

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

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

**ANNUAL FINANCIAL REPORT**

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

**CITY COUNCIL**

**TERM EXPIRES**

Rocky Sloan, Mayor

December 31, 2018

Doug Edmonds

December 31, 2018

Candy Koetz

December 31, 2018

Charla Koeppel

December 31, 2018

David Low

December 31, 2018

Eric Niemann

December 31, 2018

Jerry Jackson

December 31, 2018

All council members receive mail at the address listed below.

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

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BENTON COUNTY, OREGON  
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October 24, 2017

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Philomath, Oregon, as of and for the year ended June 30, 2017, 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 October 24, 2017, 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, 2017

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, 2017.

#### **Financial Highlights**

Following are the financial highlights of the City for the fiscal year ended June 30, 2017.

- The City's total assets exceeded its liabilities at the close of FY 2016-17 by \$18.9 million (net position). Of this amount, \$13 million is invested in capital assets, net of related debt; \$6.5 million is restricted for construction projects, debt service and other commitments; and the balance of negative \$.6 million is considered unrestricted.
- The City's net position increased by \$622,632. The increase is primarily due to transfers from the Water and Sewer Funds for future capital improvements, as well as Systems Development revenue.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$8.7 million, an increase of \$4.6 million. The increase was due in large part to \$3.4 million in cash received from the sale of Urban Renewal Bonds. The bond proceeds will be spent on upgrades to the water and sewer utilities on Main and Applegate Streets in fiscal 2017-18.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$207,410 or approximately 6 percent of total General Fund expenditures. This was the first increase in General Fund balance in five years.
- The City's total liabilities increased by approximately \$5.4 million or 3 percent during fiscal year 2016-17. The increase is due to the Urban Renewal bonds sold during the current fiscal year, and an increase in Net Pension Liability of \$1.7 million.

#### **Overview of the Financial Statements**

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

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

*Government-wide financial statements.* The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. These statements include all assets of the City (including infrastructure such as streets and buildings) as well as all

liabilities (including bond debt). Additionally, certain eliminations have occurred as prescribed by GASB Statement No. 34 with regards to interfund activities.

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

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

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

The governmental activities of the City include the following:

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

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

- Water Utility
- Sewer Utility
- Storm Drain Utility

Government-wide financial statements can be found on pages 15 and 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 eight individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for those funds that are considered significant (major) to the City taken as a whole. These financial statements report four major funds; General Fund, Community Development Fund, Urban Renewal Fund, and Land Building & Equipment Fund. The Development Review Fund, Street Fund, Economic Development Fund and Systems Development Capital Projects Fund are nonmajor funds.

The City adopts an annual appropriated budget for all governmental funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided for the governmental funds on pages 45 through 51.

*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 government-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 53 through 56.

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.

## Government-Wide Financial Analysis

Table 1  
Summary of Net Position

	<i>June 30, 2017</i>		
	<i>Governmental Activities</i>	<i>Business- Type Activities</i>	<i>Total</i>
Cash and investments	\$ 8,935,717	766,268	\$ 9,701,985
Other assets	1,148,728	358,681	1,507,409
Capital assets	4,344,679	14,875,949	19,220,628
<i>Total Assets</i>	14,429,124	16,000,898	30,430,022
Deferred Outflows of Resources <i>Net Pension Related Deferrals</i>	1,165,279	370,003	1,535,282
Other liabilities	373,043	74,035	447,078
Long-term liabilities	4,017,163	5,875,961	9,893,124
Net Pension Liability	2,036,230	646,550	2,682,780
<i>Total Liabilities</i>	6,426,436	6,596,546	13,022,982
Deferred Inflows of Resources <i>Net Pension Related Deferrals</i>	42,523	13,502	56,025
Net Position			
Net Investment in Capital Assets	3,904,691	9,075,112	12,979,803
Restricted	5,930,095	551,934	6,482,029
Unrestricted	(709,342)	133,807	(575,535)
<i>Total Net Position</i>	<u>\$ 9,125,444</u>	<u>9,760,853</u>	<u>\$ 18,886,297</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 \$18,886,297 at the close of FY 2016-17.

The largest portion of the City's net position reflects its investment of \$12,979,803 or 69 percent, in capital assets (e.g., land, buildings, improvements, equipment, and infrastructure, net of accumulated depreciation); less any related outstanding debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

<i>June 30, 2016</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>
\$ 4,130,469	765,290	\$ 4,895,759	\$ 4,805,248	\$ 978	\$ 4,806,226
1,233,721	219,647	1,453,368	(84,993)	139,034	54,041
4,505,025	14,943,483	19,448,508	(160,346)	(67,534)	(227,880)
9,869,215	15,928,420	25,797,635	4,559,909	72,478	4,632,387
240,010	72,911	312,921	925,269	297,092	1,222,361
121,132	51,421	172,553	251,911	22,614	274,525
667,699	5,789,716	6,457,415	3,349,464	86,245	3,435,709
729,364	221,567	950,931	1,306,866	424,983	1,731,849
1,518,195	6,062,704	7,580,899	4,908,241	533,842	5,442,083
204,016	61,976	265,992	(161,493)	(48,474)	(209,967)
4,040,734	9,226,350	13,267,084	(136,043)	(151,238)	(287,281)
4,952,246	375,013	5,327,259	977,849	176,921	1,154,770
(605,966)	275,288	(330,678)	(103,376)	(141,481)	(244,857)
<u>\$ 8,387,014</u>	<u>9,876,651</u>	<u>\$ 18,263,665</u>	<u>\$ 738,430</u>	<u>\$ (115,798)</u>	<u>\$ 622,632</u>

An additional portion of the City's net position \$6,482,029 or approximately 34 percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$575,535) or -3 percent, may be used to meet the government's ongoing obligations to citizens and creditors.

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

	<i>Fiscal Year Ended June 30, 2017</i>		
	<i>Governmental</i>	<i>Business-</i>	
	<i>Activities</i>	<i>Type</i>	<i>Total</i>
	<i>Activities</i>	<i>Activities</i>	
<b>Revenues</b>			
Program Revenues			
Charges for services	\$ 900,244	\$ 2,159,718	\$ 3,059,962
Operating grants and contributions	283,353	8,874	292,227
Capital grants and contributions	85,939	288,887	374,826
<i>Total Program Revenues</i>	<u>1,269,536</u>	<u>2,457,479</u>	<u>3,727,015</u>
General Revenues			
Property taxes	2,004,030	-	2,004,030
Franchise taxes	427,440	-	427,440
Other	280,767	85,226	365,993
<i>Total General Revenues</i>	<u>2,712,237</u>	<u>85,226</u>	<u>2,797,463</u>
<i>Total Revenues</i>	<u>3,981,773</u>	<u>2,542,705</u>	<u>6,524,478</u>
<b>Expenses (Net of Indirect Expenses)</b>			
General governmental	1,326,529	-	1,326,529
Police	1,561,409	-	1,561,409
Streets	458,795	-	458,795
Public Works	253,639	-	253,639
Interest on long-term debt	72,354	-	72,354
Other			-
Water	-	953,812	953,812
Sewer	-	1,224,806	1,224,806
Storm Drain	-	50,502	50,502
<i>Total Expenses</i>	<u>3,672,726</u>	<u>2,229,120</u>	<u>5,901,846</u>
<b>Transfers</b>	<u>429,383</u>	<u>(429,383)</u>	<u>-</u>
<b>Changes in Net Position</b>	738,430	(115,798)	622,632
<b>Beginning Net Position</b>	8,387,014	9,876,651	18,263,665
<b>Ending Net Position</b>	<u>\$ 9,125,444</u>	<u>\$ 9,760,853</u>	<u>\$ 18,886,297</u>

*Governmental activities* - Governmental activities increased the City's net position by \$738,430. The three major factors that contributed to this increase were 1) Urban Renewal property tax collections in excess of what was needed this fiscal year. 2) The Systems Development Fund collected revenue but did not incur any expenses. 3) Transfers to the Land, Building and Equipment Fund from the Water and Sewer Funds for future capital purchases.

<i>Fiscal Year Ended June 30, 2016</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>
\$ 736,358	\$ 2,103,922	\$ 2,840,280	\$ 163,886	\$ 55,796	\$ 244,857
279,689	-	279,689	3,664	8,874	12,538
66,667	236,343	303,010	19,272	52,544	71,816
<u>1,082,714</u>	<u>2,340,265</u>	<u>3,422,979</u>	<u>168,822</u>	<u>117,214</u>	<u>329,211</u>
1,906,375	-	1,906,375	97,655	-	97,655
396,369	-	396,369	31,071	-	31,071
241,028	98,570	339,598	39,739	(13,344)	26,396
<u>2,543,772</u>	<u>98,570</u>	<u>2,642,342</u>	<u>168,465</u>	<u>(13,344)</u>	<u>155,122</u>
3,626,486	2,438,835	6,065,321	355,287	103,870	484,333
1,449,111	-	1,449,111	(122,582)	-	(122,582)
1,769,082	-	1,769,082	(207,673)	-	(207,673)
469,434	-	469,434	(10,639)	-	(10,639)
263,979	-	263,979	(10,340)	-	(10,340)
20,177	-	20,177	52,177	-	52,177
-	951,373	951,373	-	2,439	2,439
-	1,116,094	1,116,094	-	108,712	108,712
-	48,103	48,103	-	2,399	2,399
<u>3,971,783</u>	<u>2,115,570</u>	<u>6,087,353</u>	<u>(299,057)</u>	<u>113,550</u>	<u>(185,507)</u>
<u>375,183</u>	<u>375,183</u>	<u>-</u>	<u>54,200</u>	<u>(54,200)</u>	<u>-</u>
29,886	(51,918)	(22,032)	708,544	(63,880)	669,840
8,357,128	9,928,569	18,285,697	29,886	(51,918)	(22,032)
<u>\$ 8,387,014</u>	<u>\$ 9,876,651</u>	<u>\$ 18,263,665</u>	<u>\$ 738,430</u>	<u>\$ (115,798)</u>	<u>\$ 647,808</u>

*Business-type activities* - Business-type activities decreased the City's net position by \$115,798. Increases from Systems Development revenue were offset by transfers out of the Water and Sewer Funds to the Land, Building and Equipment Fund for future capital purchases.

