitures	134,452	-	-	134,452
Investment Revenue	12,933	10,407	4,588	27,928
Grants and Donations	73,857	-	-	73,857
Interdepartmental Charges	702,738	-	-	702,738
Other Revenue	13,850	-	-	13,850
<b>Total Revenues</b>	<b>2,323,250</b>	<b>239,734</b>	<b>375,349</b>	<b>2,938,333</b>
<b><u>EXPENDITURES:</u></b>				
Current Operating:				
General Government	936,302	-	-	936,302
Public Safety	581,487	-	-	581,487
Public Works	273,993	154,735	-	428,728
Culture and Recreation	20,419	-	-	20,419
Urban Renewal Projects	-	-	4,909	4,909
Debt Service:				
Principal	20,790	-	-	20,790
Interest	21,984	-	-	21,984
Capital Outlay	138,410	-	-	138,410
<b>Total Expenditures</b>	<b>1,993,385</b>	<b>154,735</b>	<b>4,909</b>	<b>2,153,029</b>
Excess (Deficiency) of Revenues Over Expenditures	329,865	84,999	370,440	785,304
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Interfund Transfers (Out)	-	-	(500,000)	(500,000)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>(500,000)</b>	<b>(500,000)</b>
Net Change in Fund Balances	329,865	84,999	(129,560)	285,304
Fund Balances - July 1, 2017	547,323	488,237	240,884	1,276,444
<b>Fund Balances - June 30, 2018</b>	<b>\$ 877,188</b>	<b>\$ 573,236</b>	<b>\$ 111,324</b>	<b>\$ 1,561,748</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, 2018

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Net Changes in Fund Balances - Total Governmental Funds \$ 285,304

**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	\$ 172,175	
Less current year depreciation	<u>(59,898)</u>	
		112,277

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	(12,270)	
System Development Charges	<u>(16,439)</u>	
		(28,709)

Expense accruals in the governmental funds do not include all accrued interest expense payable.

The change in payables from the prior year to the current year is reconciled here.

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

Vacation Payable		1,428
Interest Payable		(5)

Long term debt proceeds are included as revenue in governmental funds, but the proceeds increase long-term debt balances in the Statement of Net Position

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		19,562
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Adjustment for pension costs on accrued basis		(63,668)
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<b>Change in Net Position of Governmental Activities</b>		<b><u>\$ 326,189</u></b>
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The accompanying notes to the basic financial statements are an integral part of this statement.

**BASIC FINANCIAL**  
**STATEMENTS**

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

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**CITY OF COBURG**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2018**

	<b>Enterprise Funds</b>		<b>Total Proprietary Funds</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	
<b><u>ASSETS:</u></b>			
Current Assets:			
Cash and Investments	\$ 890,844	\$ 1,815,251	\$ 2,706,095
Accounts Receivable, Net	50,546	41,832	92,378
LID Liens Receivable	-	522,619	522,619
SDCs Receivable	118,659	107,635	226,294
Grants Receivable	13,688	-	13,688
Total Current Assets	1,073,737	2,487,337	3,561,074
Restricted Assets:			
Sinking Funds for Debt Service	31,960	347,358	379,318
Net OPEB Asset (RHIA)	56	160	216
Total Restricted Assets	32,016	347,518	379,534
Capital Assets:			
Land	-	217,293	217,293
Depreciable Assets, Net of Depreciation	3,144,182	23,700,880	26,845,062
Total Capital Assets	3,144,182	23,918,173	27,062,355
<b>Total Assets</b>	<b>4,249,935</b>	<b>26,753,028</b>	<b>31,002,963</b>
<b><u>DEFERRED OUTFLOW OF RESOURCES:</u></b>			
Pension Related Deferrals	6,903	19,945	26,848
OPEB Related Deferrals - RHIA	68	195	263
OPEB Related Deferrals - CIS	14	40	54
<b>Total Deferred Outflow of Resources</b>	<b>6,985</b>	<b>20,180</b>	<b>27,165</b>
<b><u>LIABILITIES:</u></b>			
Current Liabilities:			
Accounts Payable	61,702	4,632	66,334
Interest Payable	31,027	193,676	224,703
Customer Deposits	1,528	-	1,528
Current Portion of Long-Term Liabilities:			
Notes Payable	138,463	482,858	621,321
Bonds Payable	-	74,780	74,780
Total Current Liabilities	232,720	755,946	988,666
Long-Term Liabilities:			
Noncurrent Portion of Long-Term Liabilities:			
Notes Payable	858,743	9,554,500	10,413,243
Bonds Payable	-	5,716,712	5,716,712
Net OPEB Obligation - CIS	808	2,335	3,143
Net Pension Liability	15,857	45,809	61,666
Total Long-Term Liabilities	875,408	15,319,356	16,194,764
<b>Total Liabilities</b>	<b>1,108,128</b>	<b>16,075,302</b>	<b>17,183,430</b>
<b><u>DEFERRED INFLOW OF RESOURCES:</u></b>			
Receivables Currently not Collectable	118,659	529,284	647,943
Pension Related Deferrals	687	1,986	2,673
OPEB Related Deferrals - RHIA	29	83	112
OPEB Related Deferrals - CIS	55	160	215
<b>Total Deferred Inflow of Resources</b>	<b>119,430</b>	<b>531,513</b>	<b>650,943</b>
<b><u>NET POSITION:</u></b>			
Net Investment in Capital Assets	2,146,976	8,089,323	10,236,299
Restricted for Debt Service	31,960	347,358	379,318
Restricted for Public Works	202,402	-	202,402
Unrestricted	648,024	1,729,712	2,377,736
<b>Total Net Position</b>	<b>\$ 3,029,362</b>	<b>\$ 10,166,393</b>	<b>\$ 13,195,755</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, 2018

	<u>Enterprise Funds</u>		<u>Total Proprietary Funds</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	
<b><u>OPERATING REVENUES:</u></b>			
Charges for Services & Fees	\$ 876,704	\$ 1,160,417	\$ 2,037,121
Grants	13,688	-	13,688
Other Revenue	2,015	2,500	4,515
<b>Total Revenues</b>	<b>892,407</b>	<b>1,162,917</b>	<b>2,055,324</b>
<b><u>OPERATING EXPENSES:</u></b>			
Personnel Services	3,131	9,047	12,178
Materials and Supplies	449,763	475,389	925,152
Depreciation Expense	119,031	551,152	670,183
<b>Total Operating Expenses</b>	<b>571,925</b>	<b>1,035,588</b>	<b>1,607,513</b>
<b>Operating Income (Loss)</b>	<b>320,482</b>	<b>127,329</b>	<b>447,811</b>
<b><u>NON-OPERATING REVENUES (EXPENSES):</u></b>			
Loan Fees	-	(6,347)	(6,347)
Investment Revenue	8,726	8,839	17,565
Interest Expense	(58,893)	(535,550)	(594,443)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(50,167)</b>	<b>(533,058)</b>	<b>(583,225)</b>
Income Before Other Revenues, Expenses, and Transfers	270,315	(405,729)	(135,414)
<b><u>CAPITAL CONTRIBUTIONS AND TRANSFERS:</u></b>			
Transfers from Other Funds	-	500,000	500,000
<b>Total Capital Contributions and Transfers</b>	<b>-</b>	<b>500,000</b>	<b>500,000</b>
Changes in Net Position	270,315	94,271	364,586
Net Position, July 1, 2017	2,759,047	10,072,122	12,831,169
<b>Net Position, June 30, 2018</b>	<b>\$ 3,029,362</b>	<b>\$ 10,166,393</b>	<b>\$ 13,195,755</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, 2018

