

CITY OF PHILOMATH
BENTON COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018



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

CITY OF PHILOMATH
BENTON COUNTY, OREGON

For the Year Ended June 30, 2018

ANNUAL FINANCIAL REPORT

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CITY OF PHILOMATH
BENTON COUNTY, OREGON

CITY COUNCIL

TERM EXPIRES

Rocky Sloan, Mayor

December 31, 2018

Doug Edmonds

December 31, 2018

Jerry Jackson

December 31, 2018

Charla Koepp

December 31, 2018

Candy Koetz

December 31, 2018

David Low

December 31, 2018

Eric Niemann

December 31, 2018

All council members receive mail at the address listed below.

ADMINISTRATION
Chris Workman, City Manager
City Hall
P.O. Box 400
Philomath, OR 97370

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BENTON COUNTY, OREGON
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BENTON COUNTY, OREGON
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November 5, 2018

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Philomath, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Philomath, Oregon, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Philomath, 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.

Emphasis of a Matter

The District adopted the provisions of GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other than Pensions for the year ended June 30, 2018. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

The budgetary comparison schedules presented as Required Supplementary Information, as listed in the table of contents, 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 records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other and Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary and other information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 5, 2018, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



Tara M Kamp, CPA
PAULY, ROGERS AND CO., P.C.

City of Philomath, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2018

This discussion and analysis presents the highlights of financial activities and financial position for the City of Philomath (City). The analysis focuses on the financial activities of the City for the fiscal year ended June 30, 2018.

Financial Highlights

Following are the financial highlights of the City for the fiscal year ended June 30, 2018.

- The City's total assets exceeded its liabilities at the close of FY 2017-18 by \$20.5 million (net position). Of this amount, \$16 million is invested in capital assets, net of related debt; \$5.3 million is restricted for construction projects, debt service and other commitments; and the balance of negative \$788,013 is considered unrestricted.
- The City's net position increased by \$1,841,080. The increase is primarily due to new building construction. As a result, building permit revenue was up substantially and the City collected \$1.04 million in System Development revenue.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$7.4 million, a decrease of \$1.2 million. The decrease in fund balance resulted from a combination of \$1 million increase in General Fund and SDC Fund revenue, and a large Urban Renewal water & sewer project that cost \$2.7 million.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$818,525 or approximately 28 percent of total General Fund expenditures.
- The City's total liabilities decreased by \$651,573 or 5 percent during fiscal year 2017-18.

Overview of the Financial Statements

The following discussion and analysis is intended to serve as an introduction to the City of Philomath's basic financial statements and required supplementary information. The City's basic financial statements are comprised of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. These statements include all assets of the City (including infrastructure such as streets and buildings) as well as all liabilities (including bond debt). Additionally, certain eliminations have occurred as prescribed by GASB Statement No. 34 with regards to interfund activities.

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash inflows or outflows in a future fiscal period. Examples of such items include earned but uncollected property taxes (future inflow), and earned but unused compensated absences (future outflow).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The governmental activities of the City include the following:

- General Administration (City Manager, City Recorder, Planning)
- Building Permits
- Development Review
- Finance
- Municipal Court
- Police Services
- Parks
- Buildings and Grounds Maintenance
- Street Maintenance
- Urban Renewal

The business-type activities of the City include the following:

- Water Utility
- Sewer Utility
- Storm Drain Utility

Government-wide financial statements can be found on pages 16 and 17 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City are divided into two categories: governmental funds and proprietary funds.

Governmental funds - Governmental funds are used to account for activities where the emphasis is placed on available financial resources, rather than upon net income determination. Therefore, unlike the government-wide financial statements, governmental fund financial statements focus on the acquisition and use of current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar

information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations can be found on pages 19 and 21 in the basic financial statements.

The governmental fund financial statements can be found on pages 18 and 20 in the basic financial statements.

The City maintains eight individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for those funds that are considered significant (major) to the City taken as a whole. These financial statements report four major funds; General Fund, Community Development Fund, Street Fund, Urban Renewal Fund, and Land Building & Equipment Fund. The Development Review Fund, Economic Development Fund and System Development Capital Projects Fund are nonmajor funds.

The City adopts an annual appropriated budget for all governmental funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided for the governmental funds on pages 55 through 64.

Proprietary funds - Proprietary funds are used to account for activities where the emphasis is placed on net income determination. The City maintains only enterprise funds and has no internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the governmental-wide financial statements.

The City uses enterprise funds to account for its water utility, sewer utility and storm drain utility business funds. All enterprise funds are considered to be major funds of the City, and are reported separately as proprietary fund financial statements in the basic financial statements.

The City also adopts an annual appropriated budget for all proprietary funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided for the enterprise funds as Supplementary Information on pages 65 through 68.

The proprietary fund financial statements can be found on pages 22 through 24 in the basic financial statements.

Notes to the basic financial statements - The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. They are an integral part of the basic financial statements and should be read in conjunction with them.

Required Supplementary Information (RSI) - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, including the management discussion and analysis and budgetary comparison schedules for the General Fund and major special revenue funds.

Government-Wide Financial Analysis

Table 1
Summary of Net Position

	June 30, 2018		
	<i>Governmental Activities</i>	<i>Business- Type Activities</i>	<i>Total</i>
Cash and investments	\$ 7,417,836	1,090,694	\$ 8,508,530
Other current assets	284,358	223,172	1,345,353
Loans receivable	837,823	-	-
Capital assets	<u>4,467,469</u>	<u>17,717,178</u>	<u>22,184,647</u>
<i>Total Assets</i>	13,007,486	19,031,044	32,038,530
Deferred Outflows of Resources			
<i>Net Pension Related Deferrals</i>	675,851	216,951	892,802
<i>OPEB Related Deferrals</i>	<u>14,205</u>	<u>4,560</u>	<u>18,765</u>
<i>Total Deferred Outflows</i>	690,056	221,511	911,567
Current liabilities			
Notes/Bonds Payable	146,897	60,155	207,052
Accrued compensated absences	3,619,890	5,593,927	9,213,817
Total OPEB Liability	265,130	82,800	347,930
Net Pension Liability	147,331	47,294	194,625
	<u>1,822,845</u>	<u>585,140</u>	<u>2,407,985</u>
<i>Total Liabilities</i>	6,002,093	6,369,316	12,371,409
Deferred Inflows of Resources			
<i>Net Pension Related Deferrals</i>	33,613	10,790	44,403
<i>OPEB Related Deferrals</i>	<u>7,276</u>	<u>2,336</u>	<u>9,612</u>
<i>Total Deferred Inflows</i>	40,889	13,126	54,015
Net Position			
Net Investment in Capital Assets	3,859,405	12,123,251	15,982,656
Restricted	4,518,917	811,113	5,330,030
Unrestricted	<u>(723,762)</u>	<u>(64,251)</u>	<u>(788,013)</u>
<i>Total Net Position</i>	<u>\$ 7,654,560</u>	<u>\$ 12,870,113</u>	<u>\$ 20,524,673</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$20,524,673 at the close of FY 2017-18.

The largest portion of the City's net position reflects its investment of \$15,982,656 or 78 percent, in capital assets (e.g., land, buildings, improvements, equipment, and infrastructure, net of accumulated depreciation); less any related outstanding debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to 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.

<i>June 30, 2017</i>			<i>Change</i>		
<i>Governmental Activities</i>	<i>Business- Type Activities</i>	<i>Total</i>	<i>Governmental Activities</i>	<i>Business- Type Activities</i>	<i>Total</i>
\$ 8,935,717	766,268	\$ 9,701,985	\$ (1,517,881)	\$ 324,426	\$ (1,193,455)
284,810	358,681	1,507,409	(452)	(135,509)	(135,961)
863,918	-	-	(26,095)	-	-
4,344,679	14,875,949	19,220,628	122,790	2,841,229	2,964,019
14,429,124	16,000,898	30,430,022	(1,421,638)	3,030,146	1,608,508
1,165,279	370,003	1,535,282	(489,428)	(153,052)	(642,480)
-	-	-	14,205	4,560	18,765
1,165,279	370,003	1,535,282	(475,223)	(148,492)	(623,715)
373,043	74,035	447,078	(226,146)	(13,880)	(240,026)
3,778,473	5,800,837	9,579,310	(158,583)	(206,910)	(365,493)
238,690	75,124	313,814	26,440	7,676	34,116
-	-	-	147,331	47,294	194,625
2,036,230	646,550	2,682,780	(213,385)	(61,410)	(274,795)
6,426,436	6,596,546	13,022,982	(424,343)	(227,230)	(651,573)
42,523	13,502	56,025	(8,910)	(2,712)	(11,622)
-	-	-	7,276	2,336	9,612
42,523	13,502	56,025	(1,634)	(376)	(2,010)
3,904,691	9,075,112	12,979,803	(45,286)	3,048,139	3,002,853
5,930,095	551,934	6,482,029	(1,411,178)	259,179	(1,151,999)
(709,342)	133,807	(575,535)	(14,420)	(198,058)	(212,478)
<u>\$ 9,125,444</u>	<u>9,760,853</u>	<u>\$ 18,886,297</u>	<u>\$ (1,470,884)</u>	<u>\$ 3,109,260</u>	<u>\$ 1,638,376</u>

Note – June 30, 2017 net position is not restated for GASB 75

An additional portion of the City's net position \$5,330,030 or approximately 26 percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$788,013) or -4 percent, may be used to meet the government's ongoing obligations to citizens and creditors.

Table 2
Statement of Activities

	<i>Fiscal Year Ended June 30, 2018</i>		
	<i>Governmental Activities</i>	<i>Business- Type Activities</i>	<i>Total</i>
Revenues			
Program Revenues			
Charges for services	\$ 1,506,503	\$ 2,178,961	\$ 3,685,464
Operating grants and contributions	353,666	6,776	360,442
Capital grants and contributions	(2,624,135)	3,657,881	1,033,746
<i>Total Program Revenues</i>	<u>(763,966)</u>	<u>5,843,618</u>	<u>5,079,652</u>
General Revenues			
Property taxes	2,065,606	-	2,065,606
Franchise taxes	424,972	-	424,972
Other	575,187	95,975	671,162
<i>Total General Revenues</i>	<u>3,065,765</u>	<u>95,975</u>	<u>3,161,740</u>
<i>Total Revenues</i>	<u>2,301,799</u>	<u>5,939,593</u>	<u>8,241,392</u>
Expenses (Net of Indirect Expenses)			
General governmental	1,616,232	-	1,616,232
Police	1,656,593	-	1,656,593
Streets	480,769	-	480,769
Public Works	286,893	-	286,893
Interest on long-term debt	130,698	-	130,698
Other	-	-	-
Water	-	988,745	988,745
Sewer	-	1,183,653	1,183,653
Storm Drain	-	56,728	56,728
<i>Total Expenses</i>	<u>4,171,186</u>	<u>2,229,126</u>	<u>6,400,312</u>
Transfers	<u>551,950</u>	<u>(551,950)</u>	<u>-</u>
Change in Net Position	(1,317,437)	3,158,517	1,841,080
Beginning Net Position - Restated	8,971,997	9,711,596	18,683,593
Ending Net Position	<u>\$ 7,654,560</u>	<u>\$ 12,870,113</u>	<u>\$ 20,524,673</u>

Governmental activities - Governmental activities decreased the City's net position by \$1,317,437. The three major factors that contributed to this decrease were 1) A transfer of \$2.7 million in capital assets to business-type activities combined with 2) System Development Capital Projects revenue of \$442,000, and 3) A new General Fund fee which raised \$237,000, and \$153,000 from the sale of two surplus lots on Industrial Way.

<i>Fiscal Year Ended June 30, 2017</i>			<i>Change</i>		
<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
\$ 900,244	\$ 2,159,718	\$ 3,059,962	\$ 606,259	\$ 19,243	\$ 625,502
283,353	8,874	292,227	70,313	(2,098)	68,215
85,939	288,887	374,826	(2,710,074)	3,368,994	658,920
<u>1,269,536</u>	<u>2,457,479</u>	<u>3,727,015</u>	<u>(2,033,502)</u>	<u>3,386,139</u>	<u>1,352,637</u>
2,004,030	-	2,004,030	61,576	-	61,576
427,440	-	427,440	(2,468)	-	(2,468)
280,767	85,226	365,993	294,420	10,749	305,169
<u>2,712,237</u>	<u>85,226</u>	<u>2,797,463</u>	<u>353,528</u>	<u>10,749</u>	<u>364,277</u>
<u>3,981,773</u>	<u>2,542,705</u>	<u>6,524,478</u>	<u>(1,679,974)</u>	<u>3,396,888</u>	<u>1,716,914</u>
1,326,529	-	1,326,529	289,703	-	289,703
1,561,409	-	1,561,409	95,184	-	95,184
458,795	-	458,795	21,974	-	21,974
253,639	-	253,639	33,254	-	33,254
72,354	-	72,354	58,344	-	58,344
-	953,812	953,812	-	34,933	34,933
-	1,224,806	1,224,806	-	(41,153)	(41,153)
-	50,502	50,502	-	6,226	6,226
<u>3,672,726</u>	<u>2,229,120</u>	<u>5,901,846</u>	<u>498,459</u>	<u>6</u>	<u>498,465</u>
<u>429,383</u>	<u>(429,383)</u>	<u>-</u>	<u>122,567</u>	<u>(122,567)</u>	<u>-</u>
738,430	(115,798)	622,632	(2,055,867)	3,274,315	1,218,448
8,387,014	9,876,651	18,263,665	584,983	(165,055)	419,928
<u>\$ 9,125,444</u>	<u>\$ 9,760,853</u>	<u>\$ 18,886,297</u>	<u>\$ (1,470,884)</u>	<u>\$ 3,109,260</u>	<u>\$ 1,638,376</u>

Note – June 30, 2017 net position is not restated for GASB 75

Business-type activities - Business-type activities increased the City's net position by \$3,158,517. The primary reason for the increase was a \$2.7 million transfer from the Urban Renewal Fund to the Water and Sewer Funds. New water and sewer lines were paid for by the Urban Renewal Fund but the assets will be owned by the Water and Sewer Funds. System Development Business funds also provided \$597,302 in revenue during the fiscal year.

