

CITY OF PHILOMATH
BENTON COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2019



12700 SW 72nd Ave.
Tigard, OR 97223

CITY OF PHILOMATH
BENTON COUNTY, OREGON

For the Year Ended June 30, 2019

ANNUAL FINANCIAL REPORT

This Page Intentionally Left Blank

CITY OF PHILOMATH
BENTON COUNTY, OREGON

CITY COUNCIL

TERM EXPIRES

Eric Niemann, Mayor

December 31, 2020

Doug Edmonds

December 31, 2020

David Low

December 31, 2020

Chas Jones

December 31, 2020

Marion Dark

December 31, 2020

Matthew Thomas

December 31, 2020

All council members receive mail at the address listed below.

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

This Page Intentionally Left Blank

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

**PAGE
NUMBER**

INDEPENDENT AUDITOR’S REPORT

1

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT’S DISCUSSION AND ANALYSIS

3

BASIC FINANCIAL STATEMENTS

FINANCIAL STATEMENTS AND SCHEDULES:

Basic Financial Statements:

Government-Wide Financial Statements:

Statement of Net Position

17

Statement of Activities

18

Fund Financial Statements:

Balance Sheet – Governmental Funds

19

Reconciliation of Balance Sheet of Governmental Funds to

Statement of Net Position

20

Statement of Revenues, Expenditures and Changes in

Fund Balance – Governmental Funds

21

Reconciliation of Statement of Revenues, Expenditures and Changes in

Fund Balance – Governmental Funds – To Statement of Activities

22

Statement of Net Position – Proprietary Funds

23

Statement of Revenues, Expenses and Changes in

Net Position – Proprietary Funds

24

Statement of Cash Flows – Proprietary Funds

25

Notes to Basic Financial Statements

26

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Net Pension Liability and

Schedule of Contributions

54

Schedule of Changes in Other Post Employment Benefits (OPEB) Liability

55

Schedule of Revenues, Expenditures and Changes in

Fund Balance - Actual and Budget - Budgetary Basis

General Fund

56

SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in

Fund Balance - Actual and Budget - Budgetary Basis

Systems Development Fund Capital Projects

57

Street Fund

58

Urban Renewal

59

Land Building and Equipment Fund

60

**CITY OF PHILOMATH
BENTON COUNTY, OREGON
TABLE OF CONTENTS (CONTINUED)**

**PAGE
NUMBER**

SUPPLEMENTARY INFORMATION

Non-Major Governmental Funds Combining Schedules:	
Combining Balance Sheet	61
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance	62
Schedules of Revenues, Expenditures and Changes in Fund Balance –	
Actual and Budget – Budgetary Basis:	
Development Review Fund	63
Community Development Fund	64
Economic Development Fund	65
 Major Proprietary Funds:	
Water Fund	66
Sewer Fund	67
Non-Major Proprietary Funds:	
Storm Drain Fund	68
System Development Fund	69
 Schedule of Property Tax Transactions and Balances of Taxes Uncollected:	
General	70
Urban Renewal	71

REPORTS ON LEGAL AND OTHER REGULATORY REQUIREMENTS

Independent Auditor’s Report Required by Oregon State Regulations	72
---	----



PAULY, ROGERS AND CO., P.C.
12700 SW 72nd Ave. ♦ Tigard, OR 97223
(503) 620-2632 ♦ (503) 684-7523 FAX
www.paulyrogersandcocpas.com

November 2, 2019

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, 2019, 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, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

The District adopted the provisions of GASB Statement No. 88 – Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements for the year ended June 30, 2019. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

The budgetary comparison schedules presented as Required Supplementary Information, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other and Supplementary Information

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 2, 2019, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



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

City of Philomath, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2019

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, 2019.

Financial Highlights

Following are the financial highlights of the City for the fiscal year ended June 30, 2019.

- The City's total assets exceeded its liabilities at the close of FY 2018-19 by \$23.6 million (net position). Of this amount, \$12.9 million is invested in capital assets, net of related debt; \$11 million is restricted for construction projects, debt service and other commitments; and the negative balance of \$307,376 is considered unrestricted.
- The City's net position increased by \$3,063,888. \$2 million of this increase is attributable to the collection of System Development Charges that are being held for future construction projects.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$10 million. \$9.56 million of the fund balance is restricted for debt service and future construction.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$1,102,770 or approximately 36 percent of total General Fund expenditures.
- The City's total liabilities decreased by \$28,477 or .2 percent during fiscal year 2018-19.

Overview of the Financial Statements

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

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

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

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may

serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

The governmental activities of the City include the following:

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

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

- Water Utility
- Sewer Utility
- Storm Drain Utility

Government-wide financial statements can be found on pages 17 and 18 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 20 and 22 in the basic financial statements.

The governmental fund financial statements can be found on pages 19 and 21 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 five major funds; General Fund, System Development Capital Projects Fund, Street Fund, Urban Renewal Fund, and Land Building & Equipment Fund. The Development Review Fund, Community Development Fund and Economic Development 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 56 through 65.

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

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

The City also adopts an annual appropriated budget for all proprietary funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided for the enterprise funds as Supplementary Information on pages 66 through 69.

The proprietary fund financial statements can be found on pages 23 through 25 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

	<i>June 30, 2019</i>		
	<i>Governmental Activities</i>	<i>Business- Type Activities</i>	<i>Total</i>
Cash and investments	\$ 10,078,340	\$ 1,960,467	\$ 12,038,807
Other Assets	300,299	247,784	548,083
Loans Receivable	725,032	-	725,032
Capital assets	4,369,888	17,290,448	21,660,336
<i>Total Assets</i>	<u>15,473,559</u>	<u>19,498,699</u>	<u>34,972,258</u>
Deferred Outflows of Resources			
Net Pension Related Deferrals	850,965	277,636	1,128,601
OPEB Related Deferrals	16,034	5,232	21,266
<i>Total Deferred Outflows</i>	<u>866,999</u>	<u>282,868</u>	<u>1,149,867</u>
Current Liabilities	227,058	65,990	293,048
Notes/Bonds Payable	3,461,127	5,267,840	8,728,967
Accrued Compensated Absences	218,231	84,275	302,506
Total OPEB Liability	131,366	42,860	174,226
Net Pension Liability	2,144,515	699,670	2,844,185
<i>Total Liabilities</i>	<u>6,182,297</u>	<u>6,160,635</u>	<u>12,342,932</u>
Deferred Inflows of Resources			
Net Pension Related Deferrals	123,330	40,238	163,568
OPEB Related Deferrals	20,406	6,658	27,064
<i>Total Deferred Inflows</i>	<u>143,736</u>	<u>46,896</u>	<u>190,632</u>
Net Position			
Net Investment in Capital Assets	908,761	12,022,608	12,931,369
Restricted	9,556,112	1,408,456	10,964,568
Unrestricted	(450,348)	142,972	(307,376)
<i>Total Net Position</i>	<u>\$ 10,014,525</u>	<u>\$ 13,574,036</u>	<u>\$ 23,588,561</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 \$23,588,561 at the close of FY 2018-19.

The largest portion of the City's net position reflects its investment of \$12,931,369 or 55 percent, in capital assets (e.g., land, buildings, improvements, equipment, and infrastructure, net of accumulated depreciation); less any related outstanding debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending.

<i>June 30, 2018</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>
\$ 7,417,836	\$ 1,090,694	\$ 8,508,530	\$ 2,660,504	\$ 869,773	\$ 3,530,277
284,358	223,172	1,345,353	15,941	24,612	40,553
837,823	-	837,823	(112,791)	-	(112,791)
4,467,469	17,717,178	22,184,647	(97,581)	(426,730)	(524,311)
13,007,486	19,031,044	32,038,530	2,466,073	467,655	2,933,728
675,851	216,951	892,802	175,114	60,685	235,799
14,205	4,560	18,765	1,829	672	2,501
690,056	221,511	911,567	176,943	61,357	238,300
146,897	60,155	207,052	80,161	5,835	85,996
3,619,890	5,593,927	9,213,817	(158,763)	(326,087)	(484,850)
265,130	82,800	347,930	(46,899)	1,475	(45,424)
147,331	47,294	194,625	(15,965)	(4,434)	(20,399)
1,822,845	585,140	2,407,985	321,670	114,530	436,200
6,002,093	6,369,316	12,371,409	180,204	(208,681)	(28,477)
33,613	10,790	44,403	89,717	29,448	119,165
7,276	2,336	9,612	13,130	4,322	17,452
40,889	13,126	54,015	102,847	33,770	136,617
3,859,405	12,123,251	15,982,656	(2,950,644)	(100,643)	(3,051,287)
4,518,917	811,113	5,330,030	5,037,195	597,343	5,634,538
(723,762)	(64,251)	(788,013)	273,414	207,223	480,637
<u>\$ 7,654,560</u>	<u>\$ 12,870,113</u>	<u>\$ 20,524,673</u>	<u>\$ 2,359,965</u>	<u>\$ 703,923</u>	<u>\$ 3,063,888</u>

Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position \$10,964,568 or approximately 46 percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$307,376) or -1 percent, may be used to meet the government's ongoing obligations.

Table 2
Statement of Activities

	<i>Fiscal Year Ended June 30, 2019</i>		
	<i>Governmental</i>	<i>Business-</i>	
	<i>Activities</i>	<i>Type</i>	<i>Total</i>
	<i>Activities</i>	<i>Activities</i>	
Revenues			
Program Revenues			
Charges for services	\$ 1,294,046	\$ 2,306,479	\$ 3,600,525
Operating grants and contributions	383,302	500	383,802
Capital grants and contributions	1,276,621	919,171	2,195,792
<i>Total Program Revenues</i>	<u>2,953,969</u>	<u>3,226,150</u>	<u>6,180,119</u>
General Revenues			
Property taxes	2,182,233	-	2,182,233
Franchise taxes	423,383	-	423,383
Other	573,258	122,230	695,488
<i>Total General Revenues</i>	<u>3,178,874</u>	<u>122,230</u>	<u>3,301,104</u>
<i>Total Revenues</i>	<u>6,132,843</u>	<u>3,348,380</u>	<u>9,481,223</u>
Expenses (Net of Indirect Expenses)			
General governmental	1,568,983	-	1,568,983
Police	1,702,942	-	1,702,942
Streets	551,460	-	551,460
Public Works	278,150	-	278,150
Interest on long-term debt	107,143	-	107,143
Water	-	1,048,422	1,048,422
Sewer	-	1,102,058	1,102,058
Storm Drain	-	58,177	58,177
<i>Total Expenses</i>	<u>4,208,678</u>	<u>2,208,657</u>	<u>6,417,335</u>
Transfers	<u>435,800</u>	<u>(435,800)</u>	<u>-</u>
Changes in Net Position	2,359,965	703,923	3,063,888
Beginning Net Position	7,654,560	12,870,113	20,524,673
Ending Net Position	<u>\$ 10,014,525</u>	<u>\$ 13,574,036</u>	<u>\$ 23,588,561</u>

Governmental activities - Governmental activities increased the City's net position by \$2,359,965. The major factor was collection of fees, \$1.2 million in the Systems Development Fund and \$678,000 in the Land Building & Equipment Fund, which were not spent on capital projects this fiscal year.