	Enterprise Funds		Total Proprietary Funds
	Water Fund	Sewer Fund	
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>			
Cash Received from User Charges	\$ 915,654	\$ 1,213,616	\$ 2,129,270
Cash Payments to Suppliers & Service Providers	(402,828)	(492,610)	(895,438)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>512,826</b>	<b>721,006</b>	<b>1,233,832</b>
<b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</u></b>			
Refund of Deposits & Non-Operating Payments	(9,550)	-	(9,550)
Non-Operating Receipts	(13,689)	(38,778)	(52,467)
Transfer from Other Funds	-	500,000	500,000
<b>Net Cash Provided (Used) by Non-capital Financing Activities</b>	<b>(23,239)</b>	<b>461,222</b>	<b>437,983</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	(171,711)	(18,573)	(190,284)
Loan Fees Paid		(6,347)	(6,347)
Principal Paid on Long Term Debt	(182,260)	(541,983)	(724,243)
Interest Paid on Long Term Debt	(65,304)	(550,640)	(615,944)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(419,275)</b>	<b>(791,349)</b>	<b>(1,210,624)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>			
Investment Income	8,726	8,839	17,565
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>8,726</b>	<b>8,839</b>	<b>17,565</b>
Cash and Cash Equivalents at July 1, 2017	843,766	1,762,892	2,606,658
<b>Cash and Cash Equivalents at June 30, 2018</b>	<b>\$ 922,804</b>	<b>\$ 2,162,610</b>	<b>\$ 3,085,414</b>

**Reconciliation of income (loss) from operations**

**to net cash provided (used) by operating activities:**

Income (loss) from operations	\$ 320,482	\$ 127,329	\$ 447,811
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:			
Depreciation	119,031	551,152	670,183
Change in assets and liabilities:			
Decrease (increase) in operating receivables	36,944	50,699	87,643
Increase (decrease) in payables	46,935	(17,221)	29,714
Increase (decrease) in deferred revenues	(13,697)	-	(13,697)
Increase (decrease) in pension related accounts	3,131	9,047	12,178
<b>Net cash provided (used) by operating activities</b>	<b>\$ 512,826</b>	<b>\$ 721,006</b>	<b>\$ 1,233,832</b>

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

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**BASIC FINANCIAL**  
**STATEMENTS**

**Fiduciary Fund**

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**CITY OF COBURG**

**STATEMENT OF NET POSITION  
FIDUCIARY FUND (AGENCY FUND)**

**June 30, 2018**

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	<b><u>Fiduciary Fund</u></b>
	<u>Cash Evidence Held Fund</u>
<b><u>ASSETS:</u></b>	
Current Assets	
Cash & Investments	\$ 9,893
<b>Total Assets</b>	<b>\$ 9,893</b>
<b><u>LIABILITIES:</u></b>	
Current Liabilities	
Refund Payables and Other	\$ 9,893
<b>Total Liabilities</b>	<b>\$ 9,893</b>

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

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**BASIC FINANCIAL**  
**STATEMENTS**

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

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

**June 30, 2018**

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**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 council; 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 council 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, 2018**

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**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, including major infrastructure construction and repairs. Revenues for this fund come from state highway taxes, grants, and system development charges.

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.

The City does not report any non-major funds within the governmental fund type.

**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, water capital improvements and billing and collection activities.

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, sewer capital improvements, debt payments and billing and collection activities.

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

**June 30, 2018**

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**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, 2018**

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**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, 2018**

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**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, 2018**

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**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, 2018**

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**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, 2018**

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**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.

**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, 2018**

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**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, 2018, the reported amount of the City's deposits was \$2,930,604; the bank balance was \$2,848,540 and \$300 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, 2018, the City's investment in the Oregon State Treasurer's Local Government Investment Pool (LGIP) was unrated.

At June 30, 2018, 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>\$ 1,736,268</u>	N/A
Total Investments	<u><u>\$ 1,736,268</u></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, 2018**

**CAPITAL ASSETS:**

The following is a summary of capital asset activity for the fiscal year ended June 30, 2018:

<b><u>Governmental Activities</u></b>	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balances</u>
<b>Assets not being depreciated:</b>				
Land	\$ 317,231	\$ -	\$ -	\$ 317,231
Construction in Progress	50,988	43,403	51,483	42,908
Total of Capital Assets not Being Depreciated	368,219	43,403	51,483	360,139
<b>Assets being depreciated:</b>				
Building and Building Improvement	675,878	30,214	-	706,092
Machinery and Equipment	387,212	98,558	-	485,770
Infrastructure	637,301	51,483	-	688,784
Total Depreciable Assets	1,700,391	180,255	-	1,880,646
<b>Less: Accumulated Depreciation</b>				
Building and Building Improvement	44,066	18,027	-	62,093
Machinery and Equipment	329,795	17,387	-	347,182
Infrastructure	274,792	24,485	-	299,277
Total Accumulated Depreciation	648,653	59,898	-	708,552
Net Value of Capital Assets Being Depreciated	1,051,738	120,357	-	1,172,094
Total Governmental Activities				
-- Net Value of Capital Assets	<u>\$ 1,419,957</u>	<u>\$ 163,760</u>	<u>\$ 51,483</u>	<u>\$ 1,532,233</u>

**Depreciation expense was charged to the functions of governmental activities as follows:**

General Government	\$ 19,695
Public Safety	4,957
Public Works	23,228
Culture and Recreation	12,019
Total Depreciation Expense	<u>\$ 59,898</u>

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

**June 30, 2018**

**CAPITAL ASSETS (CONT.):**

<b><u>Business-Type Activities</u></b>	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balances</u>
<b>Assets Not Being Depreciated:</b>				
Land	\$ 217,293	\$ -	\$ -	\$ 217,293
Construction in Progress	44,253	43,361	-	87,614
Total	261,546	43,361	-	304,907
<b>Assets Being Depreciated:</b>				
Utility Systems	27,079,231	-	-	27,079,231
Building and Building Improvement	2,482,914	-	-	2,482,914
Machinery and Equipment	251,232	146,922	-	398,154
Total Depreciable Assets	29,813,377	146,922	-	29,960,299
<b>Less: Accumulated Depreciation</b>				
Utility Systems	2,379,657	594,860	-	2,974,517
Building and Building Improvement	99,317	49,658	-	148,975
Machinery and Equipment	53,695	23,669	-	77,364
Total Accumulated Depreciation	2,532,669	668,187	-	3,200,856
Net Value of Capital Assets Being Depreciated	27,280,708	(521,265)	-	26,759,443
Total Business-Type Activities				
-- Net Value of Capital Assets	<u>\$ 27,542,254</u>	<u>\$ (477,904)</u>	<u>\$ -</u>	<u>\$ 27,064,350</u>

**Depreciation expense was charged to the functions of business-type activities as follows:**

Water	\$ 119,031
Sewer	551,152
Total Depreciation Expense	<u>\$ 670,183</u>

**LONG-TERM DEBT:**

Long-term debt information, presented separately with respect to governmental and business-type activities, is as follows.

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

Department of Environmental Quality #R23041 note payable for new wastewater system. Original balance \$789,320. Interest rate 3.51% Service fee of .5%. Dated March 20, 2002 Reserve \$57,039

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

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

**June 30, 2018**

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

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

USDA Rural Development revenue bond #39009 for the construction of wastewater system. Original balance \$3,000,000. Interest rate 3.75%. Dated January 27, 2015

USDA Rural Development revenue bond #39010 for the construction of wastewater system. Original balance \$3,000,000. Interest rate 3.75%. Dated January 27, 2015

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

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

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

The following tables present current year changes in those debt obligations and the current portions due for each debt.

<b><u>Governmental Long-Term Debt</u></b>	<b>Outstanding Balance July 1, 2017</b>	<b>Principal Paid</b>	<b>Interest Paid</b>	<b>Outstanding Balance June 30, 2018</b>	<b>Due Within One Year</b>
<b>Notes Payable:</b>					
Summit Bank Mortgage Loan	\$ 623,357	\$ 19,562	\$ 21,984	\$ 603,795	\$ 950
<b>Total Notes Payable</b>	<b>623,357</b>	<b>19,562</b>	<b>21,984</b>	<b>603,795</b>	<b>950</b>
<b>Total Governmental Long-Term Debt</b>	<b>\$ 623,357</b>	<b>\$ 19,562</b>	<b>\$ 21,984</b>	<b>\$ 603,795</b>	<b>\$ 950</b>

