

**CITY OF PHILOMATH**  
**BENTON COUNTY, OREGON**

**FINANCIAL REPORT**

**FOR THE YEARS ENDED JUNE 30, 2014**



**12700 SW 72<sup>nd</sup> Ave.  
Tigard, OR 97223**

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**For the Year Ended June 30, 2014**

**ANNUAL FINANCIAL REPORT**

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**CITY OF PHILOMATH**  
**BENTON COUNTY, OREGON**

**CITY COUNCIL**

**TERM EXPIRES**

Rocky Sloan, Mayor

December 31, 2014

Nolan Bartlow

December 31, 2014

Angie Baca

December 31, 2014

Charla Koeppel

December 31, 2014

Sean Manning

December 31, 2014

Matthew Bierek

December 31, 2014

Jason Leonard

December 31, 2014

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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**PAULY, ROGERS AND CO., P.C.**  
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September 23, 2014

## INDEPENDENT AUDITORS' 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, 2014, 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, 2014, and the respective changes in financial position for the general fund and major special revenue funds, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **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 September 23, 2014, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



Matthew Graves, CPA  
PAULY, ROGERS AND CO., P.C.

City of Philomath, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2014

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, 2014.

**Financial Highlights**

Following are the financial highlights of the City for the fiscal year ended June 30, 2014.

- The City's total assets exceeded its liabilities at the close of FY 2013-14 by \$18 million (net position). Of this amount, \$13.8 million is invested in capital assets, net of related debt; \$3.8 million is restricted for construction projects, debt service and other commitments; and the balance of \$.4 million is considered unrestricted.
- The City's governmental activities net position was \$8.1 million with restricted net position totaling \$3.6 million as of June 30, 2014.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$151,499 or approximately 6 percent of total General Fund expenditures.
- The City's total liabilities decreased by approximately \$142,000 or 2 percent during fiscal year 2013-14. The decrease is due to scheduled debt repayments.

**Overview of the Financial Statements**

The following discussion and analysis is intended to serve as an introduction to the City'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 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
- 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

The government-wide financial statements can be found on pages 15 through 16 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 18 and 20 in the basic financial statements.

The governmental fund financial statements can be found on pages 17 and 19 in the basic financial statements.

The City maintains seven 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 six major funds; General Fund, Community Development Fund, Street Fund, Urban Renewal Fund, Land Building & Equipment Fund and Systems Development Capital Projects. The Economic Development Fund is a nonmajor fund, but is combined in the statements with the major 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 41 through 47.

*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 48 through 51.

The proprietary fund financial statements can be found on pages 21 through 23 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.

*Other Supplementary Information* including combining statements for nonmajor governmental funds and fund schedules of budgetary information for funds not previously presented. Other supplementary information is also presented.

## Government-Wide Financial Analysis

**Table 1**  
**Summary of Net Position**

	<i>June 30, 2014</i>		
	<i>Governmental Activities</i>	<i>Business- Type Activities</i>	<i>Total</i>
Cash and investments	\$ 2,760,662	279,960	\$ 3,040,622
Other assets	1,319,185	192,658	1,511,843
Capital assets	4,861,033	15,557,262	20,418,295
<i>Total Assets</i>	8,940,880	16,029,880	24,970,760
Other liabilities	137,419	174,921	312,340
Long-term liabilities	679,609	6,002,607	6,682,216
<i>Total Liabilities</i>	817,028	6,177,528	6,994,556
Net Position			
Net Investment in Capital			
Assets	4,348,578	9,483,371	13,831,949
Restricted	3,629,035	106,227	3,735,262
Unrestricted	146,239	262,754	408,993
<i>Total Net Position</i>	<u>\$ 8,123,852</u>	<u>9,852,352</u>	<u>\$ 17,976,204</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 \$17,976,204 at the close of FY 2013-14.

The largest portion of the City's net position reflects its investment of \$13,831,949 or 77 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. 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.

An additional portion of the City's net position \$3,735,262 or approximately 21 percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$408,993 or 2 percent, may be used to meet the government's ongoing obligations to citizens and creditors.

The City's overall net position increased by \$290,977 during FY 2013-14.

<i>June 30, 2013</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>
\$ 3,127,937	540,009	\$ 3,667,946	\$ (367,275)	\$ (260,049)	\$ (627,324)
1,320,679	174,455	1,495,134	(1,494)	18,203	16,709
4,594,144	15,064,653	19,658,797	266,889	492,609	759,498
9,042,760	15,779,117	24,821,877	(101,880)	250,763	148,883
87,013	168,739	255,752	50,406	6,182	56,588
705,180	6,175,718	6,880,898	(25,571)	(173,111)	(198,682)
792,193	6,344,457	7,136,650	24,835	(166,929)	(142,094)
4,594,144	8,811,488	13,405,632	(245,566)	671,883	426,317
3,468,565	419,992	3,888,557	160,470	(313,765)	(153,295)
187,858	203,180	391,038	(41,619)	59,574	17,955
<u>\$ 8,250,567</u>	<u>9,434,660</u>	<u>\$ 17,685,227</u>	<u>\$ (126,715)</u>	<u>\$ 417,692</u>	<u>\$ 290,977</u>

**Table 2**  
**Statement of Activities**

*Fiscal Year Ended June 30, 2014*

	<i><b>Governmental Activities</b></i>	<i><b>Business- Type Activities</b></i>	<i><b>Total</b></i>
<b>Revenues</b>			
Program Revenues			
Charges for services	\$ 745,906	\$ 1,845,001	\$ 2,590,907
Operating grants and contributions	310,118	-	310,118
Capital grants and contributions	34,554	108,791	143,345
<i>Total Program Revenues</i>	<u>1,090,578</u>	<u>1,953,792</u>	<u>3,044,370</u>
General Revenues			
Property taxes	1,718,119	-	1,718,119
Franchise taxes	399,903	-	399,903
Other	194,791	27,678	222,469
<i>Total General Revenues</i>	<u>2,312,813</u>	<u>27,678</u>	<u>2,340,491</u>
<i>Total Revenues</i>	3,403,391	1,981,470	5,384,861
<b>Expenses (Net of Indirect Expenses)</b>			
General governmental	1,166,265	-	1,166,265
Police	1,334,540	-	1,334,540
Streets	399,958	-	399,958
Public Works	244,350	-	244,350
Interest on long-term debt	21,859	-	21,859
Other	-	-	-
Water	-	857,657	857,657
Sewer	-	1,011,377	1,011,377
Storm Drain	-	57,878	57,878
<i>Total Expenses</i>	<u>3,166,972</u>	<u>1,926,912</u>	<u>5,093,884</u>
<b>Transfers</b>	<u>(363,134)</u>	<u>363,134</u>	<u>-</u>
<b>Changes in Net Position</b>	(126,715)	417,692	290,977
<b>Beginning Net Position</b>	8,250,567	9,434,660	17,685,227
<b>Ending Net Position</b>	<u>\$ 8,123,852</u>	<u>\$ 9,852,352</u>	<u>\$ 17,976,204</u>

<i>Fiscal Year Ended June 30, 2013</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>
\$ 689,382	\$ 1,762,920	\$ 2,452,302	\$ 56,524	\$ 82,081	\$ 138,605
286,160	-	286,160	23,958	-	23,958
1,585	64,951	66,536	32,969	43,840	76,809
<u>977,127</u>	<u>1,827,871</u>	<u>2,804,998</u>	<u>113,451</u>	<u>125,921</u>	<u>239,372</u>
1,767,720	-	1,767,720	(49,601)	-	(49,601)
381,365	-	381,365	18,538	-	18,538
196,033	37,452	233,485	(1,242)	(9,774)	(11,016)
<u>2,345,118</u>	<u>37,452</u>	<u>2,382,570</u>	<u>(32,305)</u>	<u>(9,774)</u>	<u>(42,079)</u>
3,322,245	1,865,323	5,187,568	81,146	116,147	197,293
1,187,422	-	1,187,422	(21,157)	-	(21,157)
1,284,798	-	1,284,798	49,742	-	49,742
398,700	-	398,700	1,258	-	1,258
230,886	-	230,886	13,464	-	13,464
22,694	-	22,694	(835)	-	(835)
-	834,210	834,210	-	23,447	23,447
-	1,016,254	1,016,254	-	(4,877)	(4,877)
-	54,469	54,469	-	3,409	3,409
<u>3,124,500</u>	<u>1,904,933</u>	<u>5,029,433</u>	<u>42,472</u>	<u>21,979</u>	<u>64,451</u>
90,978	(90,978)	-	(454,112)	454,112	-
288,723	(130,588)	158,135	(415,438)	548,280	132,842
7,961,844	9,565,248	17,527,092	288,723	(130,588)	158,135
<u>\$ 8,250,567</u>	<u>\$ 9,434,660</u>	<u>\$ 17,685,227</u>	<u>\$ (126,715)</u>	<u>\$ 417,692</u>	<u>\$ 290,977</u>

The City's overall net position increased by \$290,977 during FY 2013-14. This increase is mostly attributable to an increase of \$239,372 in program revenue from both governmental and business-type activities.

