

***CITY OF PHILOMATH, OREGON
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2021***

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CITY OF PHILOMATH, OREGON
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GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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Honorable Mayor and Members
of the City Council
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, 2021, and the related notes to the financial statements, which collectively comprise the City's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. 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, Oregon as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis (MD&A) and the schedules of revenues, expenditures and changes in fund balance – budget and actual for the General and Street funds (“the budgetary schedules”), the City’s PERS schedules, and the City’s OPEB schedules 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 management’s discussion and analysis, PERS schedules and OPEB schedules described in the preceding paragraph 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The budgetary schedules described above were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The budgetary schedules have been subject 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 budgetary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.


Supplementary Information

The supplementary information, which is the responsibility of management, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information 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, or other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly presented, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated January 12, 2022 on our consideration of the City's 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.

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 
Ryan T. Pasquarella, A Shareholder
January 12, 2022

City of Philomath, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2021

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, 2021.

Financial Highlights

Following are the financial highlights of the City for the fiscal year ended June 30, 2021.

- The City's total assets exceeded its liabilities at the close of FY 2020-21 by \$29.4 million (net position). Of this amount, \$14.6 million is invested in capital assets, net of related debt; \$13.8 million is restricted for construction projects, debt service and other commitments; and the balance of \$978,410 is considered unrestricted.
- The City's net position increased by \$4,759,749. \$3.2 million of this increase is attributable to an increase in cash and investments, and \$1.2 million is attributable to a decrease in liabilities.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$12.1 million. \$10.8 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 \$1,276,920 or approximately 37 percent of total General Fund expenditures.
- The City's total liabilities decreased by \$1,174,002 or 9 percent during fiscal year 2020-21.
- For fiscal year 2020-21 the City received \$144,040 in COVID grant revenue.

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 13-16 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations can be found on pages 19 and 22 in the basic financial statements.

The governmental fund financial statements can be found on pages 17-18 and 20-21 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 58-59 and 62-67.

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 68 through 71.

The proprietary fund financial statements can be found on pages 23 through 30 in the basic financial statements.

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

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

Government-Wide Financial Analysis

Table 1
Statement of Net Position

Statements of Net Position
June 30,
(in thousands)

| | <i>Governmental</i> | | | <i>Business-type</i> | | | <i>Total</i> | | |
|---------------------------|---------------------|------------------|-----------------|----------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | <i>2021</i> | <i>2020</i> | <i>Change</i> | <i>2021</i> | <i>2020</i> | <i>Change</i> | <i>2021</i> | <i>2020</i> | <i>Change</i> |
| Cash and investments | \$12,197 | \$ 10,701 | \$ 1,496 | \$ 3,886 | \$ 2,137 | \$ 1,749 | \$16,083 | \$ 1,749 | \$14,334 |
| Other assets | 1,065 | 1,118 | (53) | 318 | 271 | 47 | 1,383 | 1,389 | (6) |
| Capital assets | 5,470 | 5,281 | 189 | 17,095 | 17,104 | (9) | 22,565 | 22,385 | 180 |
| <i>Total Assets</i> | 18,732 | 17,100 | 1,633 | 21,299 | 19,512 | 1,787 | 40,031 | 25,522 | 14,509 |
| Deferred outflows | 1,528 | 856 | 672 | 483 | 296 | 187 | 2,011 | 1,152 | 859 |
| Other liabilities | 2,880 | 547 | 2,333 | 896 | 68 | 828 | 3,775 | 615 | 3,160 |
| Long-term debt | 3,118 | 6,201 | (3,083) | 4,827 | 6,078 | (1,251) | 7,945 | 12,279 | (4,334) |
| <i>Total Liabilities</i> | 5,998 | 6,748 | (750) | 5,722 | 6,146 | (424) | 11,720 | 12,894 | (1,174) |
| Deferred inflows | 688 | 158 | 530 | 217 | 55 | 162 | 905 | 213 | 692 |
| Net position: | | | | | | | | | |
| Net investment | | | | | | | | | |
| in capital assets | 2,352 | 1,989 | 363 | 12,268 | 12,047 | 221 | 14,621 | 14,036 | 585 |
| Restricted | 10,798 | 9,436 | 1,362 | 3,020 | 1,660 | 1,360 | 13,818 | 11,096 | 2,722 |
| Unrestricted | 425 | (375) | 800 | 554 | (100) | 654 | 978 | (475) | 1,453 |
| <i>Total Net Position</i> | <u>\$13,575</u> | <u>\$ 11,050</u> | <u>\$ 2,525</u> | <u>\$15,842</u> | <u>\$13,607</u> | <u>\$ 2,235</u> | <u>\$29,417</u> | <u>\$24,657</u> | <u>\$ 4,760</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 \$29,417,107 at the close of FY 2020-21.

The largest portion of the City's net position reflects its investment of \$14,620,554 or 50 percent, in capital assets (e.g., land, buildings, improvements, equipment, and infrastructure, net of accumulated depreciation); less any related outstanding debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending.

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

An additional portion of the City's net position \$13,818,143 or 47 percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$978,410 or 3 percent, may be used to meet the government's ongoing obligations.

Statements of Net Position
June 30,
(in thousands)

| | <i>Governmental</i> | | | <i>Business-type</i> | | | <i>Total</i> | | |
|------------------------------------|---------------------|------------------|-----------------|----------------------|------------------|-----------------|------------------|------------------|-----------------|
| | <i>2021</i> | <i>2020</i> | <i>Change</i> | <i>2021</i> | <i>2020</i> | <i>Change</i> | <i>2021</i> | <i>2020</i> | <i>Change</i> |
| Revenues | | | | | | | | | |
| Program Revenues | | | | | | | | | |
| Charges for service | \$ 1,698 | \$ 1,314 | \$ 384 | \$ 3,253 | \$ 2,709 | \$ 544 | \$ 4,952 | \$ 4,023 | \$ 929 |
| Operating grants and contributions | 426 | 332 | 94 | - | - | - | 426 | 332 | 94 |
| Capital grants and contributions | 650 | 327 | 323 | 2,673 | 416 | 2,257 | 3,324 | 743 | 2,581 |
| <i>Total Program Revenues</i> | <i>2,774</i> | <i>1,973</i> | <i>801</i> | <i>5,926</i> | <i>3,125</i> | <i>2,801</i> | <i>8,701</i> | <i>5,098</i> | <i>3,603</i> |
| General Revenues | | | | | | | | | |
| Property taxes | 2,533 | 2,387 | 146 | - | - | - | 2,533 | 2,387 | 146 |
| Franchise taxes | 453 | 441 | 12 | - | - | - | 453 | 441 | 12 |
| Intergovernmental | 370 | 803 | (433) | - | - | - | 370 | 803 | (433) |
| Other | 160 | 316 | (156) | 199 | 124 | 75 | 359 | 440 | (81) |
| <i>Total General Revenues</i> | <i>3,516</i> | <i>3,947</i> | <i>(431)</i> | <i>199</i> | <i>124</i> | <i>75</i> | <i>3,714</i> | <i>4,071</i> | <i>(357)</i> |
| <i>Total Revenues</i> | <i>6,290</i> | <i>5,920</i> | <i>370</i> | <i>6,125</i> | <i>3,249</i> | <i>2,876</i> | <i>12,415</i> | <i>9,169</i> | <i>3,246</i> |
| Expenses | | | | | | | | | |
| General government | 2,074 | 2,265 | (191) | - | - | - | 2,074 | 2,265 | (191) |
| Police | 1,517 | 1,967 | (450) | - | - | - | 1,517 | 1,967 | (450) |
| Streets | 837 | 591 | 246 | - | - | - | 837 | 591 | 246 |
| Public works | 461 | 872 | (411) | - | - | - | 461 | 872 | (411) |
| Interest on debt | 98 | 103 | (5) | - | - | - | 98 | 103 | (5) |
| Water | - | - | - | 1,291 | 1,258 | 33 | 1,291 | 1,258 | 33 |
| Sewer | - | - | - | 1,215 | 1,005 | 210 | 1,215 | 1,005 | 210 |
| Storm drain | - | - | - | 161 | 40 | 121 | 161 | 40 | 121 |
| <i>Total Expenses</i> | <i>4,988</i> | <i>5,798</i> | <i>(810)</i> | <i>2,667</i> | <i>2,303</i> | <i>364</i> | <i>7,656</i> | <i>8,101</i> | <i>(445)</i> |
| Changes in Net Position | | | | | | | | | |
| <i>Before Transfers</i> | <i>1,302</i> | <i>122</i> | <i>1,180</i> | <i>3,458</i> | <i>946</i> | <i>2,512</i> | <i>4,760</i> | <i>1,068</i> | <i>3,692</i> |
| Transfers | 1,223 | 913 | 310 | (1,223) | (913) | (310) | - | - | - |
| <i>Change in Net Position</i> | <i>2,525</i> | <i>1,035</i> | <i>1,490</i> | <i>2,235</i> | <i>33</i> | <i>2,202</i> | <i>4,760</i> | <i>1,068</i> | <i>3,692</i> |
| <i>Beginning Net Position</i> | <i>11,050</i> | <i>10,015</i> | <i>1,035</i> | <i>13,607</i> | <i>13,574</i> | <i>33</i> | <i>24,657</i> | <i>23,589</i> | <i>1,068</i> |
| <i>Ending Net Position</i> | <i>\$ 13,575</i> | <i>\$ 11,050</i> | <i>\$ 2,525</i> | <i>\$ 15,842</i> | <i>\$ 13,607</i> | <i>\$ 2,235</i> | <i>\$ 29,417</i> | <i>\$ 24,657</i> | <i>\$ 4,760</i> |

Governmental activities - Governmental activities increased the City's net position by \$2.525 million. The major factor was a \$1.362 million increase in restricted assets. The majority of those assets are in the Land, Building, and Equipment and Governmental SDC Funds and are being held for future construction projects. There were no large capital purchases during the year. The only large expenditure was in the Urban Renewal District which spent \$1.2 million towards engineering of the Downtown Streetscapes project.

Business-type activities - Business-type activities increased the City's net position by \$2.235 million. \$1.9 million of this increase was attributable to increased assets in the Proprietary SDC Fund being held for future construction projects, and by a \$.4 million increase in Water Fund assets being held for construction of the new Water Treatment plant.

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 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. The City Council reduced the fee in 2019 to \$5 per month and in July 2020 to \$4 per month. The General Fund fee provided \$141,684 this fiscal year. The fee is expected to sunset June 2022. As of June 30, 2021, the General Fund balance was \$1,285,390.

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, 2021, the Development Review Fund balance was \$9,652.

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. There were no loans paid this fiscal year. \$311,580 in loans remain outstanding on 18 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 9 years remaining on the loan and the balance at June 30, 2021 was \$331,032.

Street Fund. The primary source of revenue is the City's portion of state gasoline taxes. Gas tax revenue increased from \$326,029 last fiscal year to \$381,812 this fiscal year, a 17% increase. Additionally, the City collected \$125,041 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 \$90,841. The ending fund balance was \$356,890 as of June 30, 2021.

Urban Renewal Fund. The Urban Renewal Fund is a taxing district separate from the City. The Urban Renewal District received \$703,328 in tax revenue this fiscal year and paid \$227,697 in principal and interest on the 2016 Full

Faith and Credit bond issue. The fund balance at June 30, 2021 was \$2,665,749.

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 \$1,541,900. Capital improvement projects during the year totaled \$331,972. Leaving a fund balance of \$5,102,707 at June 30, 2021.

System Development Capital Projects Fund. This fund was established to collect System Development Charges and to accumulate funds for future capital projects. \$734,915 in SDC's were collected this fiscal year. There were no major capital expenditures. The fund balance was \$3,019,907 at June 30, 2021.

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 \$912,330. After capital contributions from the Land, Building & Equipment Fund and Urban Renewal Agency of \$243,434 and transfers out of \$732,450 the net position was increased by \$423,314.

Sewer Fund. The Sewer Fund activity includes operation and maintenance of the City's sewer system. Net income before transfers was \$662,941. After capital contributions from the Land, Building & Equipment Fund of \$88,293, and transfers out of \$451,950, the net position was increased by \$299,284.

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 \$5,331. After capital contributions from the Urban Renewal Agency of \$185,638 and transfers out of \$39,000, net position increased for the year by \$151,969.