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

**June 30, 2018**

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

<u>Business-Type Long-Term Debt</u>	Outstanding Balance July 1, 2017	Principal Paid	Interest Paid	Outstanding Balance June 30, 2018	Due Within One Year
<b>Bonds Payable:</b>					
USDA Revenue Bonds #39009	\$ 2,931,785	36,039	\$ 109,941	\$ 2,895,746	\$ 45,221
USDA Revenue Bonds #39010	2,931,785	36,039	109,941	2,895,746	45,221
Water Revenue Bonds, Series 1999	55,000	55,000	3,051	-	-
<b>Total Bonds Payable</b>	<u>5,918,570</u>	<u>127,078</u>	<u>222,933</u>	<u>5,791,492</u>	<u>90,442</u>
<b>Notes Payable:</b>					
Department of Environmental Quality #R23041	\$ 730,723	30,858	\$ 29,034	\$ 699,865	\$ 9,220
Department of Environmental Quality #R23042	8,478,273	381,063	277,972	8,097,210	85,402
Department of Environmental Quality #R23044	1,298,268	57,985	30,098	1,240,283	8,612
IFA Loan with Business Oregon #B01003	483,692	72,397	26,375	411,295	12,839
IFA Loan with Business Oregon #G01001	640,774	54,863	35,061	585,911	18,188
<b>Total Notes Payable</b>	<u>11,631,730</u>	<u>597,166</u>	<u>398,540</u>	<u>11,034,564</u>	<u>134,261</u>
<b>Total Business-Type Long-Term Debt</b>	<u>\$ 17,550,300</u>	<u>\$ 724,244</u>	<u>\$ 621,473</u>	<u>\$ 16,826,056</u>	<u>\$ 224,703</u>

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

**Bonds Payable:**

Due Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 74,780	\$ 217,180	\$ 291,960
2020	78,172	213,788	291,960
2021	79,936	212,024	291,960
2022	83,514	208,446	291,960
2023	86,646	205,314	291,960
2024 - 2028	485,018	974,782	1,459,800
2029 - 2033	581,938	877,862	1,459,800
2034 - 2038	700,134	759,666	1,459,800
2039 - 2043	841,630	618,170	1,459,800
2044 - 2048	1,011,934	447,868	1,459,802
2049 - 2053	1,216,024	243,778	1,459,802
2054 - 2058	551,766	31,208	582,974
<b>Total</b>	<u>\$ 5,791,492</u>	<u>\$ 5,010,086</u>	<u>\$ 10,801,578</u>

**Notes Payable:**

Due Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 641,687	\$ 347,658	\$ 989,345
2020	662,238	326,111	988,350
2021	683,042	303,829	986,871
2022	692,854	280,637	973,491
2023	731,151	257,299	988,450
2024 - 2028	3,665,124	887,090	4,552,213
2029 - 2033	3,351,922	421,168	3,773,090
2034 - 2038	1,210,341	35,554	1,245,895
<b>Total</b>	<u>\$ 11,638,359</u>	<u>\$ 2,859,346</u>	<u>\$ 14,497,705</u>

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

**June 30, 2018**

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**PENSION PLAN:**

Name of Pension Plan

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

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, 2018**

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**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 will vary based on the amount of the annual benefit.

**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 will vary based on the amount of the benefit.

**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, 2018**

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**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.

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, 2015 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2017. 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. The employer rates in effect for the year ended June 30, 2018 were: Tier1/Tier 2 – 12.50%, OPSRP general service – 6.41% and OPSRP police and fire – 11.18%.

Employer contributions for the year ended June 30, 2018 were \$104,054, excluding amounts to fund employer specific liabilities.

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)

Actuarial Valuations

The employer contribution rates effective July 1, 2017, through June 30, 2019, 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, 2018**

**PENSION PLAN (Cont.):**

Actuarial Methods and Assumptions Used in Developing Total Pension Liability

Valuation Date	December 31, 2015
Measurement Date	June 30, 2017
Experience Study	2014, published September 23, 2015
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Inflation rate	2.50 percent
Long-term expected rate of return	7.50 percent
Discount rate	7.50 percent
Projected salary increases	3.50 percent
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>

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, 2018**

**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, 2018**

**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 2015 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	20-Year Annualized Geometric Mean	Annual Standard Deviation
Core Fixed Income	8.00%	3.59%	3.49%	4.55%
Short-Term Bonds	8.00%	3.42%	3.38%	2.70%
Bank/Leveraged Loans	3.00%	5.34%	5.09%	7.50%
High Yield Bonds	1.00%	6.90%	6.45%	10.00%
Large/Mid Cap US Equities	15.75%	7.45%	6.30%	16.25%
Small Cap US Equities	1.31%	8.49%	6.69%	20.55%
Micro Cap US Equities	1.31%	9.01%	6.80%	22.90%
Developed Foreign Equities	13.13%	8.21%	6.71%	18.70%
Emerging Foreign Equities	4.13%	10.53%	7.45%	27.35%
Non-US Small Cap Equities	1.88%	8.67%	7.01%	19.75%
Private Equity	17.50%	11.45%	7.82%	30.00%
Real Estate (Property)	10.00%	6.15%	5.51%	12.00%
Real Estate (REITS)	2.50%	8.26%	6.37%	21.00%
Hedge Fund of Funds - Diversified	2.50%	4.36%	4.09%	7.80%
Hedge Fund - Event-driven	0.63%	6.21%	5.86%	8.90%
Timber	1.88%	6.37%	5.62%	13.00%
Farmland	1.88%	6.90%	6.15%	13.00%
Infrastructure	3.75%	7.54%	6.60%	14.65%
Commodities	1.88%	5.43%	3.84%	18.95%
<b>Portfolio - Net of Investment Expenses</b>	<b>100%</b>	<b>7.48%</b>	<b>6.74%</b>	<b>12.97%</b>

\* The models's 20-year annualized geometric median is 6.7%

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

**June 30, 2018**

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**PENSION PLAN (Cont.):**

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	Discount Rate	1% Increase
	6.50%	7.50%	8.50%
Employer's proportionate share of the net pension liability	\$ 1,313,626	\$ 770,825	\$ 316,942

Changes in Assumptions

A summary of key changes implemented since the December 31, 2015 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, 2017, and can be found at:

<https://www.oregon.gov/pers/Documents/2016-Exp-Study.pdf>

*Changes in Actuarial Methods and Allocation Procedures*

*Allocation of Liability for Service Segments*

For purposes of allocating Tier1/Tier 2 members' actuarial accrued liability among multiple employers, the valuation uses a weighted average of the Money Match methodology and the Full Formula methodology by PERS when the member retires. The weights are determined based on the prevalence of each formula among the current Tier 1/Tier2 population. For the December 31,2014 and December 31,2015 valuations, the Money Match was weighted 25 percent for General Service members and 0 percent for Police & Fire members. For the December 31, 2016 and December 31, 2017 valuations, this weighting has been adjusted to 15 percent for General Service members and 0 percent for Police & Fire members, based on a projection of the proportion of liability attributable to Money Match benefits at those valuation dates.

*Changes in Economic Assumptions*

**Investment Return and Interest Crediting** – The assumed investment return and interest crediting to both regular and variable account balances was reduced to 7.20%. Previously, the assumed investment return and interest crediting was 7.5%.

**Administrative Expenses** – The administrative expense assumptions were updated to \$37.5 million per year for Tier 1/Tier 2 and \$6.5 million per year for OPSRP. Previously these were assumed to \$33.0 million per year and \$5.5 million per year, respectively.

**Healthcare Cost Inflation** – The healthcare cost inflation assumption for the maximum RHIPA subsidy was updated based on analysis performed by Milliman's healthcare actuaries. This analysis includes the consideration of the excise tax that will be introduced in 2020 by the Affordable Care Act.