*Governmental activities* - Governmental activities decreased the City's net position by \$126,715. The key factor for the decrease was a transfer of assets to the proprietary funds.

*Business-type activities* - Business-type activities increased the City's net position by \$417,692. The City can only use these assets to finance the continuing operations of the water, sewer, and storm drain operations.

## General Fund Budgetary Highlights

Appropriation transfers of \$22,000 were made from contingency for the General Fund during the year.

## 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.

At June 30, 2014, the City's governmental funds reported combined ending fund balances of **Error! Not a valid link.**670, a decrease of **Error! Not a valid link.** in comparison with the prior 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. In June 2013 Benton County elected to refund prior year property taxes to Hewlett Packard. This was a result of a tax appeal on the assessed value of the Hewlett Packard property. The City's portion of the refund was \$82,105. Including the refunded taxes, property tax revenue was down \$46,309 from the prior year. As of June 30, 2014, the fund balance for the General Fund was \$151,499, a decrease of \$42,111 during the current fiscal year.

*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 repayments and had no expenditures. A transfer of \$120,000 was made to the General Fund to cover the loss of property tax revenue from the Hewlett Packard tax refund. These source of funds for the transfer were previous repayments of 1992 loans. The 1992 repaid loan funds have no restrictions attached and can be used for any purpose. As of June 30, 2014 there was \$50,349 remaining in repaid 1992 loan funds.

*Street Maintenance Fund.* The Street Maintenance Fund is funded primarily by the City's portion of state gasoline taxes and franchise fees. The primary function is to maintain the City's transportation network. Revenues exceeded expenditures by \$86,442, with a fund balance increase of \$45,942.

*Urban Renewal Fund.* The Urban Renewal General Fund and the Urban Renewal Debt Service Fund were combined on July 1, 2013. The final debt service payments were made in fy 2012-13 and the agency is not expected to take on any new debt in the near future. The combined fund balance increased by \$391,258 to \$1,052,063.

*Land, Building & Equipment Reserve Fund.* The Land, Building and Equipment Reserve Fund was established to accumulate funds for large future capital projects. A capital improvement project on Applegate Street contributed to the total capital outlay of \$764,565. The fund balance decreased \$481,232.

*Systems Development Capital Projects Fund.* This fund was established to collect Systems Development Charges and to accumulate funds for large future capital projects. \$241,959 of Systems Development funds were used on the Applegate Street project, resulting in a decreased fund balance of \$206,097.

*Business-type activities* – Unrestricted net position of the Business-type activities increased \$59,574 over the prior year. The City can only use these assets to finance the continuing operations of the water, sewer, and storm drain operations.

*Water Fund.* The Water Fund activity includes the operation and maintenance of the City’s water system.

*Sewer Fund.* The Sewer Fund activity includes operating and maintenance of the City’s sewer system.

*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.

*System Development Business Fund.* The System Development Business fund is used to account for the business portion of systems development charges.

### Capital Assets and Debt Administration

#### Capital Assets

At June 30, 2014, the City had approximately \$20.4 million invested in a broad range of capital assets, including land, buildings and improvements, equipment, roads, water, sewer and storm drain lines.

**Capital Assets at Year-End  
(Net of Depreciation)  
June 30, 2014**

	<i>Governmental Activities</i>		<i>Total Percentage Change</i>	
	<i>2014</i>	<i>2013</i>	<i>2013-2014</i>	
Land	\$ 130,933	\$ 128,233	2.11	%
Improvements	254,505	276,268	(7.88)	
Buildings	1,868,332	1,823,274	2.47	
Equipment	345,864	437,021	(20.86)	
Infrastructure	2,261,399	1,929,348	17.21	
<i>Total</i>	<u>\$ 4,861,033</u>	<u>\$ 4,594,144</u>	5.81	%

	<i>Business-type Activities</i>		<i>Percentage Change</i>	
	<i>2014</i>	<i>2013</i>	<i>2013-2014</i>	
Land	\$ 853,202	\$ 853,202	-	%
Improvements	27,955	30,213	(7.47)	
Buildings	210,211	219,461	(4.21)	
Equipment	432,408	403,139	7.26	
Infrastructure	14,033,486	13,558,638	3.50	
<i>Total</i>	<u>\$ 15,557,262</u>	<u>\$ 15,064,653</u>	3.27	%

Major capital asset activities during the fiscal year included construction of a \$1.2 million upgrade to Applegate Street; including upsizing water and sewer lines, \$94,000 towards construction of a new enclosed park shelter and \$62,000 towards converting water meters to allow for radio read.

#### *Long-Term Debt*

At the end of the current fiscal year, the City had total debt outstanding of \$6,586,346. Of this amount, \$512,455 represents outstanding notes payable for the governmental funds. This note is outstanding on the Lakeside Industrial property. Lakeside reimburses the city annually for principal and interest payments. The City has a lien on the Lakeside property for the amount of the loan.

The remainder of the City's debt is for business-type activities and includes one outstanding water note payable, one sewer bond and one storm drain note payable. The total amount of water debt outstanding at June 30, 2014 is \$98,577. \$50,000 principal was paid in addition to the scheduled debt service. The note is paid from net revenues of the water system. The sewer bond payable at June 30, 2014 is \$5,795,000 which resulted from the sale of \$6.125 million in full faith and credit obligations in January 2009. The credit obligations will be paid over 24 years from net revenues of the sewer system and sewer systems development charges. The amount of storm drain debt outstanding at June 30, 2014 is \$180,314. The note is paid from storm drain systems development charges.

<b>June 30, 2014</b>			
	<b><i>Governmental Activities</i></b>	<b><i>Business- Type Activities</i></b>	<b><i>Total Government</i></b>
<b><i>Governmental</i></b>			
Bonds payable	\$ -	\$ 5,795,000	\$ 5,795,000
Urban Renewal bonds	-	-	-
Notes payable	512,455	278,891	791,346
<i>Total Outstanding Debt</i>	<u>\$ 512,455</u>	<u>\$ 6,073,891</u>	<u>\$ 6,586,346</u>

<b>June 30, 2013</b>			<b>Change</b>		
<b><i>Governmental Activities</i></b>	<b><i>Business- Type Activities</i></b>	<b><i>Total Government</i></b>	<b><i>Governmental Activities</i></b>	<b><i>Business- Type Activities</i></b>	<b><i>Total Government</i></b>
\$ -	\$ 5,895,000	\$ 5,895,000	\$ -	\$ (100,000)	\$ (100,000)
-	-	-	-	-	-
536,331	358,165	894,496	(23,876)	(79,274)	(103,150)
<u>\$ 536,331</u>	<u>\$ 6,253,165</u>	<u>\$ 6,789,496</u>	<u>\$ (23,876)</u>	<u>\$ (179,274)</u>	<u>\$ (203,150)</u>

Additional information on the City's capital assets and debt can be found in the notes to the basic financial statements.

### *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 2013-14 budget:

- The July 2013 population was 4,625. In the last few years population growth has slowed to .1 - .2% growth per year.
- Growth is expected to remain sluggish for the upcoming year due to slow construction activity. Commercial and residential building permit revenue and SDC revenue are expected to show a slight increase.
- Assessed values, the basis of property tax revenues, have been growing at about 2% per year. The 2013-14 assessed values increased by 2.9%.
- 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.
- Interest rates on investments are expected to remain under 1%.
- Water and Sewer utility rates increased by 2.6%. All other fees charged by the City will remain at their present levels.
- There will be no increase in the number of General Fund supported personnel.
- Health benefit costs will increase by 5%.