## **General Fund Budgetary Highlights**

Appropriation transfers of \$23,000 were made from the General Fund contingencies during the year. The transfers were used to pay additional overtime and contract service costs in the Administration Department and building inspection fees in the Building Permit Department.

## **Financial Analysis of the City's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements,

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

*General Fund.* The General Fund is the primary operating fund of the City. Property taxes are the major source of revenue for the General Fund. Property tax revenue was up 3% from the prior year. The Comcast franchise revenue was moved from the Street Fund to the General Fund, which increased revenue by \$53,000. As of June 30, 2017, the General Fund balance was \$207,410.

*Development Review Fund.* This fund was established at the beginning of this fiscal year. The purpose of the fund was to provide oversight of new development by having City Engineers review proposed development infrastructure. This is paid for with a 4% Development Review fee charged on new development. As of June 30, 2017, the Development Review Fund balance was \$28,823.

*Community Development Fund.* The Community Development Fund administers Federal low-income housing rehabilitation grant money that the City received in past years. The City received no loan payments this fiscal year. Loans for downtown façade improvement totaling \$8,026 were made and \$11,683 was transferred to the General Fund this fiscal year.

*Street Fund.* The Street Fund is funded primarily by the City's portion of state gasoline taxes and franchise fees. Those funds are used to maintain the City's transportation network. Comcast franchise revenue was moved from this fund to the General Fund this fiscal year. To compensate for the loss of revenue, the residential Street Utility Fee was increased from \$2 to \$4 per month. The fee increase raised an additional \$54,000 this fiscal year. Revenues exceeded expenditures by \$71,752. After transfers the net fund balance increased by \$25,652.

*Urban Renewal Fund.* The Urban Renewal Fund is a taxing district separate from the City. The Urban Renewal District received \$506,886 in tax revenue this fiscal year. In December 2016 the Urban Renewal District sold Full Faith and Credit bonds. The \$3.4 million dollars in bond proceeds will be used to upgrade water and sewer lines on Main and Applegate Streets in the summer of 2017. At June 30, 2017 the fund balance was \$5,401,220.

*Land, Building & Equipment Reserve Fund.* The Land, Building and Equipment Reserve Fund was established to accumulate funds for future capital projects. Small capital improvement projects during the year totaled \$170,495. Transfers in and miscellaneous revenue exceeded expenditures by \$792,043. Ending fund balance was \$2,533,815.

*Systems Development Capital Projects Fund.* This fund was established to collect Systems Development Charges and to accumulate funds for future capital projects. There were no capital projects funded from the Systems Development Fund in 2016-17. Fund balance increased by \$92,561 to \$300,607.

*Business-type activities –*

*Water Fund.* The Water Fund activity includes the operation and maintenance of the City's water system. Revenue was down \$105,440 from last fiscal year. The reduced revenue is attributable to one commercial customer that had a long standing leak that was finally discovered and repaired. Net income before transfers was \$101,847. Net transfers for future capital expenditures were \$234,276 which resulted in a decrease in net position of \$132,429.

*Sewer Fund.* The Sewer Fund activity includes operating and maintenance of the City's sewer system. Sewer rates increased by 12% resulting in a total revenue increase of \$133,936. Net income before transfers was negative \$91,995. For FY 2016-17 \$100,000 was transferred in from the SDC fund to help pay for the sewer bonds and \$276,500 was transferred out for future capital expenditures. The total change in net position was negative \$147,702.

*Storm Drain Fund.* The Storm Drain Fund was established to reduce the potential of neighborhood flooding during periods of high water. It is funded mainly by storm drain fees paid by the City's utility customers. Net income before transfers was \$16,441. After transfers out of \$44,400, net position decreased for the year by \$27,959.

*System Development Business Fund.* The System Development Business fund is used to account for the business portion of systems development charges. Net income before transfers and capital contributions was negative \$1,595. Capital Contributions of \$288,887 and net transfers out of \$95,000 resulted in a net position increase of \$192,292.

## Capital Assets and Debt Administration

### Capital Assets

At June 30, 2017, the City had approximately \$19.2 million invested in a broad range of capital assets, including land, buildings and improvements, equipment, roads, water, sewer and storm drain lines. There were no major capital assets purchased during the fiscal year.

#### Capital Assets at Year-End (Net of Depreciation) June 30, 2017

	<i>Governmental Activities</i>		<i>Percentage Change</i>	
	<i>2017</i>	<i>2016</i>		
Land	\$ 130,933	\$ 130,933	0.00	%
Improvements	193,774	213,992	(9.45)	
Buildings	1,745,644	1,797,161	(2.87)	
Equipment	167,638	212,749	(21.20)	
Infrastructure	2,106,690	2,150,190	(2.02)	
<i>Total Governmental Activities</i>	<u>\$ 4,344,679</u>	<u>\$ 4,505,025</u>	<u>(3.56)</u>	<u>%</u>
	<i>Business-type Activities</i>		<i>Percentage Change</i>	
	<i>2017</i>	<i>2016</i>		
Land	\$ 853,202	\$ 853,202	0.00	%
Improvements	22,194	23,646	(6.14)	
Buildings	182,459	191,710	(4.83)	
Equipment	523,630	507,462	3.19	
Infrastructure	13,294,464	13,367,463	(0.55)	
<i>Total Business-type Activities</i>	<u>\$ 14,875,949</u>	<u>\$ 14,943,483</u>	<u>(0.45)</u>	<u>%</u>
<i>Total Capital Assets</i>	<u>\$ 19,220,628</u>	<u>\$ 19,448,508</u>	<u>(1.17)</u>	<u>%</u>

Long-Term Debt

<b>June 30, 2017</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	\$ -	\$ 5,664,075	\$ 5,664,075
Urban Renewal bonds	3,338,485	-	3,338,485
Notes payable	439,988	136,762	576,750
<b><i>Total Outstanding Debt</i></b>	<b><u>\$ 3,778,473</u></b>	<b><u>\$ 5,800,837</u></b>	<b><u>\$ 9,579,310</u></b>

At the end of the current fiscal year, the City had total debt outstanding of \$9,579,310. This is an increase of \$3,397,886. The increase is due to the sale of \$3.07 million of Full Faith and Credit bonds by the Urban Renewal Fund. The bonds were sold at a premium that resulted in bond proceeds of \$3.4 million. The proceeds will be used for water and sewer utility upgrades on Main Street and Applegate Streets.

\$439,988 of the total government debt represents an outstanding note payable from the governmental funds. This note is 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.

<b>June 30, 2016</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>
\$ -	\$ 5,565,000	\$ 5,565,000	\$ -	\$ 99,075	\$ 99,075
-	-	-	3,338,485	-	3,338,485
64,291	152,133	616,424	(24,303)	(15,371)	(39,674)
<b><u>\$ 64,291</u></b>	<b><u>\$ 5,717,133</u></b>	<b><u>\$ 6,181,424</u></b>	<b><u>\$ 3,314,182</u></b>	<b><u>\$ 83,704</u></b>	<b><u>\$ 3,397,886</u></b>

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

To take advantage of very low interest rates, \$5.085 million of 2009 Bonds were refunded this fiscal year.

New debt of \$4.755 million was issued with a premium of \$669,185. The bonds will be paid over the next 16 years from net revenues of the sewer system and sewer systems development charges.

The amount of storm drain debt outstanding at June 30, 2017 is \$136,762. The note is paid from storm drain systems development charges.

### *Economic Factors and Next Year's Budgets and Rates*

During the preparation of the budget for the ensuing fiscal year, the long-term impacts of the local economy were examined in conjunction with business decisions made by the City. The following are the major assumptions used in developing the FY 2017-18 budget:

- The July 2016 (the most current) population was 4,665. In the last few years population growth has been almost flat.
- Residential and commercial building is starting to show some signs of recovery. Several projects are completing the planning phase and should start construction within the next year. A new mead brewery and tap room will open in the fall of 2017. An 84 unit apartment complex is expected to open during 2018, and a 258 unit apartment complex is expected to start construction in 2018.
- Assessed values, the basis of property tax revenues, grew by 3.1% in FY 2015-16 and 2.5% in FY 2016-17.
- The City's permanent tax rate of \$5.3005.
- The City has no projects scheduled for the foreseeable future that would require local option funding approval by the electorate.
- The City Council passed a \$10 per month General Fund fee. This is expected to raise about \$20,000 per month to add additional revenue to the General Fund.
- Interest rates on investments are expected to remain under 1%.
- Combined water and sewer utility rates increased by 2.5%. 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 3.8% effective January 2018.

The City's adopted budget for FY 2017-18 reflects total estimated resources of \$11,844,719 which exceeds total estimated expenditures by \$3,093,284.