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

**June 30, 2018**

**PENSION PLAN (Cont.):**

Mortality Rates

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

Assumption	December 31, 2015 Valuation	Recommended December 31, 2016 and 2017 Valuations
<b>Healthy Annuitant Mortality</b>	<b>RP-2000 Generational with Scale BB, Combined Active/Healthy Annuitant, Sex Distinct</b>	<b>RP-2014 Healthy Annuitant, Sex Distinct, Generational Projection Unisex Social Security Data Scale</b>
School District male	No collar, set back 24 months	White collar, set back 12 months
Other General Service male (and male beneficiary)	Blended 25% blue collar/75% white collar, set back 12 months	Blended 50% blue collar/50% white collar, set back 12 months
Police & Fire male	Blended 25% blue collar/75% white collar, set back 12 months	Blended 50% blue collar/50% white collar, set back 12 months
School District female	No collar, set back 24 months	White collar, set back 12 months
Other female (and female beneficiary)	Blended 25% blue collar/75% white collar, no set back	Blended 50% blue collar/50% white collar, no set back
<b>Disabled Retiree Mortality</b>	<b>RP-2000 Generational with Scale BB, Disabled, No Collar, Sex distinct</b>	<b>RP-2014 Disabled Retiree, Sex Distinct, Generational Projection with Unisex Social Security Data Scale</b>
Male	70% of Disabled table, but not less than corresponding healthy annuitant rates	No collar adjustment, no set back
Female	95% of Disabled table, but not less than corresponding healthy annuitant rates	No collar adjustment, no set back
<b>Non-Annuitant Mortality</b>	<b>Fixed Percentage of Healthy Annuitant Mortality</b>	<b>RP-2014 Employee, Sex Distinct, Generational Projection with Unisex Social Security Data Scale</b>
School District male	60%	Same collar and set back as Healthy Annuitant assumption
Other General Service male	75%	Same collar and set back as Healthy Annuitant assumption
Police & Fire male	75%	Same collar and set back as Healthy Annuitant assumption
School District female	55%	Same collar and set back as Healthy Annuitant assumption
Other female	60%	Same collar and set back as Healthy Annuitant assumption

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

**June 30, 2018**

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**PENSION PLAN (Cont.):**

Changes Subsequent to the Measurement Date

At its July 28, 2017 meeting, the PERS Board lowered the assumed rate to 7.2%. For member transactions, this rate will take effect January 1, 2018. The current assumed rate is 7.5% and has been in effect for member transactions since January 1, 2016.

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 pay-date.

Beginning with fiscal year 2016, 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 2016, contributions to the OPSRP Defined Benefit plan were not accounted for by employer, as all employers were pooled for actuarial purposes.

Net Pension Liability

Net pension liabilities are calculated at the system-wide level and are allocated to employers based on their proportionate share. UAL Side Accounts are included as assets in this calculation. The rate setting actuarial valuation will continue to allocate the UAL Side Account, transitional or pre-SLGRP liabilities or surpluses as adjustments to the respective employers.

Elements of Changes in Net Position

This information can be found in the Schedule of Changes in Net Pension Liability found on page 71, of the June 30, 2017 PERS CAFR.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

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

At June 30, 2018, the employer reported a liability of \$770,825 for its proportionate share of the net pension liability. The net pension liability/(asset) was measured as of June 30, 2017, 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, 2018**

**PENSION PLAN (Cont.):**

At June 30, 2017, the employer's proportion was 0.00571827 percent.

For the year ended June 30, 2018, the employer recognized pension expense of \$169,833. At June 30, 2018, 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	\$ 37,277	\$ -
Changes of assumptions	140,508	-
Net difference between projected and actual earnings on investments	7,941	-
Changes in proportionate share	50,990	4,687
Differences between employer contributions and employer's proportionate share of system contributions	-	28,726
Total Deferred Outflows/Inflows	\$ 236,716	\$ 33,413
Post-measurement date contributions	104,054	N/A
Total Deferred Outflow/(Inflow) of Resources	\$ 340,770	\$ 33,413
Net Deferred Outflow/(Inflow) of Resources prior to post-measurement date contributions		203,303

\$203,303 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, 2019. 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	\$ 40,253
2nd Fiscal Year	103,133
3rd Fiscal Year	73,660
4th Fiscal Year	(15,146)
5th Fiscal Year	1,404
Thereafter	-
Total	\$ 203,303

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

**June 30, 2018**

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**OTHER POST-EMPLOYMENT BENEFITS (OPEB) RHIA:**

***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 0.50% of annual covered PERS payroll and 0.43% 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 75. 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, 2018, 2017, and 2016 were \$3,288, \$3,031, and \$3,257, respectively, which equaled the required contributions for the year.

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

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS Retirement Health Insurance Account Cost Sharing Multiple Employer Other Postemployment Benefit (OPEB) Plan Schedules of Employer Allocations and OPEB Amounts by Employer report, as of and for the Year Ended June 30, 2017. That independently audited report was dated April 11, 2018 and can be found at:

[http://www.oregon.gov/pers/EMP/Documents/GASB/2018/GASB\\_75\\_06.30.2017.pdf](http://www.oregon.gov/pers/EMP/Documents/GASB/2018/GASB_75_06.30.2017.pdf)

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

**June 30, 2018**

**OTHER POST-EMPLOYMENT BENEFITS (OPEB) RHIA:**

<b>Actuarial Methods and Assumptions - OPEB Plans - RHIA</b>	
	<b>June 30, 2017</b>
Valuation Date	December 31, 2015
Measurement Date	June 30, 2017
Experience Study	2014, published September 23, 2015
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Inflation rate	2.50 percent
Long-term expected rate of return	7.50 percent
Discount rate	7.50 percent
Projected salary increases	3.50 percent
Retiree healthcare participation	Healthy retirees: 38%; Disabled retirees: 20%
Healthcare cost trend rate	Not applicable
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. 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.

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts 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 method and assumptions shown are based on the 2014 Experience Study which is reviewed for the four-year period ending December 31, 2014.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the RHIA 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 OPEB plan investments for the RHIA plan was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

**June 30, 2018**

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**OTHER POST-EMPLOYMENT BENEFITS (OPEB) RHIA:**

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 2015 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. Milliman's assumptions for each of the asset classes in which the plan was invested at that time are 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. 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. For more information on the Plan's portfolio, assumed asset allocation, and the long-term expected rate of return for each major class, calculated using both arithmetic and geometric means, see Pension Plan note disclosure above or the PERS' audited financial statements at:

[http://www.oregon.gov/pers/docs/financial\\_reports/2017\\_cafr.pdf](http://www.oregon.gov/pers/docs/financial_reports/2017_cafr.pdf)

Sensitivity Analysis

The following presents the employer's proportionate share of the net OPEB liability/(asset) calculated using the discount rate of 7.50 percent, as well as what the employer's proportionate share of the OPEB liability/(asset) 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 OPEB liability	\$ 376	\$ (2,697)	\$ (5,310)

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

At June 30, 2018, the City reported a net OPEB liability/(asset) of \$(2,697) for its proportionate share of the net OPEB liability/(asset). The OPEB liability/(asset) was measured as of June 30, 2017, and the total OPEB liability/(asset) used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation as of December 31, 2015. Consistent with GASB Statement No. 75, paragraph 59(a), The City's proportion of the net OPEB liability/(asset) is determined by comparing the employer's actual, legally required contributions made during the fiscal year to the Plan with the total actual contributions made in the fiscal year of all employers. As of the measurement date of June 30, 2017, the City's proportion was 0.00646188 percent. OPEB expense/(income) for the year ended June 30, 2018 was \$(43).

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

**June 30, 2018**

**OTHER POST-EMPLOYMENT BENEFITS (OPEB) RHIA:**

At June 30, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on	-	1,249
Changes in proportionate share	-	154
Differences between employer contributions and employer's proportionate share of system contributions	-	-
Total Deferred Outflows/Inflows	<u>\$ -</u>	<u>\$ 1,403</u>
Post-measurement date contributions	3,288	N/A
Total Deferred Outflow/(Inflow) of Resources	<u>\$ 3,288</u>	<u>\$ 1,403</u>
Net Deferred Outflow/(Inflow) of Resources prior to post-measurement date contributions		<u>(1,403)</u>

\$1,403 reported as deferred inflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. 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:

<u>Employer subsequent fiscal years</u>	<u>Deferred Outflow/(Inflow) of Resources (prior to post-measurement date contributions)</u>
1st Fiscal Year	\$ (369)
2nd Fiscal Year	(369)
3rd Fiscal Year	(352)
4th Fiscal Year	(312)
5th Fiscal Year	-
Thereafter	-
Total	<u>\$ (1,403)</u>

**Changes Subsequent to the Measurement Date**

At its July 28, 2017 meeting, the PERS Board lowered the assumed rate to 7.2 percent. For member transactions, this rate will take effect January 1, 2018. The current assumed rate is 7.5 percent and has been in effect for member transactions since January 1, 2016.