The City's adopted budget for FY 2014-15 reflects total estimated resources of \$6,227,894 which exceeds total estimated expenditures by \$1,574,372.

### **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, 2014**

ASSETS	GOVERNMENTAL	BUSINESS- TYPE	TOTAL
Current:			
Cash and Investments	\$ 2,760,662	\$ 279,960	\$ 3,040,622
Receivables:			
Accounts	5,241	192,658	197,899
Property Taxes	141,332	-	141,332
Special Assessments	42,310	-	42,310
Other	77,473	-	77,473
Prepaid Items	5,260	-	5,260
Total Current Assets	<u>3,032,278</u>	<u>472,618</u>	<u>3,504,896</u>
Non-Current:			
Loans Receivable	1,047,569	-	1,047,569
Nondepreciable Capital Assets	130,933	853,202	984,135
Depreciable Capital Assets	4,730,100	14,704,060	19,434,160
Total Assets	<u>8,940,880</u>	<u>16,029,880</u>	<u>24,970,760</u>
LIABILITIES			
Current:			
Accounts Payable	99,916	43,809	143,725
Other Current Liabilities	13,491	-	13,491
Total Current Liabilities	<u>113,407</u>	<u>43,809</u>	<u>157,216</u>
Bonds Payable:			
Due within one year			
Notes Payable	24,012	31,112	55,124
Bonds Payable	-	100,000	100,000
Due in more than one year			
Notes Payable	488,443	247,779	736,222
Bonds Payable	-	5,695,000	5,695,000
Accrued Compensated Absences	191,166	59,828	250,994
Total Long Term Liabilities	<u>703,621</u>	<u>6,133,719</u>	<u>6,837,340</u>
Total Liabilities	<u>817,028</u>	<u>6,177,528</u>	<u>\$ 6,994,556</u>
NET POSITION			
Net Investments in Capital Assets	4,348,578	9,483,371	13,831,949
Restricted	3,629,035	106,227	3,735,262
Unrestricted	146,239	262,754	408,993
TOTAL NET POSITION	<u>\$ 8,123,852</u>	<u>\$ 9,852,352</u>	<u>\$ 17,976,204</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, 2014**

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	
<b>Governmental Activities</b>							
General Government	\$ 1,166,265	\$ 679,091	\$ 40,485	5,930	\$ (440,759)	\$ -	\$ (440,759)
Police	1,334,540	14,259	5,485		(1,314,796)	-	(1,314,796)
Streets	399,958	52,556	261,507	28,624	(57,271)	-	(57,271)
Public Works	244,350	-	2,641	-	(241,709)	-	(241,709)
Interest on long-term debt	21,859	-	-	-	(21,859)	-	(21,859)
<b>Total Governmental Activities</b>	<b>3,166,972</b>	<b>745,906</b>	<b>310,118</b>	<b>34,554</b>	<b>(2,076,394)</b>	<b>-</b>	<b>(2,076,394)</b>
<b>Business-Type Activities</b>							
Water	857,657	923,991	-	44,172	-	110,506	110,506
Sewer	1,011,377	878,478	-	54,254	-	(78,645)	(78,645)
Storm Drain	57,878	42,532	-	10,365	-	(4,981)	(4,981)
<b>Total Business-Type Activities</b>	<b>1,926,912</b>	<b>1,845,001</b>	<b>-</b>	<b>108,791</b>	<b>-</b>	<b>26,880</b>	<b>26,880</b>
<b>Total Primary Government</b>	<b>\$ 5,093,884</b>	<b>\$ 2,590,907</b>	<b>\$ 310,118</b>	<b>143,345</b>	<b>\$ (2,076,394)</b>	<b>\$ 26,880</b>	<b>\$ (2,049,514)</b>

**General Revenues**

Property Taxes	1,718,119	-	1,718,119
Franchise Fees	399,903	-	399,903
Intergovernmental	112,160	-	112,160
Gain/Loss on Sale of Capital Assets	3,419	-	3,419
Interest and Miscellaneous	79,212	27,678	106,890
Transfers	(363,134)	363,134	-
<b>Total General Revenues</b>	<b>1,949,679</b>	<b>390,812</b>	<b>2,340,491</b>
<b>Change in Net Position</b>	<b>(126,715)</b>	<b>417,692</b>	<b>290,977</b>
<b>Beginning Net Position</b>	<b>8,250,567</b>	<b>9,434,660</b>	<b>17,685,227</b>
<b>Ending Net Position</b>	<b>\$ 8,123,852</b>	<b>\$ 9,852,352</b>	<b>\$ 17,976,204</b>

See accompanying notes to the basic financial statements

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2014**

	GENERAL	COMMUNITY DEVELOPMENT	STREET
<b>ASSETS</b>			
Cash and Investments	\$ 154,030	\$ 50,349	\$ 97,961
Receivables:			
Accounts	-	-	5,241
Property Taxes	105,960	-	-
Special Assessments	16,351	-	-
Other	40,136	-	37,129
Prepaid Items	5,260	-	-
Loans Receivable	599,267	448,302	-
Total Assets	<u>\$ 921,004</u>	<u>\$ 498,651</u>	<u>\$ 140,331</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities			
Accounts Payable	46,877	-	6,522
Other Liabilities	1,050	-	-
Total Liabilities	<u>47,927</u>	<u>-</u>	<u>6,522</u>
Deferred Inflows of Resources			
Unavailable Revenue - Special Assessments	\$ 16,351	\$ -	\$ -
Unavailable Revenue - Loans Receivable	599,267	448,302	-
Unavailable Revenue - Property Taxes	105,960	\$ -	-
Total Deferred Inflows of Resources	<u>\$ 721,578</u>	<u>\$ 448,302</u>	<u>\$ -</u>
Fund Balances			
Non-Spendable	5,260	-	-
Restricted For:			
Community Development	-	50,349	-
Construction	-	-	-
Debt Service	-	-	-
Streets	-	-	133,809
Urban Renewal	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	146,239	-	-
Total Fund Balances	<u>151,499</u>	<u>50,349</u>	<u>133,809</u>
Total Liabilities, Deferred Inflow: of Resources and Fund Balances	<u>\$ 921,004</u>	<u>\$ 498,651</u>	<u>\$ 140,331</u>

See accompanying notes to the basic financial statement

<u>URBAN RENEWAL</u>	<u>ECONOMIC DEVELOPMENT</u>	<u>LAND, BUILDING &amp; EQUIPMENT</u>	<u>SYSTEMS DEVELOPMENT CAPITAL PROJECTS</u>	<u>TOTAL</u>
\$ 1,065,090	\$ 11,289	\$ 1,306,840	\$ 75,103	\$ 2,760,662
-	-	-	-	5,241
35,359	13	-	-	141,332
-	-	17,771	8,188	42,310
-	-	208	-	77,473
-	-	-	-	5,260
-	-	-	-	1,047,569
<u>\$ 1,100,449</u>	<u>\$ 11,302</u>	<u>\$ 1,324,819</u>	<u>\$ 83,291</u>	<u>\$ 4,079,847</u>
13,027	-	33,490	-	99,916
-	-	-	-	1,050
<u>13,027</u>	<u>-</u>	<u>33,490</u>	<u>-</u>	<u>100,966</u>
\$ -	\$ -	\$ 17,771	\$ 8,188	\$ 42,310
-	-	-	-	1,047,569
<u>35,359</u>	<u>13</u>	<u>-</u>	<u>-</u>	<u>141,332</u>
<u>\$ 35,359</u>	<u>\$ 13</u>	<u>\$ 17,771</u>	<u>\$ 8,188</u>	<u>\$ 1,231,211</u>
-	-	-	-	5,260
-	-	-	-	50,349
-	-	1,273,558	75,103	1,348,661
-	11,289	-	-	11,289
-	-	-	-	133,809
1,052,063	-	-	-	1,052,063
-	-	-	-	-
-	-	-	-	-
-	-	-	-	146,239
<u>1,052,063</u>	<u>11,289</u>	<u>1,273,558</u>	<u>75,103</u>	<u>2,747,670</u>
<u>\$ 1,100,449</u>	<u>\$ 11,302</u>	<u>\$ 1,324,819</u>	<u>\$ 83,291</u>	<u>\$ 4,079,847</u>