### **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**

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

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

ASSETS	GOVERNMENTAL	BUSINESS- TYPE	TOTAL
Current:			
Cash and Investments	\$ 8,935,716	\$ 766,268	\$ 9,701,984
Receivables:			
Accounts	10,257	219,634	229,891
Property Taxes	146,809	-	146,809
Special Assessments	52,403	-	52,403
Other	72,063	-	72,063
Prepaid Items	3,278	139,047	142,325
Total Current Assets	<u>9,220,526</u>	<u>1,124,949</u>	<u>10,345,475</u>
Non-Current:			
Loans Receivable	863,918	-	863,918
Nondepreciable Capital Assets	130,933	853,202	984,135
Depreciable Capital Assets	4,213,746	14,022,747	18,236,493
Total Non-Current Assets	<u>5,208,597</u>	<u>14,875,949</u>	<u>20,084,546</u>
Total Assets	<u>14,429,123</u>	<u>16,000,898</u>	<u>30,430,021</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Deferred Outflows	<u>1,165,279</u>	<u>370,003</u>	<u>1,535,282</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	332,801	22,360	355,161
Other Current Liabilities	40,242	51,675	91,917
Total Current Liabilities	<u>373,043</u>	<u>74,035</u>	<u>447,078</u>
Noncurrent Liabilities:			
Due within one year			
Notes Payable	24,464	16,293	40,757
Bonds Payable	134,457	194,613	329,070
Due in more than one year			
Notes Payable	415,524	120,469	535,993
Bonds Payable	3,204,028	5,469,462	8,673,490
Accrued Compensated Absences	238,690	75,124	313,814
Net Pension Liability	2,036,230	646,550	2,682,780
Total Long Term Liabilities	<u>6,053,393</u>	<u>6,522,511</u>	<u>12,575,904</u>
Total Liabilities	<u>6,426,436</u>	<u>6,596,546</u>	<u>13,022,982</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Related Deferred Inflows	<u>42,523</u>	<u>13,502</u>	<u>56,025</u>
NET POSITION			
Net Investments in Capital Assets	3,904,691	9,075,112	12,979,803
Restricted	5,930,094	551,934	6,482,028
Unrestricted	<u>(709,342)</u>	<u>133,807</u>	<u>(575,535)</u>
TOTAL NET POSITION	<u>\$ 9,125,443</u>	<u>\$ 9,760,853</u>	<u>\$ 18,886,296</u>

See accompanying notes to the basic financial statements

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2017**

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	\$ 1,326,529	\$ 784,082	\$ -	11,640	\$ (530,807)	\$ -	\$ (530,807)
Police	1,561,409	8,771	4,666	-	(1,547,972)	-	(1,547,972)
Streets	458,795	107,390	275,900	74,299	(1,206)	-	(1,206)
Public Works	253,639	-	2,787	-	(250,852)	-	(250,852)
Interest on long-term debt	72,354	-	-	-	(72,354)	-	(72,354)
<b>Total Governmental Activities</b>	<b>3,672,726</b>	<b>900,243</b>	<b>283,353</b>	<b>85,939</b>	<b>(2,403,191)</b>	<b>-</b>	<b>(2,403,191)</b>
<b>Business-Type Activities</b>							
Water	953,812	1,000,818	8,874	130,873	-	186,753	186,753
Sewer	1,224,806	1,100,689	-	120,179	-	(3,938)	(3,938)
Storm Drain	50,502	58,211	-	37,835	-	45,544	45,544
<b>Total Business-Type Activities</b>	<b>2,229,120</b>	<b>2,159,718</b>	<b>8,874</b>	<b>288,887</b>	<b>-</b>	<b>228,359</b>	<b>228,359</b>
<b>Total Primary Government</b>	<b>\$ 5,901,846</b>	<b>\$ 3,059,961</b>	<b>\$ 292,227</b>	<b>374,826</b>	<b>\$ (2,403,191)</b>	<b>\$ 228,359</b>	<b>\$ (2,174,832)</b>

**General Revenues**

Property Taxes	2,004,030	-	2,004,030
Franchise Fees	427,440	-	427,440
Intergovernmental	122,805	-	122,805
Gain/Loss on Sale of Capital Assets	(1,071)	5,580	4,509
Interest and Miscellaneous	159,033	79,646	238,679
Transfers	429,383	(429,383)	-
<b>Total General Revenues</b>	<b>3,141,620</b>	<b>(344,157)</b>	<b>2,797,463</b>
<b>Change in Net Position</b>	<b>738,429</b>	<b>(115,798)</b>	<b>622,631</b>
<b>Beginning Net Position</b>	<b>8,387,014</b>	<b>9,876,651</b>	<b>18,263,665</b>
<b>Ending Net Position</b>	<b>\$ 9,125,443</b>	<b>\$ 9,760,853</b>	<b>\$ 18,886,296</b>

See accompanying notes to the basic financial statements

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2017**

	<u>GENERAL</u>	<u>COMMUNITY DEVELOPMENT</u>	<u>STREET</u>
<b>ASSETS</b>			
Cash and Investments	\$ 264,692	\$ 1,120	\$ 152,317
Receivables:			
Accounts	-	-	10,257
Property Taxes	109,574	-	-
Special Assessments	11,322	-	-
Other	44,836	-	26,987
Due From Other Funds	-	-	-
Prepaid Items	3,278	-	-
Loans Receivable	439,988	423,930	-
Total Assets	<u>\$ 873,690</u>	<u>\$ 425,050</u>	<u>\$ 189,561</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts Payable	80,112	80	\$ 10,753
Due to Other Funds	-	-	-
Other Liabilities	25,284	-	-
Total Liabilities	<u>105,396</u>	<u>80</u>	<u>10,753</u>
<b>Deferred Inflows of Resources:</b>			
Unavailable Revenue - Special Assessments	\$ 11,322	\$ -	-
Unavailable Revenue - Loans Receivable	439,988	423,930	-
Unavailable Revenue - Property Taxes	109,574	-	-
Total Deferred Inflows of Resources	<u>560,884</u>	<u>423,930</u>	<u>-</u>
<b>Fund Balances</b>			
Non-Spendable	3,278	-	-
Restricted For:			
Development Review	-	-	-
Community Development	-	1,040	-
Construction	-	-	-
Debt Service	-	-	-
Streets	-	-	178,808
Urban Renewal	-	-	-
Unassigned	204,132	-	-
Total Fund Balances	<u>207,410</u>	<u>1,040</u>	<u>178,808</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 873,690</u>	<u>\$ 425,050</u>	<u>\$ 189,561</u>

See accompanying notes to the basic financial statements

<u>URBAN RENEWAL</u>	<u>LAND, BUILDING &amp; EQUIPMENT</u>	<u>OTHER GOVERNMENTAL</u>	<u>TOTAL</u>
\$ 5,625,814	\$ 2,549,245	\$ 342,528	\$ 8,935,716
-	-	-	10,257
37,229	-	6	146,809
-	15,040	26,041	52,403
-	240	-	72,063
-	212,413	-	212,413
-	-	-	3,278
-	-	-	863,918
<u>\$ 5,663,043</u>	<u>\$ 2,776,938</u>	<u>\$ 368,575</u>	<u>\$ 10,296,857</u>
12,181	228,083	1,592	332,801
212,413	-	-	212,413
-	-	-	25,284
<u>224,594</u>	<u>228,083</u>	<u>1,592</u>	<u>570,498</u>
\$ -	\$ 15,040	\$ 26,041	\$ 52,403
-	-	-	863,918
<u>37,229</u>	<u>-</u>	<u>6</u>	<u>146,809</u>
<u>37,229</u>	<u>15,040</u>	<u>26,047</u>	<u>1,063,130</u>
-	-	-	3,278
-	-	-	-
-	-	28,822	28,822
-	-	300,607	301,647
-	2,533,815	-	2,533,815
3,366,795	-	11,507	3,378,302
-	-	-	178,808
2,034,425	-	-	2,034,425
-	-	-	204,132
<u>5,401,220</u>	<u>2,533,815</u>	<u>340,936</u>	<u>8,663,229</u>
<u>\$ 5,663,043</u>	<u>\$ 2,776,938</u>	<u>\$ 368,575</u>	<u>\$ 10,296,857</u>

See accompanying notes to the basic financial statements

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

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

**June 30, 2017**

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

Fund Balances	\$	8,663,229
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.		
		1,063,130
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		4,344,679
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.		
Bonds Payable		(2,980,000)
Notes Payable		(439,988)
Bond Premium and Insurance		(358,485)
Accrued Compensated Absences		(238,690)
Accrued Interest Payable		(38,992)
Transfer Deposit to Development Review Fund		24,034
Deferred inflows and outflows of resources related to the pension plan include differences between expected and actual experience, changes of assumptions, differences between projects and actual earnings, and contributions subsequent to the measurement date.		
Deferred Inflows	(42,523)	
Deferred Outflows	<u>1,165,279</u>	
Net Pension Related Deferrals		1,122,756
The Net Pension Asset (Liability) is the difference between the total pension liability and the assets set aside to pay benefits earned to past and current employees and beneficiaries.		
Pension Liability		<u>(2,036,230)</u>
Total Net Position	\$	<u><u>9,125,443</u></u>

See accompanying notes to the basic financial statements

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2017**

	GENERAL	COMMUNITY DEVELOPMENT	STREET
Revenue			
Property Taxes	\$ 1,485,609	\$ -	\$ -
Licenses and Permits	130,540	-	-
Charges for Services	328,720	-	107,390
Franchise Fees	376,138	-	51,302
Intergovernmental	127,471	-	275,900
Fines and Forfeitures	265,787	-	-
Interest and Miscellaneous	55,260	-	1,630
Total Revenue	<u>2,769,525</u>	<u>-</u>	<u>436,222</u>
Expenditures			
Current:			
General Government	1,058,769	8,027	-
Police	1,383,972	-	-
Streets	-	-	364,470
Public Works	183,033	-	-
Capital Outlay:			
General Government	-	-	-
Police	-	-	-
Streets	-	-	-
Public Works	-	-	-
Water	-	-	-
Sewer	-	-	-
Storm Drain	-	-	-
Debt Service:			
Principal	-	-	-
Interest	-	-	-
Bond Issuance Costs	-	-	-
Total Expenditures	<u>2,625,774</u>	<u>8,027</u>	<u>364,470</u>
Excess Revenue Over/Under Expenditures	143,751	(8,027)	71,752
Other Financing Sources, -Uses			
Loan Proceeds	-	-	-
Sale of Capital Assets	-	-	-
Transfers In	11,689	-	19,400
Transfers Out	(35,934)	(11,689)	(65,500)
Total Other Financing Sources, -Uses	<u>(24,245)</u>	<u>(11,689)</u>	<u>(46,100)</u>
Net Change in Fund Balance	119,506	(19,716)	25,652
Beginning Fund Balance	<u>87,904</u>	<u>20,756</u>	<u>153,156</u>
Ending Fund Balance	<u>\$ 207,410</u>	<u>\$ 1,040</u>	<u>\$ 178,808</u>