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 \$2,155,733 compared to collections of \$416,263 for fiscal year 2019-20. Sales of homes in the Mill Pond Crossing and Newton Creek subdivisions contributed to the large increase in revenue. The major expenditures included a \$399,022 refund to the Boulevard Apartments for installation of oversized infrastructure, and engineering costs of \$174,763 for the new Water Treatment Plant. Transfers out included \$240,000 contribution to the Sewer Fund to help pay the sewer bond debt service. The net position increase for the year by \$1,360,150.

Budgetary Highlights

Appropriations between the original and final amended budget were increased by \$355,450 in the General Fund. The supplemental appropriations provided \$175,000 for additional building inspection fees, \$120,000 to Social Service agencies and downtown businesses for COVID-19 support, \$50,300 for grant expenditures and \$10,150 for recording fees and educational expenses.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2021, the City had approximately \$22.6 million invested in a broad range of capital assets, including land, buildings and improvements, equipment, roads, water, sewer and storm drain lines. This was an increase of .8 percent from the prior year. The increase was a result of \$1,034,790 in capital purchases and \$855,355 in depreciation expense for the fiscal year 2020-21.

Capital Assets (Net of Depreciation) June 30, (in thousands)

| | <u>2021</u> | <u>2020</u> | <u>Change</u> |
|---------------------------------------|-------------|-------------|---------------|
| <i>Governmental Activities</i> | | | |
| Land | \$ 425 | \$ 425 | \$ - |
| Construction in process | 420 | 42 | 378 |
| Improvements | 461 | 470 | (9) |
| Buildings | 1,540 | 1,591 | (51) |
| Equipment | 695 | 815 | (120) |
| Infrastructure | 1,930 | 1,938 | (8) |
| | <hr/> | <hr/> | <hr/> |
| <i>Total Governmental Activities</i> | 5,471 | 5,281 | 190 |
| <i>Business-type Activities</i> | | | |
| Land | 853 | 853 | - |
| Construction in process | 206 | 21 | 185 |
| Improvements | 16 | 18 | (2) |
| Buildings | 456 | 295 | 161 |
| Equipment | 403 | 413 | (10) |
| Infrastructure | 15,161 | 15,505 | (344) |
| | <hr/> | <hr/> | <hr/> |
| <i>Total Business-type Activities</i> | 17,095 | 17,105 | (10) |
| | <hr/> | <hr/> | <hr/> |
| <i>Total Capital Assets</i> | \$ 22,566 | \$ 22,386 | \$ 180 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

Long-Term Debt
June 30,
(in thousands)

| | <u>2021</u> | <u>2020</u> | <u>Change</u> |
|--------------------------------------|-----------------|-----------------|-----------------|
| <i>Governmental Activities</i> | | | |
| Urban Renewal bonds | \$ 2,787 | \$ 2,931 | \$ (144) |
| Notes payable | 331 | 361 | (30) |
| <i>Total Governmental Activities</i> | 3,118 | 3,292 | (174) |
| <i>Business-type Activities</i> | | | |
| Bonds Payable | 4,827 | 5,057 | (230) |
| <i>Total Long-Term Debt</i> | <u>\$ 7,945</u> | <u>\$ 8,349</u> | <u>\$ (404)</u> |

At the end of the current fiscal year, the City had total debt outstanding of \$7,944,646. This is a decrease from the previous year of \$404,757. No new debt was issued during the fiscal year.

\$331,032 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.

The remainder of the City's debt is for business-type activities. There is only one loan for Fiscal Year 2020-21 which is the 2016 Sewer Full Faith and Credit bond issue.

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 2021-22 budget:

- The population of the City of Philomath was 5,370 at July 1, 2020 and 5,682 at July 1, 2021. A 6% increase. The majority of this increase is due to residential construction in the Mill Pond Crossing and Newton Creek Estates subdivisions.
- Residential and commercial building continues at a much slower pace.
- The City's permanent tax rate is \$5.3005.
- Assessed values, the basis of property tax revenues, grew by 6.4% in FY 2019-20 and 7.8% in FY 2020-21.
- The General Fund fee that was approved in 2017 will sunset in June 2022. Growth over the last few years has increased property tax revenue so that the fee is no longer necessary to support the General Fund.

- The City will start construction on a new water treatment plant and reservoir in the spring of 2022. The estimated project cost is \$16.1 million. The City has received a \$12 million Americans Recovery Plan Act (ARPA) grant from the state legislature. The City has in reserves the remaining \$4.1 million needed to complete the project.
- Effective July 1, 2021, the water and sewer rates will increase by 1 percent.
- Due to the receipt of the \$12 million ARPA grant, the City Council voted to reduce water user fees by 27 percent effective January 1, 2022.
- Interest rates on investments are expected to be in the 1% range for the fiscal year.
- One new full time position will be added to the Administration Department in the General Fund.
- There will be no increases in health or dental insurance costs.

The City's adopted budget for FY 2021-22 reflects total estimated resources of \$28,451,490 which exceeds total estimated expenditures by \$10,169,450.

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.

BASIC FINANCIAL STATEMENTS

CITY OF PHILOMATH, OREGON
STATEMENT OF NET POSITION
JUNE 30, 2021

| | <i>Governmental Activities</i> | <i>Business-type Activities</i> | <i>Totals</i> |
|--|---|--|----------------------|
| <i>ASSETS</i> | | | |
| <i>Current</i> | | | |
| Cash and investments | \$ 12,197,238 | \$ 3,885,632 | \$ 16,082,870 |
| Receivables | | | |
| Accounts | 23,442 | 318,103 | 341,545 |
| Property taxes | 55,555 | - | 55,555 |
| Special assessments | 179,567 | - | 179,567 |
| Other receivables | 155,057 | - | 155,057 |
| Prepaid expenses | 8,470 | - | 8,470 |
| <i>Noncurrent</i> | | | |
| Loans receivable | 642,612 | - | 642,612 |
| Nondepreciable capital assets | 845,403 | 873,849 | 1,719,252 |
| Depreciable capital assets, net | 4,624,694 | 16,221,254 | 20,845,948 |
| | <hr/> | <hr/> | <hr/> |
| <i>Total Assets</i> | 18,732,038 | 21,298,838 | 40,030,876 |
| <i>Deferred outflows of resources</i> | | | |
| Pension related deferred outflows | 1,510,966 | 477,142 | 1,988,108 |
| OPEB related deferred outflows | 17,284 | 5,459 | 22,743 |
| | <hr/> | <hr/> | <hr/> |
| <i>Total Deferred Outflows of Resources</i> | 1,528,250 | 482,601 | 2,010,851 |
| | <hr/> | <hr/> | <hr/> |

The accompanying notes are an integral part of the financial statements.

CITY OF PHILOMATH, OREGON
STATEMENT OF NET POSITION (Continued)
JUNE 30, 2021

| | <i>Governmental Activities</i> | <i>Business-type Activities</i> | <i>Totals</i> |
|---|------------------------------------|-------------------------------------|----------------------|
| LIABILITIES | | | |
| Current | | | |
| Accounts payable | \$ 244,178 | \$ 30,409 | \$ 274,587 |
| Accrued interest | 32,774 | 43,200 | 75,974 |
| Other current liabilities | 56,403 | 1,110 | 57,513 |
| Noncurrent | | | |
| Due within one year: | | | |
| Notes payable | 30,222 | - | 30,222 |
| Bonds payable | 125,000 | 230,617 | 355,617 |
| Due in more than one year: | | | |
| Notes payable | 300,810 | - | 300,810 |
| Bonds payable | 2,662,008 | 4,595,989 | 7,257,997 |
| Accrued compensated absences | 255,223 | 97,597 | 352,820 |
| Net pension liability | 2,180,116 | 688,451 | 2,868,567 |
| Total OPEB liability | 110,874 | 35,015 | 145,889 |
| <i>Total Liabilities</i> | <u>5,997,608</u> | <u>5,722,388</u> | <u>11,719,996</u> |
| Deferred inflows of resources | | | |
| Pension related deferred inflows | 651,958 | 205,879 | 857,837 |
| OPEB related deferred inflows | 35,557 | 11,230 | 46,787 |
| <i>Total Deferred Inflows of Resources</i> | <u>687,515</u> | <u>217,109</u> | <u>904,624</u> |
| NET POSITION | | | |
| Investment in capital assets, net of related debt | 2,352,057 | 12,268,497 | 14,620,554 |
| Restricted for: | | | |
| Community development | 2,660,550 | - | 2,660,550 |
| Construction | 5,102,707 | 3,019,907 | 8,122,614 |
| Debt service | 2,923,086 | - | 2,923,086 |
| Streets | 356,890 | - | 356,890 |
| Urban renewal | (244,997) | - | (244,997) |
| Unrestricted | 424,872 | 553,538 | 978,410 |
| <i>Total Net Position</i> | <u>\$ 13,575,165</u> | <u>\$ 15,841,942</u> | <u>\$ 29,417,107</u> |

The accompanying notes are an integral part of the financial statements.

CITY OF PHILOMATH, OREGON
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

| | <u>Expenses</u> | <u>Program Revenues</u> | | |
|--|---------------------|--|---|---|
| | | <u>Fees, Fines, and Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| FUNCTIONS/PROGRAMS | | | | |
| Governmental activities: | | | | |
| General government | \$ 2,074,383 | \$ 1,558,585 | \$ 40,000 | \$ - |
| Police | 1,517,360 | 8,123 | - | - |
| Streets | 837,416 | 125,041 | 385,669 | 527,211 |
| Public works | 461,312 | 6,430 | - | 123,257 |
| Interest on long-term debt | 97,730 | - | - | - |
| <i>Total governmental activities</i> | <u>4,988,201</u> | <u>1,698,179</u> | <u>425,669</u> | <u>650,468</u> |
| Business-type activities: | | | | |
| Water | 1,291,319 | 1,763,230 | - | 1,231,913 |
| Sewer | 1,214,538 | 1,428,868 | - | 1,065,531 |
| Storm drain | 161,488 | 61,290 | - | 375,654 |
| <i>Total business-type activities</i> | <u>2,667,345</u> | <u>3,253,388</u> | <u>-</u> | <u>2,673,098</u> |
| <i>Total primary government</i> | <u>\$ 7,655,546</u> | <u>\$ 4,951,567</u> | <u>\$ 425,669</u> | <u>\$ 3,323,566</u> |
| General Revenues: | | | | |
| Taxes and assessments | | | | |
| Franchise taxes | | | | |
| Intergovernmental | | | | |
| Gain on disposition of assets | | | | |
| Miscellaneous | | | | |
| <i>Total general revenues</i> | | | | |
| TRANSFERS | | | | |
| CHANGE IN NET POSITION | | | | |
| NET POSITION, Beginning of year | | | | |
| NET POSITION, End of year | | | | |

The accompanying notes are an integral part of the financial statements.

***Net (Expenses) Revenues and
Changes in Net Position***

| <i>Governmental Activities</i> | <i>Business-type Activities</i> | <i>Totals</i> |
|---|--|----------------------|
| \$ (475,798) | \$ - | \$ (475,798) |
| (1,509,237) | - | (1,509,237) |
| 200,505 | - | 200,505 |
| (331,625) | - | (331,625) |
| (97,730) | - | (97,730) |
| <hr/> | <hr/> | <hr/> |
| (2,213,885) | - | (2,213,885) |
| - | 1,703,824 | 1,703,824 |
| - | 1,279,861 | 1,279,861 |
| - | 275,456 | 275,456 |
| <hr/> | <hr/> | <hr/> |
| - | 3,259,141 | 3,259,141 |
| <hr/> | <hr/> | <hr/> |
| (2,213,885) | 3,259,141 | 1,045,256 |
| 2,532,702 | - | 2,532,702 |
| 452,996 | - | 452,996 |
| 370,189 | - | 370,189 |
| 3,600 | - | 3,600 |
| 156,030 | 198,976 | 355,006 |
| <hr/> | <hr/> | <hr/> |
| 3,515,517 | 198,976 | 3,714,493 |
| 1,223,400 | (1,223,400) | - |
| <hr/> | <hr/> | <hr/> |
| 2,525,032 | 2,234,717 | 4,759,749 |
| 11,050,133 | 13,607,225 | 24,657,358 |
| <hr/> | <hr/> | <hr/> |
| <u>\$ 13,575,165</u> | <u>\$ 15,841,942</u> | <u>\$ 29,417,107</u> |

The accompanying notes are an integral part of the financial statements.