**CITY OF PHILOMATH**  
**BENTON COUNTY, OREGON**

**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO STATEMENT OF NET POSITION**  
**June 30, 2014**

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

Fund Balances	\$ 2,747,670
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.	
	1,231,211
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	4,861,033
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.	
Notes Payable	(512,455)
Accrued Compensated Absences	(191,166)
Accrued Interest Payable	(12,441)
	<hr/>
Total Net Position	<u>\$ 8,123,852</u>

See accompanying notes to the basic financial statements

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**CITY OF PHILOMATH**  
**BENTON COUNTY, OREGON**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2014**

	<u>GENERAL</u>	<u>COMMUNITY DEVELOPMENT</u>	<u>STREET</u>
<b>Revenue</b>			
Property Taxes	\$ 1,259,540	\$ -	\$ -
Licenses and Permits	49,540	-	-
Charges for Services	298,117	-	52,556
Franchise Fees	309,815	-	90,088
Intergovernmental	117,645	-	261,507
Fines and Forfeitures	331,434	-	-
Interest and Miscellaneous	22,221	198	921
	<hr/>	<hr/>	<hr/>
Total Revenue	2,388,312	198	405,072
<b>Expenditures</b>			
Current:			
General Government	1,009,894	-	-
Police	1,300,236	-	-
Streets	-	-	318,630
Public Works	200,293	-	-
Capital Outlay:			
General Government	-	-	-
Police	-	-	-
Streets	-	-	-
Public Works	-	-	-
Water	-	-	-
Sewer	-	-	-
Storm Drain	-	-	-
Debt Service:			
Principal	-	-	-
Interest	-	-	-
	<hr/>	<hr/>	<hr/>
Total Expenditures	2,510,423	-	318,630
Excess Revenue Over/Under Expenditures	(122,111)	198	86,442
<b>Other Financing Sources, -Uses</b>			
Transfers In	120,000	-	17,900
Transfers Out	(40,000)	(120,000)	(58,400)
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources, -Uses	80,000	(120,000)	(40,500)
Net Change in Fund Balance	(42,111)	(119,802)	45,942
Beginning Fund Balance	193,610	170,151	87,867
	<hr/>	<hr/>	<hr/>
Ending Fund Balance	\$ 151,499	\$ 50,349	\$ 133,809
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to the basic financial statements

<u>URBAN RENEWAL</u>	<u>ECONOMIC DEVELOPMENT</u>	<u>LAND, BUILDING &amp; EQUIPMENT</u>	<u>SYSTEMS DEVELOPMENT CAPITAL PROJECT</u>	<u>TOTAL</u>
\$ 433,188	\$ 1	\$ -	\$ -	\$ 1,692,729
-	-	-	35,277	84,817
-	-	-	-	350,673
-	-	-	-	399,903
-	-	32,641	-	411,793
-	-	14,259	-	345,693
5,888	46,424	49,233	585	125,470
<u>439,076</u>	<u>46,425</u>	<u>96,133</u>	<u>35,862</u>	<u>3,411,078</u>
47,818	-	-	-	1,057,712
-	-	-	-	1,300,236
-	-	-	-	318,630
-	-	-	-	200,293
-	-	97,091	-	97,091
-	-	7,312	-	7,312
-	-	141,847	241,959	383,806
-	-	48,482	-	48,482
-	-	28,292	-	28,292
-	-	400,027	-	400,027
-	-	41,514	-	41,514
-	23,876	-	-	23,876
-	22,439	-	-	22,439
<u>47,818</u>	<u>46,315</u>	<u>764,565</u>	<u>241,959</u>	<u>3,929,710</u>
391,258	110	(668,432)	(206,097)	(518,632)
-	-	187,200	-	325,100
-	-	-	-	(218,400)
<u>-</u>	<u>-</u>	<u>187,200</u>	<u>-</u>	<u>106,700</u>
391,258	110	(481,232)	(206,097)	(411,932)
<u>660,805</u>	<u>11,179</u>	<u>1,754,790</u>	<u>281,200</u>	<u>3,159,602</u>
<u>\$ 1,052,063</u>	<u>\$ 11,289</u>	<u>\$ 1,273,558</u>	<u>\$ 75,103</u>	<u>\$ 2,747,670</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, 2014**

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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	\$ (411,932)
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.	22,444
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	(30,131)
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.	580
The net effect of disposal of capital assets is to reduce net assets.	-
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.	1,559
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	501,410
Depreciation	(234,521)
Changes in Bonds Payable have an effect on net income in the governmental funds. On the government wide statements, however, changes are posted to the liability account on the balance sheet.	<u>23,876</u>
Change in Net Position	<u><u>\$ (126,715)</u></u>

See accompanying notes to the basic financial statements

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2014**

ASSETS:	Water Fund	Sewer Fund	Storm Drain Fund	System Development Fund	Total
Current Assets					
Cash and Investments	\$ 131,048	\$ 26,186	\$ 10,188	\$ 112,538	\$ 279,960
Accounts Receivable	97,528	91,001	4,129	-	192,658
Total Current Assets	<u>228,576</u>	<u>117,187</u>	<u>14,317</u>	<u>112,538</u>	<u>472,618</u>
Noncurrent Assets					
Nondepreciable Capital Assets	219,594	633,608	-	-	853,202
Depreciable Capital Assets, net	3,606,447	9,798,833	1,298,780	-	14,704,060
Total Assets	<u>4,054,617</u>	<u>10,549,628</u>	<u>1,313,097</u>	<u>112,538</u>	<u>16,029,880</u>
LIABILITIES:					
Current Liabilities					
Accounts Payable	10,386	25,318	1,794	6,311	43,809
Noncurrent Liabilities					
Due within one year	17,432	100,000	-	13,680	131,112
Due in more than one year	81,145	5,695,000	-	166,634	5,942,779
Accrued Compensated Absences	33,079	26,749	-	-	59,828
Total Liabilities	<u>142,042</u>	<u>5,847,067</u>	<u>1,794</u>	<u>186,625</u>	<u>6,177,528</u>
NET POSITION:					
Net Investment in Capital Assets	3,727,464	4,637,441	1,298,780	(180,314)	9,483,371
Restricted for Construction	-	-	-	106,227	106,227
Unrestricted	185,111	65,120	12,523	-	262,754
Total Net Position	<u>\$ 3,912,575</u>	<u>\$ 4,702,561</u>	<u>\$ 1,311,303</u>	<u>\$ (74,087)</u>	<u>\$ 9,852,352</u>

See accompanying notes to the basic financial statements

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2014**

	Water Fund	Sewer Fund	Storm Drain Fund	System Development Fund	Total
OPERATING Revenue					
Charges for Services	\$ 923,991	878,478	42,532	-	1,845,001
Miscellaneous	5,554	3,714	-	-	9,268
<b>Total Operating Revenue</b>	<b>929,545</b>	<b>882,192</b>	<b>42,532</b>	<b>-</b>	<b>1,854,269</b>
OPERATING Expenses					
Personal Services	311,925	257,449	-	-	569,374
Materials and Services	386,658	273,919	14,528	-	675,105
Depreciation	150,869	245,367	32,209	-	428,445
<b>Total Operating Expenditures</b>	<b>849,452</b>	<b>776,735</b>	<b>46,737</b>	<b>-</b>	<b>1,672,924</b>
<b>Operating Income/(Loss)</b>	<b>80,093</b>	<b>105,457</b>	<b>(4,205)</b>	<b>-</b>	<b>181,345</b>
NONOPERATING Revenue (Expenditures)					
Investment Revenue	609	346	44	762	1,761
Property Lease	-	16,650	-	-	16,650
Interest Expense	(8,205)	(234,642)	-	(11,142)	(253,989)
Gain (Loss) on Sale of Capital Assets	-	-	-	-	-
<b>Total</b>	<b>(7,596)</b>	<b>(217,646)</b>	<b>44</b>	<b>(10,380)</b>	<b>(235,578)</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<b>72,497</b>	<b>(112,189)</b>	<b>(4,161)</b>	<b>(10,380)</b>	<b>(54,233)</b>
Capital Contributions	-	-	-	108,791	108,791
Transfers In	435,764	410,227	41,514	18,400	905,905
Transfers Out	(71,300)	(17,500)	(36,300)	(417,671)	(542,771)
<b>Change in Net Position</b>	<b>436,961</b>	<b>280,538</b>	<b>1,053</b>	<b>(300,860)</b>	<b>417,692</b>
Beginning Net Position	3,475,614	4,422,023	1,310,250	226,773	9,434,660
<b>Ending Net Position</b>	<b>\$ 3,912,575</b>	<b>\$ 4,702,561</b>	<b>\$ 1,311,303</b>	<b>\$ (74,087)</b>	<b>\$ 9,852,352</b>