See accompanying notes to the basic financial statements

<u>URBAN RENEWAL</u>	<u>LAND, BUILDING &amp; EQUIPMENT</u>	<u>OTHER GOVERNMENTAL</u>	<u>TOTAL</u>
\$ 506,886	\$ -	\$ -	1,992,495
-	-	88,751	219,291
-	-	35,000	471,110
-	-	-	427,440
-	2,787	-	406,158
-	8,771	-	274,558
47,530	99,150	48,383	251,953
<u>554,416</u>	<u>110,708</u>	<u>172,134</u>	<u>4,043,005</u>
34,923	-	-	1,101,719
-	-	-	1,383,972
-	-	-	364,470
-	-	30,482	213,515
-	14,144	-	14,144
-	31,567	-	31,567
-	14,432	-	14,432
-	22,363	-	22,363
230,013	13,641	-	243,654
46,446	74,348	-	120,794
-	-	-	-
90,000	-	24,303	114,303
36,097	-	19,887	55,984
45,862	-	-	45,862
<u>483,341</u>	<u>170,495</u>	<u>74,672</u>	<u>3,726,779</u>
71,075	(59,787)	97,462	316,226
3,446,168	-	-	3,446,168
-	5,580	-	5,580
-	846,250	24,034	901,373
-	-	-	(113,123)
<u>3,446,168</u>	<u>851,830</u>	<u>24,034</u>	<u>4,239,998</u>
3,517,243	792,043	121,496	4,556,224
<u>1,883,977</u>	<u>1,741,772</u>	<u>219,440</u>	<u>4,107,005</u>
<u>\$ 5,401,220</u>	<u>\$ 2,533,815</u>	<u>\$ 340,936</u>	<u>8,663,229</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, 2017**

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	\$ 4,556,224
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.	13,126
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	(97,321)
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.	(3,686)
The net effect of disposal of capital assets is to reduce net assets.	(1,071)
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.	(35,282)
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	62,763
Depreciation	(222,038)
The issuance of long-term debt provides current financial resources, while the repayment of the principal of long-term debt consumes the current financial resources. Neither transaction, however, has any effect on the net assets. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of the differences in the treatment of long-term debt and related items.	(3,428,485)
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.	114,303
The Pension Expense represents the changes in Net Pension Asset (Liability) from year to year due to changes in total pension liability and the fair value of pension plan net position available to pay pension benefits.	
Pension Expense	<u>(220,104)</u>
Change in Net Position	<u>\$ 738,429</u>

See accompanying notes to the basic financial statements

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

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

ASSETS:	Water Fund	Sewer Fund	Storm Drain Fund	System Development Fund	Total
Current Assets					
Cash and Investments	\$ 112,503	\$ 80,827	\$ 16,217	\$ 556,721	\$ 766,268
Prepaid Interest	-	139,047	-	-	139,047
Accounts Receivable	106,208	107,879	5,547	-	219,634
Total Current Assets	<u>218,711</u>	<u>327,753</u>	<u>21,764</u>	<u>556,721</u>	<u>1,124,949</u>
Noncurrent Assets					
Nondepreciable Capital Assets	219,594	633,608	-	-	853,202
Depreciable Capital Assets, net	3,604,609	9,217,236	1,200,902	-	14,022,747
Total Noncurrent Assets	<u>3,824,203</u>	<u>9,850,844</u>	<u>1,200,902</u>	<u>-</u>	<u>14,875,949</u>
Total Assets	<u>4,042,914</u>	<u>10,178,597</u>	<u>1,222,666</u>	<u>556,721</u>	<u>16,000,898</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension Related Deferred Outflows	<u>202,657</u>	<u>167,346</u>	<u>-</u>	<u>-</u>	<u>370,003</u>
<b>LIABILITIES:</b>					
Current Liabilities					
Accounts Payable	8,702	12,896	762	-	22,360
Other Liabilities	-	46,888	-	4,787	51,675
Total Current Liabilities	<u>8,702</u>	<u>59,784</u>	<u>762</u>	<u>4,787</u>	<u>74,035</u>
Noncurrent Liabilities					
Due within one year	-	194,613	-	16,293	210,906
Due in more than one year	-	5,469,462	-	120,469	5,589,931
Accrued Compensated Absences	41,606	33,518	-	-	75,124
Net Pension Liability	354,127	292,423	-	-	646,550
Total Noncurrent Liabilities	<u>395,733</u>	<u>5,990,016</u>	<u>-</u>	<u>136,762</u>	<u>6,522,511</u>
Total Liabilities	<u>404,435</u>	<u>6,049,800</u>	<u>762</u>	<u>141,549</u>	<u>6,596,546</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension Related Deferred Inflows	<u>7,395</u>	<u>6,107</u>	<u>-</u>	<u>-</u>	<u>13,502</u>
<b>NET POSITION:</b>					
Net Investment in Capital Assets	3,824,203	4,186,769	1,200,902	(136,762)	9,075,112
Restricted for Construction	-	-	-	551,934	551,934
Unrestricted	9,538	103,267	21,002	-	133,807
Total Net Position	<u>\$ 3,833,741</u>	<u>\$ 4,290,036</u>	<u>\$ 1,221,904</u>	<u>\$ 415,172</u>	<u>\$ 9,760,853</u>

See accompanying notes to the basic financial statements

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2017**

	Water Fund	Sewer Fund	Storm Drain Fund	System Development Fund	Total
<b>OPERATING Revenue</b>					
Charges for Services	\$ 1,000,818	1,100,689	58,211	-	2,159,718
Intergovernmental	8,874	-	-	-	8,874
Miscellaneous	38,365	13,680	-	-	52,045
<b>Total Operating Revenue</b>	<b>1,048,057</b>	<b>1,114,369</b>	<b>58,211</b>	<b>-</b>	<b>2,220,637</b>
<b>OPERATING Expenditures</b>					
Personal Services	401,955	332,611	-	-	734,566
Materials and Services	401,614	332,939	9,286	-	743,839
Depreciation	150,243	249,112	32,626	-	431,981
<b>Total Operating Expenditures</b>	<b>953,812</b>	<b>914,662</b>	<b>41,912</b>	<b>-</b>	<b>1,910,386</b>
<b>Operating Income/(Loss)</b>	<b>94,245</b>	<b>199,707</b>	<b>16,299</b>	<b>-</b>	<b>310,251</b>
<b>NONOPERATING Revenue (Expenditures)</b>					
Investment Revenue	2,022	1,242	142	6,995	10,401
Property Lease	-	17,200	-	-	17,200
Interest Expense	-	(307,813)	-	(8,590)	(316,403)
Bond Issuance Amortization	-	(2,331)	-	-	(2,331)
Gain (Loss) on Sale of Capital Assets	5,580	-	-	-	5,580
<b>Total NonOperating Revenue</b>	<b>7,602</b>	<b>(291,702)</b>	<b>142</b>	<b>(1,595)</b>	<b>(285,553)</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<b>101,847</b>	<b>(91,995)</b>	<b>16,441</b>	<b>(1,595)</b>	<b>24,698</b>
Capital Contributions	-	-	-	288,887	288,887
Transfers In	243,654	220,793	-	5,000	469,447
Transfers Out	(477,930)	(276,500)	(44,400)	(100,000)	(898,830)
<b>Change in Net Position</b>	<b>(132,429)</b>	<b>(147,702)</b>	<b>(27,959)</b>	<b>192,292</b>	<b>(115,798)</b>
Beginning Net Position	3,966,170	4,437,738	1,249,863	222,880	9,876,651
Ending Net Position	<b>\$ 3,833,741</b>	<b>\$ 4,290,036</b>	<b>\$ 1,221,904</b>	<b>\$ 415,172</b>	<b>\$ 9,760,853</b>

See accompanying notes to the basic financial statements

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2017**

	Water Fund	Sewer Fund	Storm Drain Fund	System Development Fund	Total
<b>Cash Flows from Operating Activities:</b>					
Cash Received from Customers	\$ 1,063,043	\$ 1,101,456	\$ 56,650	\$ -	\$ 2,221,149
Cash Paid to Suppliers	(410,506)	(329,035)	(9,056)	-	(748,597)
Cash Paid to Employees	(356,482)	(296,125)	-	-	(652,607)
<b>Net Cash Provided -Used by Operating Activities</b>	<b>296,055</b>	<b>476,296</b>	<b>47,594</b>	<b>-</b>	<b>819,945</b>
<b>Cash Flows from Noncapital Financing Activities</b>					
Transfers	(472,350)	(176,500)	(44,400)	(95,000)	(788,250)
<b>Net Cash Provided -Used by Noncapital Financing Activities</b>	<b>(472,350)</b>	<b>(176,500)</b>	<b>(44,400)</b>	<b>(95,000)</b>	<b>(788,250)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Capital Contributions	-	-	-	288,887	288,887
Principal Payments on Long-Term Debt	-	(145,000)	-	(15,371)	(160,371)
Interest Payments on Long-Term Debt	-	(177,835)	-	(9,128)	(186,963)
Additions/Deletions to Capital Assets	-	-	-	-	-
<b>Net Cash Provided -Used by Capital and Related Financing Activities</b>	<b>-</b>	<b>(322,835)</b>	<b>-</b>	<b>264,388</b>	<b>(58,447)</b>
<b>Cash Flows from Investing Activities</b>					
Property Lease	-	17,200	-	-	17,200
Interest on Investments	2,022	1,371	142	6,995	10,530
<b>Net Increase -Decrease in Cash and Cash Equivalents</b>	<b>(174,273)</b>	<b>(4,468)</b>	<b>3,336</b>	<b>176,383</b>	<b>978</b>
<b>Cash and Investments at Beginning of Year</b>	<b>286,776</b>	<b>85,295</b>	<b>12,881</b>	<b>380,338</b>	<b>765,290</b>
<b>Cash and Investments at End of Year</b>	<b>\$ 112,503</b>	<b>\$ 80,827</b>	<b>\$ 16,217</b>	<b>\$ 556,721</b>	<b>\$ 766,268</b>
<b>Reconciliation of Operating Income to</b>					
<b>Net Cash Provided by Operating Activities</b>					
Operating Income, -Loss	\$ 94,245	\$ 199,707	\$ 16,299	\$ -	\$ 310,251
<b>Noncash Items Included in Income:</b>					
Depreciation	150,243	249,112	32,626	-	431,981
Pension Expense	44,057	35,360	-	-	79,417
Decrease -Increase in Accounts Receivable	14,485	(12,913)	(1,561)	-	11
Increase -Decrease in Accounts Payable	(8,892)	3,904	230	-	(4,758)
Increase -Decrease in Deposits	500	-	-	-	500
Increase -Decrease in Compensated Absences	1,417	1,126	-	-	2,543
<b>Net Cash Provided -Used by Operating Activities</b>	<b>\$ 296,055</b>	<b>\$ 476,296</b>	<b>\$ 47,594</b>	<b>\$ -</b>	<b>\$ 819,945</b>

See accompanying notes to the basic financial statements

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

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

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

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

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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**

---

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

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

There are the following *non-major governmental 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.