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

**June 30, 2018**

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**OTHER POST-EMPLOYMENT BENEFITS (OPEB) CIS:**

*Retiree Healthcare Insurance Premiums Subsidy*

Plan Description

The City operates a single employer retiree benefit plan through the Citycounty Insurance Services that provides post-employment health, dental vision and life insurance benefits to eligible employees and their spouses. The City is required by Oregon Revised Statutes 243.303 to provide retirees and their dependents with group health insurance from the date of retirement to age 65 at the same rate provided to current employees. Premiums for retirees are tiered and based upon the premium rates available to active employees. The retiree is responsible for any portion of the premiums not paid by the Employer. The implicit employer subsidy is measured as the expected health care cost per retiree and dependent, less the gross premiums charged by the insurance carrier for that coverage. The subsidy is only measured for retirees and spouses younger than age 65, at which point such retirees and spouses typically become eligible for Medicare. GASB Statement 75 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.

Funding Policy

When the City has 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.

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

**June 30, 2018**

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

Actuarial Methods and Assumptions - The City engaged an actuary to perform an evaluation as of July 1, 2016 using entry age normal Actuarial Cost Method. The total OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date:

<b>Discount Rate</b>	2.85%	3.58%
<b>Other Key Actuarial Assumptions and Methods</b>		
Valuation date	July 1, 2016	July 1, 2016
Measurement date	June 30, 2016	June 30, 2017
Inflation	2.50%	2.50%
Salary increases	3.50%	3.50%
Healthy Mortality	RP-2000 healthy white collar male and female mortality tables, set back one year for males. Mortality is projected on a generational basis using Scale BB for males and females.	RP-2000 healthy white collar male and female mortality tables, set back one year for males. Mortality is projected on a generational basis using Scale BB for males and females.
Actuarial cost method	Entry Age Normal	Entry Age Normal

Discount Rate

Under GASB 75, unfunded plans must use a discount rate that reflects a 20-year tax-exempt municipal bond yield or index rate. The assumptions in this report reflect the Bond Buyer 20-Year General Obligation Bond Index. The discount rate in effect for the June 30, 2017 reporting date is 2.85%, and the discount rate in effect for the June 30, 2018 reporting date is 3.58%.

Health Care Cost Trend

The assumed medical and vision costs will increase 7.00% in the first year (July 1, 2017 premiums compared with July 1, 2016 premiums). In future years, the medical and vision cost trend varies between 7.50% and 5.00% due to the timing of the excise tax scheduled to affect health care benefits. The trend then settles to an ultimate rate of 5.00%. They have also assumed dental costs will increase 4.50% in all future years.

Withdrawal, Retirement and Mortality Rates

They are generally using the rates adopted by the Oregon Public Employees Retirement System (PERS) for its December 31, 2015 actuarial valuation of retirement benefits.

Election and Lapse Rates

They have assumed that a portion of future retirees and their spouses elect benefits, and that some of those later lapse (drop) from those benefits. The assumptions are based on historical data for similar benefits for other public employers in Oregon. For larger employers, they also consider specific historical experience; and for unique arrangements they consider the incentives provided by those arrangements.

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

**June 30, 2018**

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

Sensitivity Analysis

The following presents the total OPEB liability of the Plan, calculated using the disclosure discount rate as well as what the Plan's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate. A similar sensitivity analysis is then presented for changes in the healthcare cost trend assumption.

	1% Decrease 2.58%	Discount Rate 3.58%	1% Increase 4.58%
Total OPEB liability from Implicit Rate Subsidy	\$ 43,715	\$ 39,288	\$ 35,266

	1% Decrease	Trend Rate	1% Increase
Total OPEB liability from Implicit Rate Subsidy	\$ 33,103	\$ 39,288	\$ 46,797

Participation

The following table represents the number of the City's covered participants:

	<b>PERS Police &amp; Fire</b>	<b>PERS General Service</b>	<b>Total</b>
<b><u>July 1, 2016</u></b>			
Number of Members			
Active	2	9	11
Retired Members	0	0	0
Spouses of Ineligible Retirees	0	0	0
Total Participants	2	9	11
Spouses of Eligible Retirees	0	0	0

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

**June 30, 2018**

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

Changes in Net OPEB Liability

<b>Changes in Total OPEB Liability</b>	<b>Increase (Decrease) Total OPEB Liability</b>	
<b>Balance as of June 30, 2017</b>	<b>\$</b>	<b>36,009</b>
<b>Changes for the year:</b>		
Service Cost		5,243
Interest		1,174
Effect of changes to benefit terms		-
Effect of economic/ demographic gains or losses		-
Effect of assumptions or other inputs		(2,995)
Employer Contributions		
Benefit payments		(143)
<b>Net OPEB Liability at June 30, 2018</b>	<b>\$</b>	<b>39,288</b>

Components of OPEB Expense

<b>OPEB Expense</b>	<b>July 1, 2017 to June 30, 2018</b>	
Service cost	<b>\$</b>	<b>5,243</b>
Interest on total OPEB liability		1,174
Effect of plan changes		-
Recognition of Deferred (Inflows)/Outflows of Resources		
Recognition of economic/demographic (gains) or losses		(312)
Recognition of assumption changes		-
Administrative Expense		n/a*
<b>OPEB Expense</b>	<b>\$</b>	<b>6,105</b>

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

**June 30, 2018**

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

Schedule of Deferred Inflows and Outflows of Resources

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions or inputs	-	2,683
Benefit Payments	-	-
Changes in proportionate share	-	-
Differences between employer contributions and employer's proportionate share of system contributions	-	-
Total Deferred Outflows/Inflows	\$ -	\$ 2,683

Other amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

<u>Employer subsequent fiscal years</u>	<u>Deferred Outflow/(Inflow) of Resources (prior to post-measurement date contributions)</u>
1st Fiscal Year	\$ (312)
2nd Fiscal Year	(312)
3rd Fiscal Year	(312)
4th Fiscal Year	(312)
5th Fiscal Year	(312)
Thereafter	(1,123)
Total	\$ (2,683)

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

**June 30, 2018**

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**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.

**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, 2018**

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**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>
Coburg Urban Renewal Agency Fund	\$ 500,000	-
Sewer Fund	-	<u>500,000</u>
Total	<u>\$ 500,000</u>	<u>\$ 500,000</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.

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

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# CITY OF COBURG

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

### GENERAL FUND

For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final	(See Note 1)	
<b><u>REVENUES:</u></b>				
Taxes and Assessments	\$ 625,000	\$ 625,000	\$ 648,359	\$ 23,359
Intergovernmental	63,024	63,024	71,036	8,012
Franchise Fees	256,000	256,000	269,643	13,643
Licenses, Permits, & Misc Fees	270,994	375,994	328,356	(47,638)
Fines and Forfeitures	114,375	114,375	134,452	20,077
Investment Revenue	5,283	5,283	12,933	7,650
Grants and Donations	84,000	84,000	73,857	(10,143)
Charges for Services	279,877	279,877	68,026	(211,851)
Interdepartmental Charges	689,175	689,175	702,738	13,563
Other Revenue	10,700	10,700	13,850	3,150
<b>Total Revenues</b>	<b>2,398,428</b>	<b>2,503,428</b>	<b>2,323,250</b>	<b>(180,178)</b>
<b><u>EXPENDITURES:</u></b>				
Administration Department	750,357	770,357	712,359	(57,998)
Planning Department	276,976	381,976	295,213	(86,763)
Police Department	521,790	521,790	471,855	(49,935)
Municipal Court	126,489	126,489	123,767	(2,722)
Economic Development	55,500	55,500	23,836	(31,664)
Park	75,193	75,193	26,852	(48,341)
Park Capital	51,594	51,594	22,736	(28,858)
Public Works Administration	318,764	318,764	273,993	(44,771)
Not Allocated to an Organizational Unit:				
Debt Service				
Principal	20,592	20,592	20,790	198
Interest	20,500	20,500	21,984	1,484
<b>Total Expenditures</b>	<b>2,217,755</b>	<b>2,342,755</b>	<b>1,993,385</b>	<b>(349,370)</b>
Net Change in Fund Balance	180,673	160,673	329,865	169,192
Fund Balance - July 1, 2017	750,000	750,000	547,323	(202,677)
<b>Fund Balance - June 30, 2018</b>	<b>\$ 930,673</b>	<b>\$ 910,673</b>	<b>\$ 877,188</b>	<b>\$ (33,485)</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, 2018