See accompanying notes to the basic financial statement:

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2014**

	Water Fund	Sewer Fund	Storm Drain Fund	System Development Fund	Total
<b>Cash Flows from Operating Activities:</b>					
Cash Received from Customers	\$ 920,412	\$ 872,555	\$ 42,799	\$ -	\$ 1,835,766
Cash Paid to Suppliers	(382,533)	(271,081)	(13,458)	-	(667,072)
Cash Paid to Employees	(307,461)	(253,912)	-	-	(561,373)
<b>Net Cash Provided -Used by Operating Activities</b>	<b>230,418</b>	<b>347,562</b>	<b>29,341</b>	<b>-</b>	<b>607,321</b>
<b>Cash Flows from Noncapital Financing Activities</b>					
Transfers	(71,300)	(7,300)	(36,300)	(399,271)	-
<b>Net Cash Provided -Used by Noncapital Financing Activities</b>	<b>(71,300)</b>	<b>(7,300)</b>	<b>(36,300)</b>	<b>(399,271)</b>	<b>(514,171)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Capital Contributions	(43,750)	-	-	108,791	65,041
Principal Payments on Long-Term Debt	(66,369)	(100,000)	-	(12,906)	(179,275)
Interest Payments on Long-Term Debt	(10,721)	(235,062)	-	(11,593)	(257,376)
Additions/Deletions to Capital Assets	-	-	-	-	-
<b>Net Cash Provided -Used by Capital and Related Financing Activities</b>	<b>(120,840)</b>	<b>(335,062)</b>	<b>-</b>	<b>84,292</b>	<b>(371,610)</b>
<b>Cash Flows from Investing Activities</b>					
Property Lease	-	16,650	-	-	16,650
Interest on Investments	609	346	44	762	1,761
<b>Net Increase -Decrease in Cash and Cash Equivalents</b>	<b>38,887</b>	<b>22,196</b>	<b>(6,915)</b>	<b>(314,217)</b>	<b>(260,049)</b>
Cash and Investments at Beginning of Year	92,161	3,990	17,103	426,755	540,009
Cash and Investments at End of Year	<u>\$ 131,048</u>	<u>\$ 26,186</u>	<u>\$ 10,188</u>	<u>\$ 112,538</u>	<u>\$ 279,960</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>					
Operating Income, -Loss	\$ 80,093	\$ 105,457	\$ (4,205)	\$ -	\$ 181,345
<b>Noncash Items Included in Income:</b>					
Depreciation	150,869	245,367	32,209	-	428,445
Decrease -Increase in Accounts Receivable	(8,833)	(9,637)	267	-	(18,203)
Increase -Decrease in Accounts Payable	4,125	2,838	1,070	-	8,033
Increase -Decrease in Deposits	(300)	-	-	-	(300)
Increase -Decrease in Compensated Absences	4,464	3,537	-	-	8,001
<b>Net Cash Provided -Used by Operating Activities</b>	<b><u>\$ 230,418</u></b>	<b><u>\$ 347,562</u></b>	<b><u>\$ 29,341</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 607,321</u></b>

See accompanying notes to the basic financial statements

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**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**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 service districts 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**

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**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.

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

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

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

*Special Revenue Funds*

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

*Capital Projects Funds*

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.

*Debt Service Funds*

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

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.

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

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

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

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**

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**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**

Personal Services	Interfund Transfers
Materials and Services	Debt Service
Capital Outlay	Operating Contingency

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 year ended.

**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**

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**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.

**Receivables**

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

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. The government has no items that qualify for reporting in the category.

**CITY OF PHILOMATH**  
**BENTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

**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 Assets. Bond premiums, 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.

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**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.

Invested in capital assets, net of related debt – 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 inventories, prepaid items and a nonspendable jurisdictional exchange deposit.
- 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**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Position/Fund Equity (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	22,460
Investments	<u>          3,017,662</u>
Total Cash and Investments	<u><u>          \$      3,040,622</u></u>
Reconciliation of Cash Reported in:	
Governmental	\$      2,760,662
Business Type	<u>          279,960</u>
Total Cash and Investments	<u><u>          \$      3,040,622</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 \$49,383, 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**

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**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, 2014, 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, 2014 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, 2014, the City had the following investments and maturities:

Investment Type	<u>Fair Value</u>	<u>Less than 3</u>	<u>3-17</u>	<u>18-19</u>
State Treasurer's Investment Pool	<u>\$ 3,017,662</u>	<u>\$ 3,017,662</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$ 3,017,662</u>	<u>\$ 3,017,662</u>	<u>\$ -</u>	<u>\$ -</u>

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.

The Oregon Short-Term Fund Board, established by the Oregon Legislature, advises the Oregon Investment Council and the Oregon State Treasury in the management and investments of the LGIP.

**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

**CITY OF PHILOMATH**  
**BENTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**2. CASH AND INVESTMENTS (CONTINUED)**

investment policy sets maximum limits on the percentage of the portfolio that can be invested in any one type of security. At June 30, 2014, 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 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 2014 was \$448,302. 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 for sale of police building, monthly payments of \$1,010 including interest at 6%.	\$ 86,812
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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)	512,445
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The Following loans receivable are recorded in the Community Development Fund

Community Development Block Grant (CDBG) loans	<u>448,302</u>
	<u>\$ 1,047,559</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, 2014 was as follows:

Description	GOVERNMENTAL ACTIVITIES CAPITAL ASSETS				
	June 30, 2013	Prior Period Adjustment	Additions	Disposals	June 30, 2014
Capital assets not being depreciated					
Land	\$ 128,233	\$ -	\$ 2,700	\$ -	\$ 130,933
Capital assets being depreciated					
Improvements	491,860	-	-	-	491,860
Buildings	2,415,492	-	94,391	-	2,509,883
Equipment	1,206,158	-	20,512	(54,647)	1,172,023
Infrastructure	2,420,595	-	383,807	-	2,804,402
Total other Capital Assets	6,534,105	-	498,710	(54,647)	6,978,168
Less Accumulated Depreciation					
Improvements	215,593	-	21,762	-	237,355
Buildings	592,218	-	49,333	-	641,551
Equipment	769,137	-	111,669	(54,647)	826,159
Infrastructure	491,247	-	51,756	-	543,003
Total Accumulated Depreciation	2,068,195	-	234,520	(54,647)	2,248,068
Total Governmental Activities	\$ 4,594,143	\$ -	\$ 266,890	\$ -	\$ 4,861,033

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

Function	Governmental Funds
General Government	\$ 123,665
Police	23,876
Streets	78,555
Public Works	8,424
Total	\$ 234,520

**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, 2014 was as follows:

Description	June 30, 2013	Prior Period Adjustment	Additions	Disposals	June 30, 2014
Capital assets not being depreciated					
Land	\$ 853,202	\$ -	\$ -	\$ -	\$ 853,202
Capital assets being depreciated					
Improvements	79,090	-	-	-	79,090
Buildings	418,870	-	-	-	418,870
Equipment	1,168,366	-	72,043	(1,653)	1,238,756
Infrastructure	17,626,692	-	849,012	-	18,475,704
Total other Capital Assets	19,293,018	-	921,055	(1,653)	20,212,420
Less Accumulated Depreciation					
Improvements	48,877	-	2,257	-	51,134
Buildings	199,409	-	9,251	-	208,660
Equipment	765,227	-	42,775	(1,653)	806,349
Infrastructure	4,068,054	-	374,163	-	4,442,217
Total Accumulated Depreciation	5,081,567	-	428,446	(1,653)	5,508,360
Total Governmental Activities	<u>\$ 15,064,653</u>	<u>\$ -</u>	<u>\$ 492,609</u>	<u>\$ -</u>	<u>\$ 15,557,262</u>