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

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

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.

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.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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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 the year ended June 30, 2017.

**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.

**Cash and cash equivalents**

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

**Fair Value Inputs and Methodologies and Hierarchy**

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

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

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

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

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

**Receivables**

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

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

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

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

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

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

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

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

**Deferred Outflows/Inflows of Resources**

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, special assessments and loans receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Net pension Related Deferrals of resources related to the pension plan include differences between expected and actual experience, changes of assumptions, differences between projects and actual earning, and contributions subsequent to the measurement date.

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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

**Capital assets**

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

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

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

**Accrued Compensated Absences**

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

**Long-term obligations**

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

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

**Retirement Plans**

Substantially all of the City's employees are participants in the State of Oregon Public Employees Retirement System (PERS). For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of PERS and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. GASB Statements 68 and 71 have been implemented as of July 1, 2015.

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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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.

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

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

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

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

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

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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

**Net Position/Fund Balance (continued)**

There are no assigned or committed fund balances reported.

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

**2. CASH AND INVESTMENTS**

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

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

Cash and Investments (recorded at cost) consisted of:

Deposits with Financial Institutions:	
Petty Cash	\$ 500
Demand Deposits	57,073
Investments	<u>9,644,412</u>
 Total Cash and Investments	 <u><u>\$ 9,701,985</u></u>
 Reconciliation of Cash Reported in:	
Governmental	\$ 8,935,717
Business Type	<u>766,268</u>
 Total Cash and Investments	 <u><u>\$ 9,701,985</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 \$75,566, all of which is covered by Federal Depository Insurance.

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

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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

Custodial Credit Risk

In the case of deposits, this is the risk that in the event of a bank failure, the deposits may not be returned. There is no deposit policy for custodial credit risk. As of June 30, 2017, 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, 2017 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, 2017, the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in months)		
		Less than 3	3-17	18-19
State Treasurer's Investment Pool	\$ 9,644,412	\$ 9,644,412	\$ -	\$ -
Total	<u>\$ 9,644,412</u>	<u>\$ 9,644,412</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.

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

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

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

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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

Interest Rate Risk

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

Custodial Credit Risk

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

Concentration Risk

Concentration risk is the risk of loss due to a large portion of investments with a single issuer. To avoid incurring unreasonable risks inherent to over-investing in specific instruments or in individual financial institutions, the investment policy sets maximum limits on the percentage of the portfolio that can be invested in any one type of security. At June 30, 2017, 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 2017 was \$423,930. The CDBG loans do not bear interest, and are due when the property securing the loans is transferred.

The following loans receivable are recorded in the General Fund:

Contract receivable from Lakeside Industrial Park, annual payments of approximately \$43,000, including interest from 3% to 4.5% (payments on receivable mirror the payments due on the loan to OECDD)	439,988
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The Following loans receivable are recorded in the Community Development Fund

Community Development Block Grant (CDBG) loans	<u>423,930</u>
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\$ 863,918

**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, 2017 was as follows:

<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS</b>				
Description	June 30, 2016	Additions	Disposals	June 30, 2017
Capital assets not being depreciated				
Land	\$ 130,933	\$ -	\$ -	\$ 130,933
Capital assets being depreciated				
Improvements	493,810	-	-	493,810
Buildings	2,541,448	-	-	2,541,448
Equipment	1,164,687	50,331	(4,751)	1,210,267
Infrastructure	2,804,402	12,432	-	2,816,834
Total other Capital Assets	7,004,347	62,763	(4,751)	7,062,359
Less Accumulated Depreciation				
Improvements	279,478	20,219	-	299,697
Buildings	744,287	51,517	-	795,804
Equipment	951,691	94,370	(3,680)	1,042,381
Infrastructure	654,799	55,932	-	710,731
Total Accumulated Depreciation	2,630,255	222,038	(3,680)	2,848,613
Total Governmental Activities	\$ 4,505,025	\$ (159,275)	\$ (1,071)	\$ 4,344,679

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

Function	Governmental Funds
General Government	\$ 81,044
Police	35,970
Streets	72,587
Public Works	32,437
Total	\$ 222,038

**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, 2017 was as follows:

Description	June 30, 2016	Additions	Disposals	June 30, 2017
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	1,379,953	74,348	(31,627)	1,422,674
Infrastructure	18,556,922	290,099	-	18,847,021
Total other Capital Assets	<u>20,434,835</u>	<u>364,447</u>	<u>(31,627)</u>	<u>20,767,655</u>
Less Accumulated Depreciation				
Improvements	55,442	1,452	-	56,894
Buildings	227,160	9,251	-	236,411
Equipment	872,492	58,180	(31,627)	899,045
Infrastructure	5,189,460	363,098	-	5,552,558
Total Accumulated Depreciation	<u>6,344,554</u>	<u>431,981</u>	<u>(31,627)</u>	<u>6,744,908</u>
Total Governmental Activities	<u>\$ 14,943,483</u>	<u>\$ (67,534)</u>	<u>\$ -</u>	<u>\$ 14,875,949</u>

**6. DEFERRED INFLOWS OF RESOURCES**

At June 30, 2017, deferred inflows of resources on the balance sheet - governmental funds consisted of the following:

Property taxes	\$ 146,809
Community Development Block Grant Loans	423,930
Other loans receivable	439,988
Assessments	<u>52,403</u>
	<u>\$ 1,063,130</u>

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**7. EMPLOYEE RETIREMENT PLAN**

**Oregon Public Employees Retirement System (PERS)**

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

<http://www.oregon.gov/PERS/Pages/Financials/CAFR-Previous-Years.aspx>

**PERS Pension (Chapter 238).** The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.

- i) Pension Benefits. The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, and 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated either by a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefits results.
  - ii) Death Benefits. Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided on or more of the following contributions are met:
    - member was employed by PERS employer at the time of death,
    - member died within 120 days after termination of PERS covered employment,
    - member died as a result of injury sustained while employed in a PERS-covered job, or
    - member was on an official leave of absence from a PERS-covered job at the time of death.
  - iii) Disability Benefits. A member with 10 or more years of creditable service who becomes disable from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.
  - iv) Benefit Changes After Retirement. Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.
- b) **OPSRP Pension Program (OPSRP DB).** The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.
- i) Pension Benefits. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:  
Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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

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

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

- ii) Death Benefits. Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.
- iii) Disability Benefits. A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.
- iv) Benefit Changes After Retirement. Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

Contributions – PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2014 actuarial valuation, which became effective July 1, 2015. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the year ended June 30, 2017 were approximately \$273,931, excluding amounts to fund employer specific liabilities.

At June 30, 2017, the City reported a liability of \$2,682,780 for its proportionate share of the net pension liability. The pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating school Cities, actuarially determined. At December 31, 2014, the City's proportion was .02 percent.

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 88,758	\$ -
Changes in assumptions	572,173	-
Net difference between projected and actual earnings on pension plan investments	530,005	-
Changes in proportionate share	70,415	17,863
Differences between employer contributions and employer's proportionate share of system contributions	-	38,162
Contributions subsequent to measurement date	273,931	-
Deferred outflow (inflow) of resources	\$ 1,535,282	\$ 56,025

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

Year ending June 30,	Amount
2017	\$ 213,405
2018	213,405
2019	410,777
2020	320,071
2021	47,668
Thereafter	-
Total	\$ 1,205,326

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated December 1, 2016. Oregon PERS produces an independently audited CAFR which can be found at: <http://www.oregon.gov/PERS/Pages/Financials/CAFR-Previous-Years.aspx>

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

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an actuarially determined amount for funding a disability benefit component, and (c) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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

Actuarial Methods and Assumptions:

Valuation date	December 31, 2014 rolled forward to June 30, 2016 measurement date
Experience Study Report	2014, Published September 2015
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years
Asset valuation method	Market value of assets
Inflation rate	2.5 percent (reduced from 2.75 percent)
Investment rate of return	7.5 percent (reduced from 7.75 percent)
Projected salary increase	3.5 percent overall payroll growth; salaries for individuals are assumed to grow at 3.75 percent plus assumed rates of merit/longevity increases based on service (reduced from 3.5 percent)
Cost of Living Adjustment	Blend of 2.0 percent COLA and graded COLA (1.25/0.15 percent) in accordance with <i>Moro</i> decision, blend based on service
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (70% for males and 95% for females) of the RP-2000 sex-distinct, generational per scale BB, disabled mortality table.