CITY OF PHILOMATH, OREGON
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021

| | | <u>Special Revenue</u> | <u>Capital Projects</u> |
|---|----------------|------------------------|--------------------------|
| | <u>General</u> | <u>Street</u> | <u>Urban Renewal</u> |
| ASSETS | | | |
| Cash and investments | \$ 1,203,444 | \$ 316,045 | \$ 2,808,497 |
| Receivables | | | |
| Accounts | 12,296 | 11,146 | - |
| Property taxes | 40,551 | - | 15,003 |
| Special assessments | 11,322 | - | - |
| Other receivables | 114,144 | 40,558 | - |
| Due from other funds | - | - | - |
| Prepaid expenses | 8,470 | - | - |
| Loans receivable | 331,032 | - | - |
| | <hr/> | <hr/> | <hr/> |
| <i>Total Assets</i> | \$ 1,721,259 | \$ 367,749 | \$ 2,823,500 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | |
| Liabilities | | | |
| Accounts payable | \$ 52,964 | \$ 10,859 | \$ 44,640 |
| Accrued payroll and liabilities | - | - | - |
| Due to other funds | - | - | 98,108 |
| | <hr/> | <hr/> | <hr/> |
| <i>Total Liabilities</i> | 52,964 | 10,859 | 142,748 |
| Deferred Inflows of Resources | | | |
| Unavailable revenue - property taxes | 40,551 | - | 15,003 |
| Unavailable revenue - assessments/loans | 342,354 | - | - |
| | <hr/> | <hr/> | <hr/> |
| <i>Total Deferred Inflows of Resources</i> | 382,905 | - | 15,003 |
| Fund Balances | | | |
| Nonspendable: | 8,470 | - | - |
| Restricted for: | | | |
| Development review | - | - | - |
| Community development | - | - | - |
| Construction | - | - | - |
| Debt service | - | - | 2,910,746 |
| Streets | - | 356,890 | - |
| Urban renewal | - | - | (244,997) |
| Unassigned | 1,276,920 | - | - |
| | <hr/> | <hr/> | <hr/> |
| <i>Total Fund Balances</i> | 1,285,390 | 356,890 | 2,665,749 |
| | <hr/> | <hr/> | <hr/> |
| <i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i> | \$ 1,721,259 | \$ 367,749 | \$ 2,823,500 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

The accompanying notes are an integral part of the financial statements.

| <i>Capital Projects</i> | | | |
|--|-------------------------------|---|----------------------|
| <i>Land Building & Equipment</i> | <i>System Development</i> | <i>Other Governmental Funds</i> | <i>Totals</i> |
| \$ 5,066,242 | \$ 2,577,443 | \$ 225,567 | \$ 12,197,238 |
| - | - | - | 23,442 |
| - | - | 1 | 55,555 |
| 8,361 | 159,885 | - | 179,568 |
| 355 | - | - | 155,057 |
| 98,108 | - | - | 98,108 |
| - | - | - | 8,470 |
| - | - | 311,580 | 642,612 |
| <u>\$ 5,173,066</u> | <u>\$ 2,737,328</u> | <u>\$ 537,148</u> | <u>\$ 13,360,050</u> |
| | | | |
| \$ 61,998 | \$ 8,981 | \$ 65,804 | \$ 245,246 |
| - | - | 55,335 | 55,335 |
| - | - | - | 98,108 |
| <u>61,998</u> | <u>8,981</u> | <u>121,139</u> | <u>398,689</u> |
| - | - | 1 | 55,555 |
| 8,361 | 159,885 | 311,580 | 822,180 |
| <u>8,361</u> | <u>159,885</u> | <u>311,581</u> | <u>877,735</u> |
| - | - | - | 8,470 |
| - | - | 9,652 | 9,652 |
| - | 2,568,462 | 82,436 | 2,650,898 |
| 5,102,707 | - | - | 5,102,707 |
| - | - | 12,340 | 2,923,086 |
| - | - | - | 356,890 |
| - | - | - | (244,997) |
| - | - | - | 1,276,920 |
| <u>5,102,707</u> | <u>2,568,462</u> | <u>104,428</u> | <u>12,083,626</u> |
| | | | |
| <u>\$ 5,173,066</u> | <u>\$ 2,737,328</u> | <u>\$ 537,148</u> | <u>\$ 13,360,050</u> |

The accompanying notes are an integral part of the financial statements.

CITY OF PHILOMATH, OREGON
RECONCILIATION TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

RECONCILIATION TO THE STATEMENT OF NET ASSETS

| | |
|--|----------------------|
| <i>Fund Balances</i> | \$ 12,083,626 |
| The statement of net assets reports receivables at their net realizable value. However, receivables not available to pay for current-period expenditures are deferred in governmental funds. | |
| | 877,735 |
| Capital assets are not financial resources in governmental funds, but are reported in the statement of net assets at their net depreciable value. | |
| Cost | 8,835,749 |
| Accumulated depreciation | (3,365,652) |
| All liabilities are reported in the statement of net assets. However, if they are not due and payable in the current period, they are not recorded in governmental funds. | |
| Notes and bonds payable | (3,118,040) |
| Accrued compensated absences | (255,223) |
| Accrued interest payable | (32,774) |
| PERS net pension liability and related deferrals | (1,321,109) |
| Total OPEB liability and related deferrals | (129,147) |
| | <hr/> |
| <i>Net Assets of Governmental Activities</i> | <u>\$ 13,575,165</u> |

The accompanying notes are an integral part of the financial statements.

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CITY OF PHILOMATH, OREGON

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021**

| | <u>General</u> | <u>Special Revenue</u> <u>Street</u> | <u>Capital Projects</u> <u>Urban Renewal</u> |
|---|---------------------|---|---|
| REVENUES | | | |
| Taxes and assessments | \$ 1,830,526 | \$ - | \$ 703,328 |
| Licenses and permits | 498,793 | - | - |
| Franchise fees | 386,993 | - | - |
| Charges for services | 633,258 | 125,041 | - |
| Intergovernmental | 411,489 | 381,812 | - |
| Fines and forfeitures | 294,003 | 66,003 | - |
| Miscellaneous | 52,484 | 2,481 | 27,578 |
| <i>Total Revenues</i> | <u>4,107,546</u> | <u>575,337</u> | <u>730,906</u> |
| EXPENDITURES | | | |
| Current operating: | | | |
| General government | 1,801,231 | - | 606,887 |
| Police | 1,452,558 | - | - |
| Streets | - | 405,996 | - |
| Public works | 197,439 | - | - |
| Capital outlay: | | | |
| General government | - | - | - |
| Police | - | - | - |
| Streets | - | - | 378,269 |
| Public works | - | - | - |
| Water | - | - | 68,671 |
| Sewer | - | - | - |
| Storm drain | - | - | 185,638 |
| Debt service | | | |
| Principal | - | - | 125,000 |
| Interest | - | - | 102,697 |
| <i>Total Expenditures</i> | <u>3,451,228</u> | <u>405,996</u> | <u>1,467,162</u> |
| REVENUES OVER (UNDER) EXPENDITURES | 656,318 | 169,341 | (736,256) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | - | 24,000 | - |
| Transfers out | (240,000) | (102,500) | - |
| <i>Total Other Financing Sources (Uses)</i> | <u>(240,000)</u> | <u>(78,500)</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCES | 416,318 | 90,841 | (736,256) |
| FUND BALANCES, Beginning of year | 869,072 | 266,049 | 3,402,005 |
| FUND BALANCES, End of year | <u>\$ 1,285,390</u> | <u>\$ 356,890</u> | <u>\$ 2,665,749</u> |

The accompanying notes are an integral part of the financial statements.

| <i>Capital Projects</i> | | | |
|--|-------------------------------|---|---------------|
| <i>Land Building & Equipment</i> | <i>System Development</i> | <i>Other Governmental Funds</i> | <i>Totals</i> |
| \$ - | \$ - | \$ - | \$ 2,533,854 |
| - | 734,915 | - | 1,233,708 |
| - | - | - | 386,993 |
| - | - | 131,084 | 889,383 |
| 3,857 | - | - | 797,158 |
| 1,791 | - | - | 361,797 |
| 49,696 | 30,804 | 47,527 | 210,570 |
| 55,344 | 765,719 | 178,611 | 6,413,463 |
| - | - | - | 2,408,118 |
| - | - | - | 1,452,558 |
| - | - | - | 405,996 |
| - | - | 133,150 | 330,589 |
| 1,545 | 22,768 | - | 24,313 |
| 63,257 | - | - | 63,257 |
| 48,153 | - | - | 426,422 |
| 130,723 | - | - | 130,723 |
| - | - | - | 68,671 |
| 88,293 | - | - | 88,293 |
| - | - | - | 185,638 |
| - | - | 30,021 | 155,021 |
| - | - | 15,818 | 118,515 |
| 331,971 | 22,768 | 178,989 | 5,858,114 |
| (276,627) | 742,951 | (378) | 555,349 |
| 1,541,900 | - | - | 1,565,900 |
| - | - | - | (342,500) |
| 1,541,900 | - | - | 1,223,400 |
| 1,265,273 | 742,951 | (378) | 1,778,749 |
| 3,837,434 | 1,825,511 | 104,806 | 10,304,877 |
| \$ 5,102,707 | \$ 2,568,462 | \$ 104,428 | \$ 12,083,626 |

The accompanying notes are an integral part of the financial statements.

CITY OF PHILOMATH, OREGON

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

| | |
|--|----------------------------|
| <i>Net change in fund balances - total governmental funds</i> | \$ 1,778,749 |
| <p>Amounts reported for governmental activities in the statement of activities are different because:</p> | |
| <p>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.</p> | |
| | (93,612) |
| <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p> | |
| Collections on long-term receivables | (30,021) |
| <p>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.</p> | |
| <p>Capital outlays are reported as expenditures in governmental funds. However, the statement of activities allocates the cost of capital outlay over their estimated useful lives as depreciation expense.</p> | |
| Capital outlay | 517,423 |
| Depreciation | (328,582) |
| <p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.</p> | |
| Repayment of long-term debt principal | 155,021 |
| Amortization of premium issued on FF&C bonds | 19,120 |
| <p>Governmental funds report pension and OPEB contributions as expenditures. However, in the statements of activities, the cost of pension and OPEB benefits earned net of employee contributions is reported as an expense.</p> | |
| Changes in accrued interest | 1,667 |
| Changes in compensated absences | (27,246) |
| Net pension liability and related deferrals | 529,927 |
| Total OPEB liability and related deferrals | 2,586 |
| <i>Change in net assets of governmental activities.</i> | <u><u>\$ 2,525,032</u></u> |

The accompanying notes are an integral part of the financial statements.

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CITY OF PHILOMATH, OREGON
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2021

| | <u>Water</u> | <u>Sewer</u> | <u>System Development</u> |
|---|---------------------|---------------------|-------------------------------|
| ASSETS | | | |
| Current | | | |
| Cash and investments | \$ 481,091 | \$ 345,108 | \$ 3,025,932 |
| Accounts receivable | 178,560 | 134,125 | - |
| Noncurrent | | | |
| Nondepreciable capital assets | 219,594 | 633,608 | - |
| Depreciable capital assets, net | 5,495,917 | 9,469,712 | - |
| <i>Total Assets</i> | 6,375,162 | 10,582,553 | 3,025,932 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension deferred outflows | 258,452 | 218,690 | - |
| OPEB deferred outflows | 2,957 | 2,502 | - |
| <i>Total Deferred Outflows of Resources</i> | 261,409 | 221,192 | - |
| LIABILITIES | | | |
| Current | | | |
| Accounts payable | 18,796 | 4,870 | 6,025 |
| Deposits | 1,110 | - | - |
| Accrued interest | - | 43,200 | - |
| Noncurrent | | | |
| Noncurrent liabilities | | | |
| Due within one year | - | 230,617 | - |
| Due in more than one year | - | 4,595,989 | - |
| Accrued compensated absences | 53,981 | 43,616 | - |
| Net pension liability | 372,911 | 315,540 | - |
| Total OPEB liability | 18,967 | 16,048 | - |
| <i>Total Liabilities</i> | 465,765 | 5,249,880 | 6,025 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension deferred inflows | 111,518 | 94,361 | - |
| OPEB deferred inflows | 6,082 | 5,148 | - |
| <i>Total Deferred Inflows of Resources</i> | 117,600 | 99,509 | - |
| NET POSITION | | | |
| Net investment in capital assets | 5,715,511 | 5,276,714 | - |
| Restricted for construction | - | - | 3,019,907 |
| Unrestricted | 337,695 | 177,642 | - |
| <i>Total Net Position</i> | <u>\$ 6,053,206</u> | <u>\$ 5,454,356</u> | <u>\$ 3,019,907</u> |

The accompanying notes are an integral part of the financial statements.

| <i>(Non-major)</i> | | |
|--------------------|---------------|--|
| <i>Storm</i> | | |
| <i>Drain</i> | <i>Totals</i> | |
| <hr/> | <hr/> | |
| \$ 33,501 | \$ 3,885,632 | |
| 5,418 | 318,103 | |
| 20,647 | 873,849 | |
| 1,255,625 | 16,221,254 | |
| 1,315,191 | 21,298,838 | |
| - | 477,142 | |
| - | 5,459 | |
| - | 482,601 | |
| 718 | 30,409 | |
| - | 1,110 | |
| - | 43,200 | |
| - | 230,617 | |
| - | 4,595,989 | |
| - | 97,597 | |
| - | 688,451 | |
| - | 35,015 | |
| 718 | 5,722,388 | |
| - | 205,879 | |
| - | 11,230 | |
| - | 217,109 | |
| 1,276,272 | 12,268,497 | |
| - | 3,019,907 | |
| 38,201 | 553,538 | |
| \$ 1,314,473 | \$ 15,841,942 | |
| | | |

The accompanying notes are an integral part of the financial statements.