**6. DEFERRED INFLOWS OF RESOURCES**

At June 30, 2014, deferred inflows of resources on the balance sheet - governmental funds consisted of the following:

Property taxes	\$ 141,332
Community Development Block Grant Loans	448,302
Other loans receivable	599,267
Assessments	<u>42,310</u>
	<u>\$ 1,231,311</u>

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**7. EMPLOYEE RETIREMENT PLAN**

Plan Description

The State of Oregon Public Employees Retirement System (PERS), a cost sharing multiple-employer defined benefit pension plan administered by the Oregon Public Employees Retirement System (OPERS) is participated in. Retirement is allowed at age 58 with full benefits, but retirement is generally available after age 55 with reduced benefits. Police and Fire Department employees may retire with full benefits at the age of 55 with 30 years of service. Compulsory retirement is age 70. Retirement benefits are payable in lump sum or monthly amounts using several payment options. PERS also provides death and disability benefits. Benefits are established by State statute.

In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for PERS. The Oregon Public Service Retirement Plan (“OPSRP”) is effective for all new employees hired on or after August 29, 2003, and applies to any inactive PERS members who return to employment following a six month or greater break in service. The new plan consists of a defined benefit program (the “Pension Program”) and a defined contribution portion (the Individual Account Program or “IAP”). The Pension Program portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service and a factor that varies based on type of service (general versus police or fire).

Beginning January 1, 2004, all PERS member contributions go into the IAP portion of OPSRP. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member’s IAP, not the member’s PERS account. Those employees who had established a PERS membership prior to creation of OPSRP will be members of both the PERS and OPSRP system as long as they remain in covered employment.

Both PERS and OPSRP are administered under Oregon Revised Statute (ORS) Chapter 238. ORS 238.620 establishes the Public Employees Retirement Board as the governing body of PERS. The Oregon Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information.

Funding Policy

Covered employees are required by State statute to contribute 6% of their salary to the plan, which the City has elected to pay for the employee. The City is required to contribute at actuarially determined rates, as adopted by the PERS Board. The current rate is 12.57% of covered payroll for Tier One/Two employees and 8.50% for general OPSRP employees and 11.23 % for police employees. The contribution to the plan for the years ending June 30, 2014, 2013, and 2012 were as follows:

Annual Pension Costs

For the years ended June 30, 2014, 2013, and 2012, the City’s annual pension costs were \$224,085, \$230,050, and \$246,865 respectively, and were equal to the City’s required and actual contributions. The required contribution was determined as part of the actuarial valuation at December 31, 2009, using the projected unit credit actuarial cost method. The fair market value method is used to determine the actuarial value of the plan's assets. Significant actuarial assumptions used in the valuation include: (i) consumer price inflation of 2.75 percent per year, (ii) healthcare cost inflation assumed at 7 percent in 2010, then declining by 0.5 percent per year until the rate of 4.5 percent is reached in 2029; (iii) a rate of return on the future investment earnings of the assets of the members’ regular accounts are assumed to accrue at an annual rate of 8 percent compounded

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**7. EMPLOYEE RETIREMENT PLAN (CONTINUED)**

annually; (iv) a rate of return on the future investment earnings of the members' variable accounts are assumed to accrue at an annual rate of 8.5 percent, compounded annually; (v) projected annual rate of wage inflation of 3.75 percent, compounded annually, excluding merit or longevity increases; (vi) unfunded actuarial liability is amortized on a level percentage of combined annual payroll on a closed group fixed term basis over 20 years.

**8. 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.

**9. LONG TERM DEBT**

**Changes in Long-Term Liabilities:** During the year ended June 30, 2014, the following changes occurred in long-term liabilities:

	<u>Balance 7/1/2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2014</u>	<u>Due in One Year</u>
Governmental activities					
OECD Lakeside Loan, 2004	\$ 536,331	\$ -	\$ (23,876)	\$ 512,455	\$ 24,012
Compensated absences	<u>192,725</u>	<u>-</u>	<u>(1,559)</u>	<u>191,166</u>	<u>-</u>
Total Governmental activities	<u>729,056</u>	<u>-</u>	<u>(25,435)</u>	<u>703,621</u>	<u>24,012</u>
Business-type activities					
OEED, 2006	164,946	-	(66,369)	98,577	17,432
Storm Drain SPWF Loan	193,218	-	(12,904)	180,314	13,680
Full Faith and Credit Obligations, 2009	5,895,000	-	(100,000)	5,795,000	100,000
Compensated absences	<u>51,828</u>	<u>800</u>	<u>-</u>	<u>52,628</u>	<u>-</u>
Total Business-type activities	<u>\$ 6,304,992</u>	<u>\$ 800</u>	<u>\$ (179,273)</u>	<u>\$ 6,126,519</u>	<u>\$ 131,112</u>

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**9. LONG TERM DEBT (CONTINUED)**

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.

Future debt service requirements are as follows:

**Governmental Activities**

<b>Fiscal Year Eanding</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2014-15	\$ 24,012	\$ 21,603	\$ 45,615
2015-16	24,152	20,763	44,915
2016-17	24,303	19,887	44,190
2017-18	24,464	18,976	43,440
2018-19	24,643	17,997	42,640
2019-24	156,178	72,896	229,074
2024-29	192,338	36,255	228,593
2029-33	42,365	1,906	44,271
	<u>\$ 512,455</u>	<u>\$ 210,283</u>	<u>\$ 722,738</u>

**Business-type Activities**

<b>Fiscal Year Eanding</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2014-15	\$ 113,680	\$ 242,887	\$ 356,567
2015-16	144,501	239,566	384,067
2016-17	166,141	236,931	403,073
2017-18	197,351	235,556	432,907
2018-19	214,697	228,409	443,107
2019-24	1,342,521	998,193	2,340,714
2024-29	1,830,000	688,413	2,518,413
2029-33	2,065,000	238,192	2,303,192
	<u>\$ 6,073,891</u>	<u>\$ 3,108,146</u>	<u>\$ 9,182,038</u>

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**10. INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2014 on the budgetary basis of accounting, consisted of the following:

<b>Fund</b>	<b>Transfers In</b>	<b>Transfers Out</b>
General	120,000	40,000
Street	17,900	58,400
Community Development	-	120,000
Land, Building and Equipment	187,200	-
Systems Development	18,400	10,200
Water	-	71,300
Sewer	10,200	17,500
Storm	-	36,300
	<u>\$ 353,700</u>	<u>\$ 353,700</u>

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.

**11. 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.

**12. 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**

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**13. 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.