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Over (Under)
	Original	Final		
<b><u>REVENUES:</u></b>				
Intergovernmental	\$ 145,650	\$ 145,650	\$ 168,826	\$ 23,176
Grants	50,000	50,000	-	(50,000)
Investment Revenue	3,797	3,797	10,407	6,610
Charges for Services	106,176	106,176	60,501	(45,675)
<b>Total Revenues</b>	<b>305,623</b>	<b>305,623</b>	<b>239,734</b>	<b>(65,889)</b>
<b><u>EXPENDITURES:</u></b>				
Street	168,396	168,396	115,706	(52,690)
Street Capital	318,251	318,251	39,029	(279,222)
<b>Total Expenditures</b>	<b>486,647</b>	<b>486,647</b>	<b>154,735</b>	<b>(331,912)</b>
Net Change In Fund Balance	(181,024)	(181,024)	84,999	266,023
Fund Balance - July 1, 2017	440,000	440,000	488,237	48,237
<b>Fund Balance - June 30, 2018</b>	<b>\$ 258,976</b>	<b>\$ 258,976</b>	<b>\$ 573,236</b>	<b>\$ 314,260</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, 2018

	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	\$ 323,000	\$ 323,000	\$ 370,761	\$ 47,761
Investment Revenue	1,500	1,500	4,588	3,088
<b>Total Revenues</b>	<b>324,500</b>	<b>324,500</b>	<b>375,349</b>	<b>50,849</b>
<b><u>EXPENDITURES:</u></b>				
Materials and supplies	7,450	7,450	4,909	(2,541)
<b>Total Expenditures</b>	<b>7,450</b>	<b>7,450</b>	<b>4,909</b>	<b>(2,541)</b>
Excess (Deficiency) of Revenues Over Expenditures	317,050	317,050	370,440	53,390
<b>Total Other Financing Sources (Uses)</b>	<b>(500,000)</b>	<b>(500,000)</b>	<b>(500,000)</b>	<b>-</b>
Net Change In Fund Balance	(182,950)	(182,950)	(129,560)	53,390
Fund Balance - July 1, 2017	216,677	216,677	240,884	24,207
<b>Fund Balance - June 30, 2018</b>	<b>\$ 33,727</b>	<b>\$ 33,727</b>	<b>\$ 111,324</b>	<b>\$ 77,597</b>

# **CITY OF COBURG**

## **SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

### **PERS**

**Last 10 Fiscal Years\***

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	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability (asset)	0.00571827%	0.00542243%	0.00467319%	0.00517355%
Employer's proportionate share of the net pension liability (asset)	\$ 770,825	\$ 814,033	\$ 268,309	\$ (117,270)
Employer's covered - employee payroll	\$ 680,984	\$ 680,984	\$ 675,338	\$ 416,570
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	113.19%	119.54%	39.73%	-28.15%
Plan fiduciary net position as a percentage of the total pension liability	81.3%	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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 104,054	\$ 83,006	\$ 82,856	\$ 45,190	\$ 45,098
Contributions in relation to the contractually required contribution	<u>104,054</u>	<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>	<u>-</u>
Employer's covered - employee payroll	\$ 768,473	\$ 680,984	\$ 675,338	\$ 416,570	\$ 577,960
Contributions as a percentage of covered -employee payroll	13.54%	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

# **CITY OF COBURG**

## **SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**

### **OPEB RHIA**

#### **Last 10 Fiscal Years\***

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	<u>2018</u>	<u>2017</u>
Employer's proportion of the net OPEB liability (asset)	0.00646188%	0.00724014%
Employer's proportionate share of the net OPEB liability (asset)	\$ (2,697)	\$ 1,966
Employer's covered - employee payroll	\$ 768,473	\$ 680,984
Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered - employee payroll	-0.35%	0.29%
Plan fiduciary net position as a percentage of the total OPEB liability	108.9%	94.2%

\*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 OPEB RHIA**

### **Last 10 Fiscal Years**

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	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 3,288	\$ 3,031	\$ 3,257
Contributions in relation to the contractually required contribution	3,288	3,031	3,257
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's covered - employee payroll	\$ 768,473	\$ 680,984	\$ 675,338
Contributions as a percentage of covered - employee payroll	0.43%	0.45%	0.48%

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

**Proprietary Funds**

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# CITY OF COBURG

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

### WATER FUND

For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary Basis) (See Note 1)	Final Budget Over (Under)
<b>REVENUES:</b>				
Charges for Services	\$1,132,945	\$ 1,132,945	\$ 876,704	\$ (256,241)
Grant Revenue	-	-	13,688	13,688
Investment Revenue	5,928	5,928	8,726	2,798
Other Revenue	2,150	2,150	2,015	(135)
<b>Total Revenues</b>	<b>1,141,023</b>	<b>1,141,023</b>	<b>901,133</b>	<b>(239,890)</b>
<b>EXPENDITURES:</b>				
Water	454,041	454,041	449,763	(4,278)
Contingency	100,000	-	-	-
Water Capital	580,000	680,000	171,711	(508,289)
Debt Service				
Principal	182,260	182,260	182,260	-
Interest	63,646	63,646	64,886	1,240
<b>Total Expenditures</b>	<b>1,379,947</b>	<b>1,379,947</b>	<b>868,620</b>	<b>(511,327)</b>
Net Change In Fund Balance	(238,924)	(238,924)	32,513	271,437
Fund Balance - July 1, 2017	780,000	780,000	891,295	111,295
<b>Fund Balance - June 30, 2018</b>	<b>\$ 541,076</b>	<b>\$ 541,076</b>	<b>\$ 923,808</b>	<b>\$ 382,732</b>

#### Reconciliation to generally accepted accounting principles basis

Net Change in Fund Balance - from above	\$ 32,513
Change in Accrued Interest	5,993
Debt Principal Payments	182,260
Capital outlay that is capitalized	171,711
Change in Pension Expense	(3,131)
Depreciation Expense	(119,031)
Change in Net Position as Reported in Proprietary Funds Statement of Revenues, Expenditures, and Changes in Net Position	<u>\$ 270,315</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, 2018

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final	(See Note 1)	
<b><u>REVENUES:</u></b>				
Taxes & Assessments	\$ 177,059	\$ 177,059	\$ 172,506	\$ (4,553)
Charges for Services	1,310,975	1,310,975	990,411	(320,564)
Investment Revenue	7,361	7,361	8,839	1,478
<b>Total Revenues</b>	<b>1,495,395</b>	<b>1,495,395</b>	<b>1,171,756</b>	<b>(323,639)</b>
<b><u>EXPENDITURES:</u></b>				
Sewer	495,105	495,105	485,663	(9,442)
Sewer Capital	16,509	16,509	6,643	(9,866)
Sewer Debt Service	5,000	5,000	1,655	(3,345)
Debt Service:				
Principal	538,791	538,791	541,983	3,192
Interest	560,179	560,179	556,987	(3,192)
<b>Total Expenditures</b>	<b>1,615,584</b>	<b>1,615,584</b>	<b>1,592,931</b>	<b>(22,653)</b>
Excess (Deficiency) of Revenues Over Expenditures	(120,189)	(120,189)	(421,175)	(300,986)
<b>Total Other Financing Sources (Uses)</b>	<b>500,000</b>	<b>500,000</b>	<b>500,000</b>	<b>-</b>
Net Change In Fund Balance	379,811	379,811	78,825	(300,986)
Fund Balance - July 1, 2017	2,291,477	2,291,477	2,221,954	(69,523)
<b>Fund Balance - June 30, 2018</b>	<b>\$ 2,671,288</b>	<b>\$ 2,671,288</b>	<b>\$ 2,300,779</b>	<b>\$ (370,509)</b>

#### **Reconciliation to generally accepted accounting principles basis**

Net change in fund balance from above	\$ 78,825
Change in Accrued Interest	15,090
Change in Pension Expense	(9,047)
Debt Principal Payments	541,983
Capital outlay that is capitalized	18,572
Depreciation Expense	(551,152)
Change in Net Position as Reported in Combining Statement of Revenues, Expenses, and Changes in Net Position	<u>\$ 94,271</u>

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

**Additional**  
**Supporting Schedules**

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**CITY OF COBURG**  
**SCHEDULE OF LONG-TERM DEBT TRANSACTIONS**  
**For the Fiscal Year Ended June 30, 2018**

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**Summit Bank Mortgage Loan**