General Fund Budgetary Highlights

Building Permit expenditures in the General Fund were increased by \$210,000 during the year. The increase was necessary to provide the resources to pay for building permit inspections. Actual building permit revenue was almost \$228,000 more than originally estimated. The building permit inspection cost is 70% of the building permit revenue.

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,

Governmental Funds. The focus of the City's governmental funds is to provide information on relatively short-term cash flow and funding for future basic services on a fund basis. Such information is useful in assessing the City's financing requirements. In particular, *fund balance* may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

General Fund. The General Fund is the primary operating fund of the City. Property taxes are the major source of revenue for the General Fund. Property tax revenue was up 4.6% from the prior year. The City Council established a \$10 per month General Fund fee which provided \$237,000. The fee will expire in 5 years, although the City Council will review it annually. Building Permit revenue was \$367,702, which was a 224% increase from the prior year. As of June 30, 2018, the General Fund balance was \$818,525.

Community Development Fund. The Community Development Fund administers Federal low-income housing rehabilitation grant money that the City received in past years. The City received no loan payments this fiscal year.

Street Fund. The Street Fund is funded primarily by the City's portion of state gasoline taxes and franchise fees. Those funds are used to maintain the City's transportation network. Revenues exceeded expenditures by \$82,090. After transfers the net fund balance increased by \$53,290.

Urban Renewal Fund. The Urban Renewal Fund is a taxing district separate from the City. The Urban Renewal District received \$552,466 in tax revenue this fiscal year. In December 2016 the Urban Renewal District sold Full Faith and Credit bonds. The bond proceeds were used to upgrade water and sewer lines on Main and Applegate Streets this fiscal year. Those capital expenditures reduced the fund balance by \$2,390,194 leaving a fund balance of \$3,011,026 at June 30, 2018.

Land, Building & Equipment Reserve Fund. The Land, Building and Equipment Reserve Fund was established to accumulate funds for future capital projects. Transfers in from other funds totaled \$630,750. Capital improvement projects during the year totaled \$754,313. Leaving a fund balance of \$2,509,665 at June 30, 2018.

Business-type activities –

Water Fund. The Water Fund activity includes the operation and maintenance of the City's water system. Net income before capital contributions and transfers was \$100,975. Capital asset contributions from the Urban Renewal Fund primarily for new water lines on Main and Applegate Streets totaled \$2,347,035 which resulted in an increase in net position of \$2,181,310.

Sewer Fund. The Sewer Fund activity includes operating and maintenance of the City's sewer system. Net income before transfers was negative \$61,307. Capital asset contributions from the Urban Renewal Fund for new sewer lines on Main and Applegate Streets totaled \$943,544 and \$100,000 was transferred in from the SDC fund to help pay for the sewer bonds. \$254,750 was transferred out to the Land, Building and Equipment fund for future capital purchases. The combination of net income and transfers resulted in an increase in net position of \$727,487.

Storm Drain Fund. The Storm Drain Fund was established to reduce the potential of neighborhood flooding during periods of high water. It is funded mainly by storm drain fees paid by the City's utility customers. Net income before transfers was \$9,748. After transfers out of \$35,500, net position decreased for the year by \$25,752.

System Development Business Fund. The System Development Business fund is used to account for the business portion of system development charges. Total SDC collections were \$597,302 of which almost \$397,000 or 66% was contributed by a large apartment complex. Capital contribution of \$230,000 was made towards the 12th Street water line upgrade and \$100,000 was transferred to the Sewer Fund to help pay the sewer bond debt service. This resulted in a net position increase for the year of \$275,472.

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Capital Assets and Debt Administration

Capital Assets

At June 30, 2018, the City had approximately \$22.2 million invested in a broad range of capital assets, including land, buildings and improvements, equipment, roads, water, sewer and storm drain lines.

A \$1.8 million water and \$933,000 sewer replacement project were completed on Main and Applegate Streets between 9th and 14th Streets. The new utilities were the first phase of a downtown improvement project that will include paving of Main Street in coordination with ODOT. A \$420,000 project to upsize the water line on N. 12th Street was also completed.

Capital Assets at Year-End (Net of Depreciation) June 30, 2018

	<i>Governmental Activities</i>		<i>Percentage Change</i>	
	<i>2018</i>	<i>2017</i>		
Land	\$ 132,451	\$ 130,933	0.01	%
Improvements	204,519	193,774	5.55	
Buildings	1,694,127	1,745,644	(2.95)	
Equipment	385,908	167,638	130.20	
Infrastructure	2,050,464	2,106,690	(2.67)	
<i>Total Governmental Activities</i>	<i>\$ 4,467,469</i>	<i>\$ 4,344,679</i>	<i>2.83</i>	<i>%</i>
	<i>Business-type Activities</i>		<i>Percentage Change</i>	
	<i>2018</i>	<i>2017</i>		
Land	\$ 853,202	\$ 853,202	0.00	%
Improvements	20,742	22,194	(6.54)	
Buildings	254,883	182,459	39.69	
Equipment	480,033	523,630	(8.33)	
Infrastructure	16,108,318	13,294,464	21.17	
<i>Total Business-type Activities</i>	<i>\$ 17,717,178</i>	<i>\$ 14,875,949</i>	<i>19.10</i>	<i>%</i>
<i>Total Capital Assets</i>	<i>\$ 22,184,647</i>	<i>\$ 19,220,628</i>	<i>15.42</i>	<i>%</i>

Long-Term Debt

June 30, 2018			
	<i>Governmental Activities</i>	<i>Business- Type Activities</i>	<i>Total Government</i>
<i>Governmental</i>			
Bonds payable	\$ -	\$ 5,473,458	\$ 5,473,458
Urban Renewal bonds	3,204,366	-	3,204,366
Notes payable	415,524	120,469	535,993
 <i>Total Outstanding Debt</i>	 <u>\$ 3,619,890</u>	 <u>\$ 5,593,927</u>	 <u>\$ 9,213,817</u>

At the end of the current fiscal year, the City had total debt outstanding of \$9,213,817. This is a decrease from the previous year of \$365,493. No new debt was issued during the fiscal year.

In November 2016, and in combination with a sewer bond refunding, the Urban Renewal Agency sold \$3.07 million in Full Faith and Credit Obligations, at a premium of \$376,168. The bonds will be paid over the next 15 years with Urban Renewal tax revenue.

\$415,524 of the total government debt represents an outstanding note payable from the governmental funds. This note is on the Mill Pond Industrial property (previously called Lakeside). Mill Pond reimburses the city annually for principal and interest payments. The City has a lien on the Mill Pond property for the amount of the loan.

June 30, 2017			Change		
<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total Government</i>	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total Government</i>
\$ -	\$ 5,664,075	\$ 5,664,075	\$ -	\$ (190,617)	\$ (190,617)
3,338,485	-	3,338,485	(134,119)	-	(134,119)
439,988	136,762	576,750	(24,464)	(16,293)	(40,757)
<u>\$ 3,778,473</u>	<u>\$ 5,800,837</u>	<u>\$ 9,579,310</u>	<u>\$ (158,583)</u>	<u>\$ (206,910)</u>	<u>\$ (365,493)</u>

The remainder of the City's debt is for business-type activities. At the end of last fiscal year there was one sewer bond and one storm drain note.

To take advantage of very low interest rates, \$5.085 million of 2009 Bonds were refunded last fiscal year. New debt of \$4.755 million was issued with a premium of \$669,185. The bonds will be paid over the next 15 years from net revenues of the sewer system and sewer system development charges.

The amount of storm drain debt outstanding at June 30, 2018 is \$120,469. The note is paid from storm drain system development charges.

Economic Factors and Next Year's Budgets and Rates

During the preparation of the budget for the ensuing fiscal year, the long-term impacts of the local economy were examined in conjunction with business decisions made by the City. The following are the major assumptions used in developing the FY 2018-19 budget:

- The July 2017 (the most current) population was 4,710. In the last few years population growth has been almost flat.
- Residential and commercial building is starting to show some signs of recovery. Several projects are completing the planning phase and construction should start within the next year. A 258 unit and a 84 unit apartment complex are under construction. A new subdivision with 166 entry level homes has been approved and will be constructed over the next 10 years.
- Assessed values, the basis of property tax revenues, grew by 2.5% in FY 2016-17 and 4.6% in FY 2017-18.
- The City's permanent tax rate of \$5.3005.
- The City has no projects scheduled for the foreseeable future that would require local option funding approval by the electorate.
- The City Council renewed a \$10 per month General Fund fee for the second year. This will raise about \$20,000 per month to add additional revenue to the General Fund.
- Interest rates on investments are expected to be in the 2.5% range for the fiscal year.
- Combined water and sewer utility rates increased by 3%. All other fees charged by the City will remain at their present levels.
- Additional hours were added for the part time City Planner and a .25 fte position was added to the building permit department to help keep up with the recent increase in building and development. No other General Fund supported personnel were added.
- Health benefit costs will increase 9% effective January 2019.

The City's adopted budget for FY 2018-19 reflects total estimated resources of \$13,906,146 which exceeds total estimated expenditures by \$5,322,360.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report should be addressed to the Finance Director at P.O. Box 400, Philomath OR 97370.

CITY OF PHILOMATH
BENTON COUNTY, OREGON

BASIC FINANCIAL STATEMENTS

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**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

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

ASSETS	GOVERNMENTAL	BUSINESS- TYPE	TOTAL
Current:			
Cash and Investments	\$ 7,417,836	\$ 1,090,694	\$ 8,508,530
Receivables:			
Accounts	30,365	223,172	253,537
Property Taxes	127,130	-	127,130
Special Assessments	46,279	-	46,279
Other	80,084	-	80,084
Prepaid Items	500	-	500
Total Current Assets	<u>7,702,194</u>	<u>1,313,866</u>	<u>9,016,060</u>
Non-Current:			
Loans Receivable	837,823	-	837,823
Nondepreciable Capital Assets	132,451	853,202	985,653
Depreciable Capital Assets	4,335,018	16,863,976	21,198,994
Total Non-Current Assets	<u>5,305,292</u>	<u>17,717,178</u>	<u>23,022,470</u>
Total Assets	<u>13,007,486</u>	<u>19,031,044</u>	<u>32,038,530</u>
DEFERRED OUTFLOWS OF RESOURCES			
OPEB Related Deferred Outflows	14,205	4,560	18,765
Net Pension Related Deferred Outflows	675,851	216,951	892,802
Total Deferred Outflows of Resources	<u>690,056</u>	<u>221,511</u>	<u>911,567</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	109,321	8,341	117,662
Accrued Interest	37,526	50,704	88,230
Other Current Liabilities	50	1,110	1,160
Total Current Liabilities	<u>146,897</u>	<u>60,155</u>	<u>207,052</u>
Noncurrent Liabilities:			
Due within one year			
Notes Payable	24,643	17,271	41,914
Bonds Payable	134,457	209,613	344,070
Due in more than one year			
Notes Payable	390,881	103,198	494,079
Bonds Payable	3,069,909	5,263,845	8,333,754
Accrued Compensated Absences	265,130	82,800	347,930
Total OPEB Liability	147,331	47,294	194,625
Net Pension Liability	1,822,845	585,140	2,407,985
Total Long Term Liabilities	<u>5,855,196</u>	<u>6,309,161</u>	<u>12,164,357</u>
Total Liabilities	<u>6,002,093</u>	<u>6,369,316</u>	<u>12,371,409</u>
DEFERRED INFLOWS OF RESOURCES			
OPEB Related Deferred Inflows	7,276	2,336	9,612
Net Pension Related Deferred Inflows	33,613	10,790	44,403
Total Deferred Outflows of Resources	<u>40,889</u>	<u>13,126</u>	<u>54,015</u>
NET POSITION			
Net Investment in Capital Assets	3,859,405	12,123,251	15,982,656
Restricted	4,518,917	811,113	5,330,030
Unrestricted	(723,762)	(64,251)	(788,013)
TOTAL NET POSITION	<u>\$ 7,654,560</u>	<u>\$ 12,870,113</u>	<u>\$ 20,524,673</u>