<i>Fiscal Year Ended June 30, 2018</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>
\$ 1,506,503	\$ 2,178,961	\$ 3,685,464	\$ (212,457)	\$ 127,518	\$ (84,939)
353,666	6,776	360,442	29,636	(6,276)	23,360
(2,624,135)	3,657,881	1,033,746	3,900,756	(2,738,710)	1,162,046
<u>(763,966)</u>	<u>5,843,618</u>	<u>5,079,652</u>	<u>3,717,935</u>	<u>(2,617,468)</u>	<u>1,100,467</u>
2,065,606	-	2,065,606	116,627	-	116,627
424,972	-	424,972	(1,589)	-	(1,589)
575,187	95,975	671,162	(1,929)	26,255	24,326
<u>3,065,765</u>	<u>95,975</u>	<u>3,161,740</u>	<u>113,109</u>	<u>26,255</u>	<u>139,364</u>
<u>2,301,799</u>	<u>5,939,593</u>	<u>8,241,392</u>	<u>3,831,044</u>	<u>(2,591,213)</u>	<u>1,239,831</u>
1,616,233	-	1,616,233	(47,250)	-	(47,250)
1,656,593	-	1,656,593	46,349	-	46,349
480,769	-	480,769	70,691	-	70,691
286,893	-	286,893	(8,743)	-	(8,743)
130,698	-	130,698	(23,555)	-	(23,555)
-	988,745	988,745	-	59,677	59,677
-	1,183,653	1,183,653	-	(81,595)	(81,595)
-	56,728	56,728	-	1,449	1,449
<u>4,171,186</u>	<u>2,229,126</u>	<u>6,400,312</u>	<u>37,492</u>	<u>(20,469)</u>	<u>17,023</u>
<u>551,950</u>	<u>(551,950)</u>	<u>-</u>	<u>(116,150)</u>	<u>116,150</u>	<u>-</u>
(1,317,437)	3,158,517	1,841,080	3,677,402	(2,454,594)	1,222,808
8,971,997	9,711,596	18,683,593	(1,317,437)	3,158,517	1,841,080
<u>\$ 7,654,560</u>	<u>\$ 12,870,113</u>	<u>\$ 20,524,673</u>	<u>\$ 2,359,965</u>	<u>\$ 703,923</u>	<u>\$ 3,063,888</u>

Business-type activities - Business-type activities increased the City's net position by \$703,923. The increase is attributable to collection of business-type System Development charges with no corresponding capital expenditures. The revenue will be held for future construction projects.

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 5.6% from the prior fiscal year. To provide additional revenue to the General Fund, the City Council established a \$10 per month General Fund fee, the fee is collected with the utility bill and provided \$240,000 this fiscal year. It is anticipated that the fee will not be necessary after 2022, although the City Council reviews the fee annually. As of June 30, 2019, the General Fund balance was \$1,102,770.

Development Review Fund. The purpose of this fund is to provide oversight of new development. A 4% Development Review fee is charged on new development. The fee provides funding for City engineers to review proposed infrastructure and ensure that it meets city standards. As of June 30, 2019, the Development Review Fund balance was \$61,561.

Community Development Fund. The Community Development Fund was established to administer Federal low-income housing rehabilitation grant money. The City received three such grants in the 1990's. The grants are no longer available to municipalities, so the purpose of the fund is now to hold the remaining loans until they are all paid. The loans bear no interest and are not due until the property is sold or changes ownership. Cash received from the payoff of loans is not restricted for any specific purpose. Five loans were paid this fiscal year. \$333,215 in loans remain outstanding on 19 properties.

Economic Development Fund. This fund is used to account for the Mill Pond Advanced Funding Issue. The City borrowed money from the Oregon Economic and Community Development Department to finance the installation of water and sewer lines in the Mill Pond Industrial Park. The Mill Pond property owners reimburse the city each year for the amount of the debt service. There are 11 years remaining on the loan and the balance at June 30, 2019 was \$390,881.

Street Fund. The primary source of revenue is the City's portion of state gasoline taxes. Gas tax revenue increased from \$299,573 last fiscal year to \$342,515 this fiscal year, a 14% increase. Additionally, the City collected \$108,874 in street utility fees from city residents. The fee is collected monthly with the utility bill. The purpose of this fund is to maintain the City's transportation network. Revenues exceeded expenditures after transfers by \$33,724. The ending fund balance was \$265,822 as of June 30, 2019.

Urban Renewal Fund. The Urban Renewal Fund is a taxing district separate from the City. The Urban Renewal District received \$572,265 in tax revenue this fiscal year and paid \$224,726 in principal and interest on the 2016 Full Faith and Credit bond issue. The fund balance at June 30, 2019 was \$3,384,177.

Land, Building & Equipment Reserve Fund. The Land, Building and Equipment Fund was established to accumulate funds for future capital projects. Transfers in from other funds totaled \$685,000. Capital improvement projects during the year totaled \$155,459. Leaving a fund balance of \$3,187,193 at June 30, 2019.

System Development Capital Projects Fund. This fund was established to collect System Development Charges and to accumulate funds for future capital projects. \$1.180 million in SDC's were collected this fiscal year, of which \$1.1 million was received from Boulevard Apartment complex. The only expenditure was \$68,241 for a new park on North 11th Street. The park will be completed in the fall of 2019. The fund balance was \$1,936,764 at June 30, 2019.

Business-type activities –

Water Fund. The Water Fund activity includes the operation and maintenance of the City's water system. Net income before transfers was \$133,753. After capital contributions from the Land, Building & Equipment Fund of \$63,966 and transfers out of \$221,700, the net position was reduced by \$23,981.

Sewer Fund. The Sewer Fund activity includes operation and maintenance of the City's sewer system. Net income before transfers was \$49,424. After capital contributions from the Land, Building & Equipment Fund of \$20,504 and \$32,600 of net transfers out, the net position was increased by \$37,328.

Storm Drain Fund. The Storm Drain Fund was established to reduce the potential of neighborhood flooding during periods of high water. It is funded by a monthly storm drain fee assessed to each property within the city and is paid with the customers utility bill. Net income before transfers was \$4,264. After transfers out of \$31,500, net position decreased for the year by \$27,236.

System Development Business Fund. The System Development Business fund is used to account for the business portion of system development charges. Total SDC collections were \$834,701 of which \$639,549 was collected from the Boulevard Apartment Complex. Transfers out included \$150,000 contribution to the Sewer Fund to help pay the sewer bond debt service. The net position increase for the year by \$717,812.

Budgetary Highlights

Appropriations between the original and final amended budget were increased by \$47,350 in the Street Fund. The reason for the supplemental appropriation was the receipt of a Small City Allotment Grant from the State. The grant was used for pavement overlay on several city streets.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2019, the City had approximately \$21.6 million invested in a broad range of capital assets, including land, buildings and improvements, equipment, roads, water, sewer and storm drain lines. This was a decline of 2.36 percent from the prior year. The decline was a result of \$197,365 in capital purchases and \$721,676 in depreciation expense for the fiscal year 2018-19.

Capital Assets at Year-End (Net of Depreciation)

	<i>Governmental Activities</i>		<i>Percentage Change</i>	
	<i>2019</i>	<i>2018</i>		
Land	\$ 132,751	\$ 132,451	0.00	%
Improvements	251,189	204,519	22.82	
Buildings	1,642,611	1,694,127	(3.04)	
Equipment	348,997	385,908	(9.56)	
Infrastructure	1,994,340	2,050,464	(2.74)	
<i>Total Governmental Activities</i>	<u>\$ 4,369,888</u>	<u>\$ 4,467,469</u>	<u>(2.18)</u>	<u>%</u>
	<i>Business-type Activities</i>		<i>Percentage Change</i>	
	<i>2019</i>	<i>2018</i>		
Land	\$ 853,202	\$ 853,202	0.00	%
Improvements	19,290	20,742	(7.00)	
Buildings	280,155	254,883	9.92	
Equipment	447,860	480,033	(6.70)	
Infrastructure	15,689,941	16,108,318	(2.60)	

<i>Total Business-type Activities</i>	<u>\$ 17,290,448</u>	<u>\$ 17,717,178</u>	<u>(2.41)</u>	%
<i>Total Capital Assets</i>	<u>\$ 21,660,336</u>	<u>\$ 22,184,647</u>	<u>(2.36)</u>	%

Long-Term Debt

June 30, 2019			
	<i>Governmental Activities</i>	<i>Business- Type Activities</i>	<i>Total Government</i>
Governmental			
Bonds payable	\$ -	\$ 5,267,840	\$ 5,267,840
Urban Renewal bonds	3,070,246	-	3,070,246
Notes payable	390,881	-	390,881
<i>Total Outstanding Debt</i>	<u>\$ 3,461,127</u>	<u>\$ 5,267,840</u>	<u>\$ 8,728,967</u>

At the end of the current fiscal year, the City had total debt outstanding of \$8,728,967. This is a decrease from the previous year of \$484,850. No new debt was issued during the fiscal year.

\$390,881 of the total government debt represents an outstanding note payable from the governmental funds. This note is on the Mill Pond Industrial property (previously called Lakeside). Mill Pond reimburses the city annually for principal and interest payments. The City has a lien on the Mill Pond property for the amount of the loan.

June 30, 2018			Change		
<i>Governmental Activities</i>	<i>Business- Type Activities</i>	<i>Total Government</i>	<i>Governmental Activities</i>	<i>Business- Type Activities</i>	<i>Total Government</i>
\$ -	\$ 5,473,458	\$ 5,473,458	\$ -	\$ (205,618)	\$ (205,618)
3,204,366	-	3,204,366	(134,120)	-	(134,120)
415,524	120,469	535,993	(24,643)	(120,469)	(145,112)
<u>\$ 3,619,890</u>	<u>\$ 5,593,927</u>	<u>\$ 9,213,817</u>	<u>\$ (158,763)</u>	<u>\$ (326,087)</u>	<u>\$ (484,850)</u>

The remainder of the City's debt is for business-type activities. At the end of last fiscal year there was only the 2016 Sewer Full Faith and Credit bond issue remaining.

In December 2018 the City paid off the \$120,469 balance of the Storm Drain note five years in advance. The note was paid from storm drain system development charges.