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

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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

**Assumed Asset Allocation:**

<b>Asset Class/Strategy</b>	<b>Low Range</b>	<b>High Range</b>	<b>OIC Target</b>
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	16.0%	24.0%	20.0%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	10.0%	10.0%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100%

*Source: June 30, 2014 PERS CAFR; p. 54 – 55)*

**Long-Term Expected Rate of Return:**

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

<b>Asset Class</b>	<b>Target</b>	<b>Compound Annual Return (Geometric)</b>
Core Fixed Income	7.20%	4.50%
Short-term Bonds	8.00%	3.70%
Intermediate-Term Bonds	3.00%	4.10%
High Yield Bonds	1.80%	6.66%
Large Cap US Equities	11.65%	7.20%
Mid Cap US Equities	3.88%	7.30%
Small Cap US Equities	2.27%	7.45%
Developed Foreign Equities	14.21%	6.90%
Emerging Foreign Equities	5.49%	7.40%
Private Equity	20.00%	8.26%
Opportunity Funds/Absolute Return	5.00%	6.01%
Real Estate (Property)	13.75%	6.51%
Real Estate (REITS)	2.50%	6.76%
Commodities	7.71%	6.07%
<i>Assumed Inflation</i>		2.75%

*Source: June 30, 2014 PERS CAFR; p. 54 – 55)*

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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

Sensitivity of the City’s proportionate share of the net pension liability to changes in the discount rate – The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	Decrease (6.5%)	Rate (7.5%)	Increase (8.5%)
District's proportionate share of the net pension liability	\$ 4,331,795	\$ 2,682,780	\$ 1,304,492

**Changes Subsequent to the Measurement Date**

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

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

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

Individual Account Program - In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for OPERS. 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 OPERS members who return to employment following a six month or greater break in service. The new plan consists of the defined benefit pension plans and a defined contribution pension plan (the Individual Account Program or IAP). Beginning January 1, 2004, all OPERS member contributions go into the IAP portion of OPSRP. OPERS’ members retain their existing OPERS accounts, but any future member contributions are deposited into the member’s IAP, not the member’s OPERS account. Those employees who had established an OPERS membership prior to the creation of OPSRP will be members of both the OPERS and OPSRP system as long as they remain in covered employment. Members of OPERS and OPSRP are required to contribute six percent of their salary covered under the plan that is invested in the IAP. The City makes this contribution on behalf of its employees.

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**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, 2017, the following changes occurred in long-term liabilities:

	Balance 7/1/2016	Additions	Reductions	Balance 6/30/2017	Due in One Year
<b>Governmental activities</b>					
OECDD Lakeside Loan, 2004	\$ 464,291	\$ -	\$ (24,303)	\$ 439,988	\$ 24,464
URA - FF&C 2016 Series	-	3,070,000	(90,000)	2,980,000	115,000
Total	\$ 464,291	\$ 3,070,000	\$ (114,303)	\$ 3,419,988	\$ 139,464
<b>Compensated absences</b>					
URA - Bond Premium	203,408	238,690	(203,408)	238,690	-
URA - Bond Insurance	-	376,168	(11,350)	364,818	19,457
	-	(6,530)	(197)	(6,333)	197
Total Governmental activities	<u>\$ 667,699</u>	<u>\$ 3,678,328</u>	<u>\$ (329,258)</u>	<u>\$ 4,017,163</u>	<u>\$ 159,118</u>
<b>Business-type activities</b>					
Sewer - FF&C 2016 Series	\$ -	\$ 4,755,000	\$ -	\$ 4,755,000	\$ -
Storm Drain SPWF Loan	152,133	-	(15,371)	136,762	16,293
FF&C Obligations, 2009	5,565,000	-	(5,230,000)	335,000	160,000
Total	\$ 5,717,133	\$ 4,755,000	\$ (5,245,371)	\$ 5,226,762	\$ 176,293
<b>Compensated absences</b>					
Sewer - Bond Premium	72,583	75,124	(72,583)	75,124	-
Sewer - Bond Insurance	-	669,185	(20,191)	648,994	34,613
	-	(74,919)	-	(74,919)	-
Total Business-type activities	<u>\$ 5,789,716</u>	<u>\$ 5,424,390</u>	<u>\$ (5,338,145)</u>	<u>\$ 5,875,961</u>	<u>\$ 210,906</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.

A Full Faith and Credit refunding was issued in 2016 with two components: to refund a portion of the outstanding 2009 sewer bonds, and to raise \$3.4 million for an Urban Renewal project. The total issue was \$7,825,000.

The 2009 sewer bonds

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

The City continues to be responsible for paying the principal and interest on the bonds maturing June 1, 2017, June 1, 2018 and June 1, 2019.

Future debt service requirements are as follows:

**Government Activities**

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017-18	\$ 139,464	\$ 132,176	\$ 271,640
2018-19	139,643	127,747	267,390
2019-20	149,828	123,311	273,139
2020-21	155,021	118,518	273,539
2021-22	155,222	113,568	268,790
2022-27	874,654	474,228	1,348,882
2027-32	986,156	281,182	1,267,338
2032-37	820,000	83,400	903,400
	<u>\$ 3,419,988</u>	<u>\$ 1,454,130</u>	<u>\$ 4,874,118</u>

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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

**Business-type Activities**

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017-18	\$ 176,293	\$ 229,524	\$ 405,817
2018-19	192,271	223,746	416,017
2019-20	198,307	11,592	209,899
2020-21	219,405	11,093	230,498
2021-22	240,570	10,529	251,099
2022-27	1,489,916	61,882	1,551,798
2027-32	2,170,000	86,800	2,256,800
2032-37	540,000	21,600	561,600
	<u>\$ 5,226,762</u>	<u>\$ 656,765</u>	<u>\$ 5,883,527</u>

**10. INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2017 on the budgetary basis of accounting, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	11,689	35,934
Street	-	-
Community Development	-	11,689
Urban Renewal - General	-	-
Land, Building and Equipment	846,250	-
Other Governmental	43,434	65,500
Systems Development	5,000	100,000
Water	243,654	477,930
Sewer	220,793	276,500
Storm Drain	-	44,400
	<u>\$ 1,370,820</u>	<u>\$ 1,011,953</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.

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**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.

**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.

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2017**

<u>GENERAL FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
<b>Revenue</b>				
Property Taxes	\$ 1,490,000	\$ 1,490,000	\$ 1,485,609	\$ (4,391)
Licenses and Permits	115,000	115,000	130,540	15,540
Charges for Services	309,900	309,900	328,720	18,820
Franchise Fees	346,700	346,700	376,138	29,438
Intergovernmental	125,640	125,640	127,471	1,831
Fines and Forfeitures	320,000	320,000	265,787	(54,213)
Interest and Miscellaneous	63,060	63,060	55,260	(7,800)
<b>Total Revenue</b>	<u>2,770,300</u>	<u>2,770,300</u>	<u>2,769,525</u>	<u>(775)</u>
<b>Expenditures</b>				
Administration	249,800	258,800 (1)	257,254	1,546
Building Permit	103,000	117,000 (1)	112,362	4,638
Finance	331,900	331,900 (1)	299,560	32,340
Municipal Court	231,000	231,000 (1)	204,290	26,710
Police	1,406,600	1,406,600 (1)	1,383,972	22,628
Buildings & Grounds	132,600	132,600 (1)	104,137	28,463
Parks	107,600	107,600 (1)	78,896	28,704
Non-Departmental	206,600	206,600 (1)	185,303	21,297
Contingency	50,000	27,000 (1)	-	27,000
<b>Total Expenditures</b>	<u>2,819,100</u>	<u>2,819,100</u>	<u>2,625,774</u>	<u>193,326</u>
Excess of Revenue Over, -Under Expenditures	(48,800)	(48,800)	143,751	192,551
<b>Other Financing Sources, -Uses</b>				
Transfers In	20,700	20,700	11,689	(9,011)
Transfers Out	(41,900)	(41,900) (1)	(35,934)	5,966
<b>Total Other Financing Sources, -Uses</b>	<u>(21,200)</u>	<u>(21,200)</u>	<u>(24,245)</u>	<u>(3,045)</u>
<b>Net Change in Fund Balance</b>	(70,000)	(70,000)	119,506	189,506
<b>Beginning Fund Balance</b>	<u>140,000</u>	<u>140,000</u>	<u>87,904</u>	<u>(52,096)</u>
<b>Ending Fund Balance</b>	<u>\$ 70,000</u>	<u>\$ 70,000</u>	<u>\$ 207,410</u>	<u>\$ 137,410</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, 2017**

COMMUNITY DEVELOPMENT FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
Revenue				
Interest and Miscellaneous	\$ 30,000	\$ 30,000	\$ -	\$ (30,000)
Total Revenue	<u>30,000</u>	<u>30,000</u>	<u>-</u>	<u>(30,000)</u>
Expenditures				
Materials and Services	<u>30,000</u>	<u>30,000 (1)</u>	<u>8,027</u>	<u>21,973</u>
Total Expenditures	<u>30,000</u>	<u>30,000</u>	<u>8,027</u>	<u>21,973</u>
Excess of Revenues Over -Under Expenditures	-	-	(8,027)	(8,027)
OTHER FINANCING SOURCES				
Transfers Out	<u>(20,700)</u>	<u>(20,700) (1)</u>	<u>(11,689)</u>	<u>9,011</u>
Net Change in Fund Balance	(20,700)	(20,700)	(19,716)	984
Beginning Fund Balance	<u>20,750</u>	<u>20,750</u>	<u>20,756</u>	<u>6</u>
Ending Fund Balance	<u>\$ 50</u>	<u>\$ 50</u>	<u>\$ 1,040</u>	<u>\$ 990</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, 2017**