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**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2014**

<u>GENERAL FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
Revenue				
Property Taxes	\$ 1,251,835	\$ 1,251,835	\$ 1,259,540	\$ 7,705
Licenses and Permits	62,000	62,000	49,540	(12,460)
Charges for Services	298,772	298,772	298,117	(655)
Franchise Fees	300,000	300,000	309,815	9,815
Intergovernmental	118,600	118,600	117,645	(955)
Fines and Forfeitures	300,000	300,000	331,434	31,434
Interest and Miscellaneous	24,900	24,900	22,221	(2,679)
<b>Total Revenue</b>	<b>2,356,107</b>	<b>2,356,107</b>	<b>2,388,312</b>	<b>32,205</b>
Expenditures				
Personal Services	1,803,189	1,803,189 (1)	1,721,685	81,504
Materials and Services	827,918	849,918 (1)	788,738	61,180
Contingency	35,000	13,000 (1)	-	13,000
<b>Total Expenditures</b>	<b>2,666,107</b>	<b>2,666,107</b>	<b>2,510,423</b>	<b>155,684</b>
Excess of Revenue Over, -Under Expenditures	(310,000)	(310,000)	(122,111)	187,889
Other Financing Sources, -Uses				
Transfers In	120,000	120,000	120,000	
Transfers Out	(40,000)	(40,000) (1)	(40,000)	-
<b>Total Other Financing Sources, -Uses</b>	<b>80,000</b>	<b>80,000</b>	<b>80,000</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>(230,000)</b>	<b>(230,000)</b>	<b>(42,111)</b>	<b>187,889</b>
<b>Beginning Fund Balance</b>	<b>250,000</b>	<b>250,000</b>	<b>193,610</b>	<b>(56,390)</b>
<b>Ending Fund Balance</b>	<b>\$ 20,000</b>	<b>\$ 20,000</b>	<b>\$ 151,499</b>	<b>\$ 131,499</b>

(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, 2014**

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	\$ 40,860	\$ 40,860	\$ 198	\$ (40,662)
Total Revenue	<u>40,860</u>	<u>40,860</u>	<u>198</u>	<u>(40,662)</u>
Expenditures				
Materials and Services	91,000	91,000 (1)	-	91,000
Contingency	<u>-</u>	<u>- (1)</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>91,000</u>	<u>91,000</u>	<u>-</u>	<u>91,000</u>
Excess of Revenues Over -Under Expenditures	(50,140)	(50,140)	198	50,338
OTHER FINANCING SOURCES				
Transfers Out	<u>(120,000)</u>	<u>(120,000) (1)</u>	<u>(120,000)</u>	<u>-</u>
Net Change in Fund Balance	(170,140)	(170,140)	(119,802)	50,338
Beginning Fund Balance	<u>170,140</u>	<u>170,140</u>	<u>170,151</u>	<u>11</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,349</u>	<u>\$ 50,349</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, 2014**

<u>STREET FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>(NEGATIVE)</u>
Revenue				
Charges for Services	\$ 52,680	\$ 52,680	\$ 52,556	\$ (124)
Franchise Fees	86,000	86,000	90,088	4,088
Intergovernmental	261,850	261,850	261,507	(343)
Interest and Miscellaneous	1,225	1,225	921	(304)
	<u>401,755</u>	<u>401,755</u>	<u>405,072</u>	<u>3,317</u>
Expenditures				
Personal Services	178,716	178,716 (1)	150,994	27,722
Materials and Services	212,539	212,539 (1)	167,636	44,903
Contingency	25,000	25,000 (1)	-	25,000
	<u>416,255</u>	<u>416,255</u>	<u>318,630</u>	<u>97,625</u>
Excess of Revenue Over, -Under Expenditures	(14,500)	(14,500)	86,442	100,942
Other Financing Sources, -Uses				
Transfers In	17,900	17,900	17,900	-
Transfers Out	(58,400)	(58,400) (1)	(58,400)	-
	<u>(40,500)</u>	<u>(40,500)</u>	<u>(40,500)</u>	<u>-</u>
Net Change in Fund Balance	(55,000)	(55,000)	45,942	100,942
Beginning Fund Balance	85,000	85,000	87,867	2,867
Ending Fund Balance	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 133,809</u>	<u>\$ 103,809</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, 2014**

	<u>URBAN RENEWAL</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
Revenue				
Property Taxes	\$ 453,760	\$ 453,760	\$ 433,188	\$ (20,572)
Interest and Miscellaneous	4,240	4,240	5,888	1,648
Total Revenue	<u>458,000</u>	<u>458,000</u>	<u>439,076</u>	<u>(18,924)</u>
Expenditures				
Materials and Services	<u>235,000</u>	<u>235,000</u> (1)	<u>47,818</u>	<u>187,182</u>
Total Expenditures	<u>235,000</u>	<u>235,000</u>	<u>47,818</u>	<u>187,182</u>
Excess of Revenue Over, -Under Expenditures	223,000	223,000	391,258	168,258
Other Financing Sources, -Uses				
Transfers Out	<u>-</u>	<u>-</u> (1)	<u>-</u>	<u>-</u>
Total Other Financing Sources, -Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	223,000	223,000	391,258	168,258
Beginning Fund Balance	<u>653,000</u>	<u>653,000</u>	<u>660,805</u>	<u>7,805</u>
Ending Fund Balance	<u>\$ 876,000</u>	<u>\$ 876,000</u>	<u>\$ 1,052,063</u>	<u>\$ 176,063</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, 2014**

ECONOMIC DEVELOPMENT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Revenue				
Property Taxes	\$ -	\$ -	\$ 1	\$ 1
Interest and Miscellaneous	46,355	46,355	46,424	69
Total Revenue	<u>46,355</u>	<u>46,355</u>	<u>46,425</u>	<u>70</u>
Expenditures				
Debt Service	46,315	46,315 (1)	46,315	-
Total Expenditures	<u>46,315</u>	<u>46,315</u>	<u>46,315</u>	<u>-</u>
Excess of Revenue Over, -Under Expenditures	40	40	110	70
Other Financing Sources, -Uses				
Transfers Out	-	- (1)	-	-
Total Other Financing Sources, -Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	40	40	110	70
Beginning Fund Balance	11,180	11,180	11,179	(1)
Ending Fund Balance	<u>\$ 11,220</u>	<u>\$ 11,220</u>	<u>\$ 11,289</u>	<u>\$ 69</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, 2014**

LAND BUILDING AND EQUIPMENT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Revenue				
Intergovernmental	\$ 2,600	\$ 2,600	\$ 32,641	\$ 30,041
Fines and Forfeitures	12,500	12,500	14,259	1,759
Interest and Miscellaneous	80,920	80,920	49,233	(31,687)
Total Revenue	<u>96,020</u>	<u>96,020</u>	<u>96,133</u>	<u>113</u>
Expenditures				
Capital Outlay	<u>1,128,000</u>	<u>1,128,000 (1)</u>	<u>764,565</u>	<u>363,435</u>
Total Expenditures	<u>1,128,000</u>	<u>1,128,000</u>	<u>764,565</u>	<u>363,435</u>
Excess of Revenue Over, -Under Expenditures	(1,031,980)	(1,031,980)	(668,432)	363,548
Other Financing Sources, -Uses				
Transfers In	<u>187,200</u>	<u>187,200</u>	<u>187,200</u>	<u>-</u>
Total Other Financing Sources, -Uses	<u>187,200</u>	<u>187,200</u>	<u>187,200</u>	<u>-</u>
Net Change in Fund Balance	(844,780)	(844,780)	(481,232)	363,548
Beginning Fund Balance	<u>1,829,700</u>	<u>1,829,700</u>	<u>1,754,790</u>	<u>(74,910)</u>
Ending Fund Balance	<u>\$ 984,920</u>	<u>\$ 984,920</u>	<u>\$ 1,273,558</u>	<u>\$ 288,638</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, 2014**

SYSTEMS DEVELOPMENT FUND (CAPITAL PROJECTS)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Revenue				
Intergovernmental	\$ 70,000	\$ 70,000	\$ -	\$ (70,000)
Licenses and Permits	24,600	24,600	35,277	10,677
Interest and Miscellaneous	1,268	1,268	585	(683)
	95,868	95,868	35,862	(60,006)
Total Revenue				
Expenditures				
Capital Outlay	364,300	364,300 (1)	241,959	122,341
	364,300	364,300	241,959	122,341
Total Expenditures				
Excess of Revenue Over, -Under Expenditures	(268,432)	(268,432)	(206,097)	62,335
Other Financing Sources, -Uses				
Transfers In	-	-	-	-
	-	-	-	-
Total Other Financing Sources, -Uses				
Net Change in Fund Balance	(268,432)	(268,432)	(206,097)	62,335
Beginning Fund Balance	276,500	276,500	281,200	4,700
Ending Fund Balance	\$ 8,068	\$ 8,068	\$ 75,103	\$ 67,035

(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**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2014**