See accompanying notes to the basic financial statements

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**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net Revenues (Expenses) and Changes in Net Position		Total
		Fines and Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities							
General Government	\$ 1,616,232	\$ 1,388,342	\$ 6,828	(2,968,900)	\$ (3,189,962)	\$ -	\$ (3,189,962)
Police	1,656,593	10,401	44,239	-	(1,601,953)	-	(1,601,953)
Streets	480,769	107,760	299,573	344,765	271,329	-	271,329
Public Works	286,893	-	3,026	-	(283,867)	-	(283,867)
Interest on long-term debt	130,698	-	-	-	(130,698)	-	(130,698)
Total Governmental Activities	4,171,186	1,506,503	353,666	(2,624,135)	(4,935,152)	-	(4,935,152)
Business-Type Activities							
Water	988,745	1,037,572	-	2,548,526	-	2,597,353	2,597,353
Sewer	1,183,653	1,082,858	6,776	1,061,061	-	967,042	967,042
Storm Drain	56,728	58,531	-	48,294	-	50,097	50,097
Total Business-Type Activities	2,229,126	2,178,961	6,776	3,657,881	-	3,614,492	3,614,492
Total Primary Government	\$ 6,400,312	\$ 3,685,464	\$ 360,442	1,033,746	\$ (4,935,152)	\$ 3,614,492	\$ (1,320,660)

General Revenues

Property Taxes	2,065,606	-	2,065,606
Franchise Fees	424,972	-	424,972
Intergovernmental	152,898	-	152,898
Gain/Loss on Sale of Capital Assets	185,731	-	185,731
Interest and Miscellaneous	236,558	95,975	332,533
Transfers	551,950	(551,950)	-
Total General Revenues	3,617,715	(455,975)	3,161,740
Change in Net Position	(1,317,437)	3,158,517	1,841,080
Beginning Net Position - Restated	8,971,997	9,711,596	18,683,593
Ending Net Position	\$ 7,654,560	\$ 12,870,113	\$ 20,524,673

See accompanying notes to the basic financial statements

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018**

	GENERAL	COMMUNITY DEVELOPMENT	STREET
ASSETS			
Cash and Investments	\$ 811,882	\$ 2,690	\$ 197,909
Receivables:			
Accounts	20,762	-	9,603
Property Taxes	94,660	-	-
Special Assessments	11,322	-	-
Other	48,181	-	31,613
Prepaid Items	500	-	-
Loans Receivable	415,524	422,299	-
Total Assets	\$ 1,402,831	\$ 424,989	\$ 239,125
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 62,750	\$ -	\$ 7,027
Other Liabilities	50	-	-
Total Liabilities	62,800	-	7,027
Deferred Inflows of Resources:			
Unavailable Revenue - Special Assessments	11,322	-	-
Unavailable Revenue - Loans Receivable	415,524	422,299	-
Unavailable Revenue - Property Taxes	94,660	-	-
Total Deferred Inflows of Resources	521,506	422,299	-
Fund Balances			
Non-Spendable	500	-	-
Restricted For:			
Development Review	-	-	-
Community Development	-	2,690	-
Construction	-	-	-
Debt Service	-	-	-
Streets	-	-	232,098
Unassigned	818,025	-	-
Total Fund Balances	818,525	2,690	232,098
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,402,831	\$ 424,989	\$ 239,125

See accompanying notes to the basic financial statements

<u>URBAN RENEWAL</u>	<u>LAND, BUILDING & EQUIPMENT</u>	<u>OTHER GOVERNMENTAL</u>	<u>TOTAL</u>
\$ 3,011,826	\$ 2,536,824	\$ 856,705	\$ 7,417,836
-	-	-	30,365
32,464	-	6	127,130
-	15,041	19,916	46,279
-	290	-	80,084
-	-	-	500
-	-	-	837,823
<u>\$ 3,044,290</u>	<u>\$ 2,552,155</u>	<u>\$ 876,627</u>	<u>\$ 8,540,017</u>
\$ 800	\$ 27,449	\$ 11,295	\$ 109,321
-	-	-	50
<u>800</u>	<u>27,449</u>	<u>11,295</u>	<u>109,371</u>
-	15,041	19,916	46,279
-	-	-	837,823
32,464	-	6	127,130
<u>32,464</u>	<u>15,041</u>	<u>19,922</u>	<u>1,011,232</u>
-	-	-	500
-	-	-	-
-	-	106,844	106,844
-	-	726,872	729,562
-	2,509,665	-	2,509,665
3,231,804	-	11,694	3,243,498
-	-	-	232,098
(220,778)	-	-	597,247
<u>3,011,026</u>	<u>2,509,665</u>	<u>845,410</u>	<u>7,419,414</u>
<u>\$ 3,044,290</u>	<u>\$ 2,552,155</u>	<u>\$ 876,627</u>	<u>\$ 8,540,017</u>

See accompanying notes to the basic financial statements

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CITY OF PHILOMATH
BENTON COUNTY, OREGON

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION

June 30, 2018

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

Fund Balances	\$ 7,419,414
The statement of net assets reports receivables at their net realizable value. However, receivables not available to pay for current-period expenditures are deferred in governmental funds.	
	1,011,232
The cost of capital assets (land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress) is reported as an expenditure in governmental funds. The statement of net position includes those capital assets among the assets of the City as a whole.	
Net Capital Assets	4,467,469
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.	
Bonds Payable	(2,865,000)
Notes Payable	(415,524)
Bond Premium Amortization	(345,361)
Bond Insurance Amorization	5,995
Accrued Compensated Absences	(265,130)
Accrued Interest Payable	(37,526)
Deferred inflows and outflows of resources related to the pension plan include differences between expected and actual experience, changes of assumptions, differences between projects and actual earnings, and contributions subsequent to the measurement date.	
Total OPEB deferred inflows	(7,276)
Total OPEB deferred outflows	14,205
Pension deferred inflows	(33,613)
Pension deferred outflows	675,851
The Net Pension Asset (Liability) is the difference between the total pension liability and the assets set aside to pay benefits earned to past and current employees and beneficiaries.	
Net Pension Liability	(1,822,845)
The Total OPEB Liability is liability related to the other post employment benefits for health insurance premiums.	
Total OPEB Liability	<u>(147,331)</u>
Total Net Position	<u>\$ 7,654,560</u>

See accompanying notes to the basic financial statements

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018**

	GENERAL	COMMUNITY DEVELOPMENT	STREET
Revenue			
Property Taxes	\$ 1,532,819	\$ -	\$ -
Licenses and Permits	413,728	-	-
Charges for Services	350,298	-	107,760
General Fund Fee	237,199	-	-
Franchise Fees	366,933	-	58,039
Intergovernmental	154,477	-	299,573
Fines and Forfeitures	244,600	-	-
Interest and Miscellaneous	95,855	1,650	4,335
Total Revenue	3,395,909	1,650	469,707
Expenditures			
Current:			
General Government	1,241,867	-	-
Police	1,467,481	-	-
Streets	-	-	387,617
Public Works	182,496	-	-
Capital Outlay:			
General Government	-	-	-
Police	-	-	-
Streets	-	-	-
Water	-	-	-
Sewer	-	-	-
Debt Service:			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	2,891,844	-	387,617
Excess Revenue Over/Under Expenditures	504,065	1,650	82,090
Other Financing Sources, -Uses			
Sale of Capital Assets	157,050	-	-
Transfers In	-	-	20,500
Transfers Out	(50,000)	-	(49,300)
Total Other Financing Sources, -Uses	107,050	-	(28,800)
Net Change in Fund Balance	611,115	1,650	53,290
Beginning Fund Balance	207,410	1,040	178,808
Ending Fund Balance	\$ 818,525	\$ 2,690	\$ 232,098

See accompanying notes to the basic financial statements

<u>URBAN RENEWAL</u>	<u>LAND, BUILDING & EQUIPMENT</u>	<u>OTHER GOVERNMENTAL</u>	<u>TOTAL</u>
\$ 552,466	\$ -	\$ -	2,085,285
-	-	442,569	856,297
-	-	142,517	600,575
-	-	-	237,199
-	-	-	424,972
-	45,686	6,828	506,564
-	10,401	-	255,001
69,842	43,326	52,557	267,565
<u>622,308</u>	<u>99,413</u>	<u>644,471</u>	<u>5,233,458</u>
56,671	-	-	1,298,538
-	-	-	1,467,481
-	-	-	387,617
-	-	65,736	248,232
-	25,777	30,821	56,598
-	64,863	-	64,863
-	330,737	-	330,737
1,794,305	322,730	-	2,117,035
933,338	10,206	-	943,544
115,000	-	24,464	139,464
113,188	-	18,976	132,164
<u>3,012,502</u>	<u>754,313</u>	<u>139,997</u>	<u>7,186,273</u>
(2,390,194)	(654,900)	504,474	(1,952,815)
-	-	-	157,050
-	630,750	-	651,250
-	-	-	(99,300)
<u>-</u>	<u>630,750</u>	<u>-</u>	<u>709,000</u>
(2,390,194)	(24,150)	504,474	(1,243,815)
<u>5,401,220</u>	<u>2,533,815</u>	<u>340,936</u>	<u>8,663,229</u>
<u>\$ 3,011,026</u>	<u>\$ 2,509,665</u>	<u>\$ 845,410</u>	<u>\$ 7,419,414</u>

See accompanying notes to the basic financial statements

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

**RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - TO STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018**

Explanation of certain differences between the governmental fund statement of revenue, expenditures, and changes in fund balance and the government-wide statement of activities	
Excess of Revenue over Expenditures	\$ (1,243,815)
Governmental funds defer revenues that do not provide current financial resources. However, the statement of activities recognizes such revenues at their net realizable value when earned, regardless of when received.	(27,434)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Collection on long-term receivables	(24,464)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Change in Accrued Interest	(22,566)
The net effect of disposal of capital assets is to reduce net assets.	28,681
Governmental funds do not report expenditures for unpaid compensated absences since they do not require the use of current financial resources. However, the statement of activities reports such expenses when incurred, regardless of when settlement ultimately occurs.	(26,440)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as an expenditure. This is the amount by which capital outlays exceeded depreciation in the current period.	
Purchases of Capital Assets, net	293,163
Depreciation	(199,054)
The issuance of long-term debt provides current financial resources, while the repayment of the principal of long-term debt consumes the current financial resources. Neither transaction, however, has any effect on the net assets. Also, governmental funds report the effect of insurance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of the differences in the treatment of long-term debt and related items.	19,119
Changes in Bonds Payable have an effect on net income in the governmental funds. On the government wide statements, however,	139,464
The expense related to the changes in Net Pension Asset (Liability) from year to year due to changes in total pension liability and the fair value of pension plan net position available to pay pension benefits.	(267,133)
The expense related to OPEB liability represents the net changes in the liability balance from year to year and is not recorded in the governmental funds.	13,042
Change in Net Position	<u>\$ (1,317,437)</u>

See accompanying notes to the basic financial statements

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

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

	Water Fund	Sewer Fund	Storm Drain Fund	Systems Development Fund	Total
ASSETS:					
Current Assets					
Cash and Investments	\$ 150,307	\$ 102,242	\$ 22,816	\$ 815,329	\$ 1,090,694
Accounts Receivable	115,612	102,475	5,085	-	223,172
Total Current Assets	265,919	204,717	27,901	815,329	1,313,866
Noncurrent Assets					
Nondepreciable Capital Assets	219,594	633,608	-	-	853,202
Depreciable Capital Assets, net	5,788,589	9,907,110	1,168,277	-	16,863,976
Total Noncurrent Assets	6,008,183	10,540,718	1,168,277	-	17,717,178
Total Assets	6,274,102	10,745,435	1,196,178	815,329	19,031,044
DEFERRED OUTFLOWS OF RESOURCES					
OPEB Related Deferred Outflows	2,515	2,045	-	-	4,560
Pension Related Deferred Outflows	119,635	97,316	-	-	216,951
Total Deferred Outflows of Resources	122,150	99,361	-	-	221,511
LIABILITIES:					
Current Liabilities					
Accounts Payable	5,881	2,434	26	-	8,341
Accrued Interest	-	46,488	-	4,216	50,704
Other Liabilities	1,110	-	-	-	1,110
Total Current Liabilities	6,991	48,922	26	4,216	60,155
Noncurrent Liabilities					
Due within one year	-	209,613	-	17,271	226,884
Due in more than one year	-	5,263,845	-	103,198	5,367,043
Accrued Compensated Absences	45,384	37,416	-	-	82,800
Total OPEB Liability	26,080	21,214	-	-	47,294
Net Pension Liability	322,670	262,470	-	-	585,140
Total Noncurrent Liabilities	394,134	5,794,558	-	120,469	6,309,161
Total Liabilities	401,125	5,843,480	26	124,685	6,369,316
DEFERRED INFLOWS OF RESOURCES					
OPEB Related Deferred Inflows	1,288	1,048	-	-	2,336
Pension Related Deferred Inflows	5,950	4,840	-	-	10,790
Total Deferred Inflows of Resources	7,238	5,888	-	-	13,126
NET POSITION:					
Net Investment in Capital Assets	6,008,183	5,067,260	1,168,277	(120,469)	12,123,251
Restricted for Construction	-	-	-	811,113	811,113
Unrestricted	(20,294)	(71,832)	27,875	-	(64,251)
Total Net Position	\$ 5,987,889	\$ 4,995,428	\$ 1,196,152	\$ 690,644	\$ 12,870,113