CITY OF PHILOMATH, OREGON**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2021**

| | <u>Water</u> | <u>Sewer</u> | <u>System Development</u> |
|---|--------------|--------------|-------------------------------|
| OPERATING REVENUES | | | |
| Charges for services | \$ 1,763,230 | \$ 1,428,868 | \$ - |
| Miscellaneous | 130,948 | 30,792 | - |
| | <hr/> | <hr/> | <hr/> |
| <i>Total Operating Revenues</i> | 1,894,178 | 1,459,660 | - |
| OPERATING EXPENSES | | | |
| Personnel services | 271,457 | 245,274 | - |
| Materials and services | 502,948 | 363,780 | 587,260 |
| Depreciation | 210,554 | 283,181 | - |
| | <hr/> | <hr/> | <hr/> |
| <i>Total Operating Expenses</i> | 984,959 | 892,235 | 587,260 |
| | <hr/> | <hr/> | <hr/> |
| OPERATING INCOME | 909,219 | 567,425 | (587,260) |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Earnings from interest | 3,111 | 2,194 | 31,677 |
| Interest expense | - | (146,678) | - |
| | <hr/> | <hr/> | <hr/> |
| <i>Total Nonoperating Revenue (Expenses)</i> | 3,111 | (144,484) | 31,677 |
| | <hr/> | <hr/> | <hr/> |
| INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS | 912,330 | 422,941 | (555,583) |
| Capital contributions | 243,434 | 88,293 | 2,155,733 |
| Transfers in | - | 240,000 | - |
| Transfers out | (732,450) | (451,950) | (240,000) |
| | <hr/> | <hr/> | <hr/> |
| CHANGE IN NET POSITION | 423,314 | 299,284 | 1,360,150 |
| NET POSITION, Beginning of year | 5,629,892 | 5,155,072 | 1,659,757 |
| | <hr/> | <hr/> | <hr/> |
| NET POSITION, End of year | \$ 6,053,206 | \$ 5,454,356 | \$ 3,019,907 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

The accompanying notes are an integral part of the financial statements.

| <i>(Non-major) Storm Drain</i> | <i>Totals</i> |
|--|---------------|
| \$ 61,290 | \$ 3,253,388 |
| - | 161,740 |
| 61,290 | 3,415,128 |
| - | 516,731 |
| 23,174 | 1,477,162 |
| 33,039 | 526,774 |
| 56,213 | 2,520,667 |
| 5,077 | 894,461 |
| 254 | 37,236 |
| - | (146,678) |
| 254 | (109,442) |
| 5,331 | 785,019 |
| 185,638 | 2,673,098 |
| - | 240,000 |
| (39,000) | (1,463,400) |
| 151,969 | 2,234,717 |
| 1,162,504 | 13,607,225 |
| \$ 1,314,473 | \$ 15,841,942 |

The accompanying notes are an integral part of the financial statements.

CITY OF PHILOMATH, OREGON
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2021

| | <u>Water</u> | <u>Sewer</u> |
|---|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from customers | \$ 1,862,992 | \$ 1,442,331 |
| Cash paid to employees for services | (400,233) | (340,467) |
| Cash paid to suppliers for goods and services | (494,194) | (366,873) |
| | <hr/> | <hr/> |
| <i>Net cash provided by (used for) operating activities</i> | 968,565 | 734,991 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Transfers in | - | 240,000 |
| Transfers out | (732,450) | (451,950) |
| | <hr/> | <hr/> |
| <i>Net cash provided by (used for) noncapital financing activities</i> | (732,450) | (211,950) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Capital contributions | 243,434 | 88,293 |
| Principal payments on notes, bonds, and certificates | - | (200,000) |
| Interest payments on notes, bonds, and certificates | - | (178,795) |
| Acquisition and construction of capital assets | (243,434) | (88,292) |
| | <hr/> | <hr/> |
| <i>Net cash provided by (used for) capital and related financing activities</i> | - | (378,794) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest revenue | 3,111 | 2,194 |
| | <hr/> | <hr/> |
| NET INCREASE (DECREASE) IN CASH | 239,226 | 146,441 |
| CASH, beginning of year | 241,865 | 198,667 |
| | <hr/> | <hr/> |
| CASH, end of year | <u>\$ 481,091</u> | <u>\$ 345,108</u> |

The accompanying notes are an integral part of the financial statements.

| <i>System Development</i> | <i>(Non-major) Storm Drain</i> | <i>Totals</i> |
|-------------------------------|--|---------------|
| \$ - | \$ 61,222 | \$ 3,366,545 |
| - | - | (740,700) |
| (581,235) | (25,487) | (1,467,789) |
| (581,235) | 35,735 | 1,158,056 |
| - | - | 240,000 |
| (240,000) | (39,000) | (1,463,400) |
| (240,000) | (39,000) | (1,223,400) |
| 2,155,733 | 185,638 | 2,673,098 |
| - | - | (200,000) |
| - | - | (178,795) |
| - | (185,638) | (517,364) |
| 2,155,733 | - | 1,776,939 |
| 31,677 | 254 | 37,236 |
| 1,366,175 | (3,011) | 1,748,831 |
| 1,659,757 | 36,512 | 2,136,801 |
| \$ 3,025,932 | \$ 33,501 | \$ 3,885,632 |

The accompanying notes are an integral part of the financial statements.

CITY OF PHILOMATH, OREGON

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (Continued)

YEAR ENDED JUNE 30, 2021

| | <u>Water</u> | <u>Sewer</u> |
|--|-------------------|-------------------|
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES | | |
| Operating income | \$ 909,219 | \$ 567,425 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | |
| Depreciation | 210,554 | 283,181 |
| (Increase) Decrease in accounts receivable | (30,186) | (17,329) |
| Increase (Decrease) in accounts payable | 8,754 | (3,093) |
| Increase (Decrease) in deposits | (1,000) | - |
| Increase (Decrease) in compensated absences payable | 2,096 | 1,789 |
| Increase (Decrease) in net pension liability and related deferrals | (127,788) | (95,287) |
| Increase (Decrease) in total OPEB liability and related deferrals | (3,084) | (1,695) |
| <i>Net cash Provided by (used for) Operating Activities</i> | <u>\$ 968,565</u> | <u>\$ 734,991</u> |

The accompanying notes are an integral part of the financial statements.

| <i>System Development</i> | <i>(Non-major) Storm Drain</i> | <i>Totals</i> |
|-------------------------------|--|---------------------|
| \$ (587,260) | \$ 5,077 | \$ 894,461 |
| - | 33,039 | 526,774 |
| - | (68) | (47,583) |
| 6,025 | (2,313) | 9,373 |
| - | - | (1,000) |
| - | - | 3,885 |
| - | - | (223,075) |
| - | - | (4,779) |
| <u>\$ (581,235)</u> | <u>\$ 35,735</u> | <u>\$ 1,158,056</u> |

The accompanying notes are an integral part of the financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Philomath, Oregon (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting entity for establishing governmental accounting and financial reporting standards.

Reporting Entity

The City of Philomath is an Oregon municipal corporation founded in 1882. The City is governed by an elected mayor and six council members. Administration functions are delegated to individuals who reports to and are responsible to the mayor and council. The chief administrative officer is the City Manager.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

As required by GAAP, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize it is legally separate from the government. The City has no blended or discretely presented component units.

Basic Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally 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.

Government-wide financial statements display information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 or segment, 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*.

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, or fiduciary. Currently, the City has governmental (general, special revenue, capital projects and debt service funds) and proprietary (enterprise) type funds.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenses. The various funds are reported by generic classification within the financial statements.

Accounting standards set forth minimum criteria (percentage of the assets, liabilities, revenues or expenses of either fund category or the government and enterprise combined) for the determination of major funds. Major individual funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the other supplementary information.

The City reports the following major governmental funds:

General – 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.

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

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

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

System Development – 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.

The City’s proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs of providing the services to the general public on a continuing basis be financed primarily through user charges.

The City reports the following major proprietary funds:

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded with the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus. The government-wide financial statements and the proprietary funds financial statements are reported using the *economic resources measurement focus* and the *full accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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. 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 City considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, long-term compensated absences 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 and so have been recognized as revenues of the current fiscal period. 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 by the City.

Unavailable revenues arise in the Governmental Funds Balance Sheet when potential revenue does not meet both the measurable and available criteria for recognition in the current period. This unavailable revenue consists primarily of uncollected property taxes and assessments not deemed available to financial operation of the current period. In the government-wide Statement of Net Position, with a full accrual basis of accounting, revenue must be recognized as soon as it is earned regardless of its availability. Thus, the liability created on the Governmental Fund Balance Sheet for unavailable revenue is eliminated. Note that unavailable revenues also arise outside the scope of measurement focus and basis of accounting, such as when the City receives resources before it has a legal claim to them. For instance, when grant monies are received prior to the incurrence of qualifying expenditures.

Similar to the way its revenues are recorded, governmental funds only record those expenditures that affect current financial resources. Principal and interest on general long-term debt are recorded as fund liabilities only when due, or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Vested compensated absences are recorded as expenditures when they mature. In the government-wide financial statements, however, with a full accrual basis of accounting, all expenditures affecting the economic resource status of the government must be recognized, thus, the expense and related accrued liability for long term portions of debt and compensated absences must be included.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation. This reconciliation is part of the financial statements.

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.

CITY OF PHILOMATH, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the City's enterprise funds are charges to customers for sales and services. These funds also recognize fees intended to recover the cost of connecting new customers to the City's utility systems as operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and overhead, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The proprietary financial statements have incorporated all applicable GASB pronouncements.

Cash and Investments

For the purposes of the statement of cash flows the City considers all highly liquid investments with an original maturity of three months or less when purchased, to be cash equivalents.

Investments included in cash and cash equivalents are reported at fair value. The City invests in the State of Oregon Local Government Investment Pool, which is authorized by Oregon Revised Statutes. Interest earned from pooled investments is allocated based on a fund's portion of the total investment balance. The City maintains depository insurance under Federal depository insurance funds and state and financial institution collateral pools for its cash deposits and investments, except the Local Government Investment Pool, which is exempt from statutes requiring such insurance.

Receivables

Uncollected property taxes receivable collected within 30 days following year end are considered measurable and available and are recognized as revenues. All other uncollected property taxes receivable are offset by unavailable revenue and, accordingly, have not been recorded as revenue. Property taxes are assessed and become a lien against the property as of July 1 each year and are payable in three installments on November 15, February 15, and May 15 following the lien date. Taxes unpaid and outstanding on May 16 are considered delinquent.

Assessments receivable are recognized at the time property owners are assessed for property improvements. Assessments receivable expected to be collected within sixty days following year end and are considered measurable and available and are recognized as revenue. All other assessments receivable are offset by unavailable revenue and, accordingly, have not been recorded as revenue.

Receivables for grants and state shared revenues, included in accounts receivable are recorded as revenues in governmental fund types as earned. Receivables of the proprietary fund types are recorded as revenues as earned, including services earned but not billed.

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.

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 materials and services expenditures.

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. Deferred outflows of resources represent a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. The City has two items that qualify for reporting in this category. They are the deferred amounts relating to pensions and other postemployment benefits. These amounts are deferred and recognized as outflows of resources in the period when the City recognizes the expense/expenditures. Deferred outflows are included in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has four items that qualify for reporting in this category. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts will be recognized as revenue when available. The government-wide Statement of Net Position and the proprietary funds Statement of Net Position also reports deferred amounts related to pensions and other postemployment benefits. These amounts are deferred and will be recognized as a reduction of pension or other postemployment benefit expense in future years.