Economic Factors and Next Year's Budgets and Rates

During the preparation of the budget for the ensuing fiscal year, the long-term impacts of the local economy were examined in conjunction with business decisions made by the City. The following are the major assumptions used in developing the FY 2019-20 budget:

- The 2019 population for the City of Philomath is 4,734. After several years of virtually no growth, the population is expected to increase between 800 and 900 people in the next fiscal year. This is a result of two new apartment complexes nearing completion. One with 258 units and one with 84 units.
- Residential and commercial building continues to show some signs of recovery. A subdivision with 166 entry level homes has been approved and will be constructed over the next 10 years, and a subdivision with 52 new homes has been approved and is under construction.
- The City's permanent tax rate is \$5.3005.
- Assessed values, the basis of property tax revenues, grew by 4.6% in FY 2017-18 and 5.5% in FY 2018-19.
- Due to several years of no growth, the property tax revenue was not sufficient to support the General Fund. The City Council approved a \$10 per month General Fund fee in 2017 and has renewed it each year since. The fee is expected to sunset in June 2022. The General Fund fee will bring in an additional \$250,000 for fiscal year 2019-20.
- The City will be constructing a new Water Treatment plant in 2021. The estimated project cost is \$11.8 million. The city will need to borrow approximately \$9.4 million. The City is in the process of applying for a loan through Business Oregon and does not anticipate the need to go to the voters for local option funding.
- To make sure that water revenue will be enough to pay for future debt service on the new water treatment plant, the City has started raising water rates. Effective July 1, 2019 the water rates were increased by 21%, and a second increase of \$5 per month will go into effect on January 1, 2020.
- Sewer rates and other fees charged by the City will remain at their present levels.
- Interest rates on investments are expected to be in the 2% range for the fiscal year.
- For fiscal year 2019-20 the City will be making a \$1 million contribution to a PERS side account. The City set aside \$500,000 in 2017-18 and an additional \$500,000 in 2018-19 to open a PERS side account. The contribution will come from several different funds. \$698,200 from the General Fund, \$60,800 from the Street Fund, \$132,000 from the Water Fund and \$109,000 from the Sewer Fund. The City is planning on taking advantage of a 25% match from the State of Oregon, for a total PERS side account contribution of \$1.25 million. The PERS side account is expected to reduce future PERS rates by 4.79% each year for the next 20 years, this will provide a cumulative PERS contribution reduction of \$2.163 million.
- In the General Fund, the part time Utility Clerk position was increased to a full time position. No other personnel were added.
- Health benefit costs will increase 3% effective January 2020.

The City's adopted budget for FY 2019-20 reflects total estimated resources of \$18,575,659 which exceeds total estimated expenditures by \$4,973,780.

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

This Page Intentionally Left Blank

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

**STATEMENT OF NET POSITION
June 30, 2019**

ASSETS	GOVERNMENTAL	BUSINESS- TYPE	TOTAL
Current:			
Cash and Investments	\$ 10,078,340	\$ 1,960,467	\$ 12,038,807
Receivables:			
Accounts	31,703	247,784	279,487
Property Taxes	54,190	-	54,190
Special Assessments	90,917	-	90,917
Other	122,989	-	122,989
Prepaid Items	500	-	500
Total Current Assets	<u>10,378,639</u>	<u>2,208,251</u>	<u>12,586,890</u>
Non-Current:			
Loans Receivable	725,032	-	725,032
Nondepreciable Capital Assets	132,751	853,202	985,953
Depreciable Capital Assets	4,237,137	16,437,246	20,674,383
Total Non-Current Assets	<u>5,094,920</u>	<u>17,290,448</u>	<u>22,385,368</u>
Total Assets	<u>15,473,559</u>	<u>19,498,699</u>	<u>34,972,258</u>
DEFERRED OUTFLOWS OF RESOURCES			
OPEB Related Deferred Outflows	16,034	5,232	21,266
Pension Related Deferred Outflows	850,965	277,636	1,128,601
Total Deferred Outflows of Resources	<u>866,999</u>	<u>282,868</u>	<u>1,149,867</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	147,505	18,530	166,035
Accrued Interest	36,065	46,050	82,115
Other Current Liabilities	43,488	1,410	44,898
Total Current Liabilities	<u>227,058</u>	<u>65,990</u>	<u>293,048</u>
Noncurrent Liabilities:			
Due within one year			
Notes Payable	29,828	-	29,828
Bonds Payable	139,119	210,617	349,736
Due in more than one year			
Notes Payable	361,053	-	361,053
Bonds Payable	2,931,127	5,057,223	7,988,350
Accrued Compensated Absences	218,231	84,275	302,506
Total OPEB Liability	131,366	42,860	174,226
Net Pension Liability	2,144,515	699,670	2,844,185
Total Long Term Liabilities	<u>5,955,239</u>	<u>6,094,645</u>	<u>12,049,884</u>
Total Liabilities	<u>6,182,297</u>	<u>6,160,635</u>	<u>12,342,932</u>
DEFERRED INFLOWS OF RESOURCES			
OPEB Related Deferred Inflows	20,406	6,658	27,064
Pension Related Deferred Inflows	123,330	40,238	163,568
Total Deferred Outflows of Resources	<u>143,736</u>	<u>46,896</u>	<u>190,632</u>
NET POSITION			
Net Investments in Capital Assets	908,761	12,022,608	12,931,369
Restricted	9,556,112	1,408,456	10,964,568
Unrestricted	(450,348)	142,972	(307,376)
TOTAL NET POSITION	<u>\$ 10,014,525</u>	<u>\$ 13,574,036</u>	<u>\$ 23,588,561</u>

See accompanying notes to the basic financial statements

This Page Intentionally Left Blank

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net Revenues (Expenses) and Changes in Net Position		Total
		Fines and Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities							
General Government	\$ 1,568,984	\$ 1,174,039	\$ -	306,462	\$ (88,483)	\$ -	\$ (88,483)
Police	1,702,942	1,534	2,208	-	(1,699,200)	-	(1,699,200)
Streets	551,460	108,874	377,635	970,159	905,208	-	905,208
Public Works	278,149	9,599	3,459	-	(265,091)	-	(265,091)
Interest on long-term debt	107,143	-	-	-	(107,143)	-	(107,143)
Total Governmental Activities	4,208,678	1,294,046	383,302	1,276,621	(1,254,709)	-	(1,254,709)
Business-Type Activities							
Water	1,048,422	1,131,404	500	407,971	-	491,453	491,453
Sewer	1,105,070	1,116,197	-	333,199	-	344,326	344,326
Storm Drain	55,165	58,878	-	178,001	-	181,714	181,714
Total Business-Type Activities	2,208,657	2,306,479	500	919,171	-	1,017,493	1,017,493
Total Primary Government	\$ 6,417,335	\$ 3,600,525	\$ 383,802	2,195,792	\$ (1,254,709)	\$ 1,017,493	\$ (237,216)

General Revenues

Property Taxes	2,182,233	-	2,182,233
Franchise Fees	423,383	-	423,383
Intergovernmental	147,656	-	147,656
Interest and Miscellaneous	425,602	122,230	547,832
Transfers	435,800	(435,800)	-
Total General Revenues	3,614,674	(313,570)	3,301,104
Change in Net Position	2,359,965	703,923	3,063,888
Beginning Net Position	7,654,560	12,870,113	20,524,673
Ending Net Position	<u>\$ 10,014,525</u>	<u>\$ 13,574,036</u>	<u>\$ 23,588,561</u>

See accompanying notes to the basic financial statements

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019**

	GENERAL	SYSTEMS DEVELOPMENT CAPITAL PROJECTS	STREET
ASSETS			
Cash and Investments	\$ 1,143,901	\$ 1,916,492	\$ 233,830
Receivables:			
Accounts	21,748	-	9,955
Property Taxes	40,355	-	-
Special Assessments	11,322	61,964	-
Other	45,222	20,272	57,179
Prepaid Items	500	-	-
Loans Receivable	390,881	-	-
Total Assets	\$ 1,653,929	\$ 1,998,728	\$ 300,964
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 108,551	\$ -	\$ 35,142
Other Liabilities	50	-	-
Total Liabilities	108,601	-	35,142
Deferred Inflows of Resources:			
Unavailable Revenue - Special Assessments	11,322	61,964	-
Unavailable Revenue - Loans Receivable	390,881	-	-
Unavailable Revenue - Property Taxes	40,355	-	-
Total Deferred Inflows of Resources	442,558	61,964	-
Fund Balances			
Non-Spendable	500	-	-
Restricted For:			
Development Review	-	-	-
Community Development	-	1,936,764	-
Construction	-	-	-
Debt Service	-	-	-
Streets	-	-	265,822
Urban Renewal	-	-	-
Unassigned	1,102,270	-	-
Total Fund Balances	1,102,770	1,936,764	265,822
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,653,929	\$ 1,998,728	\$ 300,964

See accompanying notes to the basic financial statements

<u>URBAN RENEWAL</u>	<u>LAND, BUILDING & EQUIPMENT</u>	<u>OTHER GOVERNMENTAL</u>	<u>TOTAL</u>
\$ 3,385,810	\$ 3,182,844	\$ 215,463	\$ 10,078,340
-	-	-	31,703
13,833	-	2	54,190
-	17,631	-	90,917
-	316	-	122,989
-	-	-	500
-	-	334,151	725,032
<u>\$ 3,399,643</u>	<u>\$ 3,200,791</u>	<u>\$ 549,616</u>	<u>\$ 11,103,671</u>
\$ 1,633	\$ (4,033)	\$ 6,212	\$ 147,505
-	-	43,438	43,488
<u>1,633</u>	<u>(4,033)</u>	<u>49,650</u>	<u>190,993</u>
-	17,631	-	90,917
-	-	334,151	725,032
13,833	-	2	54,190
<u>13,833</u>	<u>17,631</u>	<u>334,153</u>	<u>870,139</u>
-	-	-	500
-	-	61,561	61,561
-	-	92,263	2,029,027
-	3,187,193	-	3,187,193
3,096,821	-	11,989	3,108,810
-	-	-	265,822
287,356	-	-	287,356
-	-	-	1,102,270
<u>3,384,177</u>	<u>3,187,193</u>	<u>165,813</u>	<u>10,042,539</u>
<u>\$ 3,399,643</u>	<u>\$ 3,200,791</u>	<u>\$ 549,616</u>	<u>\$ 11,103,671</u>

This Page Intentionally Left Blank

CITY OF PHILOMATH
BENTON COUNTY, OREGON

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
June 30, 2019

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

Fund Balances	\$ 10,042,539
The statement of net position reports receivables at their net realizable value. However, receivables not available to pay for current-period expenditures are deferred in governmental funds.	870,139
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	4,369,888
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, both current and long-term are reported in the statement of net position.	
Bonds Payable	(2,750,000)
Notes Payable	(390,881)
Bond Premium Amortization	(325,904)
Bond Insurance Amortization	5,658
Accrued Compensated Absences	(218,231)
Accrued Interest Payable	(36,065)
Deferred inflows and outflows of resources related to the pension plan include differences between expected and actual experience, changes of assumptions, differences between projects and actual earnings, and contributions subsequent to the measurement date.	
Total OPEB deferred inflows	(20,406)
Total OPEB deferred outflows	16,034
Pension Deferred inflows	(123,330)
Pension Deferred outflows	850,965
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	(2,144,515)
The Total OPEB Liability is liability related to the other post employment benefits for health insurance premiums.	
Total OPEB Liability	<u>(131,366)</u>
Total Net Position	<u>\$ 10,014,525</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, 2019**