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

**Current Year Activity:**

	Outstanding Balance July 1, 2017	New Issues and Interest Matured	Principal and Interest Retired	Outstanding Balance June 30, 2018	Due Within One Year
Principal	\$ 623,357	\$ -	\$ 19,562	\$ 603,795	\$ 20,366
Interest	-	21,984	21,984	-	21,333
Total	<u>\$ 623,357</u>	<u>\$ 21,984</u>	<u>\$ 41,546</u>	<u>\$ 603,795</u>	<u>\$ 41,699</u>

**Future Requirements:**

	Fiscal Year Ended June 30,	Principal	Interest	Total	Interest Rate
	2019	\$ 20,366	\$ 21,333	\$ 41,699	3.59%
	2020	21,329	20,584	41,914	3.59%
	2021	22,108	19,806	41,914	3.59%
	2022	22,915	18,999	41,914	3.59%
	2023	23,751	18,163	41,914	3.59%
	2024	493,326	10,197	503,522	3.59%
Total		<u>\$ 603,795</u>	<u>\$ 109,082</u>	<u>\$ 712,877</u>	

**CITY OF COBURG**  
**SCHEDULE OF LONG-TERM DEBT TRANSACTIONS**  
**For the Fiscal Year Ended June 30, 2018**

**Department of Environmental Quality #R23041**

Note payable to Department of Environmental Quality #R23041 for new wastewater system. Original balance \$789,320.  
Interest rate 3.51% Service fee of .5%. Dated March 20, 2002 Reserve \$57,039

**Current Year Activity:**

	Outstanding Balance July 1, 2017	New Issues and Interest Matured	Principal and Interest Retired	Outstanding Balance June 30, 2018	Due Within One Year
Principal	\$ 730,723	\$ -	\$ 30,858	\$ 699,865	\$ 31,950
Interest	-	29,034	29,034	-	24,288
<b>Total</b>	<b>\$ 730,723</b>	<b>\$ 29,034</b>	<b>\$ 59,892</b>	<b>\$ 699,865</b>	<b>\$ 56,238</b>

**Future Requirements:**

	Fiscal Year Ended June 30,	Principal	Interest	Total	Interest Rate
	2019	\$ 31,950	\$ 24,288	\$ 56,238	3.51%
	2020	33,082	23,156	56,238	3.51%
	2021	34,254	21,984	56,238	3.51%
	2022	35,466	20,772	56,238	3.51%
	2023	36,722	19,516	56,238	3.51%
	2024	38,022	18,216	56,238	3.51%
	2025	39,368	16,870	56,238	3.51%
	2026	40,763	15,475	56,238	3.51%
	2027	42,205	14,033	56,238	3.51%
	2028	43,700	12,538	56,238	3.51%
	2029	45,248	10,990	56,238	3.51%
	2030	46,850	9,388	56,238	3.51%
	2031	48,508	7,730	56,238	3.51%
	2032	50,226	6,012	56,238	3.51%
	2033	52,004	4,234	56,238	3.51%
	2034	53,846	2,392	56,238	3.51%
	2035	27,651	485	28,136	3.51%
<b>Total</b>		<b>\$ 699,865</b>	<b>\$ 228,079</b>	<b>\$ 927,944</b>	

**CITY OF COBURG**  
**SCHEDULE OF LONG-TERM DEBT TRANSACTIONS**  
**For the Fiscal Year Ended June 30, 2018**

**Department of Environmental Quality #R23042**

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 \$314,514

**Current Year Activity:**

	Outstanding Balance July 1, 2017	New Issues and Interest Matured	Principal and Interest Retired	Outstanding Balance June 30, 2018	Due Within One Year
Principal	\$ 8,478,273	\$ -	\$ 381,063	\$ 8,097,210	\$ 391,846
Interest	-	277,972	277,972	-	224,798
<b>Total</b>	<b>\$ 8,478,273</b>	<b>\$ 277,972</b>	<b>\$ 659,035</b>	<b>\$ 8,097,210</b>	<b>\$ 616,644</b>

**Future Requirements:**

	Fiscal Year Ended June 30,	Principal	Interest	Total	Interest Rate
	2019	\$ 391,846	\$ 224,798	\$ 616,644	2.81%
	2020	402,935	213,709	616,644	2.81%
	2021	414,336	202,308	616,644	2.81%
	2022	426,060	190,584	616,644	2.81%
	2023	438,117	178,527	616,644	2.81%
	2024	450,515	166,129	616,644	2.81%
	2025	463,263	153,381	616,644	2.81%
	2026	476,373	140,271	616,644	2.81%
	2027	489,853	126,791	616,644	2.81%
	2028	503,714	112,930	616,644	2.81%
	2029	517,968	98,676	616,644	2.81%
	2030	532,625	84,019	616,644	2.81%
	2031	547,697	68,947	616,644	2.81%
	2032	563,195	53,449	616,644	2.81%
	2033	579,132	37,512	616,644	2.81%
	2034	595,520	21,124	616,644	2.81%
	2035	304,061	4,272	308,333	2.81%
<b>Total</b>		<b>\$ 8,097,210</b>	<b>\$ 2,077,427</b>	<b>\$ 10,174,637</b>	

**CITY OF COBURG**  
**SCHEDULE OF LONG-TERM DEBT TRANSACTIONS**  
**For the Fiscal Year Ended June 30, 2018**

**Department of Environmental Quality #R23044**

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

**Current Year Activity:**

	Outstanding Balance July 1, 2017	New Issues and Interest Matured	Principal and Interest Retired	Outstanding Balance June 30, 2018	Due Within One Year
Principal	\$ 1,298,268	\$ -	\$ 57,985	\$ 1,240,283	\$ 59,062
Interest	-	30,098	30,098	-	22,674
<b>Total</b>	<b>\$ 1,298,268</b>	<b>\$ 30,098</b>	<b>\$ 88,083</b>	<b>\$ 1,240,283</b>	<b>\$ 81,736</b>

**Future Requirements:**

	Fiscal Year Ended June 30,	Principal	Interest	Total	Interest Rate
	2019	\$ 59,062	\$ 22,674	\$ 81,736	1.85%
	2020	60,161	21,575	81,736	1.85%
	2021	61,278	20,458	81,736	1.85%
	2022	62,417	19,319	81,736	1.85%
	2023	63,577	18,159	81,736	1.85%
	2024	64,759	16,977	81,736	1.85%
	2025	65,962	15,774	81,736	1.85%
	2026	67,189	14,547	81,736	1.85%
	2027	68,437	13,299	81,736	1.85%
	2028	69,709	12,027	81,736	1.85%
	2029	71,005	10,731	81,736	1.85%
	2030	72,325	9,411	81,736	1.85%
	2031	73,669	8,067	81,736	1.85%
	2032	75,038	6,698	81,736	1.85%
	2033	76,432	5,304	81,736	1.85%
	2034	77,853	3,883	81,736	1.85%
	2035	79,300	2,436	81,736	1.85%
	2036	72,110	962	73,072	1.85%
<b>Total</b>		<b>\$ 1,240,283</b>	<b>\$ 222,301</b>	<b>\$ 1,462,584</b>	

**CITY OF COBURG**  
**SCHEDULE OF LONG-TERM DEBT TRANSACTIONS**  
**For the Fiscal Year Ended June 30, 2018**

**USDA Revenue Bonds #39009**

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

**Current Year Activity:**

	Outstanding Balance July 1, 2017	New Issues and Interest Matured	Principal and Interest Retired	Outstanding Balance June 30, 2018	Due Within One Year
Principal	\$ 2,931,785	\$ -	\$ 36,039	\$ 2,895,746	\$ 37,390
Interest	-	109,941	109,941	-	108,590
Total	\$ 2,931,785	\$ 109,941	\$ 145,980	\$ 2,895,746	\$ 145,980