See accompanying notes to the basic financial statements

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2018**

	Water Fund	Sewer Fund	Storm Drain Fund	Systems Development Fund	Total
OPERATING Revenue					
Charges for Services	\$ 1,037,572	1,082,858	58,531	-	2,178,961
Intergovernmental	-	6,776	-	-	6,776
Miscellaneous	49,100	13,862	-	-	62,962
Total Operating Revenue	1,086,672	1,103,496	58,531	-	2,248,699
OPERATING Expenses					
Personal Services	434,435	356,866	-	-	791,301
Materials and Services	391,254	270,871	16,468	-	678,593
Depreciation	163,056	253,669	32,625	-	449,350
Total Operating Expenses	988,745	881,406	49,093	-	1,919,244
Operating Income/(Loss)	97,927	222,090	9,438	-	329,455
NONOPERATING Revenue (Expenses)					
Investment Revenue	3,048	1,950	310	10,805	16,113
Property Lease	-	16,900	-	-	16,900
Interest Expense	-	(298,252)	-	(7,635)	(305,887)
Bond Insurance Amortization	-	(3,995)	-	-	(3,995)
Total Nonoperating Revenue (Expenses)	3,048	(283,397)	310	3,170	(276,869)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS					
	100,975	(61,307)	9,748	3,170	52,586
Capital Contributions	2,347,035	943,544	-	367,302	3,657,881
Transfers In	-	100,000	-	5,000	105,000
Transfers Out	(266,700)	(254,750)	(35,500)	(100,000)	(656,950)
Change in Net Position	2,181,310	727,487	(25,752)	275,472	3,158,517
Beginning Net Position - Restated	3,806,579	4,267,941	1,221,904	415,172	9,711,596
Ending Net Position	\$ 5,987,889	\$ 4,995,428	\$ 1,196,152	\$ 690,644	\$ 12,870,113

See accompanying notes to the basic financial statements

CITY OF PHILOMATH
BENTON COUNTY, OREGON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2018

	Water Fund	Sewer Fund	Storm Drain Fund	System Development Fund	Total
Cash Flows from Operating Activities:					
Cash Received from Customers	\$ 1,076,967	\$ 1,108,902	\$ 58,993	\$ -	\$ 2,244,862
Cash Paid to Suppliers	(392,664)	(281,333)	(17,204)	-	(691,201)
Cash Paid to Employees	(382,847)	(316,036)	-	-	(698,883)
Net Cash Provided -Used by Operating Activities	301,456	511,533	41,789	-	854,778
Cash Flows from Noncapital Financing Activities:					
Transfers In		100,000		5,000	105,000
Transfers Out	(266,700)	(254,750)	(35,500)	(100,000)	(656,950)
Net Cash Provided -Used by Noncapital Financing Activities	(266,700)	(154,750)	(35,500)	(95,000)	(551,950)
Cash Flows from Capital and Related Financing Activities:					
Capital Contributions	2,347,035	943,544	-	367,302	3,657,881
Principal Payments on Long-Term Debt	-	(160,000)	-	(16,293)	(176,293)
Interest Payments on Long-Term Debt	-	(194,218)	-	(8,206)	(202,424)
Purchases of Capital Assets	(2,347,035)	(943,544)	-	-	(3,290,579)
Net Cash Provided -Used by Capital and Related Financing Activities	-	(354,218)	-	342,803	(11,415)
Cash Flows from Investing Activities:					
Property Lease	-	16,900	-	-	16,900
Interest on Investments	3,048	1,950	310	10,805	16,113
Net Increase -Decrease in Cash and Cash Equivalents	37,804	21,415	6,599	258,608	324,426
Cash and Investments at Beginning of Year	112,503	80,827	16,217	556,721	766,268
Cash and Investments at End of Year	<u>\$ 150,307</u>	<u>\$ 102,242</u>	<u>\$ 22,816</u>	<u>\$ 815,329</u>	<u>\$ 1,090,694</u>
Reconciliation of Operating Income to					
Net Cash Provided by Operating Activities					
Operating Income, -Loss	\$ 97,927	\$ 222,090	\$ 9,438	\$ -	\$ 329,455
Noncash Items Included in Income:					
Depreciation	163,056	253,669	32,625	-	449,350
OPEB Expense	(2,309)	(1,878)	-	-	(4,187)
Pension Expense	50,119	38,811	-	-	88,930
Decrease -Increase in Accounts Receivable	(9,405)	5,406	462	-	(3,537)
Increase -Decrease in Accounts Payable	(1,410)	(10,462)	(736)	-	(12,608)
Increase -Decrease in Deposits	(300)	-	-	-	(300)
Increase -Decrease in Compensated Absences	3,778	3,897	-	-	7,675
Net Cash Provided -Used by Operating Activities	\$ 301,456	\$ 511,533	\$ 41,789	\$ -	\$ 854,778

See accompanying notes to the basic financial statements

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**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Philomath, Oregon, have been prepared in conformity with accounting principles generally accepted in the United State of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the accounting policies are described below.

THE FINANCIAL REPORTING ENTITY

The City of Philomath, Oregon is governed by an elected mayor and six council members who comprise the City Council. The City Council exercises supervisory responsibilities over the City operations, but day-to-day management control is the responsibility of a city manager. All significant activities and organizations for which the City is financially accountable are included in the financial statements.

The governing board of the Urban Renewal Agency of the City of Philomath consists of all members of the Philomath City Council. The majority of the area served by the Agency is within City limits. There is a small portion adjacent to the City, but within Benton County jurisdiction. The Urban Renewal Agency is reported as a blended component unit of the City.

Although it is legally separate from the City, because of the significance of its financial relationship with the City, the Urban Renewal Agency of the City of Philomath is reported as if it were part of the reporting entity. The Agency is reported as a blended component unit in these financial statements. Separate financial statements for the Urban Renewal Agency of the City of Philomath may be obtained from the City administrative offices at Philomath City Hall.

There are other governmental agencies and various services which provide services within the City. These agencies have independently elected governing boards and the City is not financially accountable for these organizations. Therefore, financial information for these agencies is not included in the accompanying financial statements.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (the Statement of Net Position and the statement of activities) report information on all of the nonfiduciary activities and component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

CITY OF PHILOMATH
BENTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Separate financial statements are provided for governmental funds and proprietary funds. Each fund is considered to be a separate accounting entity. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. Remaining governmental funds are aggregated and reported as non-major funds.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available (i.e. susceptible to accrual). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual if collected within 60 days of fiscal year end. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received.

There are the following *major governmental funds*:

General Fund – This is the primary operating fund. It accounts for all the financial operations except those required to be accounted for in another fund. Principal sources of revenue are property taxes, franchise taxes, and state and county shared revenues. Primary expenditures are for police protection and general government.

Community Development Fund – This fund is used to account for federal monies received through the Oregon Community Development Block Grant program to make loans for the rehabilitation of low-income housing.

Street Fund – This fund is used to account for the City's share of motor fuel tax revenues.

Urban Renewal General Fund – This fund accounts for the activities of the Urban Renewal Agency.

Land, Building & Equipment Fund – This fund is used to account for the construction or replacement of existing facilities and equipment.

CITY OF PHILOMATH
BENTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

There are the following *non-major governmental funds*:

Development Review Fund – The Development Review fund was established on July 1, 2016. The purpose of this fund is to ensure that new infrastructure meets City standards. Funding is provided by a 4% development review fee charged to the new development. The City engineer works with the developers and provides inspections and engineering support.

Economic Development Fund - This fund is used to account for special assessment bond principal and interest from special assessment levies.

Systems Development Fund - This fund is used to account for acquisition and construction of streets, sewer, water, park and storm drain system improvement and expansion. Revenue is received from dedicated systems development charges on new construction. For budgetary purposes, the City accounts for business and nonbusiness SDC charges in one fund. For reporting purposes, in the basic financial statements the components of this fund have been segregated into the business and nonbusiness portions.

There are the following *major proprietary funds*:

Water Fund – This fund is used to account for activities of the Water Department.

Sewer Fund – This fund is used to account for activities of the Sanitary Sewer Department.

Storm Drain Fund – This fund is used to account for the maintenance of the storm drain system. Revenue is received from storm drain fees.

Systems Development Proprietary Fund – This fund is used to account for the business portion of systems development charges.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 enterprise funds are charges to customers for sales and services. 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 nonoperating revenues and expenses.

CITY OF PHILOMATH
BENTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation.

For Net Position, when both restricted and unrestricted resources are available for use, it is the policy to use restricted resources first, then unrestricted resources as they are needed.

BUDGETS

A budget is prepared for each fund in accordance with the modified accrual basis of accounting. Appropriations are made at the program/function level for all funds. Expenditures may not legally exceed appropriations. Appropriations lapse at the end of each fiscal year. Budget amounts include original approved amounts and all subsequent appropriation transfers approved by the City Council. After budget approval, the City Council may approve supplemental appropriations if an occurrence, condition, or need exists which had not been ascertained at the time the budget was adopted. Management may not amend the budget. A supplemental budget requires hearings before the public, publications in newspapers and approval by the City Council if it exceeds 10% of a fund's expenditures. The budget for each fund includes capital outlay expenditures in each program for capital outlays applicable to that program.

Expenditure budgets are appropriated at the following levels for each fund other than the General Fund:

LEVEL OF CONTROL

Fund Programs	Debt Service
Utilities	Interfund Transfers
Materials & Services	Operating Contingency
Capital Outlay	

The General Fund is appropriated at the department level along with transfers and contingencies. Expenditures cannot legally exceed the above appropriation levels except in the case of grants which could not be estimated at the time of budget adoption. Appropriations lapse at the fiscal year-end. Management may amend line items in the budget without Council approval as long as appropriation levels (the legal level of control) are not changed. Supplemental appropriations may occur if the Council approves them due to a need which exists which was not determined at the time the budget was adopted.

Budget amounts shown in the basic financial statements reflect the original budget amount and appropriation transfers. All expenditures were within appropriations for the year ended June 30, 2018.

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

Cash and Investments

Investments, included in cash and investments, are carried at cost which approximates fair value. For purposes of the statement of cash flows, the proprietary funds consider cash and cash equivalents to include the cash and investment common pool. These amounts have the general characteristics of demand deposit accounts in that all funds may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty.

Cash and cash equivalents

The cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Fair Value Inputs and Methodologies and Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based up on the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

Level 1 – unadjusted price quotations in active markets/exchanges for identical assets or liabilities that each Fund has the ability to access

Level 2 – other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market-corroborated inputs)

Level 3 – unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including each Fund's own assumptions used in determining the fair value of investments)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Receivables

Receivables for state, county and local shared revenues, included in accounts receivable, are recorded as revenue in the governmental funds as earned.

CITY OF PHILOMATH
BENTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property taxes receivable for the governmental fund types, which have been collected within 30 days subsequent to year end, are considered measurable and available and are recognized as revenues. All other property taxes are offset by deferred property tax revenues and, accordingly, have not been recorded as revenue. Real and personal property taxes are levied upon all taxable property within the City and become liens against the property as of July 1 of each year and are payable in three installments which are due on November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent. Property taxes receivable by the City represent the City's allocated share of delinquent property taxes and other amounts to be collected from property owners.

Assessment liens in the governmental fund types are recognized as receivables at the time property owners are assessed for property improvements. All assessments receivable are offset by a deferred revenue account and, accordingly, have not been recorded as revenue.

Amounts due from developers and others are recorded as other receivables. Revenue is recorded as payments are received.

Housing rehabilitation loans are recorded as notes receivable when the loan is made. All notes receivable are offset by a deferred revenue account.

Receivables of the enterprise funds are recorded as revenue as earned.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net positions that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Net pension Related Deferrals of resources related to the pension plan and Total OPEB Related Deferrals include differences between expected and actual experience, changes of assumptions, differences between projects and actual earning, and contributions subsequent to the measurement date.

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 government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, special assessments and loans receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Net pension Related Deferrals of resources related to the pension plan and Total OPEB Related Deferrals include differences between expected and actual experience, changes of assumptions, differences between projects and actual earning, and contributions subsequent to the measurement date.

CITY OF PHILOMATH
BENTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets

Capital assets (items lasting more than one year and costing in excess of \$1,000) are stated at historical cost. Capital assets are charged to expenditures in the governmental fund types as purchased. Depreciation is computed on assets in service, using the straight-line method over their estimated useful lives:

Office and computer equipment	5 years
Vehicles	5
Other equipment	10
Buildings and improvements	20
Utility systems	30
Infrastructure	50

Normal maintenance and repairs are charged to operations as incurred. Major additions, improvements and replacements are capitalized. Gains or losses from sales or retirements of fixed assets are included in operations.

Accrued Compensated Absences

Accumulated vested sick and vacation pay is accrued as it is earned by employees. In governmental fund types the amounts, if any, expected to be liquidated with expendable available resources are accrued as liabilities of the funds. Terminated employees are eligible to receive half of their accrued sick leave. Sick pay is accrued at 50% of the actual leave. Payment of accrued compensated absences in governmental funds is made from the General Fund and the Street Fund.

Long-term obligations

In the government-wide financial statements, and in proprietary fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type Statement of Net Position. Bond discounts, and issuance costs are not material, and are expensed when paid.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs at the time of issuance. Bond proceeds are reported as other financing sources net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Retirement Plans

Substantially all of the City's employees are participants in the State of Oregon Public Employees Retirement System (PERS). For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of PERS and additions to/deductions from PERS'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. GASB Statements 68 and 71 have been implemented as of July 1, 2015.

CITY OF PHILOMATH
BENTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position/Fund Balance

Net Position is comprised of the various net earnings from operations, nonoperating revenues, expenses and contributions of capital. Net Position is classified in the following three categories.

Net investment in capital assets – consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – consists of external constraints placed on net asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – consists of all other assets that are not included in the other categories previously mentioned.

