



City of Philomath

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Mission: To promote ethical and responsive municipal government which provides its citizenry with high quality municipal services in an efficient and cost effective manner.

FINANCE/ADMINISTRATION COMMITTEE

City Hall

980 Applegate St., Philomath, OR

A G E N D A

July 22, 2020

3:00 PM

1. ROLL CALL

2. APPROVAL OF MINUTES

2.1 Minutes of June 16, 2020

3. NEW BUSINESS

3.1 Irrigation rate designation request for Skirvin Park

3.2 Independent financial audit for FY 2019-2020

4. ADJOURNMENT

Meeting Access Information

This meeting is being held via video conference. Citizens should use the video link or phone number provided below to listen to the meeting. For residents that do not have a phone or access to the internet, a small number of chairs will be provided at City Hall to comply with public meetings laws and social distancing requirements.

Please use the following link or phone number to access the meeting:

Video: <https://zoom.us/j/2065507670?pwd=eTJqL3Nubk83ODJKTy9LdUQvYXg5Zz09>

Meeting ID: 206 550 7670

Password: Philomath

Phone only: 312-626-6799 Participant ID 492443 Meeting ID 492443

Meeting Conduct

All non-city participant microphones and screens will be muted. Presenters and members of the public will only be unmuted if called on to speak. The chat function will be disabled during the meeting.

NOTICE: Given 2 business days' notice, an interpreter will be made available for the hearing impaired or those with limited English proficiency. Contact person: Ruth Post (541) 929-6148.

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CITY OF PHILOMATH
Finance/Administration Committee
June 16, 2020

Chair David Low called the meeting to order at 4:00 p.m. Due to the COVID-19 pandemic state of emergency, members of the Committee and staff attended by videoconference. The public was also provided with log-in instructions to listen and observe the meeting electronically.

ROLL CALL:

Committee: City Councilors Matt Lehman, Chas Jones and David Low.
Staff: City Manager Chris Workman, Finance Director Joan Swanson, and City Recorder Ruth Post.

2.1 APPROVAL OF MINUTES:

Councilor Jones moved, Councilor Lehman second, to approve the minutes of May 19, 2020 as presented. Motion APPROVED 3-0 (Yes: Jones, Low and Lehman; No: None).

3. NEW BUSINESS:

3.1 Review of social service agency support applications – Ms. Swanson summarized the Council Policy to use a portion of State Revenue Sharing Funds to provide contributions to social service agencies that provide services the City is unable to provide and the policy to provide funding from the Water and Sewer Funds to agencies that provide water and sewer assistance to customers in need.

Chair Low thanked staff for development of the application form to be used by the agencies. He noted that requested funds in the applications exceeded the \$21,700 amount available. Councilor Lehman declared that his wife is employed by Strengthening Rural Families (SRF). There was discussion about the Committee's action to be a recommendation to the Council but at the City Council meeting there would be a need to recuse himself from the discussion and decision. Chair Low declared a family tie to Philomath Youth Activities Club (PYAC) and his position as a member of the Board for Philomath Community Services (PCS). Mr. Workman advised that Chair Low could participate at the Committee level but should recuse himself from the City Council discussion.

The Committee reviewed each application, focusing on the types of services provided and intended use of requested funding.

PYAC: The Committee discussed fundraising programs that have been cancelled and sports programs that have been cancelled. There was discussion about the proposed uses of funds.

PCS: The Committee discussed the proposed use of funds to install the cooler that was donated to PCS by a third party.

ABC House: There was discussion about the number of residents served and the organization's budget.

Meals on Wheels: There was discussion about the residents served.

SRF: There was discussion about the services provided and number of residents served.

1 Maxtivity: There was discussion about the approach taken in the application. There was
2 discussion about the mural projects described in the application. There was discussion about
3 whether to designate funds to a specific project or not. There was discussion about the benefits
4 of supporting art from a mental health aspect and discussion about a mural being more of an
5 economic benefit as a local attraction. The Committee decided a \$750 contribution towards art
6 education was appropriate.

7
8 The Committee discussed each application and a proposed contribution amount.

9
10 **MOTION:** Councilor Jones moved, Councilor Lehman, second, the committee recommend to
11 the City Council the following donations: PYAC \$6,450; PCS \$9,500; ABC House \$2,500; Meals
12 on Wheels \$1,500; SRF \$1,500; and Maxtivity \$750, for a total of \$21,700 in social service
13 donations.

14
15 Mr. Workman recommended staff present the proposed allocations to the City Council based on
16 the consensus of the Committee and that a specific motion not be forwarded to the Council.
17 Motion withdrawn by Councilor Jones.