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.

Pension

The City reports its proportionate share of the Net Pension Liability of the Oregon Public Employees Retirement System (OPERS)). A negative net pension liability is reported as a net pension assets. For purposes of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. 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.

Postemployment Benefits Other Than Pensions (OPEB)

The City reports postemployment benefits other than pensions (OPEB) liability or asset, deferred outflows of resources and deferred inflows of resources related to the implicit subsidy arising from the City's single-employer defined benefit postemployment health plan administered by Citycounty Insurance Services (CIS). For the purpose of measuring the City's OPEB liability or asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information has been determined based on an actuarial valuation provided by CIS. Benefit payments are recognized when due and payable in accordance with benefit terms.

Net Position

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Fund Balance

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – non-spendable, restricted, committed, assigned and unassigned.

Nonspendable – represents amounts that are not in a spendable form. The nonspendable fund balance represents prepaid items.

Restricted – 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 – represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.

Assigned – 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 – 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.

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources, as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use it is the City’s policy to use committed resources first, then assigned, and then unassigned as they are needed.

Use of 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 reporting amounts of certain assets, liabilities, revenues and expenditures as of and for the year ended June 30, 2021. Actual results may differ from such estimates.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 except as noted below. 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.

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. 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, 2021.

CASH AND INVESTMENTS

Cash and investments are comprised of the following at June 30, 2021:

| | <i>Carrying Value</i> | <i>Fair Value</i> |
|--------------------------------------|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> |
| Cash | | |
| Cash on hand | \$ 625 | \$ 625 |
| Deposits with financial institutions | 57,280 | 57,280 |
| | | |
| Investments | | |
| Local Government Investment Pool | 16,024,965 | 16,024,965 |
| | <u> </u> | <u> </u> |
| | <u>\$ 16,082,870</u> | <u>\$ 16,082,870</u> |

CASH AND INVESTMENTS *(Continued)*

Deposits

At year end, the book balance of the City's bank deposits (checking accounts) was \$57,280 and the bank balance was \$113,228. The difference is due to transactions in process. Bank deposits are secured to legal limits by federal deposit insurance. The remaining amount is secured in accordance with ORS 295 under a collateral program administered by the Oregon State Treasurer.

Investments

The State Treasurer of the State of Oregon maintains the Oregon Short Term Fund, of which the Local Government Investment Pool is part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, these investment funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. The Oregon Short Term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short Term Fund Board and approved by the Oregon Investment Council (ORS294.805 to 294.895). At June 30, 2021, the fair value of the position in the Oregon Short Term Investment Pool was approximately equal to the value of the pool shares. The investment in the Oregon Short Term Fund is not subject to classification. Separate financial statements for the Oregon Short Term Fund are available from the Oregon State Treasurer.

Interest Rate Risk

In accordance with its investment policy, the City manages its exposure to declines in fair value of its investments by limiting its investments to the LGIP.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the City's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City's deposits up to \$250,000 each for the aggregate of all demand deposits and the aggregate of all-time deposit and savings accounts at each financial institution.

Deposits in excess of FDIC coverage are with institutions covered by the Public Funds Collateralization program (PFCP). The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public funds if they are adequately capitalized or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all Oregon public funds bank depositories is available to repay deposits of public funds of governmental entities. As of June 30, 2021, all of the City's bank balances were covered under FDIC.

CASH AND INVESTMENTS (Continued)

Custodial Risk - Investments

For an investment, this is the risk that, in the event of a failure of the counterparty, the City will not be able to recover the value of its investments or collateralized securities that are in possession of an outside party. The City's investment policy, in accordance with Oregon Revised Statutes, limits the types of investments that may be held and does not allow securities to be held by the counterparty.

The LGIP is administered by the Oregon State Treasury with the advice of other state agencies and is not registered with the U.S. Securities and Exchange Council. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made a custodian of or has control of any fund. The LGIP is comingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short Term Fund Board, which has established diversification percentages and specifies the types and maturities of the investments. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP. These investments within the LGIP must be invested and managed as a prudent investor would, exercising reasonable care, skill and caution. Professional standards indicate that the investments in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. Nevertheless, management does not believe there are any substantial custodial risks related to investment in the LGIP. The LGIP is not rated for credit quality.

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 CDBG loans do not bear interest, and are due when the property securing the loans is transferred.

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) | \$ 331,032 |
|--|------------|

Community Development Fund

| | |
|--|------------|
| Community Development Block Grant (CDBG) loans | 311,580 |
| | \$ 642,612 |

CITY OF PHILOMATH, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2021

CAPITAL ASSETS

The changes in the capital assets for governmental activities for the year ended June 30, 2021 are as follows:

| | <i>Balances July 1, 2020</i> | <i>Additions</i> | <i>Retirements</i> | <i>Balances June 30, 2021</i> |
|---------------------------------------|--------------------------------------|-------------------|--------------------|---------------------------------------|
| Nondepreciable | | | | |
| Land | \$ 425,062 | \$ - | \$ - | \$ 425,062 |
| Construction in process | 42,072 | 378,269 | - | 420,341 |
| <i>Total Nondepreciable</i> | 467,134 | 378,269 | - | 845,403 |
| Depreciable | | | | |
| Improvements | 859,720 | 26,199 | - | 885,919 |
| Buildings | 2,541,448 | - | - | 2,541,448 |
| Equipment | 1,781,397 | 64,803 | (148,207) | 1,697,993 |
| Infrastructure | 2,816,834 | 48,153 | - | 2,864,987 |
| <i>Total Depreciable</i> | 7,999,399 | 139,155 | (148,207) | 7,990,347 |
| Accumulated Depreciation | | | | |
| Improvements | (389,552) | (35,799) | - | (425,351) |
| Buildings | (950,354) | (51,517) | - | (1,001,871) |
| Equipment | (966,805) | (184,649) | 148,207 | (1,003,247) |
| Infrastructure | (878,566) | (56,618) | - | (935,184) |
| <i>Total Accumulated Depreciation</i> | (3,185,277) | (328,583) | 148,207 | (3,365,653) |
| Depreciable capital assets, net | 4,814,122 | - | - | 4,624,694 |
| | <u>\$ 5,281,256</u> | <u>\$ 378,269</u> | <u>\$ -</u> | <u>\$ 5,470,097</u> |

Depreciation expense for the year was allocated as follows:

| | |
|--------------------|-------------------|
| General government | \$ 158,114 |
| Police | 38,737 |
| Streets | 87,128 |
| Public works | 44,604 |
| | <u>\$ 328,583</u> |

CITY OF PHILOMATH, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2021

CAPITAL ASSETS (Continued)

The summary of capital assets for the business-type activities for the year ended June 30, 2021 is as follows:

| | <i>Balances July 1, 2020</i> | <i>Additions</i> | <i>Retirements</i> | <i>Balances June 30, 2021</i> |
|---------------------------------|---|-------------------------|---------------------------|--|
| Nondepreciable: | | | | |
| Land | \$ 853,202 | \$ - | \$ - | \$ 853,202 |
| Construction in process | 20,647 | 185,638 | - | 206,285 |
| <i>Total Nondepreciable</i> | 873,849 | 185,638 | - | 1,059,487 |
| Depreciable | | | | |
| Improvements | 79,090 | - | - | 79,090 |
| Buildings | 565,918 | 174,763 | - | 740,681 |
| Equipment | 1,426,846 | 55,209 | (8,147) | 1,473,908 |
| Infrastructure | 22,315,124 | 101,758 | - | 22,416,882 |
| | 24,386,978 | 331,730 | (8,147) | 24,710,561 |
| Accumulated Depreciation: | | | | |
| Improvements | (61,253) | (1,453) | - | (62,706) |
| Buildings | (270,848) | (14,152) | - | (285,000) |
| Equipment | (1,014,149) | (65,014) | 8,147 | (1,071,016) |
| Infrastructure | (6,810,068) | (446,155) | - | (7,256,223) |
| | (8,156,318) | (526,774) | 8,147 | (8,674,945) |
| Depreciable capital assets, net | 16,230,660 | (195,044) | - | 16,035,616 |
| | <u>\$ 17,104,509</u> | <u>\$ (9,406)</u> | <u>\$ -</u> | <u>\$ 17,095,103</u> |

Depreciation expense for the year was allocated as follows:

| | |
|-------|-------------------|
| Water | \$ 210,554 |
| Sewer | 283,181 |
| Storm | 33,039 |
| | <u>\$ 526,774</u> |

CITY OF PHILOMATH, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2021

UNAVAILABLE REVENUE

At June 30, 2021, deferred inflows of resources on the balance sheet - governmental funds consisted of the following:

| | |
|------------------------------------|-------------|
| Property taxes | \$ 55,555 |
| Community development block grants | 331,032 |
| Other loan receivables | 311,580 |
| Assessments | 179,568 |
| | <hr/> |
| | \$ 877,735 |
| | <hr/> <hr/> |

LONG-TERM DEBT

Long-term debt transactions for the year were as follows:

| | <i>Outstanding July 1, 2020</i> | <i>Issued</i> | <i>Matured/ Redeemed During Year</i> | <i>Outstanding June 30, 2021</i> | <i>Due within One year</i> |
|---------------------------------------|---|---------------|--|--|--------------------------------|
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| <i>Governmental activities</i> | | | | | |
| Direct Borrowing | | | | | |
| OECD Lakeside Loan, 2004 | \$ 361,053 | \$ - | \$ (30,021) | \$ 331,032 | \$ 30,222 |
| Direct Placement | | | | | |
| URA - FF&C Obligations, 2016 Series | 2,630,000 | - | (125,000) | 2,505,000 | 125,000 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| | 2,991,053 | - | (155,021) | 2,836,032 | 155,222 |
| Compensated absences | 227,977 | 27,246 | - | 255,223 | - |
| URA - Bond Premium | 306,447 | - | (19,457) | 286,990 | 19,457 |
| URA - Bond Insurance | (5,320) | - | 338 | (4,982) | (338) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| | \$ 3,520,157 | \$ 27,246 | \$ (174,140) | \$ 3,373,263 | \$ 174,341 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |
| <i>Business-type activities</i> | | | | | |
| Direct Placement | | | | | |
| Sewer - FF&C Obligations, 2016 Series | \$ 4,575,000 | \$ - | \$ (200,000) | \$ 4,375,000 | \$ 220,000 |
| Compensated absences | 93,712 | 3,885 | - | 97,597 | - |
| Sewer - Bond Premium | 545,155 | - | (34,613) | 510,542 | 34,613 |
| Sewer - Bond Insurance | (62,932) | - | 3,996 | (58,936) | (3,996) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| | \$ 5,150,935 | \$ 3,885 | \$ (230,617) | \$ 4,924,203 | \$ 250,617 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

CITY OF PHILOMATH, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2021

LONG-TERM DEBT (Continued)

OECCD 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 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.

Future debt service requirements for governmental activities are as follows:

| <i>Fiscal Year Ending June 30,</i> | <i>Principal</i> | <i>Interest</i> | <i>Total</i> |
|--|---------------------|-------------------|---------------------|
| 2022 | \$ 155,222 | \$ 113,568 | \$ 268,790 |
| 2023 | 160,438 | 108,571 | 269,009 |
| 2024 | 170,669 | 102,077 | 272,746 |
| 2025 | 175,917 | 95,117 | 271,034 |
| 2026 | 181,176 | 87,945 | 269,121 |
| 2027-2031 | 987,610 | 321,499 | 1,309,109 |
| 2032-2036 | 1,005,000 | 123,600 | 1,128,600 |
| | \$ 2,836,032 | \$ 952,377 | \$ 4,012,009 |

CITY OF PHILOMATH, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2021

LONG-TERM DEBT (Continued)

Future debt service requirements for business-type activities are as follows:

| <i>Fiscal Year Ending June 30,</i> | <i>Principal</i> | <i>Interest</i> | <i>Total</i> |
|--|---------------------|---------------------|---------------------|
| 2022 | \$ 220,000 | \$ 172,800 | \$ 392,800 |
| 2023 | 240,000 | 166,200 | 406,200 |
| 2024 | 265,000 | 156,600 | 421,600 |
| 2025 | 290,000 | 146,000 | 436,000 |
| 2026 | 310,000 | 134,400 | 444,400 |
| 2027-2031 | 2,010,000 | 461,800 | 2,471,800 |
| 2032-2036 | 1,040,000 | 63,200 | 1,103,200 |
| | \$ 4,375,000 | \$ 1,301,000 | \$ 5,676,000 |

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Plan Description

Employees of the City are provided with pensions through the Oregon Public Employees Retirement System (OPERS) a cost-sharing multiple-employer defined benefit pension plan, the Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available Comprehensive Annual Financial Report and Actuarial Valuation that can be obtained at <http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>.