	GENERAL	SYSTEMS DEVELOPMENT CAPITAL PROJECTS	STREET
Revenue			
Property Taxes	\$ 1,682,908	\$ -	\$ -
Licenses and Permits	292,834	1,180,434	-
Charges for Services	420,115	-	108,874
General Fund Fee	239,707	-	-
Franchise Fees	361,266	-	62,117
Intergovernmental	149,864	52,099	377,635
Fines and Forfeitures	221,383	-	-
Interest and Miscellaneous	102,204	45,600	22,331
Total Revenue	<u>3,470,281</u>	<u>1,278,133</u>	<u>570,957</u>
Expenditures			
Current:			
General Government	1,274,095	-	-
Police	1,561,670	-	-
Streets	-	-	453,033
Public Works	185,271	-	-
Capital Outlay:			
General Government	-	68,241	-
Police	-	-	-
Streets	-	-	-
Public Works	-	-	-
Water	-	-	-
Sewer	-	-	-
Debt Service:			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	<u>3,021,036</u>	<u>68,241</u>	<u>453,033</u>
Excess Revenue Over/Under Expenditures	449,245	1,209,892	117,924
Other Financing Sources, -Uses			
Sale of Capital Assets	-	-	-
Transfers In	-	-	21,500
Transfers Out	(165,000)	-	(105,700)
Total Other Financing Sources, -Uses	<u>(165,000)</u>	<u>-</u>	<u>(84,200)</u>
Net Change in Fund Balance	284,245	1,209,892	33,724
Beginning Fund Balance	<u>818,525</u>	<u>726,872</u>	<u>232,098</u>
Ending Fund Balance	<u>\$ 1,102,770</u>	<u>\$ 1,936,764</u>	<u>\$ 265,822</u>

See accompanying notes to the basic financial statements

<u>URBAN RENEWAL</u>	<u>LAND, BUILDING & EQUIPMENT</u>	<u>OTHER GOVERNMENTAL</u>	<u>TOTAL</u>
\$ 572,265	\$ -	\$ 1	\$ 2,255,174
-	-	-	1,473,268
-	-	9,599	538,588
-	-	-	239,707
-	-	-	423,383
-	3,459	-	583,057
-	1,534	-	222,917
89,236	140,954	135,478	535,803
<u>661,501</u>	<u>145,947</u>	<u>145,078</u>	<u>6,271,897</u>
63,624	-	-	1,337,719
-	-	-	1,561,670
-	-	-	453,033
-	-	57,853	243,124
-	7,694	-	75,935
-	37,587	-	37,587
-	19,133	-	19,133
-	6,575	-	6,575
-	63,966	-	63,966
-	20,504	-	20,504
115,000	-	24,643	139,643
109,726	-	17,997	127,723
<u>288,350</u>	<u>155,459</u>	<u>100,493</u>	<u>4,086,612</u>
373,151	(9,512)	44,585	2,185,285
-	2,040	-	2,040
-	685,000	-	706,500
-	-	-	(270,700)
<u>-</u>	<u>687,040</u>	<u>-</u>	<u>437,840</u>
373,151	677,528	44,585	2,623,125
<u>3,011,026</u>	<u>2,509,665</u>	<u>121,228</u>	<u>7,419,414</u>
<u>\$ 3,384,177</u>	<u>\$ 3,187,193</u>	<u>\$ 165,813</u>	<u>\$ 10,042,539</u>

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, 2019

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	\$ 2,623,125
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.	(116,451)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Collection of Long-Term Receivables	(24,643)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Change in Accrued Interest	1,461
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.	46,900
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 exceed depreciation in the current period. Purchases of Capital Assets, net Depreciation	112,895 (210,475)
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.	19,119
Changes in Notes and 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.	139,643
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	(236,273)
The expense (income) related to OPEB liability represents the net changes in the liability balance from year to year and is not recorded in the governmental funds. OPEB Expense (Income)	4,664
Change in Net Position	<u>\$ 2,359,965</u>

See accompanying notes to the basic financial statements

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019**

	Water Fund	Sewer Fund	Storm Drain Fund	System Development Fund	Total
ASSETS:					
Current Assets					
Cash and Investments	\$ 310,333	\$ 213,209	\$ 28,469	\$ 1,408,456	\$ 1,960,467
Accounts Receivable	131,720	110,842	5,222	-	247,784
Total Current Assets	442,053	324,051	33,691	1,408,456	2,208,251
Noncurrent Assets					
Nondepreciable Capital Assets	219,594	633,608	-	-	853,202
Depreciable Capital Assets, net	5,641,152	9,660,443	1,135,651	-	16,437,246
Total Noncurrent Assets	5,860,746	10,294,051	1,135,651	-	17,290,448
Total Assets	6,302,799	10,618,102	1,169,342	1,408,456	19,498,699
DEFERRED OUTFLOWS OF RESOURCES					
OPEB Related Deferred Outflows	2,871	2,361	-	-	5,232
Pension Related Deferred Outflows	152,361	125,275	-	-	277,636
Total Deferred Outflows of Resources	155,232	127,636	-	-	282,868
LIABILITIES:					
Current Liabilities					
Accounts Payable	13,222	4,882	426	-	18,530
Accrued Interest	-	46,050	-	-	46,050
Other Liabilities	1,410	-	-	-	1,410
Total Current Liabilities	14,632	50,932	426	-	65,990
Noncurrent Liabilities					
Due within one year	-	210,617	-	-	210,617
Due in more than one year	-	5,057,223	-	-	5,057,223
Accrued Compensated Absences	46,269	38,006	-	-	84,275
Total OPEB Liability	23,521	19,339	-	-	42,860
Net Pension Liability	383,965	315,705	-	-	699,670
Total Noncurrent Liabilities	453,755	5,640,890	-	-	6,094,645
Total Liabilities	468,387	5,691,822	426	-	6,160,635
DEFERRED INFLOWS OF RESOURCES					
OPEB Related Deferred Inflows	3,654	3,004	-	-	6,658
Pension Related Deferred Inflows	22,082	18,156	-	-	40,238
Total Deferred Inflows of Resources	25,736	21,160	-	-	46,896
NET POSITION:					
Net Investment in Capital Assets	5,860,746	5,026,211	1,135,651	-	12,022,608
Restricted for Construction	-	-	-	1,408,456	1,408,456
Unrestricted	103,162	6,545	33,265	-	142,972
Total Net Position	\$ 5,963,908	\$ 5,032,756	\$ 1,168,916	\$ 1,408,456	\$ 13,574,036

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, 2019**

	Water Fund	Sewer Fund	Storm Drain Fund	System Development Fund	Total
OPERATING Revenue					
Charges for Services	\$ 1,131,404	\$ 1,116,197	\$ 58,878	\$ -	2,306,479
Intergovernmental	500	-	-	-	500
Miscellaneous	43,471	13,243	-	-	56,714
Total Operating Revenue	1,175,375	1,129,440	58,878	-	2,363,693
OPERATING Expenditures					
Personal Services	431,193	359,616	-	-	790,809
Materials and Services	405,826	316,936	22,539	-	745,301
Depreciation	211,403	267,171	32,626	-	511,200
Total Operating Expenditures	1,048,422	943,723	55,165	-	2,047,310
Operating Income/(Loss)	126,953	185,717	3,713	-	316,383
NONOPERATING Revenue (Expenditures)					
Investment Revenue	6,800	5,842	551	36,123	49,316
Property Lease	-	16,200	-	-	16,200
Interest Expense	-	(158,335)	-	(3,012)	(161,347)
Total NonOperating Revenue	6,800	(136,293)	551	33,111	(95,831)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	133,753	49,424	4,264	33,111	220,552
Capital Contributions	63,966	20,504	-	834,701	919,171
Transfers In	-	150,000	-	-	150,000
Transfers Out	(221,700)	(182,600)	(31,500)	(150,000)	(585,800)
Change in Net Position	(23,981)	37,328	(27,236)	717,812	703,923
Beginning Net Position	5,987,889	4,995,428	1,196,152	690,644	12,870,113
Ending Net Position	<u>\$ 5,963,908</u>	<u>\$ 5,032,756</u>	<u>\$ 1,168,916</u>	<u>\$ 1,408,456</u>	<u>\$ 13,574,036</u>

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, 2019

	Water Fund	Sewer Fund	Storm Drain Fund	System Development Fund	Total
Cash Flows from Operating Activities:					
Cash Received from Customers	\$ 1,159,567	\$ 1,121,072	\$ 58,741	\$ -	\$ 2,339,380
Cash Paid to Suppliers	(398,485)	(314,488)	(22,139)	-	(735,112)
Cash Paid to Employees	(386,156)	(320,669)	-	-	(706,825)
Net Cash Provided -Used by Operating Activities	<u>374,926</u>	<u>485,915</u>	<u>36,602</u>	<u>-</u>	<u>897,443</u>
Cash Flows from Noncapital Financing Activities:					
Transfers In	-	150,000	-	-	150,000
Transfers Out	(221,700)	(182,600)	(31,500)	(150,000)	(585,800)
Net Cash Provided -Used by Noncapital Financing Activities	<u>(221,700)</u>	<u>(32,600)</u>	<u>(31,500)</u>	<u>(150,000)</u>	<u>(435,800)</u>
Cash Flows from Capital and Related Financing Activities:					
Capital Contributions	63,966	20,504	-	834,701	919,171
Principal Payments on Long-Term Debt	-	(175,000)	-	(120,469)	(295,469)
Interest Payments on Long-Term Debt	-	(189,390)	-	(7,228)	(196,618)
Additions/Deletions to Capital Assets	(63,966)	(20,504)	-	-	(84,470)
Net Cash Provided -Used by Capital and Related Financing Activities	<u>-</u>	<u>(364,390)</u>	<u>-</u>	<u>707,004</u>	<u>342,614</u>
Cash Flows from Investing Activities:					
Property Lease	-	16,200	-	-	16,200
Interest on Investments	6,800	5,842	551	36,123	49,316
Net Increase -Decrease in Cash and Cash Equivalents	<u>160,026</u>	<u>110,967</u>	<u>5,653</u>	<u>593,127</u>	<u>869,773</u>
Cash and Investments at Beginning of Year	<u>150,307</u>	<u>102,242</u>	<u>22,816</u>	<u>815,329</u>	<u>1,090,694</u>
Cash and Investments at End of Year	<u>\$ 310,333</u>	<u>\$ 213,209</u>	<u>\$ 28,469</u>	<u>\$ 1,408,456</u>	<u>\$ 1,960,467</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities					
Operating Income, -Loss	\$ 126,953	\$ 185,717	\$ 3,713	\$ -	\$ 316,383
Noncash Items Included in Income:					
Depreciation	211,403	267,171	32,626	-	511,200
Pension Expense	44,701	38,592	-	-	83,293
OPEB (Income) Expense	(549)	(235)	-	-	(784)
Decrease -Increase in Accounts Receivable	(16,108)	(8,368)	(137)	-	(24,613)
Increase -Decrease in Accounts Payable	7,341	2,448	400	-	10,189
Increase -Decrease in Deposits	300	-	-	-	300
Increase -Decrease in Compensated Absences	885	590	-	-	1,475
Net Cash Provided -Used by Operating Activities	<u>\$ 374,926</u>	<u>\$ 485,915</u>	<u>\$ 36,602</u>	<u>\$ -</u>	<u>\$ 897,443</u>

See accompanying notes to the basic financial statements

This Page Intentionally Left Blank

CITY OF PHILOMATH
BENTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

THE FINANCIAL REPORTING ENTITY

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

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

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

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

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

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

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

There are the following *major governmental funds*:

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

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.