**Future Requirements:**

Fiscal Year Ended June 30,	Principal	Interest	Total	Interest Rate
2019	\$ 37,390	\$ 108,590	\$ 145,980	3.75%
2020	39,086	106,894	145,980	3.75%
2021	39,968	106,012	145,980	3.75%
2022	41,757	104,223	145,980	3.75%
2023	43,323	102,657	145,980	3.75%
2024	45,224	100,756	145,980	3.75%
2025	46,371	99,609	145,980	3.75%
2026	48,382	97,598	145,980	3.75%
2027	50,196	95,784	145,980	3.75%
2028	52,336	93,644	145,980	3.75%
2029	53,789	92,191	145,980	3.75%
2030	56,058	89,922	145,980	3.75%
2031	58,161	87,819	145,980	3.75%
2032	60,576	85,404	145,980	3.75%
2033	62,385	83,595	145,980	3.75%
2034	64,953	81,027	145,980	3.75%
2035	67,388	78,592	145,980	3.75%
2036	70,124	75,856	145,980	3.75%
2037	72,344	73,636	145,980	3.75%
2038	75,258	70,722	145,980	3.75%
2039	78,080	67,900	145,980	3.75%
2040	81,186	64,794	145,980	3.75%
2041	83,883	62,097	145,980	3.75%
2042	87,198	58,782	145,980	3.75%
2043	90,468	55,512	145,980	3.75%
2044	94,004	51,976	145,980	3.75%
2045	97,253	48,727	145,980	3.75%
2046	101,033	44,947	145,980	3.75%
2047	104,823	41,158	145,981	3.75%
2048	108,854	37,126	145,980	3.75%
2049	112,744	33,236	145,980	3.75%
2050	117,062	28,918	145,980	3.75%
2051	121,452	24,528	145,980	3.75%
2052	126,061	19,919	145,980	3.75%
2053	130,693	15,288	145,981	3.75%
2054	135,635	10,345	145,980	3.75%
2055	140,248	5,259	145,507	3.75%
Total	\$ 2,895,746	\$ 2,505,043	\$ 5,400,789	

**CITY OF COBURG**  
**SCHEDULE OF LONG-TERM DEBT TRANSACTIONS**  
**For the Fiscal Year Ended June 30, 2018**

**USDA Revenue Bonds #39010**

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

**Current Year Activity:**

	Outstanding Balance July 1, 2017	New Issues and Interest Matured	Principal and Interest Retired	Outstanding Balance June 30, 2018	Due Within One Year
Principal	\$ 2,931,785	\$ -	\$ 36,039	\$ 2,895,746	\$ 37,390
Interest	-	109,941	109,941	-	108,590
<b>Total</b>	<b>\$ 2,931,785</b>	<b>\$ 109,941</b>	<b>\$ 145,980</b>	<b>\$ 2,895,746</b>	<b>\$ 145,980</b>

**Future Requirements:**

Fiscal Year Ended June 30,	Principal	Interest	Total	Interest Rate
2019	\$ 37,390	\$ 108,590	\$ 145,980	3.75%
2020	39,086	106,894	145,980	3.75%
2021	39,968	106,012	145,980	3.75%
2022	41,757	104,223	145,980	3.75%
2023	43,323	102,657	145,980	3.75%
2024	45,224	100,756	145,980	3.75%
2025	46,371	99,609	145,980	3.75%
2026	48,382	97,598	145,980	3.75%
2027	50,196	95,784	145,980	3.75%
2028	52,336	93,644	145,980	3.75%
2029	53,789	92,191	145,980	3.75%
2030	56,058	89,922	145,980	3.75%
2031	58,161	87,819	145,980	3.75%
2032	60,576	85,404	145,980	3.75%
2033	62,385	83,595	145,980	3.75%
2034	64,953	81,027	145,980	3.75%
2035	67,388	78,592	145,980	3.75%
2036	70,124	75,856	145,980	3.75%
2037	72,344	73,636	145,980	3.75%
2038	75,258	70,722	145,980	3.75%
2039	78,080	67,900	145,980	3.75%
2040	81,186	64,794	145,980	3.75%
2041	83,883	62,097	145,980	3.75%
2042	87,198	58,782	145,980	3.75%
2043	90,468	55,512	145,980	3.75%
2044	94,004	51,976	145,980	3.75%
2045	97,253	48,727	145,980	3.75%
2046	101,033	44,947	145,980	3.75%
2047	104,823	41,158	145,981	3.75%
2048	108,854	37,126	145,980	3.75%
2049	112,744	33,236	145,980	3.75%
2050	117,062	28,918	145,980	3.75%
2051	121,452	24,528	145,980	3.75%
2052	126,061	19,919	145,980	3.75%
2053	130,693	15,288	145,981	3.75%
2054	135,635	10,345	145,980	3.75%
2055	140,248	5,259	145,507	3.75%
<b>Total</b>	<b>\$ 2,895,746</b>	<b>\$ 2,505,043</b>	<b>\$ 5,400,789</b>	

**CITY OF COBURG**  
**SCHEDULE OF LONG-TERM DEBT TRANSACTIONS**  
**For the Fiscal Year Ended June 30, 2018**

**IFA Loan with Business Oregon #B01003**

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

**Current Year Activity:**

	Outstanding Balance July 1, 2017	New Issues and Interest Matured	Principal and Interest Retired	Outstanding Balance June 30, 2018	Due Within One Year
Principal	\$ 483,692	\$ -	\$ 72,397	\$ 411,295	\$ 78,067
Interest	-	26,375	26,375	-	22,466
Total	<u>\$ 483,692</u>	<u>\$ 26,375</u>	<u>\$ 98,772</u>	<u>\$ 411,295</u>	<u>\$ 100,533</u>

**Future Requirements:**

	Fiscal Year Ended June 30,	Principal	Interest	Total	Interest Rate
	2019	\$ 78,067	\$ 22,466	\$ 100,533	0.00%
	2020	78,773	18,250	97,023	0.00%
	2021	84,516	13,997	98,513	0.00%
	2022	73,811	9,348	83,159	0.00%
	2023	96,128	5,289	101,417	0.00%
Total		<u>\$ 411,295</u>	<u>\$ 69,350</u>	<u>\$ 480,645</u>	

**CITY OF COBURG**  
**SCHEDULE OF LONG-TERM DEBT TRANSACTIONS**  
**For the Fiscal Year Ended June 30, 2018**

**IFA Loan with Business Oregon #G01001**

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

**Current Year Activity:**

	Outstanding Balance July 1, 2017	New Issues and Interest Matured	Principal and Interest Retired	Outstanding Balance June 30, 2018	Due Within One Year
Principal	\$ 640,774	\$ -	\$ 54,863	\$ 585,911	\$ 60,396
Interest	-	35,061	35,061	-	32,099
Total	<u>\$ 640,774</u>	<u>\$ 35,061</u>	<u>\$ 89,924</u>	<u>\$ 585,911</u>	<u>\$ 92,495</u>

**Future Requirements:**

	Fiscal Year Ended June 30,	Principal	Interest	Total	Interest Rate
	2019	\$ 60,396	\$ 32,099	\$ 92,495	5.37%
	2020	65,958	28,837	94,795	5.37%
	2021	66,550	25,276	91,826	5.37%
	2022	72,185	21,615	93,800	5.37%
	2023	72,856	17,645	90,501	5.37%
	2024	78,563	13,638	92,201	5.37%
	2025	84,308	9,317	93,625	5.37%
	2026	85,095	4,680	89,775	5.37%
Total		<u>\$ 585,911</u>	<u>\$ 153,107</u>	<u>\$ 739,018</u>	

**CITY OF COBURG**  
**SCHEDULE OF LONG-TERM DEBT TRANSACTIONS**  
**For the Fiscal Year Ended June 30, 2018**

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**Water Revenue Bonds, Series 1999**

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

**Current Year Activity:**

	Outstanding Balance July 1, 2017	New Issues and Interest Matured	Principal and Interest Retired	Outstanding Balance June 30, 2018	Due Within One Year
Principal	\$ 55,000	\$ -	\$ 55,000	\$ -	\$ -
Interest	-	3,051	3,051	-	-
Total	<u>\$ 55,000</u>	<u>\$ 3,051</u>	<u>\$ 58,051</u>	<u>\$ -</u>	<u>\$ -</u>

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**ACCOMPANYING**  
**INFORMATION**

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# CITY OF COBURG

## INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

As of June 30, 2018

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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, 2018, and have issued my report thereon dated January 2, 2019. 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).**

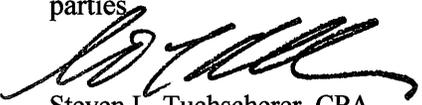
In connection with my testing nothing came to my attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 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, 2018, appropriation resolution amounts do not correspond to the budget document.

### **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



Steven L. Tuchscherer, CPA  
Umpqua Valley Financial  
Roseburg, Oregon  
January 2, 2019