Benefits Provided

Tier One/Tier Two Retirement Benefit

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, 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 benefit 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 fire members). General service employees may retire after reaching age 55. Fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two 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.

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (Continued)

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 one or more of the following conditions are met:

Tier One/Tier Two Retirement Benefit (Continued)

- the member was employed by a PERS employer at the time of death,
- the member died within 120 days after termination of PERS-covered employment,
- the member died as a result of injury sustained while employed in a PERS covered job, or
- the member was on an official leave of absence from a PERS-covered job at the time of death.

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 fire members) when determining the monthly benefit.

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 of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living (COLA) changes. The COLA is capped at 2.0 percent.

OPSRP Pension Program

Pension Benefits. The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003. 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. For general service members, 1.5% 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. For police and fire members, 1.8% 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.

A member of the OPSRP 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.

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.

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.

CITY OF PHILOMATH, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2021

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (Continued)

Benefit Changes After Retirement. Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

OPSRP Individual Account Program (OPSRP IAP)

Pension Benefits. 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 Individual Account Program (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.

Recordkeeping. OPERS contracts with VOYA Financial to maintain IAP participant records.

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. This 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, 2018 actuarial valuation based on a percentage of payroll, first became effective July 1, 2019. The City's contribution rates for the period were 24.43% for Tier One/Tier Two members, 15.85% OPSRP General Service members and 20.48% for OPSRP Fire members. The City's total contributions were \$290,902. Covered employees are required to contribute 6% of their salary to the Plan.

In 2020, the City funded an employer's side account totaling \$1,000,000, for which they received a 25% match of \$250,000 from the State's Employer Incentive Fund. These amounts will reduce future required contributions for the next 20 years.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the City reported a liability of \$2,868,567 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018 rolled forward to June 30, 2020. 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 entities, actuarially determined. At June 30, 2020, the City's proportion was 0.01314%, which increased 0.01985% from its proportion measured as of June 30, 2019.

CITY OF PHILOMATH, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2021

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (Continued)

For the year ended June 30, 2021, the City's recognized pension expense (income) of (\$753,003). At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <i>Deferred Outflows of Resources</i> | <i>Deferred Inflows of Resources</i> |
|---|---|--|
| Differences between expected and actual experience | \$ 126,252 | \$ - |
| Changes of assumptions | 153,947 | 5,394 |
| Net difference between projected and actual earnings on investments | 337,306 | - |
| Changes in proportionate share | 122,499 | 788,590 |
| Differences between employer contributions and proportionate share of contributions | 957,203 | 63,853 |
| Contributions subsequent to measurement date | 290,902 | - |
| | <u> </u> | <u> </u> |
| Total | <u>\$ 1,988,109</u> | <u>\$ 857,837</u> |

Deferred outflows of resources related to pensions of \$290,902 resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or an increase in the net pension asset in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as an addition to (reduction from) as follows:

| <i>Fiscal Year Ending June 30,</i> | |
|--|-----------------------------|
| 2022 | \$ 202,826 |
| 2023 | 243,614 |
| 2024 | 218,977 |
| 2025 | 159,527 |
| 2026 | 14,426 |
| | <u> </u> |
| Total | <u>\$ 839,370</u> |

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (Continued)

Actuarial Methods and Assumptions

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial methods and assumptions:

Actuarial Methods and Assumptions

| | Pension |
|-----------------------------------|---|
| Valuation Date | December 31, 2018 |
| Measurement date | June 30, 2018 |
| Experience Study | 2018, published July 24, 2019 |
| Actuarial assumptions: | |
| Actuarial cost method | Entry Age Normal |
| Inflation rate | 2.50 percent |
| Long-term expected rate of return | 7.20percent |
| Discount rate | 7.20 percent |
| projected salary increases | 3.50 percent |
| Cost-of-living adjustments (COLA) | Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision; blend based on service. |
| Mortality | <p><i>Healthy retirees and beneficiaries:</i> Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p><i>Active members:</i> Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p><i>Disabled retirees:</i> Pub-2010 Disable Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> |

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits 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 methods and assumptions shown above are based on the 2018 experience study.

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (Continued)

Long-term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors. The table below shows Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

| <u>Asset Class</u> | <u>Target</u> | <u>Compound Annual Return</u> |
|----------------------------------|---------------|-------------------------------|
| Core Fixed Income | 9.60 % | 4.07 % |
| Short-Term Bonds | 9.60 | 3.68 |
| Bank/Leveraged Loans | 3.60 | 5.19 |
| High Yield Bonds | 1.20 | 5.74 |
| Large/Mid Cap US Equities | 16.17 | 6.30 |
| Small Cap US Equities | 1.35 | 6.68 |
| Micro Cap US Equities | 1.35 | 6.79 |
| Developed Foreign Equities | 13.48 | 6.91 |
| Emerging Market Equities | 4.24 | 7.69 |
| Non-US Small Cap Equities | 1.93 | 7.25 |
| Private Equity | 17.50 | 8.33 |
| Real Estate (Property) | 10.00 | 5.55 |
| Real Estate (REITS) | 2.50 | 6.69 |
| Hedge Fund of Funds - Diversifie | 1.50 | 4.06 |
| Hedge Fund - Event-driven | 0.38 | 5.59 |
| Timber | 1.13 | 5.61 |
| Farmland | 1.13 | 6.12 |
| Infrastructure | 2.25 | 6.67 |
| Commodities | 1.13 | 3.79 |
| Assumed Inflation - Mean | | 2.50 % |

Discount Rate

The discount rate used to measure the total pension liability was 7.20 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from 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.

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (Continued)

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.20 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%) or 1-percentage-point higher (8.20%) than the current rate:

| | <u>1% Decrease (6.20%)</u> | <u>Discount Rate (7.20%)</u> | <u>1% Increase (8.20%)</u> |
|--|--------------------------------|----------------------------------|--------------------------------|
| Proportionate share of the net pension liability | \$ 4,259,585 | \$ 2,868,567 | \$ 1,702,134 |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

Retirement Health Insurance Account

Plan Description

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

Funding Policy

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

CITY OF PHILOMATH, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2021

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (Continued)

Participating cities are contractually required to contribute to RHIA at a rate assessed each year by OPERS, and the City currently contributes 0.06% of annual covered OPERF payroll and 0.00% of OPSRP payroll under a contractual requirement in effect until June 30, 2021. 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, 2019, 2020 and 2021 were \$7,497, \$621 and \$394, respectively, which equaled the required contributions each year.

At June 30, 2021, 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>

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.

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Implicit Rate Subsidy

Plan Description

The City's single employer defined benefit postemployment healthcare plan is administered by Citycounty Insurance Services (CIS). Benefit provisions are established through negotiations between the City and representatives of City or through resolutions passed by City Council. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

The City's postemployment healthcare plan administrator issues a publicly available financial report that includes financial statements and required supplementary information for CIS. This report may be obtained by writing to the CIS Main Office, 1212 Court Street NE, Salem OR 97301.

CITY OF PHILOMATH, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2021

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Benefits Provided

The plan provides eligible retirees and their dependents under age 65 the same health care coverage at the same premium rates as offered to active employees. The retiree is responsible for the premiums. As of the valuation date of July 1, 2020, the following employees were covered by the benefit terms:

| | |
|--|-----------|
| Inactive employees or beneficiaries receiving benefits | 2 |
| Active employees | 25 |
| | <u>27</u> |

Total OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The City's total OPEB liability of \$145,889 was measured as of June 30, 2020 and was determined by an actuarial valuation as of July 1, 2020. For the fiscal year ended June 30, 2021, the City recognized OPEB income from this plan of \$7,365. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

| | <i>Deferred Outflows of Resources</i> | <i>Deferred Inflows of Resources</i> |
|--|---|--|
| Differences between expected and actual experience | \$ - | \$ (23,417) |
| Changes of assumptions | 4,244 | (23,370) |
| Contributions subsequent to the MD | 18,499 | - |
| Net deferred outflow/(inflow) of resources | <u>\$ 22,743</u> | <u>\$ (46,787)</u> |

Deferred outflows of resources related to OPEB of \$18,499 resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <i>Year ended June 30,</i> | |
|--------------------------------|--------------------|
| 2022 | \$ (5,420) |
| 2023 | (5,420) |
| 2024 | (5,420) |
| 2025 | (5,420) |
| 2026 | (5,420) |
| Thereafter | <u>(15,443)</u> |
| Total | <u>\$ (42,543)</u> |

CITY OF PHILOMATH, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2021

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability for the June 30, 2020 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified: inflation rate of 2.50%, projected salary increases of 3.50%, discount rate of 3.50% (change from 3.87% in the previous measurement period), medical and vision varies between 5.50% and 4.75% (due to the timing of the excise tax scheduled to affect health care benefits), dental at 4.50%, and mortality rates based on the RP-2014 sex-distinct mortality tables, with generational adjustments per the Social Security Data Scale.

The discount rate was based on Bond Buyer 20-Year General Obligation Bond Index.

Changes in the Total OPEB Liability

| | <i>Total OPEB Liability</i> |
|--|--|
| Balance as of June 30, 2020 | \$ 174,013 |
| Changes for the year: | |
| Service cost | 10,382 |
| Interest on total OPEB liability | 6,172 |
| Effect on economic/demographic gains or losses | (25,215) |
| Effect of assumptions changes or inputs | (3,201) |
| Benefit payments | (16,262) |
| Balance as of June 30, 2021 | <u>\$ 145,889</u> |

Sensitivity of the Total OPEB Liability

The following presents the City’s total OPEB liability, as well as what the liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50 percent) or 1 percentage point higher (4.50 percent) than the current discount rate. A similar sensitivity analysis is then presented for changes in the healthcare trend assumption.

| | <i>1% Decrease (2.50%)</i> | <i>Current Discount Rate (3.50%)</i> | <i>1% Increase (4.50%)</i> |
|----------------------|---------------------------------------|---|---------------------------------------|
| Total OPEB liability | \$ 155,652 | \$ 145,889 | \$ 136,652 |

CITY OF PHILOMATH, OREGON
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
 YEAR ENDED JUNE 30, 2021

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Healthcare Cost Trend

| | <i>1% Decrease (4.50% decreasing to 3.75%)</i> | <i>Current Healthcare Trend Rate (5.50% decreasing to 4.75%)</i> | <i>1% Increase (6.50% decreasing to 5.75%)</i> |
|----------------------|--|--|--|
| Total OPEB liability | \$ 131,101 | \$ 145,889 | \$ 163,549 |

INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2021 on the budgetary basis of accounting, consisted of the following:

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|------------------------------|---------------------|----------------------|
| General | \$ - | \$ 240,000 |
| Street | 24,000 | 102,500 |
| Land, Building and Equipment | 1,541,900 | - |
| Community Development | - | - |
| Water | - | 732,450 |
| Sewer | 240,000 | 451,950 |
| Storm Drain | - | 39,000 |
| Systems Development | - | 240,000 |
| | <u>\$ 1,805,900</u> | <u>\$ 1,805,900</u> |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PHILOMATH, OREGON
PERS SCHEDULES
YEAR ENDED JUNE 30, 2021

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

| Year Ended June 30, | City's proportion of the net pension liability (asset) | City's proportionate share of the net pension liability (asset) | City's covered payroll | City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | Plan fiduciary net position as a percentage of the total pension liability |
|---------------------|--|---|------------------------|--|--|
| 2021 | 0.02% | \$ 2,868,567 | \$ 1,894,326 | 151.4% | 75.80% |
| 2020 | 0.02% | 3,433,976 | 1,667,808 | 205.9% | 80.20% |
| 2019 | 0.02% | 2,844,185 | 1,681,072 | 169.2% | 82.10% |
| 2018 | 0.02% | 2,407,985 | 1,615,008 | 149.1% | 83.10% |
| 2017 | 0.02% | 2,682,780 | 1,562,205 | 171.7% | 80.50% |
| 2016 | 0.02% | 950,931 | 1,493,911 | 63.7% | 91.90% |
| 2015 | 0.02% | (405,946) | 1,549,340 | -26.2% | 103.60% |
| 2014 | 0.02% | 913,923 | 1,568,037 | 58.3% | 92.00% |

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

| | Contractually required contributions | Contributions in relation to the contractually required contribution | Contribution deficiency (excess) | City's covered payroll | Contributions as a percentage of covered payroll |
|------|--------------------------------------|--|----------------------------------|------------------------|--|
| 2021 | \$ 290,902 | \$ 290,902 | \$ - | \$ 1,961,483 | 14.8% |
| 2020 | 294,802 | 294,802 | - | 1,894,326 | 15.6% |
| 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.