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

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

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

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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.

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.

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

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

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

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

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

BUDGETS

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

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

LEVEL OF CONTROL

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

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

Budget amounts shown in the basic financial statements reflect the original budget amount and appropriation transfers. All expenditures were within appropriations for the year ended June 30, 2019.

ESTIMATES

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

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

Cash and Investments

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

Cash and cash equivalents

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

Fair Value Inputs and Methodologies and Hierarchy

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

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

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

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

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

Receivables

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

CITY OF PHILOMATH
BENTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

Deferred Outflows/Inflows of Resources

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

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

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets

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

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

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

Accrued Compensated Absences

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

Long-term obligations

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

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

Retirement Plans

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

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position/Fund Balance

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

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

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

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

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

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

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position/Fund Balance (continued)

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	\$ 625
Demand Deposits	67,797
Investments	<u>11,970,385</u>
 Total Cash and Investments	 <u><u>\$ 12,038,807</u></u>
 Reconciliation of Cash Reported in:	
Governmental	\$ 10,078,340
Business Type	<u>1,960,467</u>
 Total Cash and Investments	 <u><u>\$ 12,038,807</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 \$125,216, 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, 2019, 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, 2019 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, 2019, 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	\$ 11,970,385	\$ 11,970,385	\$ -	\$ -
Total	<u>\$ 11,970,385</u>	<u>\$ 11,970,385</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

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, 2019, all percentage restrictions were complied with. Oregon Revised Statutes require no more than 25 percent of the moneys of local government to be invested in bankers' acceptances of any qualified financial institution. Amounts in the State Treasurer's Local Government Investment Pool are not required by law to be collateralized. State statutes do not limit the percentage of investments in this instrument.

3. PROPERTY TAXES RECEIVABLE

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

4. LOANS RECEIVABLE

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

Loans receivable in the Community Development Fund represent amounts due from property owners for Community Development Block Grant (CDBG) loans. These loans are secured by real estate and are generally due when the real estate is transferred. The balance of these notes at June 2019 was \$334,151. 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)	\$390,881
--	-----------

The Following loans receivable are recorded in the Community Development Fund

Community Development Block Grant (CDBG) loans	<u>334,151</u>
	<u>\$725,032</u>

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

5. CAPITAL ASSETS

Capital asset activity for governmental activities of the primary government for the year ended June 30, 2019 was as follows:

GOVERNMENTAL ACTIVITIES CAPITAL ASSETS				
Description	June 30, 2018	Additions	Disposals	June 30, 2019
Capital assets not being depreciated				
Land	\$ 132,451	\$ 300	\$ -	\$ 132,751
Capital assets being depreciated				
Improvements	524,631	68,241	-	592,872
Buildings	2,541,448	-	-	2,541,448
Equipment	1,309,006	44,354	(90,033)	1,263,327
Infrastructure	2,816,834	-	-	2,816,834
Total other Capital Assets	7,191,919	112,595	(90,033)	7,214,481
Less Accumulated Depreciation				
Improvements	319,773	21,571	-	341,344
Buildings	847,321	51,517	-	898,838
Equipment	922,988	81,264	(90,033)	914,219
Infrastructure	766,819	56,124	-	822,943
Total Accumulated Depreciation	2,856,901	210,476	(90,033)	2,977,344
Total Business-Type Activities	\$ 4,467,469	\$ (97,581)	\$ -	\$ 4,369,888

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

Function	Governmental Funds
General Government	\$ 69,329
Police	36,449
Streets	77,110
Public Works	27,588
Total	\$ 210,476

**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, 2019 was as follows:

BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS				
Description	June 30, 2018	Additions	Disposals	June 30, 2019
Capital assets not being depreciated				
Land	\$ 853,202	\$ -	\$ -	\$ 853,202
Capital assets being depreciated				
Improvements	79,090	-	-	79,090
Buildings	500,544	37,244	-	537,788
Equipment	1,434,122	26,722	(15,781)	1,445,063
Infrastructure	22,040,326	20,504	-	22,060,830
Total other Capital Assets	24,054,082	84,470	(15,781)	24,122,771
Less Accumulated Depreciation				
Improvements	58,347	1,451	-	59,798
Buildings	245,662	11,971	-	257,633
Equipment	954,089	58,896	(15,781)	997,204
Infrastructure	5,932,008	438,882	-	6,370,890
Total Accumulated Depreciation	7,190,106	511,200	(15,781)	7,685,525
Total Business-Type Activities	\$ 17,717,178	\$ (426,730)	\$ -	\$ 17,290,448

6. DEFERRED INFLOWS OF RESOURCES

At June 30, 2019, deferred inflows of resources on the balance sheet - governmental funds consisted of the following:

Property taxes	\$ 54,191
Community Development Block Grant Loans	390,881
Other loans receivable	334,151
Assessments	90,917
	\$ 870,140

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

7. EMPLOYEE RETIREMENT PLAN

Oregon Public Employees Retirement System (PERS)

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

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2018-CAFR.pdf>

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

- a. **PERS Pension (Chapter 238).** The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.
 - i. **Pension Benefits.** The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, and 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefits results. A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier 1 general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier 2 members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.
 - ii. **Death Benefits.** Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided on or more of the following contributions are met:
 - o member was employed by PERS employer at the time of death,
 - o member died within 120 days after termination of PERS covered employment,
 - o member died as a result of injury sustained while employed in a PERS-covered job, or
 - o member was on an official leave of absence from a PERS-covered job at the time of death.
 - iii. **Disability Benefits.** A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

7. EMPLOYEE RETIREMENT PLAN (CONTINUED)

iv. **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.

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, 2015 actuarial valuation, which became effective July 1, 2017. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the year ended June 30, 2019 were \$257,563, excluding amounts to fund employer specific liabilities. In addition approximately \$98,831 in employee contributions were paid or picked up by the City in fiscal 2019. At June 30, 2019, the City reported a net pension liability of \$2,844,185 for its proportionate share of the net pension liability. The pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated December 31, 2016. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

7. EMPLOYEE RETIREMENT PLAN (CONTINUED)

As of the measurement date of June 30, 2018 and 2017, the City’s proportion was .019 percent and .018 percent, respectively. Pension expense for the year ended June 30, 2019 was \$319,566.

The rates in effect for the year ended June 30, 2019 were:

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

The amount of contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2020.

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 96,751	\$ -
Changes in assumptions	661,268	-
Net difference between projected and actual earnings on pension plan investments	-	126,298
Net changes in proportionate share	113,019	7,729
Differences between City contributions and proportionate share of contributions	-	29,541
Subtotal - Amortized Deferrals (below)	871,038	163,568
City contributions subsequent to measuring date	257,563	-
Deferred outflow (inflow) of resources	\$ 1,128,601	\$ 163,568

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
2020	\$ 371,757
2021	275,973
2022	(9,910)
2023	49,898
2024	19,752
Thereafter	-
Total	\$ 707,470

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated March 4, 2019. Oregon PERS produces an independently audited CAFR which can be found at:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2018-CAFR.pdf>

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

7. EMPLOYEE RETIREMENT PLAN (CONTINUED)

Actuarial Valuations – The employer contribution rates effective July 1, 2017 through June 30, 2019, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (estimated amount necessary to finance benefits earned by employees during the current service year), (2) an amount for the amortization unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial liabilities being amortized over 20 years.

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

Actuarial Methods and Assumptions:

Experience Study Report	2016, Published July 26, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years
Asset valuation method	Market value of assets
Inflation rate	2.50 percent
Investment rate of return	7.20 percent
Projected salary increase	3.50 percent overall payroll growth
Cost of Living Adjustment	Blend of 2% COLA and graded COLA (1.25%/.15%) in accordance with Moro decision, blend based on service.
Mortality	Healthy retirees and beneficiaries: RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. Active members: RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. Disabled retirees: RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.

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 2016 Experience Study which is reviewed for the four-year period ending December 31, 2016.

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

7. EMPLOYEE RETIREMENT PLAN (CONTINUED)

Assumed Asset Allocation:

Asset Class/Strategy	Low Range	High Range	OIC Target
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Real Estate	9.5%	15.5%	12.5%
Private Equity	13.5%	21.5%	17.5%
Alternative Investments	0.0%	12.5%	12.5%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100.0%

(Source: June 30, 2018 PERS CAFR; p. 98)

Long-Term Expected Rate of Return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015, revised as of June 7, 2017, 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.

Asset Class	Target Allocation	Compound Annual (Geometric) Return
Core Fixed Income	8.00%	3.49%
Short-Term Bonds	8.00%	3.38%
Bank/Leveraged Loans	3.00%	5.09%
High Yield Bonds	1.00%	6.45%
Large/Mid Cap US Equities	15.75%	6.30%
Small Cap US Equities	1.31%	6.69%
Micro Cap US Equities	1.31%	6.80%
Developed Foreign Equities	13.13%	6.71%
Emerging Market Equities	4.13%	7.45%
Non-US Small Cap Equities	1.88%	7.01%
Private Equity	17.50%	7.82%
Real Estate (Property)	10.00%	5.51%
Real Estate (REITS)	2.50%	6.37%
Hedge Fund of Funds - Diversified	2.50%	4.09%
Hedge Fund - Event-driven	0.63%	5.86%
Timber	1.88%	5.62%
Farmland	1.88%	6.15%
Infrastructure	3.75%	6.60%
Commodities	1.88%	3.84%
<i>Assumed Inflation - Mean</i>		<i>2.50%</i>

(Source: June 30, 2018 PERS CAFR; p. 72)

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

7. EMPLOYEE RETIREMENT PLAN (CONTINUED)

Discount Rate – The discount rate used to measure the total pension liability as of the measurement date of June 30, 2018 and 2017, was 7.20 percent and 7.50 percent, respectively, for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s proportionate share of the net pension liability to changes in the discount rate – The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.20 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 (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate.

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability	\$ 4,753,170	\$ 2,844,185	\$ 1,268,474

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.

There are no changes subsequent to the June 30, 2018 Measurement Date that meet this requirement and thus would require a brief description under the GASB standard.

Deferred Compensation Plan

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

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

7. EMPLOYEE RETIREMENT PLAN (CONTINUED)

OPSRP Individual Account Program (OPSRP IAP)

Plan Description:

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

Pension Benefits:

Participants in OPERS defined benefit pension plans also participate in their defined contribution plan. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies. Upon retirement, a member of the OPSRP IAP may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits:

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Contributions:

Employees of the City pay six (6) percent of their covered payroll. The City did not make any optional contributions to member IAP accounts for the year ended June 30, 2019.