18
19 **MOTION:** Councilor Jones moved, Councilor Lehman second, the Committee recommend a
20 total of \$21,700 in social service contributions to the following agencies: PYAC, PCS, ABC
21 House, Meals on Wheels, SRF, and Maxtivity. Motion APPROVED 3-0 (Yes: Jones, Lehman,
22 and Low; No: None.)

23
24 The Committee requested the reference to FISH Emergency Services be changed to Vina
25 Moses to avoid confusion. There was discussion about the merits of providing support to the
26 two agencies compared to the City administering a utility bill assistance program in-house.
27 There was discussion about the current COVID-19 policy to not assess late fees or to shut off
28 customers and the different payment practices of customers. Ms. Swanson suggested that the
29 Council was going to need to review that policy in the near future and the need to start getting
30 some customers on track to payment towards their bills.

31
32 There was discussion about the services provided by the two agencies and the assistance they
33 would provide whether they received funds from the City or not. The Committee agreed that
34 staff should not be put in the position of reviewing financial status of customers. There was
35 discussion about whether the increased amount could be tied to COVID and justify potential
36 reimbursement from state or federal assistance programs. There was discussion about staff
37 updating the Council on the amount of customers that are in arrears. Ms. Swanson emphasized
38 the need to begin contacting customers who are not paying and identifying those who are
39 choosing not to pay their utility bill.

40
41 Councilor Jones stated concern about the funding coming from the water and sewer funds and
42 a preference for it to come from the City Council Departmental budget in the General Fund.
43 There was discussion about whether to make a recommendation to the Council or not. Mr.
44 Workman identified the negative consequences of not providing the funds and ultimately having
45 to write off the unpaid services. There was additional discussion about the importance of the
46 funds dedicated to the water and sewer funds compared to the providing of assistance out of
47 those funds to customers who can't pay.

48
49 There was discussion about the amounts requested from each agency.

1 **MOTION:** Councilor Lehman moved, Councilor Low second, the Committee recommend to the
2 City Council the following donations: Vina Moses \$3,000 and We Care \$6,000 for a total of
3 \$9,000 from the water and sewer funds. Motion APPROVED 3-0 (Yes: Jones, Lehman and Low;
4 No: None.)
5

6 **3.2 City policy on cybersecurity** – Ms. Swanson introduced the proposed policy with a
7 recommendation of adopting the best available policy now and automatically revisiting it within a
8 year. She proposed a timeline for review, referral to the Council and adoption in order to have a
9 policy in effect by July 1.
10

11 The proposed policy was reviewed by section. There was discussion about dual factor
12 authentication. There was discussion about writing passwords down. There was discussion
13 about authorization for downloading software. There was discussion about a minor change to
14 the Email Security Policy.
15

16 Under Social Engineering, Ms. Swanson noted an addition to address Awareness Training.
17 There was discussion about defining phishing.
18

19 **MOTION:** Councilor Low moved, Councilor Jones second, to move the Cyber Security Policy as
20 amended to the City Council for their deliberation. Motion APPROVED 3-0 (Yes: Jones, Lehman
21 and Low; No: None.)
22

23 **3.3 – RFP for audit services** – Ms. Swanson reviewed the most recent independent audit
24 services provider contract, personnel changes at that firm, and an increased fee request from
25 them. She explained that a request for proposals (RFP) for audit services will be issued in time
26 to secure a new auditor to complete the 2019-20 independent audit. There was discussion
27 about the cost level of the City's audit and the additional accounting documentation that Ms.
28 Swanson provides to the auditors to keep the City's cost lower. There was discussion about
29 identifying potential audit firms to solicit RFP's from. There was discussion about the process for
30 the Committee to review the proposals that are received.
31

32 **4. ADJOURNMENT**

33 **4.1** Meeting adjourned at 5:54 p.m.
34

35 Meeting recorded by Ruth Post, MMC, City Recorder



Philomath Finance Committee Agenda Item Summary

Title/Topic: Irrigation Rate Designation Request for Skirvin Park

ISSUE STATEMENT

Shall Skirvin Park be assigned to the City/School irrigation rate for water consumption?

BACKGROUND

The City of Philomath owns the property at 502 S 13th Street, which it has named Skirvin Park, Home of the Philomath Frolic & Rodeo. The City granted a lease of the property to the Philomath Frolic & Rodeo which specifies use of the property “for the annual Philomath Frolic & Rodeo and other activities it (the Frolic & Rodeo) deems will benefit of the Philomath community.” The lease also allows the Frolic & Rodeo to rent out and sublease the premises.

The Philomath Frolic & Rodeo has entered into an agreement with Philomath Youth Activities Club (PYAC) to allow that organization to build two new baseball diamonds in an overflow parking field at no cost to PYAC other than the actual cost of building and maintaining the fields. PYAC has expressed concerns about the cost of irrigating the new turf that will be planted, especially during the first few years to get it established, and to a lesser extent, the ongoing irrigation that will be needed each summer to keep the fields in safe playing condition.