WATER FUND

	ORIGINAL BUDGET	FINAL BUDGET	BUDGET BASIS	GAAP BASIS
Revenue				
Charges for Services	\$ 889,435	\$ 889,435	\$ 923,991	\$ 923,991
Interest and Miscellaneous	3,825	3,825	6,163	6,163
Total Revenue	893,260	893,260	930,154	930,154
Expenditures				
Personal Services	347,445	347,445 (1)	307,460	311,925
Materials and Services	407,425	407,425 (1)	386,658	386,658
Capital Outlay/Depreciation	45,000	45,000 (1)	43,750	150,869
Debt Service	77,090	77,090 (1)	77,090	8,205
Contingency	40,000	40,000 (1)	-	-
Total Expenditures	916,960	916,960	814,958	857,657
Excess of Revenue Over -Under Expenditures	(23,700)	(23,700)	115,196	72,497
OTHER FINANCING SOURCES				
Transfers In	-	-	-	435,764
Transfers Out	(71,300)	(71,300) (1)	(71,300)	(71,300)
Total Other Financing Sources -Uses	(71,300)	(71,300)	(71,300)	364,464
Net Change in Fund Balance	(95,000)	(95,000)	43,896	436,961
Beginning Fund Balance	130,000	130,000	178,032	3,475,614
Ending Fund Balance	\$ 35,000	\$ 35,000	\$ 221,928	\$ 3,912,575

Reconciliation to the Statement of Proprietary Net Position

Net Capital Assets	3,826,041
Long Term Debt	(98,577)
Net Position	\$ 3,727,464

(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, 2014**

SEWER FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	GAAP BASIS
<b>Revenue</b>				
Charges for Services	\$ 891,335	\$ 891,335	\$ 878,478	\$ 878,478
Lease of Land	18,000	18,000	16,650	16,650
Interest and Miscellaneous	2,210	2,210	4,060	4,060
Total Revenue	911,545	911,545	899,188	899,188
<b>Expenditures</b>				
Personal Services	283,288	283,288 (1)	253,912	257,449
Materials and Services	284,889	284,889 (1)	273,919	273,919
Capital Outlay/Depreciation	6,000	6,000 (1)	-	245,367
Debt Service	335,068	335,068 (1)	335,062	234,642
Contingency	25,000	25,000 (1)	-	-
Total Expenditures	934,245	934,245	862,893	1,011,377
Excess of Revenue Over				
-Under Expenditures	(22,700)	(22,700)	36,295	(112,189)
<b>OTHER FINANCING SOURCES</b>				
Transfers In	10,200	10,200	10,200	410,227
Transfers Out	(17,500)	(17,500) (1)	(17,500)	(17,500)
Total Other Financing Sources				
-Uses	(7,300)	(7,300)	(7,300)	392,727
Net Change in Fund Balance	(30,000)	(30,000)	28,995	280,538
Beginning Fund Balance	40,000	40,000	83,157	4,422,023
Ending Fund Balance	\$ 10,000	\$ 10,000	\$ 112,152	\$ 4,702,561

Reconciliation to the Statement of Proprietary Net Position

Net Capital Assets	10,432,441
Long Term Debt	(5,795,000)
Net Position	\$ 4,637,441

(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, 2014**

SYSTEM DEVELOPMENT FUND (PROPRIETARY)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	GAAP BASIS
Revenue				
Charges for Services	\$ 77,000	\$ 77,000	\$ 108,791	\$ 108,791
Interest and Miscellaneous	2,092	2,092	762	762
Total Revenue	79,092	79,092	109,553	109,553
Expenditures				
Capital Outlay	465,800	465,800 (1)	407,471	-
Debt Service	24,499	24,499 (1)	24,499	11,141
Total Expenditures	490,299	490,299	431,970	11,141
Excess of Revenue Over -Under Expenditures	(411,207)	(411,207)	(322,417)	98,412
OTHER FINANCING SOURCES				
Transfers In	18,400	18,400	18,400	18,400
Transfers Out	(10,200)	(10,200) (1)	(10,200)	(10,200)
Total Other Financing Sources -Uses	8,200	8,200	8,200	8,200
Net Change in Fund Balance	(403,007)	(403,007)	(314,217)	106,612
Beginning Fund Balance	411,500	411,500	426,755	226,773
Ending Fund Balance	\$ 8,493	\$ 8,493	\$ 112,538	\$ 333,385
Reconciliation to the Statement of Proprietary Net Position				
Long Term Debt			(180,314)	
Net Position			\$ (180,314)	
(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, 2014**

STORM DRAIN FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	GAAP BASIS
Revenue				
Charges for Services	\$ 42,600	\$ 42,600	\$ 42,532	\$ 42,532
Interest and Miscellaneous	220	220	44	44
Total Revenue	42,820	42,820	42,576	42,576
Expenditures				
Materials and Services	15,020	15,020 (1)	14,528	14,528
Capital Outlay/Depreciation	-	- (1)	-	32,209
Total Expenditures	15,020	15,020	14,528	46,737
Excess of Revenue Over -Under Expenditures	27,800	27,800	28,048	(4,161)
OTHER FINANCING SOURCES				
Transfers In	-	-	-	41,514
Transfers Out	(36,300)	(36,300) (1)	(36,300)	(36,300)
Total Other Financing Sources -Uses	(36,300)	(36,300)	(36,300)	5,214
Net Change in Fund Balance	(8,500)	(8,500)	(8,252)	1,053
Beginning Fund Balance	27,500	27,500	20,775	1,310,250
Ending Fund Balance	\$ 19,000	\$ 19,000	\$ 12,523	\$ 1,311,303

Reconciliation to the Statement of Proprietary Net Position

Net Capital Assets	1,298,780
Net Position	\$ 1,298,780

(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, 2014**

TAX YEAR	IMPOSED LEVY OR UNCOLLECTED AT 7-1-13	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6-30-14
<b>CURRENT:</b>						
2013-14	\$ 1,403,873	\$ 42,746	\$ -	\$ -	\$ 1,316,108	\$ 45,019
<b>PRIOR YEARS:</b>						
2012-13	\$ 46,312	\$ -	\$ (291)	\$ -	\$ 14,699	\$ 31,322
2011-12	17,865	-	(139)	-	4,907	12,819
2010-11	6,174	-	(157)	-	3,783	2,234
2009-10	14,686	-	(107)	-	1,773	12,806
Prior	2,280	-	(131)	-	376	1,773
<b>Total</b>	<b>\$ 1,491,190</b>	<b>\$ 42,746</b>	<b>\$ (825)</b>	<b>\$ -</b>	<b>\$ 1,341,646</b>	<b>\$ 105,973</b>

RECONCILIATION TO REVENUE

Cash Collections by County Treasurer Above	\$ 1,341,646
Refunded prior years tax	<u>(82,105)</u>
Total Revenue	<u>\$ 1,259,541</u>

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES  
OF TAXES UNCOLLECTED - URBAN RENEWAL  
For the Year Ended June 30, 2014**

TAX YEAR	IMPOSED LEVY OR UNCOLLECTED AT 7-1-13	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6-30-14
<b>CURRENT:</b>						
2013-14	\$ 482,110	\$ 14,680	\$ -	\$ -	\$ 451,970	\$ 15,460
<b>PRIOR YEARS:</b>						
2012-13	\$ 15,362	\$ -	\$ (97)	\$ -	\$ 4,876	\$ 10,389
2011-12	5,691	-	(44)	-	1,563	4,084
2010-11	2,154	-	(55)	-	1,319	780
2009-10	4,776	-	(35)	-	576	4,165
Prior	643	-	(43)	-	119	481
<b>Total</b>	<b>\$ 510,736</b>	<b>\$ 14,680</b>	<b>\$ (274)</b>	<b>\$ -</b>	<b>\$ 460,423</b>	<b>\$ 35,359</b>

**RECONCILIATION TO REVENUE**

Cash Collections by County Treasurer Above	\$ 460,423
Refunded prior years tax	<u>(27,235)</u>
<b>Total Revenue</b>	<b><u>\$ 433,188</u></b>

**CITY OF PHILOMATH**  
**BENTON COUNTY, OREGON**

**REPORTS ON LEGAL AND OTHER**  
**REGULATORY REQUIREMENTS**

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September 23, 2014

### **Independent Auditors' 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, 2014, and have issued our report thereon dated September 23, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Governmental Auditing Standards.

#### **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).**
- **Programs funded from outside sources.**

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.

**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.



Matthew Graves, CPA  
PAULY, ROGERS AND CO., P.C.