<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	\$ 106,600	\$ 106,600	\$ 107,390	\$ 790
Franchise Fees	45,800	45,800	51,302	5,502
Intergovernmental	264,564	264,564	275,900	11,336
Interest and Miscellaneous	1,000	1,000	1,630	630
	<u>417,964</u>	<u>417,964</u>	<u>436,222</u>	<u>18,258</u>
Total Revenue				
Expenditures				
Personal Services	194,252	194,252 (1)	184,070	10,182
Materials and Services	232,612	232,612 (1)	180,400	52,212
Contingency	35,000	35,000 (1)	-	35,000
	<u>461,864</u>	<u>461,864</u>	<u>364,470</u>	<u>97,394</u>
Total Expenditures				
Excess of Revenue Over, -Under Expenditures	(43,900)	(43,900)	71,752	115,652
Other Financing Sources, -Uses				
Transfers In	19,400	19,400	19,400	-
Transfers Out	(65,500)	(65,500) (1)	(65,500)	-
	<u>(46,100)</u>	<u>(46,100)</u>	<u>(46,100)</u>	<u>-</u>
Total Other Financing Sources, -Uses				
Net Change in Fund Balance	(90,000)	(90,000)	25,652	115,652
Beginning Fund Balance	140,000	140,000	153,156	13,156
Ending Fund Balance	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 178,808</u>	<u>\$ 128,808</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, 2017**

	<u>URBAN RENEWAL</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
Revenue				
Property Taxes	\$ 517,300	\$ 517,300	\$ 506,886	\$ (10,414)
Interest and Miscellaneous	12,200	12,200	47,530	35,330
Total Revenue	<u>529,500</u>	<u>529,500</u>	<u>554,416</u>	<u>24,916</u>
Expenditures				
Materials and Services	129,500	129,500 (1)	34,923	94,577
Capital Outlay	5,350,000	5,350,000 (1)	276,459	5,073,541
Debt Service	300,000	300,000 (1)	171,959	128,041
Total Expenditures	<u>5,779,500</u>	<u>5,779,500</u>	<u>483,341</u>	<u>5,296,159</u>
Excess of Revenue Over, -Under Expenditures	(5,250,000)	(5,250,000)	71,075	5,321,075
Other Financing Sources, -Uses				
Loan Proceeds	3,400,000	3,400,000	3,446,168	46,168
Total Other Financing Sources, -Uses	<u>3,400,000</u>	<u>3,400,000</u>	<u>3,446,168</u>	<u>46,168</u>
Net Change in Fund Balance	(1,850,000)	(1,850,000)	3,517,243	5,367,243
Beginning Fund Balance	<u>1,900,000</u>	<u>1,900,000</u>	<u>1,883,977</u>	<u>(16,023)</u>
Ending Fund Balance	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 5,401,220</u>	<u>\$ 5,351,220</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, 2017**

LAND BUILDING AND EQUIPMENT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Revenue				
Intergovernmental	\$ 2,670	\$ 2,670	\$ 2,787	\$ 117
Fines and Forfeitures	11,000	11,000	8,771	(2,229)
Interest and Miscellaneous	20,130	20,130	99,150	79,020
Total Revenue	33,800	33,800	110,708	76,908
Expenditures				
Capital Outlay	1,179,800	1,179,800 (1)	170,495	1,009,305
Total Expenditures	1,179,800	1,179,800	170,495	1,009,305
Excess of Revenue Over, -Under Expenditures	(1,146,000)	(1,146,000)	(59,787)	1,086,213
Other Financing Sources, -Uses				
Sale of Capital Assets	-	-	5,580	5,580
Transfers In	914,000	914,000	846,250	(67,750)
Total Other Financing Sources, -Uses	914,000	914,000	851,830	(67,750)
Net Change in Fund Balance	(232,000)	(232,000)	792,043	1,018,463
Beginning Fund Balance	1,737,000	1,737,000	1,741,772	4,772
Ending Fund Balance	\$ 1,505,000	\$ 1,505,000	\$ 2,533,815	\$ 1,023,235

(1) Appropriation Level

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**REQUIRED SUPPLEMENTARY INFORMATION  
For the fiscal year ended June 30, 2017**

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

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

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

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

**SCHEDULE OF CONTRIBUTIONS**

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

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

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

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**SUPPLEMENTARY INFORMATION**

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS**

**June 30, 2017**

	<u>Special Revenue</u> <u>DEVELOPMENT</u> <u>REVIEW</u>	<u>Debt Service</u> <u>ECONOMIC</u> <u>DEVELOPMENT</u>	<u>Capital Projects</u> <u>SYSTEMS</u> <u>DEVELOPMENT</u>	<u>TOTAL</u>
<b>ASSETS</b>				
Cash and Investments	\$ 30,414	\$ 11,507	\$ 300,607	\$ 342,528
Receivables:				
Accounts	-	-	-	-
Property Taxes	-	6	-	6
Special Assessments	-	-	26,041	26,041
Other	-	-	-	-
Due From Other Funds	-	-	-	-
Prepaid Items	-	-	-	-
Loans Receivable	-	-	-	-
Total Assets	<u>\$ 30,414</u>	<u>\$ 11,513</u>	<u>\$ 326,648</u>	<u>\$ 368,575</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts Payable	1,592	-	-	1,592
Due to Other Funds	-	-	-	-
Other Liabilities	-	-	-	-
Total Liabilities	<u>1,592</u>	<u>-</u>	<u>-</u>	<u>1,592</u>
<b>Deferred Inflows of Resources:</b>				
Unavailable Revenue - Special Assessments	\$ -	\$ -	\$ 26,041	\$ 26,041
Unavailable Revenue - Loans Receivable	-	-	-	-
Unavailable Revenue - Property Taxes	-	6	-	6
Total Deferred Inflows of Resources	<u>-</u>	<u>6</u>	<u>26,041</u>	<u>26,047</u>
<b>Fund Balances</b>				
Non-Spendable	-	-	-	-
Restricted For:				
Development Review	28,822	-	-	28,822
Community Development	-	-	300,607	300,607
Construction	-	-	-	-
Debt Service	-	11,507	-	11,507
Streets	-	-	-	-
Urban Renewal	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	<u>28,822</u>	<u>11,507</u>	<u>300,607</u>	<u>340,936</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 30,414</u>	<u>\$ 11,513</u>	<u>\$ 326,648</u>	<u>\$ 368,575</u>

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2017**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
	<u>DEVELOPMENT</u>	<u>ECONOMIC</u>	<u>SYSTEMS</u>	
	<u>REVIEW</u>	<u>DEVELOPMENT</u>	<u>DEVELOPMENT</u>	<u>TOTAL</u>
Revenue				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	88,751	88,751
Charges for Services	35,000	-	-	35,000
Franchise Fees	-	-	-	-
Intergovernmental	-	-	-	-
Fines and Forfeitures	-	-	-	-
Interest and Miscellaneous	270	44,303	3,810	48,383
Total Revenue	<u>35,270</u>	<u>44,303</u>	<u>92,561</u>	<u>172,134</u>
Expenditures				
Current:				
General Government	-	-	-	-
Police	-	-	-	-
Streets	-	-	-	-
Public Works	30,482	-	-	30,482
Debt Service:				
Principal	-	24,303	-	24,303
Interest	-	19,887	-	19,887
Bond Issuance Costs	-	-	-	-
Total Expenditures	<u>30,482</u>	<u>44,190</u>	<u>-</u>	<u>74,672</u>
Excess Revenue Over/Under Expenditures	4,788	113	92,561	97,462
Other Financing Sources, -Uses				
Loan Proceeds	-	-	-	-
Sale of Capital Assets	-	-	-	-
Transfers In	24,034	-	-	24,034
Transfers Out	-	-	-	-
Total Other Financing Sources, -Uses	<u>24,034</u>	<u>-</u>	<u>-</u>	<u>24,034</u>
Net Change in Fund Balance	28,822	113	92,561	121,496
Beginning Fund Balance	<u>-</u>	<u>11,394</u>	<u>208,046</u>	<u>219,440</u>
Ending Fund Balance	<u>\$ 28,822</u>	<u>\$ 11,507</u>	<u>\$ 300,607</u>	<u>\$ 340,936</u>

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2017**

ECONOMIC DEVELOPMENT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Revenue				
Interest and Miscellaneous	\$ 44,245	\$ 44,245	\$ 44,303	\$ 58
Total Revenue	44,245	44,245	44,303	58
Expenditures				
Debt Service	44,190	44,190 (1)	44,190	-
Total Expenditures	44,190	44,190	44,190	-
Net Change in Fund Balance	55	55	113	58
Beginning Fund Balance	11,390	11,390	11,394	4
Ending Fund Balance	\$ 11,445	\$ 11,445	\$ 11,507	\$ 62

(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, 2017**

DEVELOPMENT REVIEW FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
Revenue				
Charges for Services	\$ 80,000	\$ 80,000	\$ 35,000	\$ 45,000
Interest and Miscellaneous	200	200	270	70
Total Revenue	<u>80,200</u>	<u>80,200</u>	<u>35,270</u>	<u>45,070</u>
Expenditures				
Materials and Services	<u>110,000</u>	<u>110,000</u> (1)	<u>30,482</u>	<u>79,518</u>
Total Expenditures	<u>110,000</u>	<u>110,000</u>	<u>30,482</u>	<u>79,518</u>
Excess of Revenues Over -Under Expenditures	(29,800)	(29,800)	4,788	34,588
OTHER FINANCING SOURCES				
Transfers In	<u>30,000</u>	<u>30,000</u>	<u>24,034</u>	<u>(5,966)</u>
Net Change in Fund Balance	200	200	28,822	28,622
Beginning Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Fund Balance	<u>\$ 200</u>	<u>\$ 200</u>	<u>\$ 28,822</u>	<u>\$ 28,622</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, 2017**

SYSTEMS DEVELOPMENT FUND (CAPITAL PROJECTS)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Revenue				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	79,600	79,600	88,751	9,151
Interest and Miscellaneous	1,625	1,625	3,810	2,185
Total Revenue	81,225	81,225	92,561	11,336
Expenditures				
Capital Outlay	80,000	80,000 (1)	-	80,000
Total Expenditures	80,000	80,000	-	80,000
Net Change in Fund Balance	1,225	1,225	92,561	91,336
Beginning Fund Balance	196,800	196,800	208,046	11,246
Ending Fund Balance	\$ 198,025	\$ 198,025	\$ 300,607	\$ 102,582