Retirement Health Insurance Account

Plan Description:

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

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

7. EMPLOYEE RETIREMENT PLAN (CONTINUED)

Funding Policy:

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

Participating cities are contractually required to contribute to RHIA at a rate assessed each year by OPERS, and the City currently contributes 0.50% of annual covered OPERF payroll and 0.43% of OPSRP payroll under a contractual requirement in effect until June 30, 2019. The OPERS Board of Trustees sets the employer contribution rates based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The City's contributions to RHIA for the years ended June 30, 2017, 2018 and 2019 were \$7,698, \$7,634 and \$7,497, respectively, which equaled the required contributions each year.

At June 30, 2019, the City's net OPEB liability/(asset) and deferred inflows and outflows were not considered significant by management and were not accrued on the government wide statements.

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

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

8. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

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

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

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

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

Discount Rate per year	3.87%
General Inflation Rate per year	2.50%
Salary Scale per year	3.50%

Health Care Cost Trends:

<u>Year</u>	<u>Trend</u>	<u>Year</u>	<u>Trend</u>
2018	6.75 %	2036-2038	6.00 %
2019	7.00	2039-2045	5.75
2020	5.50	2046-2050	5.50
2021-2025	5.00	2051-2061	5.25
2026-2029	4.75	2062-2065	5.00
2030-2033	5.00	2066+	4.75
2034	5.25		
2035	5.75		

Mortality rates were based on rates adopted by the Oregon Public Employees Retirement System (PERS) for its December 31, 2017 actuarial valuation of retirement benefits.

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

Disability rates were not used.

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

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

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

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

Changes in Total OPEB Liability

	2018	2019
Balance at July 1	\$ 202,703	\$ 194,625
Changes for the Year:		
Service Cost	12,541	11,572
Interest	5,909	7,049
Gains/Losses	-	(1,297)
Assumption Changes	(10,572)	(18,958)
Benefit Payments	(15,956)	(18,765)
Net Changes for the Year	(8,078)	(20,399)
Total OPEB Liability at June 30	\$ 194,625	\$ 174,226

Sensitivity of the Net Other Post-Employment Benefit Liability to Changes in Discount and Trend Rates:
The following presents the net other post-employment benefit liability (NOL), calculated using the discount rate of 3.87 percent, as well as what the liability would be if it was calculated using a discount rate 1-percentage-point lower (2.87 percent) or 1-percentage-point higher (4.87 percent) than the current rate. A similar sensitivity analysis is then presented for changes in the healthcare cost trend assumption:

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	\$ 188,088	\$ 174,226	\$ 161,733

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$ 157,487	\$ 174,226	\$ 194,540

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ (1,179)	\$ -
Changes in assumptions	(25,885)	-
Benefit Payments	-	21,266
Deferred outflow (inflow) of resources	\$ (27,064)	\$ 21,266

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

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

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

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ (2,802)
2021	(2,802)
2022	(2,802)
2023	(2,802)
2024	(2,802)
Thereafter	(13,054)
Total	<u>\$ (27,064)</u>

9. DEFERRED COMPENSATION

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

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

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

10. DEBT

Changes in Long-Term Liabilities: During the year ended June 30, 2019, the following changes occurred in long-term liabilities:

	Balance 7/1/2018	Additions	Reductions	Balance 6/30/2019	Due in One Year
Governmental activities					
Direct Borrowing					
OECD Lakeside Loan, 2004	\$ 415,524	\$ -	\$ (24,643)	\$ 390,881	\$ 29,828
Full Faith and Credit Bonds					
URA - FF&C Obligations, 2016 Series	2,865,000	-	(115,000)	2,750,000	120,000
Total	3,280,524	-	(139,643)	3,140,881	149,828
Compensated absences	265,130	-	(46,899)	218,231	-
URA - Bond Premium	345,361	-	(19,458)	325,903	19,457
URA - Bond Insurance	(5,995)	-	338	(5,657)	(338)
Total Governmental activities	<u>\$ 3,885,020</u>	<u>\$ -</u>	<u>\$ (205,662)</u>	<u>\$ 3,679,358</u>	<u>\$ 168,947</u>
Business-type activities					
Direct Borrowing					
Storm Drain SPWF Loan	\$ 120,469	\$ -	\$ (120,469)	\$ -	\$ -
Full Faith and Credit Bonds					
Sewer - FF&C Obligations, 2016 Series	4,755,000	-	-	4,755,000	180,000
FF&C Obligations, 2009 Series	175,000	-	(175,000)	-	-
Total	5,050,469	-	(175,000)	4,755,000	180,000
Compensated absences	82,799	1,476	-	84,275	-
Sewer - Bond Premium	614,381	-	(34,614)	579,767	34,613
Sewer - Bond Insurance	(70,923)	-	3,996	(66,927)	(3,996)
Total Business-type activities	<u>\$ 5,676,726</u>	<u>\$ 1,476</u>	<u>\$ (205,618)</u>	<u>\$ 5,352,115</u>	<u>\$ 210,617</u>

OECD Lakeside Loan: A loan was entered into with the State of Oregon in 2004 for the Lakeside Industrial Park Project for the amount of \$687,279. The interest rate is fixed at 4.16%. Principal payments are made on December 1st through 2029. Whenever an event of default shall have occurred and be continuing, the State shall have the right to take, or to direct the trustee to take, any action permitted or required pursuant to the loan agreement or any other loan document or the bond indenture and to take whatever other action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due hereunder or to enforce the performance and observance of any duty, covenant, obligation or agreement of the borrower hereunder, including without limitation, (a) declaring all loan repayments and all other amounts due hereunder and under the other loan documents (including, but not limited to the state's cost of defeasance of the portion of any State bonds allocable to the loan, if all or a portion of the principal of and interest on the bonds has been accelerated pursuant to the bond indenture) to be immediately due and payable, and upon notice to the borrower

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

10. DEBT (CONTINUED)

the same shall become due and payable without further notice or demand, (b) appointment of a receiver of the system, (c) refusal to disburse any loan proceeds, (d) barring the borrower from applying for future special public works fund assistance, or (e) withholding amounts otherwise due to the borrower to apply to the payment of amounts due under this loan agreement as provided in ORS 285B.449.

2016 Full Faith and Credit Obligations: A Full Faith and Credit refunding was issued in 2016 with two components: to refund a portion of the City of Philomath’s outstanding 2009 sewer bonds, and to raise \$3.0 million for an Urban Renewal project for the Agency. The total issue was \$7,825,000, with \$2,980,000 applicable to the Agency. Interest rates range from 2.0% to 4.0%. Upon the occurrence and continuance of any event of default, the escrow agent may proceed, and upon written request of the owners of not less than a majority in aggregate principal amount of obligations then outstanding, shall proceed to take whatever action at law or in equity may appear necessary or desirable to enforce the financing agreement or to protect any of the rights vested in the escrow agent or the owners of obligations by the escrow agreement or by the obligations, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in the escrow agreement or in aid of the exercise of any power granted in the escrow agreement or for the enforcement of any other legal or equitable right vested in the escrow agent by the escrow agreement or by law. The financing amount is not subject to acceleration.

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 bond was paid off in the current year.

Future debt service requirements are as follows:

Government Activities

<u>Fiscal Year Eanding</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019-20	\$ 168,947	\$ 123,311	\$ 292,258
2020-21	174,140	118,518	292,658
2021-22	174,341	113,568	287,909
2022-23	179,557	108,571	288,128
2023-24	189,788	102,077	291,865
2025-29	1,047,934	401,055	1,448,989
2030-34	1,067,961	201,506	1,269,467
2035-39	458,459	25,601	484,060
	<u>\$ 3,461,127</u>	<u>\$ 1,194,207</u>	<u>\$ 4,655,334</u>

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

10. DEBT (CONTINUED)

Business-type Activities

<u>Fiscal Year Eanding</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019-20	\$ 210,617	\$ 5,400	\$ 216,017
2020-21	230,617	6,000	236,617
2021-22	250,617	6,600	257,217
2022-23	270,617	9,600	280,217
2023-24	295,617	10,600	306,217
2025-29	1,863,085	68,400	1,931,485
2030-34	2,093,085	77,600	2,170,685
2035-39	53,585	-	53,585
	<u>\$ 5,267,840</u>	<u>\$ 184,200</u>	<u>\$ 5,452,040</u>

11. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2019 on the budgetary basis of accounting, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 165,000
Street	21,500	105,700
Land, Building and Equipment	685,000	-
Systems Development (Proprietary)	-	150,000
Water	-	221,700
Sewer	150,000	182,600
Storm Drain	-	31,500
	<u>\$ 856,500</u>	<u>\$ 856,500</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

12. PROPERTY TAX LIMITATIONS

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

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

13. RISK MANAGEMENT

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

14. CONTINGENCIES

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

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

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

REQUIRED SUPPLEMENTARY INFORMATION

This Page Intentionally Left Blank

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

**REQUIRED SUPPLEMENTARY INFORMATION
For the fiscal year ended June 30, 2019**

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
2019	0.02 %	\$ 2,844,185	\$ 1,681,072	1.692 %	82.1 %
2018	0.02	2,407,985	1,615,008	149.1	83.1
2017	0.02	2,682,780	1,562,205	171.7	80.5
2016	0.02	950,931	1,493,911	63.7	91.9
2015	0.02	(405,946)	1,549,340	(26.2)	103.6
2014	0.02	913,923	1,568,037	58.3	92.0

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

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

SCHEDULE OF CONTRIBUTIONS

Year	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2019	\$ 257,563	\$ 257,563	\$ -	\$ 1,667,808	15.4 %
2018	258,570	258,570	-	1,681,072	15.4
2017	273,931	273,931	-	1,615,008	17.0
2016	261,642	261,642	-	1,562,205	16.7
2015	238,717	238,717	-	1,493,911	16.0
2014	224,085	224,085	-	1,549,340	14.5

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

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

CITY OF PHILOMATH
BENTON COUNTY, OREGON

SCHEDULE OF CHANGES IN OTHER POST EMPLOYMENT BENEFITS (OPEB) LIABILITY
For the Year Ended June 30, 2019

	2018	2019
Total OPEB Liability Beginning of the Year	\$ 202,703	\$ 194,625
Changes for the year:		
Service Cost	12,541	11,572
Interest	5,909	7,049
Changes of Benefit Terms	-	-
Effect of Economic/Demographic Gains or Losses	-	(1,297)
Changes of Assumptions or Other Input	(10,572)	(18,958)
Benefit Payments	(15,956)	(18,765)
Net Changes for the Year	(8,078)	(20,399)
Total OPEB Liability End of Year	\$ 194,625	\$ 174,226
Covered Payroll	1,681,721	1,667,808
Net Single Employer Pension Plan as a Percentage of Covered Payroll	11.57%	10.45%

Note: This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full year trend has been compiled, information is presented for the years for which the required supplementary schedule information is available.