CITY OF PHILOMATH, OREGON**SCHEDULE OF CHANGES IN POST EMPLOYMENT BENEFITS (OPEB) LIABILITY****YEAR ENDED JUNE 30, 2021**

| | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|--|--------------|--------------|--------------|--------------|
| Service cost | \$ 12,541 | \$ 11,572 | \$ 9,177 | \$ 10,382 |
| Interest on total OPEB liability | 5,909 | 7,049 | 6,690 | 6,172 |
| Effect of economic/demographic gains or (losses) | - | (1,297) | - | (25,215) |
| Effect of assumption change or inputs | (10,572) | (18,958) | 5,186 | (3,201) |
| Benefit payments | (15,956) | (18,765) | (21,266) | (16,262) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Net change in total OPEB liability | (8,078) | (20,399) | (213) | (28,124) |
| Net OPEB liability, beginning | 202,703 | 194,625 | 174,226 | 174,013 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Net OPEB liability, ending | \$ 194,625 | \$ 174,226 | \$ 174,013 | \$ 145,889 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Covered payroll | \$ 1,681,721 | \$ 1,667,808 | \$ 1,894,326 | \$ 1,961,483 |
| Total OPEB liability as a % of covered payroll | 11.6% | 10.5% | 9.2% | 7.4% |

CITY OF PHILOMATH, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2021**

| | <i>Budgeted Amounts</i> | | <i>Actual</i> | <i>Variance Favorable (Unfavorable)</i> |
|---|-------------------------|------------------|------------------|---|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Taxes and assessments | \$ 1,839,000 | \$ 1,839,000 | \$ 1,830,526 | \$ (8,474) |
| Licenses and permits | 300,000 | 550,000 | 498,793 | (51,207) |
| Franchise fees | 377,000 | 377,000 | 386,993 | 9,993 |
| Charges for services | 511,888 | 511,888 | 491,574 | (20,314) |
| General Fund fee | 140,800 | 140,800 | 141,684 | 884 |
| Intergovernmental | 219,200 | 269,500 | 411,489 | 141,989 |
| Fines and forfeitures | 250,000 | 250,000 | 294,003 | 44,003 |
| Miscellaneous | 77,512 | 77,512 | 52,484 | (25,028) |
| <i>Total Revenues</i> | <i>3,715,400</i> | <i>4,015,700</i> | <i>4,107,546</i> | <i>91,846</i> |
| EXPENDITURES | | | | |
| Administrative/Planning | 324,100 | 324,100 | 312,981 | 11,119 |
| Building permit | 255,700 | 430,700 | 394,565 | 36,135 |
| Finance | 425,500 | 435,500 | 427,727 | 7,773 |
| Municipal court | 234,300 | 234,300 | 208,408 | 25,892 |
| Police | 1,484,000 | 1,484,000 | 1,452,558 | 31,442 |
| Building and grounds | 138,400 | 138,400 | 97,805 | 40,595 |
| Parks | 116,900 | 116,900 | 99,634 | 17,266 |
| City council | 320,500 | 490,950 | 457,550 | 33,400 |
| Contingency | 150,000 | 19,850 | - | 19,850 |
| <i>Total Expenditures</i> | <i>3,449,400</i> | <i>3,674,700</i> | <i>3,451,228</i> | <i>223,472</i> |
| REVENUES OVER (UNDER) EXPENDITURES | | | | |
| | 266,000 | 341,000 | 656,318 | 315,318 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (240,000) | (240,000) | (240,000) | - |
| NET CHANGE IN FUND BALANCE | | | | |
| | 26,000 | 101,000 | 416,318 | 315,318 |
| FUND BALANCE, Beginning of year | | | | |
| | 647,000 | 647,000 | 869,072 | 222,072 |
| FUND BALANCE, End of year | | | | |
| | \$ 673,000 | \$ 748,000 | \$ 1,285,390 | \$ 537,390 |

CITY OF PHILOMATH, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – STREET FUND
YEAR ENDED JUNE 30, 2021**

| | <i>Budgeted Amounts</i> | | <i>Actual</i> | <i>Variance Favorable (Unfavorable)</i> |
|---|-------------------------|-------------------|-------------------|---|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Charges for services | \$ 119,500 | \$ 119,500 | \$ 125,041 | \$ 5,541 |
| Intergovernmental | 351,000 | 351,000 | 381,812 | 30,812 |
| Fines and forfeitures | 68,800 | 68,800 | 66,003 | (2,797) |
| Miscellaneous | 6,600 | 6,600 | 2,481 | (4,119) |
| <i>Total Revenues</i> | <i>545,900</i> | <i>545,900</i> | <i>575,337</i> | <i>29,437</i> |
| EXPENDITURES | | | | |
| Streets | | | | |
| Personnel services | 239,525 | 239,525 | 201,195 | 38,330 |
| Materials and services | 307,875 | 307,875 | 204,801 | 103,074 |
| Contingency | 100,000 | 100,000 | - | 100,000 |
| <i>Total Expenditures</i> | <i>647,400</i> | <i>647,400</i> | <i>405,996</i> | <i>241,404</i> |
| REVENUES OVER (UNDER) EXPENDITURES | (101,500) | (101,500) | 169,341 | 270,841 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 24,000 | 24,000 | 24,000 | - |
| Transfers out | (102,500) | (102,500) | (102,500) | - |
| <i>Total Other Financing Sources (Uses)</i> | <i>(78,500)</i> | <i>(78,500)</i> | <i>(78,500)</i> | <i>-</i> |
| NET CHANGE IN FUND BALANCE | (180,000) | (180,000) | 90,841 | 270,841 |
| FUND BALANCE, Beginning of year | 280,000 | 280,000 | 266,049 | (13,951) |
| FUND BALANCE, End of year | \$ 100,000 | \$ 100,000 | \$ 356,890 | \$ 256,890 |

OTHER SUPPLEMENTARY INFORMATION

CITY OF PHILOMATH, OREGON
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021

| | <u>Special Revenue</u> | | <u>Debt Service</u> | <u>Totals</u> |
|--|---------------------------|------------------------------|-----------------------------|-------------------|
| | <u>Development Review</u> | <u>Community Development</u> | <u>Economic Development</u> | |
| ASSETS | | | | |
| Cash and investments | \$ 130,791 | \$ 82,436 | \$ 12,340 | \$ 225,567 |
| Receivables | | | | |
| Property taxes | - | - | 1 | 1 |
| Notes receivable | - | 311,580 | - | 311,580 |
| <i>Total Assets</i> | <u>\$ 130,791</u> | <u>\$ 394,016</u> | <u>\$ 12,341</u> | <u>\$ 537,148</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 65,804 | \$ - | \$ - | \$ 65,804 |
| Other liabilities | 55,335 | - | - | 55,335 |
| <i>Total Liabilities</i> | 121,139 | - | - | 121,139 |
| Deferred Inflows of Resources | | | | |
| Unavailable revenue - property taxes | - | - | 1 | 1 |
| Unavailable revenue - assessments/loans | - | 311,580 | - | 311,580 |
| <i>Total Deferred Inflows of Resources</i> | - | 311,580 | 1 | 311,581 |
| Fund Balance | | | | |
| Restricted for: | | | | |
| Development review | 9,652 | - | - | 9,652 |
| Community development | - | 82,436 | - | 82,436 |
| Debt service | - | - | 12,340 | 12,340 |
| <i>Total Fund Balance</i> | <u>9,652</u> | <u>82,436</u> | <u>12,340</u> | <u>104,428</u> |
| <i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i> | <u>\$ 130,791</u> | <u>\$ 394,016</u> | <u>\$ 12,341</u> | <u>\$ 537,148</u> |

CITY OF PHILOMATH, OREGON

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021**

| | <u>Special Revenue</u> | | <u>Debt Service</u> | <u>Totals</u> |
|--|---------------------------|------------------------------|-----------------------------|---------------|
| | <u>Development Review</u> | <u>Community Development</u> | <u>Economic Development</u> | |
| REVENUES | | | | |
| Taxes and assessments | \$ - | \$ - | \$ - | \$ - |
| Charges for services | 131,084 | - | - | 131,084 |
| Miscellaneous | 982 | 615 | 45,930 | 47,527 |
| <i>Total Revenues</i> | 132,066 | 615 | 45,930 | 178,611 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public works | 133,150 | - | - | 133,150 |
| Debt service: | | | | |
| Principal | - | - | 30,021 | 30,021 |
| Interest | - | - | 15,818 | 15,818 |
| <i>Total Expenditures</i> | 133,150 | - | 45,839 | 178,989 |
| REVENUES OVER (UNDER) | | | | |
| NET CHANGE IN FUND BALANCE | (1,084) | 615 | 91 | (378) |
| FUND BALANCE, Beginning of year | 10,736 | 81,821 | 12,249 | 104,806 |
| FUND BALANCE, End of year | \$ 9,652 | \$ 82,436 | \$ 12,340 | \$ 104,428 |

CITY OF PHILOMATH, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - URBAN RENEWAL FUND (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2021**

| | <i>Budgeted Amounts</i> | | <i>Actual</i> | <i>Variance Favorable (Unfavorable)</i> |
|--|-------------------------|--------------|---------------|---|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Taxes and assessments | \$ 669,700 | \$ 669,700 | \$ 703,328 | \$ 33,628 |
| Miscellaneous | 61,000 | 61,000 | 27,578 | (33,422) |
| <i>Total Revenues</i> | 730,700 | 730,700 | 730,906 | 206 |
| EXPENDITURES | | | | |
| Materials and services | 63,000 | 63,000 | 606,887 * | (543,887) |
| Capital outlay | 1,265,000 | 1,265,000 | 632,578 | 632,422 |
| Debt service | | | | |
| Principal | 125,000 | 125,000 | 125,000 | - |
| Interest | 102,700 | 102,700 | 102,697 | 3 |
| <i>Total Expenditures</i> | 1,555,700 | 1,555,700 | 1,467,162 | 88,538 |
| NET CHANGE IN FUND BALANCE | (825,000) | (825,000) | (736,256) | 88,744 |
| FUND BALANCE, Beginning of year | 3,800,000 | 3,800,000 | 3,402,005 | (397,995) |
| FUND BALANCE, End of year | \$ 2,975,000 | \$ 2,975,000 | \$ 2,665,749 | \$ (309,251) |

* Appropriated in aggregate. Not a budget violation.