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications – nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable fund balance represents amounts that are not in a spendable form. The nonspendable fund balance represents prepaid items.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body. The City Manager and Finance Director have the authority to classify portions of ending fund balances as Assigned.
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position/Fund Balance (continued)

There are no assigned or committed fund balances reported.

The following order of spending regarding fund balance categories is used: Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and unassigned.

2. CASH AND INVESTMENTS

The cash management policies are governed by state statutes. Statutes authorize investment in banker's acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

A cash pool is maintained that is available for use by all funds. Each fund type's portion of this pool is reported on the combined balance sheet as Cash and Investments.

Cash and Investments (recorded at cost) consisted of:

Deposits with Financial Institutions:	
Petty Cash	\$ 500
Demand Deposits	24,995
Investments	<u>8,483,035</u>
 Total Cash and Investments	 <u><u>\$ 8,508,530</u></u>
 Reconciliation of Cash Reported in:	
Governmental	\$ 7,417,836
Business Type	<u>1,090,694</u>
 Total Cash and Investments	 <u><u>\$ 8,508,530</u></u>

Deposits

Deposits with financial institutions consist of bank demand deposits. The total bank balance per the bank statements for all pooled cash is \$78,292, all of which is covered by Federal Depository Insurance.

The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. Effective July 1, 2008, state statutes (ORS 295.002) allow public officials to deposit public funds in one or more depositories currently qualified pursuant to ORS 295.001 to 295.108. As long as the bank depository has entered into an agreement (ORS 295.008(2)(b)) and has deposited securities pursuant to state statutes (ORS 295.015(1)), there may now be on deposit at any one bank depository and its branches, a sum in excess of the amount insured by the Federal Deposit Insurance Corporation.

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

In the case of deposits, this is the risk that in the event of a bank failure, the deposits may not be returned. There is no deposit policy for custodial credit risk. As of June 30, 2018, none of the bank balance was exposed to custodial credit risk because it was insured or collateralized.

Investments

State statutes authorize investment in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial papers and the State Treasurer's Investment Pool, among others. As of June 30, 2018 the fair value of the position in the LGIP approximates fair value of the Pool shares as reported in the Oregon Short Term Fund audited financial statements.

As of June 30, 2018, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in months)</u>		
		<u>Less than 3</u>	<u>3-17</u>	<u>18-19</u>
State Treasurer's Investment Pool	\$ 8,483,035	\$ 8,483,035	\$ -	\$ -
Total	\$ 8,483,035	\$ 8,483,035	\$ -	\$ -

The State Treasurer's Local Government Investment Pool (LGIP) is a cash and investment pool available for use by all state funds and local governments and is maintained by the State Treasurer. The LGIP is an open-ended, no-load diversified portfolio offered to eligible participants, including any municipality, political subdivision, or public corporation of the state. Local government pooled assets are reported as an Investment Trust Fund in Oregon's Comprehensive Annual Financial Report.

Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund's compliance with all portfolio guidelines can be found in their annual report when issued. The LGIP seeks to exchange shares at \$1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool. We intend to measure these investments at book value since it approximates fair value. The pool is comprised of a variety of investments. These investments are characterized as a level 2 fair value measurement in the Oregon Short Term Fund's audited financial report. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized.

The audited financial reports of the Oregon Short Term Fund can be found at the link below, if the link has expired please contact the Oregon Short Term Fund directly.

[http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-\(OSTF\).aspx](http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-(OSTF).aspx)

CITY OF PHILOMATH
BENTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. There are no investments that have a maturity beyond three years.

Custodial Credit Risk

Oregon Revised Statutes does not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE. The State Investment Pool is not rated.

Concentration Risk

Concentration risk is the risk of loss due to a large portion of investments with a single issuer. To avoid incurring unreasonable risks inherent to over-investing in specific instruments or in individual financial institutions, the investment policy sets maximum limits on the percentage of the portfolio that can be invested in any one type of security. At June 30, 2018, all percentage restrictions were complied with. Oregon Revised Statutes require no more than 25 percent of the moneys of local government to be invested in bankers' acceptances of any qualified financial institution. Amounts in the State Treasurer's Local Government Investment Pool are not required by law to be collateralized. State statutes do not limit the percentage of investments in this instrument.

3. PROPERTY TAXES RECEIVABLE

Property taxes are levied and become a lien on all taxable property as of July 1. Taxes unpaid and outstanding on May 16 are considered delinquent. No allowance for uncollectible accounts has been recorded because all receivables are considered to be collectible.

4. LOANS RECEIVABLE

Loans receivable on the governmental funds balance sheet in the General Fund represent a contract receivable for a lien on the owners of Mill Pond Industrial property (previously called Lakeside. The City received an infrastructure loan from OECDD for the construction of the property, which Mill Pond reimburses the city annually for principal and interest payments. The City has a lien on the Mill Pond property for the amount of the loan.

Loans receivable in the Community Development Fund represent amounts due from property owners for Community Development Block Grant (CDBG) loans. These loans are secured by real estate and are generally due when the real estate is transferred. The balance of these notes at June 2018 was \$837,823. The CDBG loans do not bear interest, and are due when the property securing the loans is transferred.

The following loans receivable are recorded in the General Fund:

Contract receivable from Lakeside Industrial Park, annual payments of approximately \$43,000, including interest from 3% to 4.5% (payments on receivable mirror the payments due on the loan to OECDD)	415,524
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The Following loans receivable are recorded in the Community Development Fund

Community Development Block Grant (CDBG) loans	<u>422,299</u>
	<u>\$ 837,823</u>

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

5. CAPITAL ASSETS

Capital asset activity for governmental activities of the primary government for the year ended June 30, 2018 was as follows:

GOVERNMENTAL ACTIVITIES CAPITAL ASSETS				
Description	June 30, 2017	Additions	Disposals	June 30, 2018
Capital assets not being depreciated				
Land	\$ 130,933	\$ 1,518	\$ -	\$ 132,451
Capital assets being depreciated				
Improvements	493,810	30,821	-	524,631
Buildings	2,541,448	-	-	2,541,448
Equipment	1,210,267	290,824	(192,085)	1,309,006
Infrastructure	2,816,834	-	-	2,816,834
Total other Capital Assets	7,062,359	321,645	(192,085)	7,191,919
Less Accumulated Depreciation				
Improvements	299,697	20,076	-	319,773
Buildings	795,804	51,517	-	847,321
Equipment	1,042,381	71,373	(190,766)	922,988
Infrastructure	710,731	56,088	-	766,819
Total Accumulated Depreciation	2,848,613	199,054	(190,766)	2,856,901
Total Governmental Activities	\$ 4,344,679	\$ 124,109	\$ (1,319)	\$ 4,467,469

Depreciation Expense for governmental activities is charged to functions as follows:

Function	Governmental Funds
General Government	\$ 66,707
Police	36,059
Streets	66,798
Public Works	29,490
Total	\$ 199,054

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

5. CAPITAL ASSETS (CONTINUED)

Capital asset activity for business type activities for the year ended June 30, 2018 was as follows:

BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS				
Description	June 30, 2017	Additions	Disposals	June 30, 2018
Capital assets not being depreciated				
Land	\$ 853,202	\$ -	\$ -	\$ 853,202
Capital assets being depreciated				
Improvements	79,090	-	-	79,090
Buildings	418,870	81,674	-	500,544
Equipment	1,422,674	15,600	(4,152)	1,434,122
Infrastructure	18,847,021	3,193,305		22,040,326
Total other Capital Assets	20,767,655	3,290,579	(4,152)	24,054,082
Less Accumulated Depreciation				
Improvements	56,894	1,453		58,347
Buildings	236,411	9,251		245,662
Equipment	899,045	59,196	(4,152)	954,089
Infrastructure	5,552,558	379,450		5,932,008
Total Accumulated Depreciation	6,744,908	449,350	(4,152)	7,190,106
Total Business-Type Activities	\$ 14,875,949	\$ 2,841,229	\$ -	\$ 17,717,178

6. DEFERRED INFLOWS OF RESOURCES

At June 30, 2018, deferred inflows of resources on the balance sheet - governmental funds consisted of the following:

Property taxes	\$ 127,130
Community Development Block Grant Loans	422,299
Other loans receivable	415,524
Assessments	46,279
	\$ 1,011,232

CITY OF PHILOMATH
BENTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. EMPLOYEE RETIREMENT PLAN

Oregon Public Employees Retirement System (PERS)

Plan Description – The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employer defined benefit plan. All benefits of the system are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Oregon PERS produces an independently audited Comprehensive Annual Financial Report which can be found at:

<http://www.oregon.gov/pers/documents/financials/CAFR/2017-CAFR.pdf>

If the link is expired please contact Oregon PERS for this information.

- a) **PERS Pension (Chapter 238).** The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.
- i) **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, and 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 benefits 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 1 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 2 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.
- ii) **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 on or more of the following contributions are met:
- member was employed by PERS employer at the time of death,
 - member died within 120 days after termination of PERS covered employment,
 - member died as a result of injury sustained while employed in a PERS-covered job, or
 - member was on an official leave of absence from a PERS-covered job at the time of death.
- iii) **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 PHILOMATH
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

7. EMPLOYEE RETIREMENT PLAN (CONTINUED)

- iv) iv. 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 equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.
- b) **b. OPSRP Pension Program (OPSRP DB).** The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.
- i) 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 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.
- ii) 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.
- iii) 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.
- iv) iv. Benefit Changes After Retirement. Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

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. The 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, which became effective July 1, 2017. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the year ended June 30, 2018 were \$258,570, excluding amounts to fund employer specific liabilities. In addition approximately \$100,984 in employee contributions were paid or picked up by the City in fiscal 2018. At June 30, 2018, the City reported a net pension liability of \$2,407,985 for its proportionate share of the net pension liability. The pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

7. EMPLOYEE RETIREMENT PLAN (CONTINUED)

The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. As of the measurement date of June 30, 2017, the City's proportion was .018 percent. Pension expense for the year ended June 30, 2018 was \$259,185.

The rates in effect for the year ended June 30, 2018 were:

- (1) Tier 1/Tier 2 – 19.95%
- (2) OPSRP general services – 11.06%
- (3) OPSRP police and fire – 15.83%

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 116,451	\$ -
Changes in assumptions	438,933	-
Net difference between projected and actual earnings on pension plan investments	24,808	-
Net changes in proportionate share	54,040	13,096
Differences between City contributions and proportionate share of contributions	-	31,307
Subtotal - Amortized Deferrals (below)	634,232	44,403
City contributions subsequent to measuring date	258,570	-
Deferred outflow (inflow) of resources	\$ 892,802	\$ 44,403

The amount of contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2019.

Amounts reported as deferred outflows or inflow of resources related to pension will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2018	\$ 112,103
2019	309,397
2020	218,732
2021	(53,565)
2022	3,162
Thereafter	-
Total	\$ 589,829

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated February 16, 2018. Oregon PERS produces an independently audited CAFR which can be found at:

<http://www.oregon.gov/pers/documents/financials/CAFR/2017-CAFR.pdf>

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

7. EMPLOYEE RETIREMENT PLAN (CONTINUED)

Actuarial Valuations – The employer contribution rates effective July 1, 2017 through June 30, 2019, were set using the entry age normal 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 (estimated amount necessary to finance benefits earned by employees during the current service year), (2) an amount for the amortization unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer 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 actuarially determined amount for funding a disability benefit component, and (c) 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.

Actuarial Methods and Assumptions:

Valuation Date	December 31, 2015 rolled forward to June 30, 2017
Experience Study Report	2014, Published September 23, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years
Asset valuation method	Market value of assets
Inflation rate	2.50 percent
Investment rate of return	7.50 percent
Projected salary increase	3.5 percent overall payroll growth
Cost of Living Adjustment	Blend of 2% COLA and graded COLA (1.25%/1.5%) in accordance with Moro decision, blend based on service.
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, 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 and 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 2015 Experience Study which is reviewed for the four-year period ending December 31, 2015.

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

7. EMPLOYEE RETIREMENT PLAN (CONTINUED)

Assumed Asset Allocation:

Asset Class/Strategy	Low Range	High Range	OIC Target
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Real Estate	9.5%	15.5%	12.5%
Private Equity	14.0%	21.0%	17.5%
Alternative Equity	0.0%	12.5%	12.5%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100%

(Source: June 30, 2017 PERS CAFR; p. 92)

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. 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. 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.

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

7. EMPLOYEE RETIREMENT PLAN (CONTINUED)

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	8.00%	4.00%
Short-Term Bonds	8.00%	3.61%
Bank/Leveraged Loans	3.00%	5.42%
High Yield Bonds	1.00%	6.20%
Large/Mid Cap US Equities	15.75%	6.70%
Small Cap US Equities	1.31%	6.99%
Micro Cap US Equities	1.31%	7.01%
Developed Foreign Equities	13.13%	6.73%
Emerging Market Equities	4.12%	7.25%
Non-US Small Cap Equities	1.88%	7.22%
Private Equity	17.50%	7.97%
Real Estate (Property)	10.00%	5.84%
Real Estate (REITS)	2.50%	6.69%
Hedge Fund of Funds - Diversified	2.50%	4.64%
Hedge Fund - Event-driven	0.63%	6.72%
Timber	1.88%	5.85%
Farmland	1.88%	6.37%
Infrastructure	3.75%	7.13%
Commodities	1.88%	4.58%
<i>Assumed Inflation - Mean</i>		2.50%

(Source: June 30, 2017 PERS CAFR; p. 69)

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 the 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.