(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, 2017**

WATER FUND

	ORIGINAL BUDGET	FINAL BUDGET	BUDGET BASIS	GAAP BASIS
<b>Revenue</b>				
Charges for Services	\$ 1,120,000	\$ 1,120,000	\$ 1,000,818	\$ 1,000,818
Intergovernmental	20,000	20,000	8,874	8,874
Interest and Miscellaneous	39,895	39,895	40,387	40,387
<b>Total Revenue</b>	<u>1,179,895</u>	<u>1,179,895</u>	<u>1,050,079</u>	<u>1,050,079</u>
<b>Expenditures</b>				
Personal Services	371,728	371,728 (1)	356,482	401,955
Materials and Services	494,067	494,067 (1)	401,614	401,614
Capital Outlay/Depreciation	-	- (1)	-	150,243
Debt Service	-	- (1)	-	-
Contingency	50,000	50,000 (1)	-	-
<b>Total Expenditures</b>	<u>915,795</u>	<u>915,795</u>	<u>758,096</u>	<u>953,812</u>
Excess of Revenue Over -Under Expenditures	264,100	264,100	291,983	96,267
<b>OTHER FINANCING SOURCES</b>				
Sale of Capital Asset	-	-	-	5,580
Transfers In	-	-	-	243,654
Transfers Out	(540,100)	(540,100) (1)	(472,350)	(477,930)
<b>Total Other Financing Sources</b>	<u>(540,100)</u>	<u>(540,100)</u>	<u>(472,350)</u>	<u>(228,696)</u>
<b>Net Change in Fund Balance</b>	<u>(276,000)</u>	<u>(276,000)</u>	<u>(180,367)</u>	<u>(132,429)</u>
<b>Beginning Fund Balance</b>	<u>400,000</u>	<u>400,000</u>	<u>390,376</u>	<u>3,966,170</u>
<b>Ending Fund Balance</b>	<u>\$ 124,000</u>	<u>\$ 124,000</u>	<u>\$ 210,009</u>	<u>\$ 3,833,741</u>

Reconciliation to the Statement of Proprietary Net Position

Net Capital Assets	3,824,203
Pension Related deferred Outflows	202,657
Pension Related Deferred Inflows	(7,395)
Compensated Absences	(41,606)
Net Pension Liability	<u>(354,127)</u>
<b>Net Position</b>	<u>\$ 3,833,741</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, 2017**

SEWER FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	GAAP BASIS
<b>Revenue</b>				
Charges for Services	\$ 1,104,000	\$ 1,104,000	\$ 1,100,689	\$ 1,100,689
Lease of Land	17,700	17,700	17,200	17,200
Intergovernmental	20,000	20,000	-	-
Interest and Miscellaneous	17,300	17,300	14,922	14,922
<b>Total Revenue</b>	<u>1,159,000</u>	<u>1,159,000</u>	<u>1,132,811</u>	<u>1,132,811</u>
<b>Expenditures</b>				
Personal Services	310,076	310,076 (1)	296,125	332,611
Materials and Services	390,756	390,756 (1)	332,939	332,939
Capital Outlay/Depreciation	-	- (1)	-	249,112
Debt Service	370,668	370,668 (1)	322,835	310,144
Contingency	40,000	40,000 (1)	-	-
<b>Total Expenditures</b>	<u>1,111,500</u>	<u>1,111,500</u>	<u>951,899</u>	<u>1,224,806</u>
Excess of Revenue Over -Under Expenditures	47,500	47,500	180,912	(91,995)
<b>OTHER FINANCING SOURCES</b>				
Transfers In	100,000	100,000	100,000	220,793
Transfers Out	(276,500)	(276,500) (1)	(276,500)	(276,500)
<b>Total Other Financing Sources</b>	<u>(176,500)</u>	<u>(176,500)</u>	<u>(176,500)</u>	<u>(55,707)</u>
<b>Net Change in Fund Balance</b>	(129,000)	(129,000)	4,412	(147,702)
<b>Beginning Fund Balance</b>	<u>141,000</u>	<u>141,000</u>	<u>171,270</u>	<u>4,437,738</u>
<b>Ending Fund Balance</b>	<u>\$ 12,000</u>	<u>\$ 12,000</u>	<u>\$ 175,682</u>	<u>\$ 4,290,036</u>

Reconciliation to the Statement of Proprietary Net Position

Net Capital Assets	9,850,844
Pension Related Deferred Outflows	167,346
Pension Related Deferred Inflows	(6,107)
Prepaid Interest	139,047
Accrued Interest	(46,888)
Compensated Absences	(33,518)
Net Pension Liability	(292,423)
Long Term Debt	<u>(5,663,947)</u>
<b>Net Position</b>	<u>\$ 4,290,036</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, 2017**

STORM DRAIN FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	GAAP BASIS
Revenue				
Charges for Services	\$ 58,200	\$ 58,200	\$ 58,211	\$ 58,211
Interest and Miscellaneous	50	50	142	142
Total Revenue	58,250	58,250	58,353	58,353
Expenditures				
Materials and Services	17,850	17,850 (1)	9,286	9,286
Capital Outlay/Depreciation	-	- (1)	-	32,626
Total Expenditures	17,850	17,850	9,286	41,912
Excess of Revenue Over -Under Expenditures	40,400	40,400	49,067	16,441
OTHER FINANCING SOURCES				
Transfers Out	(44,400)	(44,400) (1)	(44,400)	(44,400)
Total Other Financing Sources -Uses	(44,400)	(44,400)	(44,400)	(44,400)
Net Change in Fund Balance	(4,000)	(4,000)	4,667	(27,959)
Beginning Fund Balance	17,000	17,000	16,335	1,249,863
Ending Fund Balance	\$ 13,000	\$ 13,000	\$ 21,002	\$ 1,221,904
Reconciliation to the Statement of Proprietary Net Position				
Net Capital Assets			1,200,902	
Net Position			\$ 1,221,904	

(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, 2017**

SYSTEM DEVELOPMENT FUND (PROPRIETARY)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	GAAP BASIS
Revenue				
Charges for Services	\$ 248,700	\$ 248,700	\$ 288,887	\$ 288,887
Interest and Miscellaneous	2,474	2,474	6,995	6,995
Total Revenue	251,174	251,174	295,882	295,882
Expenditures				
Capital Outlay	258,100	258,100 (1)	-	-
Debt Service	24,499	24,499 (1)	24,499	8,590
Total Expenditures	282,599	282,599	24,499	8,590
Excess of Revenue Over -Under Expenditures	(31,425)	(31,425)	271,383	287,292
OTHER FINANCING SOURCES				
Transfers In	5,000	5,000	5,000	5,000
Transfers Out	(100,000)	(100,000) (1)	(100,000)	(100,000)
Total Other Financing Sources -Uses	(95,000)	(95,000)	(95,000)	(95,000)
Net Change in Fund Balance	(126,425)	(126,425)	176,383	192,292
Beginning Fund Balance	362,400	362,400	380,338	222,880
Ending Fund Balance	\$ 235,975	\$ 235,975	\$ 556,721	\$ 415,172
Reconciliation to the Statement of Proprietary Net Position				
Long Term Debt			(136,762)	
Accrued Interest Payable			(4,787)	
Net Position			\$ 415,172	

(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, 2017**

TAX YEAR	IMPOSED LEVY OR UNCOLLECTED AT 7-1-16	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6-30-17
<b>CURRENT:</b>						
2016-17	\$ 1,537,874	\$ 42,530	\$ -	\$ -	\$ 1,462,364	\$ 32,980
<b>PRIOR YEARS:</b>						
2015-16	\$ 39,035	\$ -	\$ (379)	\$ -	\$ 13,838	\$ 24,818
2014-15	25,912	-	(207)	-	4,732	20,973
2013-14	18,087	-	(205)	-	2,815	15,067
2012-13	9,497	-	(174)	-	1,479	7,844
Prior	8,410	-	(360)	-	382	7,668
<b>Total</b>	<b>\$ 1,638,815</b>	<b>\$ 42,530</b>	<b>\$ (1,325)</b>	<b>\$ -</b>	<b>\$ 1,485,610</b>	<b>\$ 109,350</b>

RECONCILIATION TO REVENUE

Cash Collections by County Treasurer Above	<u>\$ 1,485,610</u>
Total Revenue	<u>\$ 1,485,610</u>

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES  
OF TAXES UNCOLLECTED - DEBT SERVICE FUND  
For the Year Ended June 30, 2017**

TAX YEAR	IMPOSED LEVY OR UNCOLLECTED AT 7-1-16	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6-30-17
<b>CURRENT:</b>						
2016-17	\$ 524,662	\$ 14,510	\$ -	\$ -	\$ 498,901	\$ 11,251
<b>PRIOR YEARS:</b>						
2015-16	\$ 13,539	\$ -	\$ (132)	\$ -	\$ 4,800	\$ 8,607
2014-15	8,819	-	(71)	-	1,610	7,138
2013-14	6,211	-	(70)	-	967	5,174
2012-13	3,151	-	(58)	-	490	2,603
Prior	2,613	-	(39)	-	118	2,456
<b>Total</b>	<b>\$ 558,995</b>	<b>\$ 14,510</b>	<b>\$ (370)</b>	<b>\$ -</b>	<b>\$ 506,886</b>	<b>\$ 37,229</b>

RECONCILIATION TO REVENUE

Cash Collections by County Treasurer Above	<u>\$ 506,886</u>
Total Revenue	<u><u>\$ 506,886</u></u>

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

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



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October 24, 2017

### **Independent Auditor's Report Required by Oregon State Regulations**

We have audited the basic financial statements of the City of Philomath, Oregon as of and for the year ended June 30, 2017, and have issued our report thereon dated October 24, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

#### **Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

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

**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.