CITY OF PHILOMATH, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - LAND, BUILDING AND EQUIPMENT FUND (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2021**

| | <i>Budgeted Amounts</i> | | <i>Actual</i> | <i>Variance Favorable (Unfavorable)</i> |
|---|-------------------------|--------------|---------------|---|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Intergovernmental | \$ 103,800 | \$ 103,800 | \$ 3,857 | \$ (99,943) |
| Fines and forfeitures | 1,300 | 1,300 | 1,791 | 491 |
| Miscellaneous | 60,000 | 60,000 | 49,696 | (10,304) |
| <i>Total Revenues</i> | 165,100 | 165,100 | 55,344 | (109,756) |
| EXPENDITURES | | | | |
| Capital outlay: | | | | |
| General government | 94,000 | 94,000 | 1,545 | 92,455 |
| Police | 84,500 | 84,500 | 63,257 | 21,243 |
| Streets | 200,000 | 200,000 | 48,153 | 151,847 |
| Public works | 230,400 | 230,400 | 130,723 | 99,677 |
| Water | 3,378,000 | 3,378,000 | - | 3,378,000 |
| Sewer | 438,000 | 438,000 | 88,293 | 349,707 |
| <i>Total Expenditures</i> | 4,424,900 | 4,424,900 | 331,971 | 4,092,929 |
| REVENUES OVER (UNDER) EXPENDITURES | (4,259,800) | (4,259,800) | (276,627) | 3,983,173 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from debt issuance | 3,300,000 | 3,300,000 | - | (3,300,000) |
| Transfers in | 1,541,900 | 1,541,900 | 1,541,900 | - |
| <i>Total Other Financing Sources (Uses)</i> | 4,841,900 | 4,841,900 | 1,541,900 | (3,300,000) |
| NET CHANGE IN FUND BALANCE | 582,100 | 582,100 | 1,265,273 | 683,173 |
| FUND BALANCE, Beginning of year | 4,000,000 | 4,000,000 | 3,837,434 | (162,566) |
| FUND BALANCE, End of year | \$ 4,582,100 | \$ 4,582,100 | \$ 5,102,707 | \$ 520,607 |

CITY OF PHILOMATH, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SYSTEMS DEVELOPMENT FUND (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2021**

| | <i>Budgeted Amounts</i> | | <i>Actual</i> | <i>Variance Favorable (Unfavorable)</i> |
|--|-------------------------|--------------|---------------|---|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Licenses and permits | \$ 200,200 | \$ 200,200 | \$ 734,915 | \$ 534,715 |
| Miscellaneous | 28,221 | 28,221 | 30,804 | 2,583 |
| <i>Total Revenues</i> | 228,421 | 228,421 | 765,719 | 537,298 |
| EXPENDITURES | | | | |
| System development | - | - | 22,768 * | (22,768) |
| Capital outlay | 125,000 | 125,000 | - | 125,000 |
| <i>Total Expenditures</i> | 125,000 | 125,000 | 22,768 | 102,232 |
| NET CHANGE IN FUND BALANCE | 103,421 | 103,421 | 742,951 | 639,530 |
| FUND BALANCE, Beginning of year | 1,746,600 | 1,746,600 | 1,825,511 | 78,911 |
| FUND BALANCE, End of year | \$ 1,850,021 | \$ 1,850,021 | \$ 2,568,462 | \$ 718,441 |

* Appropriated in aggregate. Not a budget violation.

CITY OF PHILOMATH, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – DEVELOPMENT REVIEW FUND (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2021**

| | <i>Budgeted Amounts</i> | | <i>Actual</i> | <i>Variance Favorable (Unfavorable)</i> |
|--|-------------------------|--------------|---------------|---|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Charges for services | \$ 153,000 | \$ 153,000 | \$ 131,084 | \$ (21,916) |
| Miscellaneous | 2,000 | 2,000 | 982 | (1,018) |
| <i>Total Revenues</i> | 155,000 | 155,000 | 132,066 | (22,934) |
| EXPENDITURES | | | | |
| Development program | | | | |
| Materials and services | 235,000 | 235,000 | 133,150 | 101,850 |
| NET CHANGE IN FUND BALANCE | (80,000) | (80,000) | (1,084) | 78,916 |
| FUND BALANCE, Beginning of year | 80,000 | 80,000 | 10,736 | (69,264) |
| FUND BALANCE, End of year | \$ - | \$ - | \$ 9,652 | \$ 9,652 |

CITY OF PHILOMATH, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – COMMUNITY REVIEW FUND (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2021**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|-------------------------|--------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Miscellaneous | \$ 31,500 | \$ 31,500 | \$ 615 | \$ (30,885) |
| EXPENDITURES | | | | |
| Materials and services | 91,400 | 91,400 | - | 91,400 |
| NET CHANGE IN FUND BALANCE | (59,900) | (59,900) | 615 | 60,515 |
| FUND BALANCE, Beginning of year | 59,900 | 59,900 | 81,821 | 21,921 |
| FUND BALANCE, End of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 82,436</u> | <u>\$ 82,436</u> |

CITY OF PHILOMATH, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - ECONOMIC DEVELOPMENT FUND (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2021**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|-------------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Miscellaneous | \$ 46,075 | \$ 46,075 | \$ 45,930 | \$ (145) |
| EXPENDITURES | | | | |
| Debt service | | | | |
| Principal | 30,021 | 30,021 | 30,021 | - |
| Interest | 15,819 | 15,819 | 15,818 | 1 |
| <i>Total Expenditures</i> | <u>45,840</u> | <u>45,840</u> | <u>45,839</u> | <u>1</u> |
| NET CHANGE IN FUND BALANCE | 235 | 235 | 91 | (144) |
| FUND BALANCE, Beginning of year | <u>12,265</u> | <u>12,265</u> | <u>12,249</u> | <u>(16)</u> |
| FUND BALANCE, End of year | <u>\$ 12,500</u> | <u>\$ 12,500</u> | <u>\$ 12,340</u> | <u>\$ (160)</u> |

CITY OF PHILOMATH, OREGON

*SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WATER FUND (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2021*

| | <i>Budgeted Amounts</i> | | <i>Actual</i> | <i>Variance Favorable (Unfavorable)</i> |
|---|-------------------------|-------------------|---------------------|---|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Charges for services | \$ 1,500,000 | \$ 1,500,000 | \$ 1,763,230 | \$ 263,230 |
| Earnings from interest | 5,500 | 5,500 | 3,111 | (2,389) |
| Miscellaneous | 51,700 | 51,700 | 130,948 | 79,248 |
| <i>Total Revenues</i> | <u>1,557,200</u> | <u>1,557,200</u> | <u>1,897,289</u> | <u>340,089</u> |
| EXPENDITURES | | | | |
| Personnel services | 455,250 | 455,250 | 400,234 | 55,016 |
| Materials and services | 529,500 | 529,500 | 502,948 | 26,552 |
| Contingency | 125,000 | 125,000 | - | 125,000 |
| <i>Total Expenditures</i> | <u>1,109,750</u> | <u>1,109,750</u> | <u>903,182</u> | <u>206,568</u> |
| REVENUES OVER (UNDER) EXPENDITURES | 447,450 | 447,450 | 994,107 | 546,657 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (732,450) | (732,450) | (732,450) | - |
| NET CHANGE IN FUND BALANCE | (285,000) | (285,000) | 261,657 | 546,657 |
| FUND BALANCE, Beginning of year | <u>385,000</u> | <u>385,000</u> | <u>378,088</u> | <u>(6,912)</u> |
| FUND BALANCE, End of year | <u>\$ 100,000</u> | <u>\$ 100,000</u> | <u>639,745</u> | <u>\$ 539,745</u> |
| Fund balance - budgetary basis | | | | |
| Capital assets, net | | | 5,715,511 | |
| OPEB liability | | | (18,967) | |
| Deferred inflow related to OPEB | | | (6,082) | |
| Deferred outflow related to OPEB | | | 2,957 | |
| Net pension liability | | | (372,911) | |
| Deferred inflow related to pensions | | | (111,518) | |
| Deferred outflow related to pensions | | | 258,452 | |
| Compensated absences | | | (53,981) | |
| Net position - GAAP basis | | | <u>\$ 6,053,206</u> | |

CITY OF PHILOMATH, OREGON

*SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SEWER FUND (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2021*

| | <i>Budgeted Amounts</i> | | <i>Actual</i> | <i>Variance Favorable (Unfavorable)</i> |
|---|-------------------------|--------------|---------------|---|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Charges for services | \$ 1,292,000 | \$ 1,292,000 | \$ 1,428,868 | \$ 136,868 |
| Earnings from interest | 4,500 | 4,500 | 2,194 | (2,306) |
| Miscellaneous | 29,150 | 29,150 | 30,792 | 1,642 |
| <i>Total Revenues</i> | 1,325,650 | 1,325,650 | 1,461,854 | 136,204 |
| EXPENDITURES | | | | |
| Personnel services | 380,850 | 380,850 | 340,467 | 40,383 |
| Materials and services | 414,050 | 414,050 | 363,780 | 50,270 |
| Debt service | | | | |
| Principal | 200,000 | 200,000 | 200,000 | - |
| Interest | 178,800 | 178,800 | 178,796 | 4 |
| Contingency | 90,000 | 90,000 | - | 90,000 |
| <i>Total Expenditures</i> | 1,263,700 | 1,263,700 | 1,083,043 | 180,657 |
| REVENUES OVER (UNDER) EXPENDITURES | 61,950 | 61,950 | 378,811 | 316,861 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 240,000 | 240,000 | 240,000 | - |
| Transfers out | (451,950) | (451,950) | (451,950) | - |
| <i>Total Other Financing Sources (Uses)</i> | (211,950) | (211,950) | (211,950) | - |
| NET CHANGE IN FUND BALANCE | (150,000) | (150,000) | 166,861 | 316,861 |
| FUND BALANCE, Beginning of year | 250,000 | 250,000 | 307,502 | 57,502 |
| FUND BALANCE, End of year | \$ 100,000 | \$ 100,000 | 474,363 | \$ 374,363 |
| Fund balance - budgetary basis | | | | |
| Capital assets, net | | | 10,103,320 | |
| Long-term debt | | | (4,826,606) | |
| Accrued interest | | | (43,200) | |
| OPEB liability | | | (16,048) | |
| Deferred inflow related to OPEB | | | (5,148) | |
| Deferred outflow related to OPEB | | | 2,502 | |
| Net pension liability | | | (315,540) | |
| Deferred inflow related to pensions | | | (94,361) | |
| Deferred outflow related to pensions | | | 218,690 | |
| Compensated absences | | | (43,616) | |
| Net position - GAAP basis | | | \$ 5,454,356 | |

CITY OF PHILOMATH, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - STORM DRAIN FUND (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2021**

| | <i>Budgeted Amounts</i> | | <i>Actual</i> | <i>Variance Favorable (Unfavorable)</i> |
|---|-------------------------|--------------|---------------|---|
| | <i>Original</i> | <i>Final</i> | | |
| REVENUES | | | | |
| Charges for services | \$ 60,500 | \$ 60,500 | \$ 61,290 | \$ 790 |
| Earnings from interest | 500 | 500 | 254 | (246) |
| <i>Total Revenues</i> | 61,000 | 61,000 | 61,544 | 544 |
| EXPENDITURES | | | | |
| Materials and services | 41,000 | 41,000 | 23,175 | 17,825 |
| REVENUES OVER (UNDER) EXPENDITURES | | | | |
| | 20,000 | 20,000 | 38,369 | 18,369 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (39,000) | (39,000) | (39,000) | - |
| NET CHANGE IN FUND BALANCE | | | | |
| | (19,000) | (19,000) | (631) | 18,369 |
| FUND BALANCE, Beginning of year | | | | |
| | 39,000 | 39,000 | 38,832 | (168) |
| FUND BALANCE, End of year | | | | |
| | \$ 20,000 | \$ 20,000 | 38,201 | \$ 18,201 |
| Fund balance - budgetary basis | | | | |
| Capital assets, net | | | 1,276,272 | |
| Net position - GAAP basis | | | \$ 1,314,473 | |

CITY OF PHILOMATH, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – SYSTEMS DEVELOPMENT FUND (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2021**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---|-------------------------|--------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Licenses and permits | \$ 605,200 | \$ 605,200 | \$ 2,155,733 | \$ 1,550,533 |
| Miscellaneous | 27,379 | 27,379 | 31,677 | 4,298 |
| <i>Total Revenues</i> | <u>632,579</u> | <u>632,579</u> | <u>2,187,410</u> | <u>1,554,831</u> |
| EXPENDITURES | | | | |
| Materials and services | 280,000 | 280,000 | 587,260 | (307,260) |
| Capital outlay | 1,216,000 | 1,216,000 | - | 1,216,000 |
| <i>Total Expenditures</i> | <u>1,496,000</u> | <u>1,496,000</u> | <u>587,260</u> | <u>908,740</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(863,421)</u> | <u>(863,421)</u> | <u>1,600,150</u> | <u>2,463,571</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | <u>(240,000)</u> | <u>(240,000)</u> | <u>(240,000)</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | <u>(1,103,421)</u> | <u>(1,103,421)</u> | <u>1,360,150</u> | <u>2,463,571</u> |
| FUND BALANCE, Beginning of year | <u>1,523,400</u> | <u>1,523,400</u> | <u>1,659,757</u> | <u>136,357</u> |
| FUND BALANCE, End of year | <u>\$ 419,979</u> | <u>\$ 419,979</u> | <u>\$ 3,019,907</u> | <u>\$ 2,599,928</u> |



GROVE, MUELLER & SWANK, P.C.

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INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Honorable Mayor and Members
of the City Council
Philomath, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Philomath, Oregon as of and for the year ended June 30, 2021, and have issued our report thereon dated January 12, 2022.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Philomath, Oregon's financial statements are free of material misstatement, we performed tests of its 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.**
- **Programs funded from outside sources.**
- **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 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:

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


Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Restriction on Use

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

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 
Ryan T. Pasquarella, A Shareholder
January 12, 2022