Sensitivity of the City’s proportionate share of the net pension liability to changes in the discount rate – The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 4,103,646	\$ 2,407,985	\$ 990,098

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

7. EMPLOYEE RETIREMENT PLAN (CONTINUED)

Changes Subsequent to the Measurement Date

As described above, GASB 67 and GASB 68 require the Total Pension Liability to be determined based on the benefit terms in effect at the Measurement Date. Any changes to benefit terms that occurs after that date are reflected in amounts reported for the subsequent Measurement Date. However, Paragraph 80f of GASB 68 requires employers to briefly describe any changes between the Measurement Date and the employer's reporting date that are expected to have a significant effect on the employer's share of the collective Net Pension Liability, along with an estimate of the resulting change, if available.

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.

Deferred Compensation Plan

A deferred compensation plan is available to employees wherein they may execute an individual agreement with the City for amounts earned by them to not be paid until a future date when certain circumstances are met. These circumstances are: termination by reason of death, disability, resignation, or retirement. Payment to the employee will be made over a period not to exceed 15 years. The deferred compensation plan is one which is authorized under IRC Section 457 and has been approved in its specifics by a private ruling from the Internal Revenue Service. The assets of the plan are held by the administrator for the sole benefit of the plan participants and are not considered assets or liabilities of the City.

OPSRP Individual Account Program (OPSRP IAP)

Plan Description:

Employees of the City are provided with pensions through OPERS. All the benefits of OPERS are established by the Oregon legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003. Chapter 238A created the Oregon Public Service Retirement Plan (OPSRP), which consists of the Defined Benefit Pension Program and the Individual Account Program (IAP). Membership includes public employees hired on or after August 29, 2003. PERS members retain their existing defined benefit plan accounts, but member contributions are deposited into the member's IAP account. OPSRP is part of OPERS, and is administered by the OPERS Board.

Pension Benefits:

Participants in OPERS defined benefit pension plans also participate in their defined contribution plan. 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 IAP 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.

CITY OF PHILOMATH
BENTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. EMPLOYEE RETIREMENT PLAN (CONTINUED)

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.

Contributions:

Employees of the City pay six (6) percent of their covered payroll. The City did not make any optional contributions to member IAP accounts for the year ended June 30, 2018.

Retirement Health Insurance Account

Plan Description:

As a member of Oregon Public Employees Retirement System (OPERS) the City contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700.

Funding Policy:

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 dollars or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 dollars shall be paid by the eligible retired member in the manner provided in ORS 238.410. 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 OPERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in OPERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in an OPERS-sponsored health plan. A surviving spouse or dependent of a deceased OPERS 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 OPERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating cities are contractually required to contribute to RHIA at a rate assessed each year by OPERS, and the City currently contributes 0.50% of annual covered OPERF payroll and 0.43% of OPSRP payroll under a contractual requirement in effect until June 30, 2019. The OPERS Board of Trustees sets the employer contribution rates based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The City's contributions to RHIA for the years ended June 30, 2016, 2017 and 2018 were \$7,324, \$7,698 and \$7,634, respectively, which equaled the required contributions each year.

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

7. EMPLOYEE RETIREMENT PLAN (CONTINUED)

At June 30, 2018, the District's net OPEB liability/(asset) and deferred inflows and outflows were not considered significant by management and were not accrued on the government wide statements.

Additional disclosures related to Oregon PERS not applicable to specific employers are available online, or by contacting PERS at the following address: PO Box 23700 Tigard, OR 97281-3700.

<http://www.oregon.gov/pers/EMP/Pages/GASB.aspx>

8. POST EMPLOYEMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description. A program is provided for the availability for retirees and their spouses to purchase healthcare insurance at the same group rates as the City pays for its active employees'. No plan has been established to account for this activity. Since the former employees' service has caused this benefit to be available, generally accepted accounting principles requires that the costs of these services be calculated and shown as a cost of operations and/or as a liability for providing a future benefit in the financial statements. Disclosure of the liability is mandatory.

Funding Policy. The benefits from this program are paid by the City on a self-pay basis and the required contribution is based on projected pay-as-you go financing requirements. There is not obligation on the part of the City to fund these benefits in advance.

Actuarial Methods and Assumptions: The City engaged an actuary to perform an evaluation as of June 30, 2016 using entry age normal, level percent of salary Actuarial Cost Method. The Single Employer Pension Plan liability was determined using the following actuarial assumptions, applied to all periods including the measurement.

Discount Rate per year	3.58%
General Inflation Rate per year	2.50%
Salary Scale per year	3.50%

Health Care Cost Trends:

Year	Trend	Year	Trend
2017	7.00 %	2040-2042	6.00 %
2018	6.00	2043-2047	5.75
2019	5.50	2049-2057	5.50
2020-2025	5.25	2058-2056	5.55
2026	5.00	2057-2064	5.25
2027-2035	5.25	2065+	5.00
2036	5.75		
2037-2039	6.25		

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

8. POST EMPLOYEMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Mortality rates were based on rates adopted by the Oregon Public Employees Retirement System (PERS) for its December 31, 2016 actuarial valuation of retirement benefits.

Turnover rates were based on percentages developed for the valuation of benefits under Oregon PERS and vary by years of service.

Disability rates were not used.

Retirement rates were based on Oregon PERS assumptions. Annual rates are based on age, Tier / OPSRP, and duration of service.

The projection of benefits for financial reporting purpose does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Changes in Total OPEB Liability

Balance at June 30, 2017	\$ 202,703
Changes for the Year:	
Service Cost	12,541
Interest	5,909
Changes of Assumptions or Other Input	(10,572)
Benefit Payments	(15,956)
Net Changes for the Year	(8,078)
Total OPEB Liability at June 30, 2018	<u>\$ 194,625</u>

Sensitivity of the Net Other Post-Employment Benefit Liability to Changes in Discount and Trend Rates:
The following presents the net other post-employment benefit liability (NOL), calculated using the discount rate of 3.58 percent, as well as what the liability would be if it was calculated using a discount rate 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current rate. A similar sensitivity analysis is then presented for changes in the healthcare cost trend assumption:

June 30, 2018	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	\$ 208,671	\$ 194,625	\$ 181,756

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

8. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

June 30, 2018	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$ 177,909	\$ 194,625	\$ 214,496

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes in assumptions	(9,611)	-
Benefit Payments	-	18,765
Deferred outflow (inflow) of resources	\$ (9,611)	\$ 18,765

Amounts reported as deferred outflows or inflow of resources related to pension will be recognized in pension expense as follows:

Year ending June 30,	Amount
2019	\$ (961)
2020	(961)
2021	(961)
2022	(961)
2023	(961)
Thereafter	(4,806)
Total	\$ (9,611)

9. DEFERRED COMPENSATION

The City of Philomath, by Council action, authorized a deferred compensation plan to be made available to its employees wherein they may execute an individual agreement with the City for amounts earned by them to not be paid until a future date when certain circumstances are met. These circumstances are: termination by reason of death, disability, resignation or retirement. Payment to the employee will be made over a period not to exceed 15 years. The deferred compensation plan is one which is authorized under IRC Section 457 and has been approved in its specifics by a private ruling from the Internal Revenue Service.

Amounts accumulated by the City under its deferred compensation plan have been deposited with Nationwide Retirement Solutions. In order to comply with House Bill 3448, Nationwide Retirement Solutions established a custodial account with Bank One Trust Company, N.A., to hold all non-annuity plan assets. Annuity contracts are considered to be qualified trusts and, therefore, do not need to be transferred to the custodial account. Effective January 15, 1997, Nationwide Retirement Solutions transferred all non-annuity plan assets into this custodial account. While legal ownership will remain with the City, the beneficial ownership of the assets will belong to the participants and their beneficiaries.

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

10. LONG TERM DEBT

Changes in Long-Term Liabilities: During the year ended June 30, 2018, the following changes occurred in long-term liabilities:

	Balance <u>7/1/2017</u>	Additions	Reductions	Balance <u>6/30/2018</u>	Due in One Year
Governmental activities					
OECDD Lakeside Loan, 2004	\$ 439,988	\$ -	\$ (24,464)	\$ 415,524	\$ 24,643
URA - FF&C Obligations, 2016 Series	<u>2,980,000</u>	<u>-</u>	<u>(115,000)</u>	<u>2,865,000</u>	<u>115,000</u>
Total	3,419,988	-	(139,464)	3,280,524	139,643
Compensated absences					
URA - Bond Premium	238,690	26,440	-	265,130	-
URA - Bond Insurance	364,818	-	(19,457)	345,361	19,457
	<u>(6,333)</u>	<u>-</u>	<u>338</u>	<u>(5,995)</u>	<u>-</u>
Total Governmental activities	<u>\$ 4,017,163</u>	<u>\$ 26,440</u>	<u>\$ (158,583)</u>	<u>\$ 3,885,020</u>	<u>\$ 159,100</u>
Business-type activities					
Sewer - FF&C Obligations, 2016 Series	\$ 4,755,000	\$ -	\$ -	\$ 4,755,000	\$ -
Storm Drain SPWF Loan	136,762	-	(16,293)	120,469	17,271
FF&C Obligations, 2009 Series	<u>335,000</u>	<u>-</u>	<u>(160,000)</u>	<u>175,000</u>	<u>175,000</u>
Total	5,226,762	-	(176,293)	5,050,469	192,271
Compensated absences					
Sewer - Bond Premium	75,124	7,675	-	82,799	-
Sewer - Bond Insurance	648,994	-	(34,613)	614,381	34,613
	<u>(74,919)</u>	<u>-</u>	<u>3,996</u>	<u>(70,923)</u>	<u>-</u>
Total Business-type activities	<u>\$ 5,875,961</u>	<u>\$ 7,675</u>	<u>\$ (206,910)</u>	<u>\$ 5,676,726</u>	<u>\$ 226,884</u>

The full faith and credit obligations issued in 2009 were for the purpose of capital construction projects, including construction of a submersible pump station, reconstruction of trunk sewer lines, control system and pump handling improvements, telemetry improvements, and expansion of the wastewater treatment plant.

A Full Faith and Credit refunding was issued in 2016 with two components: to refund a portion of the City of Philomath's outstanding 2009 sewer bonds, and to raise \$3.0 million for an Urban Renewal project for the Agency. The total issue was \$7,825,000, with \$2,980,000 applicable to the Agency.

The 2009 sewer bonds

The original sewer bonds had 17 remaining years. Bonds maturing between June 2020 and June 2033 can be refunded on June 1, 2018. State and Local Government Series (SLGS) securities were purchased that would provide the funds to pay the principal of those bonds (maturity dates June 1, 2020 – June 1, 2033). In addition SLGS were purchased to provide funds to cover the interest on those bonds for the June 1, 2017 and December 1, 2017 interest payments.

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

10. LONG TERM DEBT (CONTINUED)

The City continues to be responsible for paying the principal and interest on the bonds maturing June 1, 2018 and June 1, 2019.

Future debt service requirements are as follows:

Government Activities

<u>Fiscal Year Eanding</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018-19	\$ 139,643	\$ 127,747	\$ 267,390
2019-20	149,828	123,311	273,139
2020-21	155,021	118,518	273,539
2021-22	155,222	113,568	268,790
2022-23	160,438	108,571	269,009
2024-28	915,960	438,534	1,354,494
2029-33	979,412	241,105	1,220,517
2034-38	625,000	50,600	675,600
	<u>\$ 3,280,524</u>	<u>\$ 1,321,954</u>	<u>\$ 4,602,478</u>

Business-type Activities

<u>Fiscal Year Eanding</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017-18	\$ 192,271	\$ 223,746	\$ 416,017
2018-19	198,307	11,592	209,899
2019-20	219,405	11,093	230,498
2020-21	240,570	10,529	251,099
2021-22	261,804	12,295	274,099
2023-28	1,598,112	64,387	1,662,499
2029-33	2,340,000	93,600	2,433,600
	<u>\$ 5,050,469</u>	<u>\$ 427,242</u>	<u>\$ 5,477,711</u>

CITY OF PHILOMATH
BENTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

11. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2018 on the budgetary basis of accounting, consisted of the following:

General	\$ -	\$ 50,000
Street	20,500	49,300
Land, Building and Equipment	630,750	-
Systems Development (Proprietary)	5,000	100,000
Water	-	266,700
Sewer	100,000	254,750
Storm Drain	-	35,500
	<hr/>	<hr/>
	\$ 756,250	\$ 756,250
	<hr/>	<hr/>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

12. PROPERTY TAX LIMITATIONS

The State of Oregon has a constitutional limit on property taxes for schools and nonschool government operations. The limitation provides that property taxes for nonschool operations are limited to \$10.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt.

An additional limit reduces the amount of operating property tax revenues available. This reduction was accomplished by rolling property values for 1997-98 back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The Constitution also sets restrictive voter approval requirements for most tax and many fee increases and new bond issues.

13. RISK MANAGEMENT

There is exposure to various risks of loss related to torts; theft of, damage to, and destruction of assets; and omissions; injuries to employees; and natural disasters. Commercial insurance is purchased to minimize its exposure to these risks. Settled claims have not exceeded this commercial coverage for any of the past three years.