The baseball diamonds will be used for youth baseball, softball, and other sports for the benefit of the community, and will be available (other than the infields) to the Frolic & Rodeo for parking during Frolic weekend and other special events held at Skirvin Park. This is similar to the use of the ballfields on school property and at City Park.

The City’s utility fee schedule, most recently updated and approved in March 2020, has a “City/School Irrigation” fee for volume charge per unit of water consumed which is a discounted user fee to support the City and School District’s efforts to maintain parks and fields throughout the city. The discount is only offered for irrigation between June and September of each year.

The current rate is \$1.15 per unit compared to the standard per unit rate of \$5.35. Recognizing there are a number of unknown variables that will determine how much water will be needed for the fields, in general terms a new field will need between 1” and 2” of water per week, or 150 to 300 units of water per week. Multiplied out, the discounted rate would save PYAC between \$2,200 and \$4,400 per month for summer watering. Once the field is established, the following years will require less watering.

At the July 13, 2020 City Council meeting, the Council considered Resolution 20-13, a resolution assigning Skirvin Park to the City/School Irrigation Rate for Water Consumption and referred the topic to the Finance/Admin Committee for further review. Following review, the resolution should be sent back to the City Council for consideration again.

PROS AND CONS

- The irrigation rate was put in place to support the School District and City’s efforts to provide ball fields for community use, specifically youth sports. Precedence for assigning this rate to school- and city-owned properties has already been set.
- The irrigation rate is only for city and school facilities, so the threat of additional requests from other entities does not exist.

- The irrigation rate reflects the cost of producing a unit of water, so it will not cost the city more to produce the water than what it will collect.
- The 2020-2024 Strategic Plan, Objective 2.3.2 states, “Support efforts to improve Skirvin Park, home of the Philomath Frolic & Rodeo.”
- The City is not collecting any water revenue for irrigation, as the fields are not yet constructed, so assigning the irrigation rate will not result in a decrease in current revenue.
- PYAC will likely build the fields even if the irrigation rate is not granted, which would allow the city to collect additional revenue from PYAC/Frolic.
- The City recently raised water rates in anticipation of the new treatment plant construction; any additional revenue would be put to good use.
- Money collected from PYAC is typically money given to the organizations by sponsors; charging the standard rate would mean PYAC will need to collect more money from sponsors.

COMMITTEE OPTIONS

1. Approve the request to assign Skirvin Park to the City/School Irrigation Rate for Water Consumption.
2. Do not approve the request to assign Skirvin Park to the City/School Irrigation Rate for Water Consumption.

RECOMMENDED MOTION

“I move the Finance admin Committee approve the request to assign Skirvin Park to the City/School Irrigation Rate for Water Consumption and send Resolution 20-14 back to the City Council for consideration.”



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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July 18, 2020

City of Philomath
Attention: Honorable Mayor and City Council
P.O. Box 400
Philomath, Oregon 97370

The following represents our understanding of the services we will provide the City of Philomath and Philomath Urban Renewal Agency (hereafter referred to as the City) as of June 30, 2020.

You have requested that we audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2020 and for the year then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audit will be conducted with the objective of our expressing an opinion on each opinion unit applicable to those basic financial statements.

Accounting principles generally accepted in the United States of America (U.S. GAAP) require that certain required supplementary information such as management's discussion and analysis (MD&A) 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 (GASB), 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. As part of our engagement, we will apply certain limited procedures to the required supplementary information (RSI) in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation, and comparing the information for consistency with management's responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI. The following RSI is required by accounting principles generally accepted in the United States of America. This RSI will be subjected to certain limited procedures but will not be audited:

- 1) Management's discussion and analysis
- 2) Individual fund budgetary schedules for the general fund and major special revenue funds. (In relation to the financial statements as a whole, due to Oregon law)
- 3) Schedules related to PERS liability
- 4) Schedules related to OPEB liability

Supplementary information other than RSI will accompany the City's basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling the supplementary information to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. We intend to provide an opinion on the following supplementary information in relation to the financial statements as a whole:

- 1) Combining fund statements and individual fund budgetary schedules other than general fund and major special revenue funds.
- 5) Other financial schedules.

Auditor Responsibilities

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS) and in accordance with the Minimum Standards for Audits of Oregon Municipal Corporations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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 error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements.

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. If appropriate, our procedures will therefore include tests of documentary evidence that support the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of cash, investments, and certain other assets and liabilities by correspondence with creditors and financial institutions. As part of our audit process, we may request written representations from your attorneys, and they may bill you for responding. At the conclusion of our audit, we will also request certain written representations from you about the financial statements and related matters.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements or noncompliance (whether caused by errors, fraudulent financial reporting, misappropriation of assets, detected abuse, or violations of laws or governmental regulations) may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS and the Minimum Standards for Audits of Oregon Municipal Corporations.