CITY OF PHILOMATH
BENTON COUNTY, OREGON

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2019

GENERAL FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Revenue				
Property Taxes	\$ 1,615,000	\$ 1,615,000	\$ 1,682,908	\$ 67,908
Licenses and Permits	400,000	400,000	292,834	(107,166)
Charges for Services	419,484	419,484	420,115	631
General Fund Fee	237,000	237,000	239,707	2,707
Franchise Fees	375,000	375,000	361,266	(13,734)
Intergovernmental	159,430	159,430	149,864	(9,566)
Fines and Forfeitures	310,000	310,000	221,383	(88,617)
Interest and Miscellaneous	53,386	53,386	102,204	48,818
	<u>3,569,300</u>	<u>3,569,300</u>	<u>3,470,281</u>	<u>(99,019)</u>
Total Revenue				
Expenditures				
Administration	291,500	291,500 (1)	290,140	1,360
Building Permit	325,700	325,700 (1)	236,515	89,185
Finance	358,700	358,700 (1)	358,509	191
Municipal Court	236,000	236,000 (1)	192,093	43,907
Police	1,573,000	1,573,000 (1)	1,561,670	11,330
Buildings & Grounds	137,700	137,700 (1)	106,806	30,894
Parks	97,100	97,100 (1)	78,465	18,635
City Council	205,500	205,500 (1)	196,838	8,662
Contingency	100,000	100,000 (1)	-	100,000
	<u>3,325,200</u>	<u>3,325,200</u>	<u>3,021,036</u>	<u>304,164</u>
Total Expenditures				
Excess of Revenue Over, -Under Expenditures	244,100	244,100	449,245	205,145
Other Financing Sources, -Uses				
Transfers Out	(165,000)	(165,000) (1)	(165,000)	-
	<u>(165,000)</u>	<u>(165,000)</u>	<u>(165,000)</u>	<u>-</u>
Total Other Financing Sources, -Uses				
Net Change in Fund Balance	79,100	79,100	284,245	205,145
Beginning Fund Balance	670,000	670,000	818,525	148,525
Ending Fund Balance	<u>\$ 749,100</u>	<u>\$ 749,100</u>	<u>\$ 1,102,770</u>	<u>\$ 353,670</u>

(1) Appropriation Level

This Page Intentionally Left Blank

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

SUPPLEMENTARY INFORMATION

This Page Intentionally Left Blank

CITY OF PHILOMATH
BENTON COUNTY, OREGON

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2019

SYSTEMS DEVELOPMENT FUND (CAPITAL PROJECTS)

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
Revenue				
Intergovernmental	\$ 202,000	\$ 202,000	\$ 52,099	\$ (149,901)
Licenses and Permits	88,555	88,555	1,180,434	1,091,879
Interest and Miscellaneous	<u>13,015</u>	<u>13,015</u>	<u>45,600</u>	<u>32,585</u>
Total Revenue	<u>303,570</u>	<u>303,570</u>	<u>1,278,133</u>	<u>974,563</u>
Expenditures				
Capital Outlay	<u>255,000</u>	<u>255,000</u> (1)	<u>68,241</u>	<u>186,759</u>
Total Expenditures	<u>255,000</u>	<u>255,000</u>	<u>68,241</u>	<u>186,759</u>
Net Change in Fund Balance	48,570	48,570	1,209,892	1,161,322
Beginning Fund Balance	<u>751,000</u>	<u>751,000</u>	<u>726,872</u>	<u>(24,128)</u>
Ending Fund Balance	<u>\$ 799,570</u>	<u>\$ 799,570</u>	<u>\$ 1,936,764</u>	<u>\$ 1,137,194</u>

(1) Appropriation Level
Appropriation level combined with
System Development Proprietary Fund

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2019**

<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	\$ 108,000	\$ 108,000	\$ 108,874	\$ 874
Franchise Fees	59,000	59,000	62,117	3,117
Intergovernmental	338,000	385,350	377,635	(7,715)
Interest and Miscellaneous	3,100	3,100	22,331	19,231
Total Revenue	<u>508,100</u>	<u>555,450</u>	<u>570,957</u>	<u>15,507</u>
Expenditures				
Personnel Services	215,267	215,267 (2)	200,415	14,852
Materials and Services	238,233	285,583 (2)	252,618	32,965
Contingency	70,000	70,000 (1)	-	70,000
Total Expenditures	<u>523,500</u>	<u>570,850</u>	<u>453,033</u>	<u>117,817</u>
Excess of Revenue Over, -Under Expenditures	(15,400)	(15,400)	117,924	133,324
Other Financing Sources, -Uses				
Transfers In	21,500	21,500	21,500	-
Transfers Out	(105,700)	(105,700) (1)	(105,700)	-
Total Other Financing Sources, -Uses	<u>(84,200)</u>	<u>(84,200)</u>	<u>(84,200)</u>	<u>-</u>
Net Change in Fund Balance	(99,600)	(99,600)	33,724	133,324
Beginning Fund Balance	<u>230,000</u>	<u>230,000</u>	<u>232,098</u>	<u>2,098</u>
Ending Fund Balance	<u>\$ 130,400</u>	<u>\$ 130,400</u>	<u>\$ 265,822</u>	<u>\$ 135,422</u>

(1) Appropriation Level

(2) Sum Equals 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, 2019**

<u>URBAN RENEWAL</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>(NEGATIVE)</u>
Revenue				
Property Taxes	\$ 576,000	\$ 576,000	\$ 572,265	\$ (3,735)
Interest and Miscellaneous	46,300	46,300	89,236	42,936
Total Revenue	<u>622,300</u>	<u>622,300</u>	<u>661,501</u>	<u>39,201</u>
Expenditures				
Materials and Services	549,550	549,550 (1)	63,624	485,926
Capital Outlay	335,000	335,000 (1)	-	335,000
Debt Service	224,750	224,750 (1)	224,726	24
Total Expenditures	<u>1,109,300</u>	<u>1,109,300</u>	<u>288,350</u>	<u>820,950</u>
Net Change in Fund Balance	(487,000)	(487,000)	373,151	860,151
Beginning Fund Balance	<u>2,800,000</u>	<u>2,800,000</u>	<u>3,011,026</u>	<u>211,026</u>
Ending Fund Balance	<u>\$ 2,313,000</u>	<u>\$ 2,313,000</u>	<u>\$ 3,384,177</u>	<u>\$ 1,071,177</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, 2019**

LAND BUILDING AND EQUIPMENT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Revenue				
Intergovernmental	\$ 3,400	\$ 3,400	\$ 3,459	\$ 59
Fines and Forfeitures	4,000	4,000	1,534	(2,466)
Interest and Miscellaneous	44,900	44,900	140,954	96,054
Total Revenue	52,300	52,300	145,947	93,647
Expenditures				
Capital Outlay	1,000,300	1,000,300 (1)	155,459	844,841
Total Expenditures	1,000,300	1,000,300	155,459	844,841
Excess of Revenue Over, -Under Expenditures	(948,000)	(948,000)	(9,512)	938,488
Other Financing Sources, -Uses				
Sale of Capital Assets	-	-	2,040	2,040
Transfers In	695,000	695,000	685,000	(10,000)
Total Other Financing Sources, -Uses	695,000	695,000	687,040	(7,960)
Net Change in Fund Balance	(253,000)	(253,000)	677,528	930,528
Beginning Fund Balance	2,725,000	2,725,000	2,509,665	(215,335)
Ending Fund Balance	\$ 2,472,000	\$ 2,472,000	\$ 3,187,193	\$ 715,193

(1) Appropriation Level

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019**

	Special Revenue		Debt Service	TOTAL
	DEVELOPMENT REVIEW	COMMUNITY DEVELOPMENT	ECONOMIC DEVELOPMENT	
ASSETS				
Cash and Investments	\$ 111,211	\$ 92,263	\$ 11,989	\$ 215,463
Receivables:				
Property Taxes	-	-	2	2
Loans Receivable	-	334,151	-	334,151
Total Assets	\$ 111,211	\$ 426,414	\$ 11,991	\$ 549,616
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 6,212	\$ -	\$ -	\$ 6,212
Other Liabilities	43,438	-	-	43,438
Total Liabilities	49,650	-	-	49,650
Deferred Inflows of Resources:				
Unavailable Revenue - Loans Receivable	-	334,151	-	334,151
Unavailable Revenue - Property Taxes	-	-	2	2
Total Deferred Inflows of Resources	-	334,151	2	334,153
Fund Balances				
Non-Spendable	-	-	-	-
Restricted For:				
Development Review	61,561	-	-	61,561
Community Development	-	92,263	-	92,263
Debt Service	-	-	11,989	11,989
Total Fund Balances	61,561	92,263	11,989	165,813
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 111,211	\$ 426,414	\$ 11,991	\$ 549,616

**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, 2019**

	Special Revenue		Debt Service	TOTAL
	DEVELOPMENT REVIEW	COMMUNITY DEVELOPMENT	ECONOMIC DEVELOPMENT	
Revenue				
Property Taxes	\$ -	\$ -	\$ 1	\$ 1
Charges for Services	9,599	-	-	9,599
Interest and Miscellaneous	2,971	89,573	42,934	135,478
Total Revenue	12,570	89,573	42,935	145,078
Expenditures				
Current:				
Public Works	57,853	-	-	57,853
Debt Service:				
Principal	-	-	24,643	24,643
Interest	-	-	17,997	17,997
Total Expenditures	57,853	-	42,640	100,493
Net Change in Fund Balance	(45,283)	89,573	295	44,585
Beginning Fund Balance	106,844	2,690	11,694	121,228
Ending Fund Balance	<u>\$ 61,561</u>	<u>\$ 92,263</u>	<u>\$ 11,989</u>	<u>\$ 165,813</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, 2019**

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	\$ 105,000	\$ 105,000	\$ 9,599	\$ (95,401)
Interest and Miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>2,971</u>	<u>1,971</u>
Total Revenue	<u>106,000</u>	<u>106,000</u>	<u>12,570</u>	<u>(93,430)</u>
Expenditures				
Materials and Services	<u>211,000</u>	<u>211,000</u> (1)	<u>57,853</u>	<u>153,147</u>
Total Expenditures	<u>211,000</u>	<u>211,000</u>	<u>57,853</u>	<u>153,147</u>
Net Change in Fund Balance	(105,000)	(105,000)	(45,283)	59,717
Beginning Fund Balance	<u>105,000</u>	<u>105,000</u>	<u>106,844</u>	<u>1,844</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,561</u>	<u>\$ 61,561</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, 2019**

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	\$ 30,020	\$ 30,020	\$ 89,573	\$ 59,553
Total Revenue	<u>30,020</u>	<u>30,020</u>	<u>89,573</u>	<u>59,553</u>
Expenditures				
Materials and Services	<u>31,076</u>	<u>31,076 (1)</u>	<u>-</u>	<u>31,076</u>
Total Expenditures	<u>31,076</u>	<u>31,076</u>	<u>-</u>	<u>31,076</u>
Net Change in Fund Balance	(1,056)	(1,056)	89,573	90,629
Beginning Fund Balance	<u>1,056</u>	<u>1,056</u>	<u>2,690</u>	<u>1,634</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92,263</u>	<u>\$ 92,263</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, 2019