CITY OF PHILOMATH
BENTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

14. CONTINGENCIES

The City purchases commercial insurance to cover all commonly insurable risks, which includes property damage, liability and employee bonds. Most policies carry a small deductible amount. No insurance claims settled in each of the prior three years have exceeded policy coverage.

From time to time, the City is a defendant in various litigation proceedings. Management believes any losses arising from these actions will not materially affect the City's financial position.

15. RESTATEMENT OF NET POSITION

The District implemented GASB #75, Formerly GASB #45, for Other Post-Employment Benefits (OPEB) which resulted in a restatement of beginning net position for 2017-18 in the amount of (\$153,446) for governmental activities, and (\$49,257) for business-type activities.

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

REQUIRED SUPPLEMENTARY INFORMATION

For the fiscal year ended June 30, 2018

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year Ended June 30,	(a) Employer's proportion of the net pension liability (NPL)	(b) Employer's proportionate share of the net pension liability (NPL)	(c) Entity's covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.02 %	\$ 2,407,985	\$ 1,615,008	149.1 %	83.1 %
2017	0.02	2,682,780	1,562,205	171.7	80.5
2016	0.02	950,931	1,493,911	63.7	91.9
2015	0.02	(405,946)	1,549,340	(26.2)	103.6
2014	0.02	913,923	1,568,037	58.3	92.0

The amounts presented for each fiscal year were actuarially determined at 12/31 and rolled forward to the measurement date.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

SCHEDULE OF CONTRIBUTIONS

Year	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2018	\$ 258,570	\$ 258,570	\$ -	\$ 1,681,072	15.4 %
2017	273,931	273,931	-	1,615,008	17.0
2016	261,642	261,642	-	1,562,205	16.7
2015	238,717	238,717	-	1,493,911	16.0
2014	224,085	224,085	-	1,549,340	14.5

The amounts presented for each fiscal year were actuarially determined at 12/31 and rolled forward to the measurement date.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

**SCHEDULE OF CHANGES IN OTHER POST EMPLOYMENT BENEFITS (OPEB) LIABILITY
For the Year Ended June 30, 2018**

Total OPEB Liability at June 30, 2017	\$	202,703
Changes for the year:		
Service Cost	12,541	
Interest	5,909	
Changes of Benefit Terms	-	
Differences Between Expected and Actual Experience	-	
Changes of Assumptions or Other Input	(10,572)	
Benefit Payments	<u>(15,956)</u>	
Net Changes for the Year		(8,078)
Total OPEB Liability at June 30, 2018	\$	<u>194,625</u>
Covered Payroll		1,681,721
Net Single Employer Pension Plan as a Percentage of Covered Payroll		11.57%

Note: This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full year trend has been compiled, information is presented for the years for which the required supplementary schedule information is available. The District implemented GASB 73 and GASB 75 in the fiscal year ending June 30, 2018.

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2018**

<u>GENERAL FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
Revenue				
Property Taxes	\$ 1,530,000	\$ 1,530,000	\$ 1,532,819	\$ 2,819
Licenses and Permits	158,000	368,000	413,728	45,728
Charges for Services	349,920	349,920	350,298	378
General Fund Fee	213,300	213,300	237,199	23,899
Franchise Fees	359,400	359,400	366,933	7,533
Intergovernmental	130,970	130,970	154,477	23,507
Fines and Forfeitures	290,000	290,000	244,600	(45,400)
Interest and Miscellaneous	47,210	47,210	95,855	48,645
Total Revenue	<u>3,078,800</u>	<u>3,288,800</u>	<u>3,395,909</u>	<u>107,109</u>
Expenditures				
Administration	256,100	256,100 (1)	250,856	5,244
Building Permit	143,400	353,400 (1)	302,300	51,100
Finance	346,800	346,800 (1)	313,944	32,856
Municipal Court	231,200	231,200 (1)	202,711	28,489
Police	1,491,600	1,491,600 (1)	1,467,481	24,119
Buildings & Grounds	133,100	133,100 (1)	106,805	26,295
Parks	93,000	93,000 (1)	75,691	17,309
City Council	193,600	193,600 (1)	172,056	21,544
Contingency	50,000	50,000 (1)	-	50,000
Total Expenditures	<u>2,938,800</u>	<u>3,148,800</u>	<u>2,891,844</u>	<u>256,956</u>
Excess of Revenue Over, -Under Expenditures	140,000	140,000	504,065	364,065
Other Financing Sources, -Uses				
Transfers Out	(50,000)	(50,000) (1)	(50,000)	-
Sale of Capital Assets	-	-	157,050	157,050
Total Other Financing Sources, -Uses	<u>(50,000)</u>	<u>(50,000)</u>	<u>107,050</u>	<u>157,050</u>
Net Change in Fund Balance	90,000	90,000	611,115	521,115
Beginning Fund Balance	<u>100,000</u>	<u>100,000</u>	<u>207,410</u>	<u>107,410</u>
Ending Fund Balance	<u>\$ 190,000</u>	<u>\$ 190,000</u>	<u>\$ 818,525</u>	<u>\$ 628,525</u>

(1) Appropriation Level

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2018**

COMMUNITY DEVELOPMENT FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
Revenue				
Interest and Miscellaneous	\$ 30,000	\$ 30,000	\$ 1,650	\$ (28,350)
Total Revenue	<u>30,000</u>	<u>30,000</u>	<u>1,650</u>	<u>(28,350)</u>
Expenditures				
Community Development Program	<u>30,000</u>	<u>30,000 (1)</u>	<u>-</u>	<u>30,000</u>
Total Expenditures	<u>30,000</u>	<u>30,000</u>	<u>-</u>	<u>30,000</u>
Net Change in Fund Balance	-	-	1,650	1,650
Beginning Fund Balance	<u>-</u>	<u>-</u>	<u>1,040</u>	<u>1,040</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,690</u>	<u>\$ 2,690</u>

(1) Appropriation Level

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2018**

<u>STREET FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
Revenue				
Charges for Services	\$ 107,400	\$ 107,400	\$ 107,760	\$ 360
Franchise Fees	49,400	49,400	58,039	8,639
Intergovernmental	266,063	266,063	299,573	33,510
Interest and Miscellaneous	1,700	1,700	4,335	2,635
Total Revenue	<u>424,563</u>	<u>424,563</u>	<u>469,707</u>	<u>45,144</u>
Expenditures				
Street Program	430,763	430,763 (1)	387,617	43,146
Contingency	50,000	50,000 (1)	-	50,000
Total Expenditures	<u>480,763</u>	<u>480,763</u>	<u>387,617</u>	<u>93,146</u>
Excess of Revenue Over, -Under Expenditures	(56,200)	(56,200)	82,090	138,290
Other Financing Sources, -Uses				
Transfers In	20,500	20,500	20,500	-
Transfers Out	(49,300)	(49,300) (1)	(49,300)	-
Total Other Financing Sources, -Uses	<u>(28,800)</u>	<u>(28,800)</u>	<u>(28,800)</u>	<u>-</u>
Net Change in Fund Balance	<u>(85,000)</u>	<u>(85,000)</u>	<u>53,290</u>	<u>138,290</u>
Beginning Fund Balance	160,000	160,000	178,808	18,808
Ending Fund Balance	<u>\$ 75,000</u>	<u>\$ 75,000</u>	<u>\$ 232,098</u>	<u>\$ 157,098</u>

(1) Appropriation Level

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2018**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
<u>URBAN RENEWAL</u>				
Revenue				
Property Taxes	\$ 521,900	\$ 521,900	\$ 552,466	\$ 30,566
Interest and Miscellaneous	31,250	31,250	69,842	38,592
Total Revenue	<u>553,150</u>	<u>553,150</u>	<u>622,308</u>	<u>69,158</u>
Expenditures				
Materials and Services	550,950	550,950 (1)	56,671	494,279
Capital Outlay	3,400,000	3,400,000 (1)	2,727,643	672,357
Debt Service	228,200	228,200 (1)	228,188	12
Total Expenditures	<u>4,179,150</u>	<u>4,179,150</u>	<u>3,012,502</u>	<u>1,166,648</u>
Net Change in Fund Balance	(3,626,000)	(3,626,000)	(2,390,194)	1,235,806
Beginning Fund Balance	<u>4,700,000</u>	<u>4,700,000</u>	<u>5,401,220</u>	<u>701,220</u>
Ending Fund Balance	<u>\$ 1,074,000</u>	<u>\$ 1,074,000</u>	<u>\$ 3,011,026</u>	<u>\$ 1,937,026</u>

(1) Appropriation Level

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2018**

LAND BUILDING AND EQUIPMENT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Revenue				
Intergovernmental	\$ 46,150	\$ 46,150	\$ 45,686	\$ (464)
Fines and Forfeitures	9,400	9,400	10,401	1,001
Interest and Miscellaneous	25,000	25,000	43,326	18,326
Total Revenue	<u>80,550</u>	<u>80,550</u>	<u>99,413</u>	<u>18,863</u>
Expenditures				
Capital Outlay	1,523,236	1,523,236 (1)	754,313	768,923
Total Expenditures	<u>1,523,236</u>	<u>1,523,236</u>	<u>754,313</u>	<u>768,923</u>
Excess of Revenue Over, -Under Expenditures	(1,442,686)	(1,442,686)	(654,900)	787,786
Other Financing Sources, -Uses				
Transfers In	720,750	720,750	630,750	(90,000)
Total Other Financing Sources, -Uses	<u>720,750</u>	<u>720,750</u>	<u>630,750</u>	<u>(90,000)</u>
Net Change in Fund Balance	(721,936)	(721,936)	(24,150)	697,786
Beginning Fund Balance	2,497,700	2,497,700	2,533,815	36,115
Ending Fund Balance	<u>\$ 1,775,764</u>	<u>\$ 1,775,764</u>	<u>\$ 2,509,665</u>	<u>\$ 733,901</u>

(1) Appropriation Level

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**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

SUPPLEMENTARY INFORMATION

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**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018**

	<u>Special Revenue</u> <u>DEVELOPMENT</u> <u>REVIEW</u>	<u>Debt Service</u> <u>ECONOMIC</u> <u>DEVELOPMENT</u>	<u>Capital Projects</u> <u>SYSTEMS</u> <u>DEVELOPMENT</u>	<u>TOTAL</u>
ASSETS				
Cash and Investments	\$ 112,661	\$ 11,694	\$ 732,350	\$ 856,705
Receivables:				
Property Taxes	-	6	-	6
Special Assessments	-	-	19,916	19,916
Total Assets	<u>\$ 112,661</u>	<u>\$ 11,700</u>	<u>\$ 752,266</u>	<u>\$ 876,627</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 5,817	\$ -	\$ 5,478	\$ 11,295
Total Liabilities	<u>5,817</u>	<u>-</u>	<u>5,478</u>	<u>11,295</u>
Deferred Inflows of Resources:				
Unavailable Revenue - Special Assessments	-	-	19,916	19,916
Unavailable Revenue - Property Taxes	-	6	-	6
Total Deferred Inflows of Resources	<u>-</u>	<u>6</u>	<u>19,916</u>	<u>19,922</u>
Fund Balances				
Non-Spendable	-	-	-	-
Restricted For:				
Development Review	106,844	-	-	106,844
Community Development	-	-	726,872	726,872
Debt Service	-	11,694	-	11,694
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	<u>106,844</u>	<u>11,694</u>	<u>726,872</u>	<u>845,410</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 112,661</u>	<u>\$ 11,700</u>	<u>\$ 752,266</u>	<u>\$ 876,627</u>

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

**COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018**

	<u>Special Revenue</u> <u>DEVELOPMENT</u> <u>REVIEW</u>	<u>Debt Service</u> <u>ECONOMIC</u> <u>DEVELOPMENT</u>	<u>Capital Projects</u> <u>SYSTEMS</u> <u>DEVELOPMENT</u>	<u>TOTAL</u>
Revenue				
Licenses and Permits	\$ -	\$ -	\$ 442,569	\$ 442,569
Charges for Services	142,517	-	-	142,517
Intergovernmental	-	-	6,828	6,828
Interest and Miscellaneous	1,241	43,627	7,689	52,557
Total Revenue	143,758	43,627	457,086	644,471
Expenditures				
Current:				
Public Works	65,736	-	-	65,736
Capital Outlay:				
General Government	-	-	30,821	30,821
Debt Service:				
Principal	-	24,464	-	24,464
Interest	-	18,976	-	18,976
Total Expenditures	65,736	43,440	30,821	139,997
Net Change in Fund Balance	78,022	187	426,265	504,474
Beginning Fund Balance	28,822	11,507	300,607	340,936
Ending Fund Balance	\$ 106,844	\$ 11,694	\$ 726,872	\$ 845,410

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2018**

<u>DEVELOPMENT REVIEW FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
Revenue				
Charges for Services	\$ 205,000	\$ 205,000	\$ 142,517	\$ 62,483
Interest and Miscellaneous	400	400	1,241	841
Total Revenue	<u>205,400</u>	<u>205,400</u>	<u>143,758</u>	<u>63,324</u>
Expenditures				
Development Program	200,000	200,000 (1)	65,736	134,264
Total Expenditures	<u>200,000</u>	<u>200,000</u>	<u>65,736</u>	<u>134,264</u>
Net Change in Fund Balance	5,400	5,400	78,022	72,622
Beginning Fund Balance	<u>30,000</u>	<u>30,000</u>	<u>28,822</u>	<u>(1,178)</u>
Ending Fund Balance	<u>\$ 35,400</u>	<u>\$ 35,400</u>	<u>\$ 106,844</u>	<u>\$ 71,444</u>