In making our risk assessments, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit. Our responsibility as auditors is, of course, limited to the period covered by our audit and does not extend to any other periods.

Compliance with Laws and Regulations

As previously discussed, as part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we will perform tests of the City's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

Other Services

We will also prepare the financial statements of the City in conformity with U.S. generally accepted accounting principles based on information provided by you. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

With respect to any nonattest services we perform, the City's management is responsible for (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) establishing and maintaining internal controls, including monitoring ongoing activities.

Management's Responsibilities

Our audit will be conducted on the basis that management and, when appropriate, those charged with governance acknowledge and understand that they have responsibility:

- 1) For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
- 2) For 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 error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements; and
- 3) To provide us with:
 - a) Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
 - b) Additional information that we may request from management for the purpose of the audit; and
 - c) Unrestricted access to persons within the City from whom we determine it necessary to obtain audit evidence.
- 4) For including the auditor's report in any document containing basic financial statements that indicates that such basic financial statements have been audited by the City's auditor;
- 5) For identifying and ensuring that the City complies with the laws and regulations applicable to its activities;
- 6) For adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current year under audit are immaterial, both individually and in the aggregate, to the financial statements as a whole;
- 7) For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets;

With regard to the supplementary information referred to above, you acknowledge and understand your responsibility (a) for the preparation of the supplementary information in accordance with the applicable criteria, (b) to provide us with the appropriate written representations regarding the supplementary information, (c) to include our report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information, and (d) to present the supplementary information with the audited basic financial statements, or if the supplementary information will not be presented with the audited basic financial statements, to make the audited basic financial statements readily available to the intended users of the supplementary information no later than the date of issuance by you of the supplementary information and our report thereon.

As part of our audit process, we will request from management written confirmation concerning representations made to us in connection with the audit.

Reporting

We will issue a written report upon completion of our audit of the City's basic financial statements. Our report will be addressed to the governing body of the City. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraphs. If our opinions on the basic financial statements are other than unmodified; we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

We also will issue a written report on compliance with Minimum Standards for Audits of Oregon Municipal Corporations upon completion of our audit.

Other

We understand that your employees will prepare all confirmations we request and will locate any documents or invoices selected by us for testing.

If you intend to publish or otherwise reproduce the financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

You agree to inform us of facts that may affect the financial statements of which you may become aware during the period from the date of the auditor's report to the date of the financial statements are issued.

Engagement Administration, Timing and Fees

The audit documentation for this engagement is the property of Grove, Mueller & Swank P.C. and constitutes confidential information. However, we may be requested to make certain audit documentation available to the State of Oregon or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office pursuant to authority given to them by law or regulation, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision of Grove, Mueller & Swank P.C.'s personnel. These parties may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit findings for guidance prior to destroying the audit documentation.

Ryan Pasquarella, CPA is the engagement partner for the audit services specified in this letter. Her responsibilities include supervising Grove, Mueller & Swank P.C.'s services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report. To ensure that Grove, Mueller & Swank, PC's independence is not impaired under the AICPA *Code of Professional Conduct*, you agree to inform the engagement partner before entering into any substantive employment discussions with any of our personnel.

Our fees are based on the amount of time required at various levels of responsibility, plus actual out-of-pocket expenses. Invoices will be rendered every two weeks and are payable upon presentation. Whenever possible, we will attempt to use the City's personnel to assist in the preparation of schedules and analyses of accounts. This effort could substantially reduce our time requirements and facilitate the timely conclusion of the audit. Further, we will be available during the year to consult with you on financial management and accounting matters of a routine nature.

During the course of the audit, we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing.

At the conclusion of our audit engagement, we will communicate to City Council the following significant findings from the audit:

- 1) Our view about the qualitative aspects of the City's significant accounting practices;
- 2) Significant difficulties, if any, encountered during the audit;
- 3) Uncorrected misstatements, other than those we believe are trivial, if any;

- 4) Disagreements with management, if any;
- 5) Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- 6) Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- 7) Representations we requested from management;
- 8) Management's consultations with other accountants, if any; and
- 9) Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

We will provide copies of our reports to the City; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

During the course of the audit, we may observe opportunities for economy in, or improved controls over, our operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the basic financial statements including our respective responsibilities.

We appreciate the opportunity to be your financial statement auditors and look forward to working with you and your staff.

Very truly yours,


 CERTIFIED PUBLIC ACCOUNTANTS

RESPONSE:

This letter correctly sets forth the understanding of the City of Philomath and Philomath Urban Renewal Agency.

Management signature: _____

Title: _____

Date: _____

Governance signature: _____

Title: _____

Date: _____