ECONOMIC DEVELOPMENT FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
Revenue				
Property Taxes	\$ -	\$ -	\$ 1	\$ 1
Interest and Miscellaneous	<u>42,820</u>	<u>42,820</u>	<u>42,934</u>	<u>114</u>
Total Revenue	<u>42,820</u>	<u>42,820</u>	<u>42,935</u>	<u>115</u>
Expenditures				
Debt Service	<u>42,640</u>	<u>42,640</u> (1)	<u>42,640</u>	<u>-</u>
Total Expenditures	<u>42,640</u>	<u>42,640</u>	<u>42,640</u>	<u>-</u>
Net Change in Fund Balance	180	180	295	115
Beginning Fund Balance	<u>11,680</u>	<u>11,680</u>	<u>11,694</u>	<u>14</u>
Ending Fund Balance	<u>\$ 11,860</u>	<u>\$ 11,860</u>	<u>\$ 11,989</u>	<u>\$ 129</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, 2019**

	<u>WATER FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)	GAAP BASIS
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
Revenue					
Charges for Services	\$ 1,085,000	\$ 1,085,000	\$ 1,131,404	\$ 46,404	\$ 1,131,404
Intergovernmental	-	-	500	500	500
Interest and Miscellaneous	51,670	51,670	50,271	(1,399)	50,271
Total Revenue	1,136,670	1,136,670	1,182,175	45,505	1,182,175
Expenditures					
Personnel Services	418,780	418,780 (2)	386,156	32,624	504,619
Materials and Services	506,190	506,190 (2)	405,826	100,364	405,826
Contingency	70,000	70,000 (1)	-	70,000	-
Total Expenditures	994,970	994,970	791,982	202,988	1,121,848
Excess of Revenue Over -Under Expenditures	141,700	141,700	390,193	248,493	60,327
OTHER FINANCING SOURCES					
Capital Contributions	-	-	-	-	63,966
Transfers Out	(221,700)	(221,700) (1)	(221,700)	-	(221,700)
Total Other Financing Sources, -Uses	(221,700)	(221,700)	(221,700)	-	(157,734)
Net Change in Fund Balance	(80,000)	(80,000)	168,493	248,493	(97,407)
Beginning Fund Balance	236,000	236,000	258,928	22,928	5,987,889
Ending Fund Balance	\$ 156,000	\$ 156,000	\$ 427,421	\$ 271,421	\$ 5,890,482

Reconciliation to the Statement of Proprietary Net Position:

Net Capital Assets	5,860,746
Deferred Outflows	155,232
Deferred Inflows	(25,736)
Compensated Absences	(46,269)
Total OPEB Liability	(23,521)
Net Pension Liability	(383,965)
Net Position	\$ 5,963,908

(1) Appropriation Level

(2) Sum Equals 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, 2019**

<u>SEWER FUND</u>					
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)	GAAP BASIS
Revenue					
Charges for Services	\$ 1,115,000	\$ 1,115,000	\$ 1,116,197	\$ 1,197	\$ 1,116,197
Lease of Land	17,400	17,400	16,200	(1,200)	16,200
Interest and Miscellaneous	18,000	18,000	19,085	1,085	19,085
Total Revenue	1,150,400	1,150,400	1,151,482	1,082	1,151,482
Expenditures					
Personnel Services	344,149	344,149 (2)	320,669	23,480	419,990
Materials and Services	384,701	384,701 (2)	316,936	67,765	316,936
Capital Outlay/Depreciation	-	-	-	-	267,171
Debt Service	364,450	364,450 (2)	364,390	60	158,335
Contingency	70,000	70,000 (1)	-	70,000	-
Total Expenditures	1,163,300	1,163,300	1,001,995	161,305	1,162,432
Excess of Revenue Over					
-Under Expenditures	(12,900)	(12,900)	149,487	162,387	(10,950)
OTHER FINANCING SOURCES					
Capital Contributions	-	-	-	-	20,504
Transfers In	150,000	150,000	150,000	-	150,000
Transfers Out	(182,600)	(182,600) (1)	(182,600)	-	(182,600)
Total Other Financing Sources,					
-Uses	(32,600)	(32,600)	(32,600)	-	(12,096)
Net Change in Fund Balance	(45,500)	(45,500)	116,887	162,387	(23,046)
Beginning Fund Balance	200,000	200,000	202,283	2,283	4,995,428
Ending Fund Balance	\$ 154,500	\$ 154,500	\$ 319,170	\$ 164,670	\$ 4,972,382

Reconciliation to the Statement of Proprietary Net Position:

Net Capital Assets	10,294,051
Deferred Outflows	127,636
Deferred Inflows	(21,160)
Accrued Interest	(46,050)
Compensated Absences	(38,007)
Total OPEB Liability	(19,339)
Net Pension Liability	(315,705)
Long Term Debt	(5,267,840)
Net Position	\$ 5,032,756

(1) Appropriation Level

(2) Sum Equals 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, 2019**

<u>STORM DRAIN FUND</u>					
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>	<u>GAAP BASIS</u>
Revenue					
Charges for Services	\$ 58,800	\$ 58,800	\$ 58,878	\$ 78	\$ 58,878
Interest and Miscellaneous	300	300	551	251	551
Total Revenue	<u>59,100</u>	<u>59,100</u>	<u>59,429</u>	<u>329</u>	<u>59,429</u>
Expenditures					
Materials and Services	22,600	22,600 (1)	22,539	61	22,539
Capital Outlay/Depreciation	-	-	-	-	32,626
Total Expenditures	<u>22,600</u>	<u>22,600</u>	<u>22,539</u>	<u>61</u>	<u>55,165</u>
Excess of Revenue Over -Under Expenditures	36,500	36,500	36,890	390	4,264
OTHER FINANCING SOURCES					
Transfers Out	(41,500)	(41,500) (1)	(31,500)	10,000	(31,500)
Total Other Financing Sources, -Uses	<u>(41,500)</u>	<u>(41,500)</u>	<u>(31,500)</u>	<u>10,000</u>	<u>(31,500)</u>
Net Change in Fund Balance	<u>(5,000)</u>	<u>(5,000)</u>	<u>5,390</u>	<u>10,390</u>	<u>(27,236)</u>
Beginning Fund Balance	<u>20,000</u>	<u>20,000</u>	<u>27,875</u>	<u>7,875</u>	<u>1,196,152</u>
Ending Fund Balance	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ 33,265</u>	<u>\$ 18,265</u>	<u>\$ 1,168,916</u>

Reconciliation to the Statement of Proprietary Net Position:

Net Capital Assets	<u>1,135,651</u>
Net Position	<u>\$ 1,168,916</u>

(1) Appropriation Level

(2) Sum Equals 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, 2019**

	<u>SYSTEM DEVELOPMENT FUND (PROPRIETARY)</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)	GAAP BASIS
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>		
Revenue					
Charges for Services	\$ 267,645	\$ 267,645	\$ 834,701	\$ 567,056	\$ 834,701
Interest and Miscellaneous	14,985	14,985	36,123	21,138	36,123
Total Revenue	<u>282,630</u>	<u>282,630</u>	<u>870,824</u>	<u>588,194</u>	<u>870,824</u>
Expenditures					
Capital Outlay	20,000	20,000 (1)	-	20,000	-
Debt Service	127,700	127,700 (1)	127,697	3	3,012
Total Expenditures	<u>147,700</u>	<u>147,700</u>	<u>127,697</u>	<u>20,003</u>	<u>3,012</u>
Excess of Revenue Over -Under Expenditures	134,930	134,930	743,127	608,197	867,812
OTHER FINANCING SOURCES					
Transfers In	-	-	-	-	-
Transfers Out	<u>(150,000)</u>	<u>(150,000) (1)</u>	<u>(150,000)</u>	<u>-</u>	<u>(150,000)</u>
Total Other Financing Sources, -Uses	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>	<u>(150,000)</u>
Net Change in Fund Balance	(15,070)	(15,070)	593,127	608,197	717,812
Beginning Fund Balance	<u>849,000</u>	<u>849,000</u>	<u>815,329</u>	<u>(33,671)</u>	<u>690,644</u>
Ending Fund Balance	<u>\$ 833,930</u>	<u>\$ 833,930</u>	<u>\$ 1,408,456</u>	<u>\$ 574,526</u>	<u>\$ 1,408,456</u>

(1) Appropriation Level
Appropriation level combined with
System Development Proprietary Fund

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED - GENERAL FUND
For the Year Ended June 30, 2019**

TAX YEAR	IMPOSED LEVY OR UNCOLLECTED AT 7-1-18	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6-30-19
CURRENT:						
2018-19	\$ 1,693,894	\$ 48,492	\$ -	\$ -	\$ 1,623,056	\$ 22,346
PRIOR YEARS:						
2017-18	\$ 21,589	\$ -	\$ (465)	\$ -	\$ 11,973	\$ 9,151
2016-17	14,958	-	(199)	-	9,874	4,885
2015-16	15,102	-	(5,484)	-	7,117	2,501
2014-15	16,106	-	(6,207)	-	9,518	381
Prior	26,911	-	(4,450)	-	21,370	1,091
Total	\$ 1,788,560	\$ 48,492	\$ (16,805)	\$ -	\$ 1,682,908	\$ 40,355

RECONCILIATION TO REVENUE

Cash Collections by County Treasurer Above	\$ 1,682,908
Total Revenue	<u>\$ 1,682,908</u>

**CITY OF PHILOMATH
BENTON COUNTY, OREGON**

**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED - URBAN RENEWAL FUND
For the Year Ended June 30, 2019**

TAX YEAR	IMPOSED LEVY OR UNCOLLECTED AT 7-1-18	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6-30-19
CURRENT:						
2018-19	\$ 575,880	\$ 16,486	\$ -	\$ -	\$ 551,797	\$ 7,597
PRIOR YEARS:						
2017-18	\$ 7,718	\$ -	\$ (167)	\$ -	\$ 4,280	\$ 3,271
2016-17	5,103	-	(67)	-	3,369	1,667
2015-16	5,238	-	(1,903)	-	2,468	867
2014-15	5,482	-	(2,112)	-	3,240	130
Prior	8,923	-	(1,511)	-	7,111	301
Total	\$ 608,344	\$ 16,486	\$ (5,760)	\$ -	\$ 572,265	\$ 13,833

RECONCILIATION TO REVENUE

Cash Collections by County Treasurer Above	\$ 572,265
Total Revenue	<u>\$ 572,265</u>

This Page Intentionally Left Blank

CITY OF PHILOMATH
BENTON COUNTY, OREGON

REPORTS ON LEGAL AND OTHER
REGULATORY REQUIREMENTS

This Page Intentionally Left Blank



PAULY, ROGERS AND CO., P.C.
12700 SW 72nd Ave. ♦ Tigard, OR 97223
(503) 620-2632 ♦ (503) 684-7523 FAX
www.paulyrogersandcocpas.com

November 2, 2019

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, 2019, and have issued our report thereon dated November 2, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

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

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

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

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

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

OAR 162-10-0230 Internal Control

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

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



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