(1) Appropriation Level

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2018**

ECONOMIC DEVELOPMENT (DEBT SERVICE) FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Revenue				
Interest and Miscellaneous	\$ 43,560	\$ 43,560	\$ 43,627	\$ 67
Total Revenue	43,560	43,560	43,627	67
Expenditures				
Economic Development Program	43,440	43,440 (1)	43,440	-
Total Expenditures	43,440	43,440	43,440	-
Net Change in Fund Balance	120	120	187	67
Beginning Fund Balance	11,500	11,500	11,507	7
Ending Fund Balance	\$ 11,620	\$ 11,620	\$ 11,694	\$ 74

(1) Appropriation Level

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2018**

SYSTEMS DEVELOPMENT (CAPITAL PROJECTS) FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Revenue				
Intergovernmental	\$ 220,000	\$ 220,000	\$ 6,828	\$ (213,172)
Licenses and Permits	85,740	85,740	442,569	356,829
Interest and Miscellaneous	2,360	2,360	7,689	5,329
Total Revenue	<u>308,100</u>	<u>308,100</u>	<u>457,086</u>	<u>148,986</u>
Expenditures				
Systems Development Program	245,000	245,000 (1)	30,821	214,179
Total Expenditures	<u>245,000</u>	<u>245,000</u>	<u>30,821</u>	<u>214,179</u>
Net Change in Fund Balance	63,100	63,100	426,265	363,165
Beginning Fund Balance	<u>305,000</u>	<u>305,000</u>	<u>300,607</u>	<u>(4,393)</u>
Ending Fund Balance	<u>\$ 368,100</u>	<u>\$ 368,100</u>	<u>\$ 726,872</u>	<u>\$ 358,772</u>

(1) Appropriation Level

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2018**

	<u>WATER FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)	GAAP BASIS
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>		
Revenue					
Charges for Services	\$ 1,070,000	\$ 1,070,000	\$ 1,037,572	\$ (32,428)	\$ 1,037,572
Intergovernmental	1,751	1,751	-	(1,751)	-
Interest and Miscellaneous	40,820	40,820	52,148	11,328	52,148
Total Revenue	<u>1,112,571</u>	<u>1,112,571</u>	<u>1,089,720</u>	<u>(22,851)</u>	<u>1,089,720</u>
Expenditures					
Water Utility	885,871	885,871 (1)	774,101	111,770	-
Personnel Services	-	-	-	-	434,435
Materials and Services	-	-	-	-	391,254
Capital Outlay/Depreciation	-	-	-	-	163,056
Contingency	70,000	70,000 (1)	-	70,000	-
Total Expenditures	<u>955,871</u>	<u>955,871</u>	<u>774,101</u>	<u>181,770</u>	<u>988,745</u>
Excess of Revenue Over -Under Expenditures	156,700	156,700	315,619	158,919	100,975
OTHER FINANCING SOURCES					
Capital Contributions	-	-	-	-	2,347,035
Transfers Out	(266,700)	(266,700) (1)	(266,700)	-	(266,700)
Total Other Financing Sources, -Uses	<u>(266,700)</u>	<u>(266,700)</u>	<u>(266,700)</u>	<u>-</u>	<u>2,080,335</u>
Net Change in Fund Balance	(110,000)	(110,000)	48,919	158,919	2,181,310
Beginning Fund Balance	210,000	210,000	210,009	9	3,806,579
Ending Fund Balance	<u>\$ 100,000</u>	<u>\$ 100,000</u>	\$ 258,928	<u>\$ 158,928</u>	<u>\$ 5,987,889</u>
Reconciliation to the Statement of Proprietary Net Position:					
Net Capital Assets			6,008,183		
Deferred Outflows			122,150		
Deferred Inflows			(7,238)		
Compensated Absences			(45,384)		
Total OPEB Liability			(26,080)		
Net Pension Liability			<u>(322,670)</u>		
Net Position			<u>\$ 5,987,889</u>		

(1) Appropriation Level

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2018**

	<u>SEWER FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)	GAAP BASIS
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
Revenue					
Charges for Services	\$ 1,106,000	\$ 1,106,000	\$ 1,082,858	\$ (23,142)	\$ 1,082,858
Lease of Land	17,600	17,600	16,900	(700)	16,900
Intergovernmental	6,776	6,776	6,776	-	6,776
Interest and Miscellaneous	18,750	18,750	15,942	(2,808)	15,812
Total Revenue	<u>1,149,126</u>	<u>1,149,126</u>	<u>1,122,476</u>	<u>(26,650)</u>	<u>1,122,346</u>
Expenditures					
Sewer Utility	1,044,376	1,044,376 (1)	941,125	103,251	-
Personnel Services	-	-	-	-	356,866
Materials and Services	-	-	-	-	270,871
Capital Outlay/Depreciation	-	-	-	-	253,669
Debt Service	-	-	-	-	302,247
Contingency	70,000	70,000 (1)	-	70,000	-
Total Expenditures	<u>1,114,376</u>	<u>1,114,376</u>	<u>941,125</u>	<u>173,251</u>	<u>1,183,653</u>
Excess of Revenue Over					
-Under Expenditures	34,750	34,750	181,351	146,601	(61,307)
OTHER FINANCING SOURCES					
Capital Contributions	-	-	-	-	943,544
Transfers In	100,000	100,000	100,000	-	100,000
Transfers Out	(344,750)	(344,750) (1)	(254,750)	90,000	(254,750)
Total Other Financing Sources, -Uses	<u>(244,750)</u>	<u>(244,750)</u>	<u>(154,750)</u>	<u>90,000</u>	<u>788,794</u>
Net Change in Fund Balance	(210,000)	(210,000)	26,601	236,601	727,487
Beginning Fund Balance	310,000	310,000	175,682	(134,318)	4,267,941
Ending Fund Balance	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 202,283</u>	<u>\$ 102,283</u>	<u>\$ 4,995,428</u>
Reconciliation to the Statement of Proprietary Net Position:					
Net Capital Assets			10,540,718		
Deferred Outflows			99,361		
Deferred Inflows			(5,888)		
Accrued Interest			(46,488)		
Compensated Absences			(37,416)		
Total OPEB Liability			(21,214)		
Net Pension Liability			(262,470)		
Long Term Debt			<u>(5,473,458)</u>		
Net Position			<u>\$ 4,995,428</u>		

(1) Appropriation Level

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2018**

STORM DRAIN FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)	GAAP BASIS
Revenue					
Charges for Services	\$ 58,500	\$ 58,500	\$ 58,531	\$ 31	\$ 58,531
Interest and Miscellaneous	200	200	310	110	310
Total Revenue	<u>58,700</u>	<u>58,700</u>	<u>58,841</u>	<u>141</u>	<u>58,841</u>
Expenditures					
Storm Drain Utility	19,200	19,200 (1)	16,468	2,732	16,468
Capital Outlay/Depreciation	-	-	-	-	32,625
Total Expenditures	<u>19,200</u>	<u>19,200</u>	<u>16,468</u>	<u>2,732</u>	<u>49,093</u>
Excess of Revenue Over -Under Expenditures	39,500	39,500	42,373	2,873	9,748
OTHER FINANCING SOURCES					
Transfers Out	(35,500)	(35,500) (1)	(35,500)	-	(35,500)
Total Other Financing Sources, -Uses	<u>(35,500)</u>	<u>(35,500)</u>	<u>(35,500)</u>	<u>-</u>	<u>(35,500)</u>
Net Change in Fund Balance	4,000	4,000	6,873	2,873	(25,752)
Beginning Fund Balance	<u>21,000</u>	<u>21,000</u>	<u>21,002</u>	<u>2</u>	<u>1,221,904</u>
Ending Fund Balance	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ 27,875</u>	<u>\$ 2,875</u>	<u>\$ 1,196,152</u>

Reconciliation to the Statement of Proprietary Net Position:

Net Capital Assets	<u>1,168,277</u>
Net Position	<u>\$ 1,196,152</u>

(1) Appropriation Level

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2018**

SYSTEMS DEVELOPMENT FUND (PROPRIETARY)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)	GAAP BASIS
Revenue					
Charges for Services	\$ 259,095	\$ 259,095	\$ 597,302	\$ 338,207	\$ -
Interest and Miscellaneous	4,604	4,604	10,805	6,201	10,805
Total Revenue	<u>263,699</u>	<u>263,699</u>	<u>608,107</u>	<u>344,408</u>	<u>10,805</u>
Expenditures					
Systems Development Program	354,499	354,499 (1)	254,499	100,000	-
Capital Outlay	-	-	-	-	-
Debt Service	-	-	-	-	7,635
Total Expenditures	<u>354,499</u>	<u>354,499</u>	<u>254,499</u>	<u>100,000</u>	<u>7,635</u>
Excess of Revenue Over -Under Expenditures	(90,800)	(90,800)	353,608	444,408	3,170
OTHER FINANCING SOURCES					
Capital Contributions	-	-	-	-	367,302
Transfers In	5,000	5,000	5,000	-	5,000
Transfers Out	(100,000)	(100,000) (1)	(100,000)	-	(100,000)
Total Other Financing Sources, -Uses	<u>(95,000)</u>	<u>(95,000)</u>	<u>(95,000)</u>	<u>-</u>	<u>272,302</u>
Net Change in Fund Balance	(185,800)	(185,800)	258,608	444,408	275,472
Beginning Fund Balance	598,200	598,200	556,721	(41,479)	415,172
Ending Fund Balance	<u>\$ 412,400</u>	<u>\$ 412,400</u>	<u>\$ 815,329</u>	<u>\$ 402,929</u>	<u>\$ 690,644</u>

Reconciliation to the Statement of Proprietary Net Position:

Long Term Debt	(120,469)
Accrued Interest Payable	<u>(4,216)</u>
Net Position	<u>\$ 690,644</u>

(1) Appropriation Level

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED - GENERAL FUND
For the Year Ended June 30, 2018**

<u>TAX YEAR</u>	<u>IMPOSED LEVY OR UNCOLLECTED AT 7-1-17</u>	<u>DEDUCT DISCOUNTS</u>	<u>ADJUSTMENTS TO ROLLS</u>	<u>ADD INTEREST</u>	<u>CASH COLLECTIONS BY COUNTY TREASURER</u>	<u>BALANCE UNCOLLECTED OR UNSEGREGATED AT 6-30-18</u>
CURRENT:						
2017-18	\$ 1,601,102	\$ 51,973	\$ -	\$ -	\$ 1,527,540	\$ 21,589
PRIOR YEARS:						
2016-17	\$ 32,980	\$ -	\$ (7,494)	\$ -	\$ 10,528	\$ 14,958
2015-16	24,818	-	(5,947)	-	3,769	15,102
2014-15	20,973	-	(1,925)	-	2,942	16,106
2013-14	15,067	-	(1,052)	-	1,360	12,655
Prior	15,742	-	(1,326)	-	160	14,256
Total	<u>\$ 1,710,682</u>	<u>\$ 51,973</u>	<u>\$ (17,744)</u>	<u>\$ -</u>	<u>\$ 1,546,299</u>	<u>\$ 94,666</u>

RECONCILIATION TO REVENUE

Cash Collections by County Treasurer Above	\$ 1,546,299
Adjustment for Refunded Interest	<u>(13,480)</u>
Total Revenue	<u>\$ 1,532,819</u>

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED - URBAN RENEWAL FUND
For the Year Ended June 30, 2018**

TAX YEAR	IMPOSED LEVY OR UNCOLLECTED AT 7-1-17	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6-30-18
CURRENT:						
2017-18	\$ 572,349	\$ 18,578	\$ -	\$ -	\$ 546,053	\$ 7,718
PRIOR YEARS:						
2016-17	\$ 11,251	\$ -	\$ (2,557)	\$ -	\$ 3,591	\$ 5,103
2015-16	8,608	-	(2,063)	-	1,307	5,238
2014-15	7,138	-	(655)	-	1,001	5,482
2013-14	5,175	-	(361)	-	467	4,347
Prior	5,057	-	(434)	-	47	4,576
Total	\$ 609,578	\$ 18,578	\$ (6,070)	\$ -	\$ 552,466	\$ 32,464

RECONCILIATION TO REVENUE

Cash Collections by County Treasurer Above	<u>\$ 552,466</u>
Total Revenue	<u>\$ 552,466</u>

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**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

**REPORTS ON LEGAL AND OTHER
REGULATORY REQUIREMENTS**

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November 5, 2018

Independent Auditor's Report Required by Oregon State Regulations

We have audited the basic financial statements of the City of Philomath, Oregon as of and for the year ended June 30, 2018, and have issued our report thereon dated November 5, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of 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 our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- **Deposit of public funds with financial institutions (ORS Chapter 295)**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Highway revenues used for public highways, roads, and streets.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

In connection with our testing nothing came to our attention that caused us to believe the City of Philomath, Oregon was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except as follows:

1. The governmental Systems Development (Capital Projects) Fund was combined with the enterprise Systems Development (Proprietary) Fund on the budget resolution. These funds should be separately budgeted for.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal controls over financial reporting.

This report is intended solely for the information and use of the Council and management and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

A handwritten signature in cursive script that reads "Tara M. Kamp, CPA".

Tara M Kamp, CPA
PAULY, ROGERS AND CO., P.C.