

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

**For the Year Ended June 30, 2015**

**ANNUAL FINANCIAL REPORT**

This Page Intentionally Left Blank

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**CITY COUNCIL**

**TERM EXPIRES**

Rocky Sloan, Mayor	December 31, 2016
Doug Edmonds	December 31, 2016
Angie Baca	December 31, 2016
Charla Koeppe	December 31, 2016
Sean Manning	December 31, 2016
Eric Niemann	December 31, 2016
Jason Leonard	December 31, 2016

All council members receive mail at the address listed below.

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

This Page Intentionally Left Blank

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

	<b><u>PAGE NUMBER</u></b>
<b>INDEPENDENT AUDITOR’S REPORT</b>	1
<b><u>REQUIRED SUPPLEMENTARY INFORMATION</u></b>	
MANAGEMENT’S DISCUSSION AND ANALYSIS	3
<b><u>BASIC FINANCIAL STATEMENTS</u></b>	
FINANCIAL STATEMENTS AND SCHEDULES:	
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds	17
Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Position	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	19
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – To Statement of Activities	20
Statement of Net Position – Proprietary Funds	21
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	22
Statement of Cash Flows – Proprietary Funds	23
Notes to Basic Financial Statements	24
<b><u>REQUIRED SUPPLEMENTARY INFORMATION</u></b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Actual and Budget - Budgetary Basis	
General Fund	45
Community Development Fund	46
Street Fund	47
Urban Renewal	48
Economic Development (Debt Service) Fund	49
Land Building and Equipment Fund	50
Systems Development (Capital Projects) Fund	51
Schedule of Proportionate Share of the Net Pension Liability and Schedule of Contributions	52

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

**PAGE  
NUMBER**

**SUPPLEMENTARY INFORMATION**

Schedules of Revenues, Expenditures and Changes in Fund Balance –  
Actual and Budget – Budgetary Basis:

Major Proprietary Funds:

Water Fund

53

Sewer Fund

54

Storm Drain Fund

55

Non-Major Proprietary Funds:

System Development Fund

56

Schedule of Property Tax Transactions and Balances of Taxes Uncollected:

General

57

Urban Renewal

58

**REPORTS ON LEGAL AND OTHER REGULATORY REQUIREMENTS**

Independent Auditor's Report Required by Oregon State Regulations

59



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

October 19, 2015

## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Philomath, Oregon, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Philomath, as of June 30, 2015, and the respective changes in financial position for the general fund and major special revenue funds, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

The City adopted the provisions of GASB Statement No. 68, Accounting and Reporting for Pensions, as well as the provisions of GASB Statement No. 71, Pensions Transition for Contributions Made Subsequent to the Measurement Date, for the year ended June 30, 2015. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

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

### *Other and Supplementary Information*

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

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

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

## **Report on Other Legal and Regulatory Requirements**

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated October 19, 2015, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



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

City of Philomath, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2015

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, 2015.

**Financial Highlights**

Following are the financial highlights of the City for the fiscal year ended June 30, 2015.

- The City's total assets exceeded its liabilities at the close of FY 2014-15 by \$18.3 million (net position). Of this amount, \$13.6 million is invested in capital assets, net of related debt; \$4.3 million is restricted for construction projects, debt service and other commitments; and the balance of \$.4 million is considered unrestricted.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$3.2 million, an increase of \$.4 million.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$124,960 or approximately 5 percent of total General Fund expenditures.
- The City's total liabilities decreased by approximately \$225,000 or 3 percent during fiscal year 2014-15. The decrease is due to scheduled debt payments.

**Overview of the Financial Statements**

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

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

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

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

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

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

The governmental activities of the City include the following:

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

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

- Water Utility
- Sewer Utility
- Storm Drain Utility

Government-wide financial statements can be found on pages 15 and 16 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues,

Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations can be found on pages 18 and 20 in the basic financial statements.

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

The City maintains seven individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for those funds that are considered significant (major) to the City taken as a whole. These financial statements report six major funds; General Fund, Community Development Fund, Street Fund, Urban Renewal Fund, Land Building & Equipment Fund and Systems Development Capital Projects. The Economic Development Fund is a nonmajor fund, but is combined in the statements with the major funds.

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

*Proprietary funds* - Proprietary funds are used to account for activities where the emphasis is placed on net income determination. The City maintains only enterprise funds and has no internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the 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 53 through 56.

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

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

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

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

## Government-Wide Financial Analysis

Table 1  
Summary of Net Position

	<i>June 30, 2015</i>		
	<i>Governmental Activities</i>	<i>Business- Type Activities</i>	<i>Total</i>
Cash and investments	\$ 3,156,922	504,568	\$ 3,661,490
Other assets	1,661,621	308,231	1,969,852
Capital assets	4,716,275	15,252,203	19,968,478
<i>Total Assets</i>	<u>9,534,818</u>	<u>16,065,002</u>	<u>25,599,820</u>
Other liabilities	94,890	215,239	310,129
Long-term liabilities	663,807	5,795,593	6,459,400
<i>Total Liabilities</i>	<u>758,697</u>	<u>6,010,832</u>	<u>6,769,529</u>
Net Pension Related Deferrals	418,993	125,601	544,594
Net Position			
Net Investment in Capital Assets	4,227,832	9,362,569	13,590,401
Restricted	4,111,007	218,161	4,329,168
Unrestricted	18,289	347,839	366,128
<i>Total Net Position</i>	<u>\$ 8,357,128</u>	<u>9,928,569</u>	<u>\$ 18,285,697</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$18,285,697 at the close of FY 2014-15.

The largest portion of the City's net position reflects its investment of \$13,590,401 or 74 percent, in capital assets (e.g., land, buildings, improvements, equipment, and infrastructure, net of accumulated depreciation); less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position \$4,329,168 or approximately 23 percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$366,128,776 or 3 percent, may be used to meet the government's ongoing obligations to citizens and creditors

<i>June 30, 2014</i>			<i>Change</i>		
<i>Governmental Activities</i>	<i>Business- Type Activities</i>	<i>Total</i>	<i>Governmental Activities</i>	<i>Business- Type Activities</i>	<i>Total</i>
\$ 2,760,662	279,960	\$ 3,040,622	\$ 396,260	\$ 224,608	\$ 620,868
1,319,185	192,658	1,511,843	342,436	115,573	458,009
4,861,033	15,557,262	20,418,295	(144,758)	(305,059)	(449,817)
8,940,880	16,029,880	24,970,760	593,938	35,122	629,060
137,419	174,921	312,340	(42,529)	40,318	(2,211)
679,609	6,002,607	6,682,216	(15,802)	(207,014)	(222,816)
817,028	6,177,528	6,994,556	(58,331)	(166,696)	(225,027)
0	0	0	418,993	125,601	544,594
4,348,578	9,483,371	13,831,949	(120,746)	(120,802)	(241,548)
3,629,035	106,227	3,735,262	481,972	111,934	593,906
146,239	262,754	408,993	(127,950)	85,085	(42,865)
<u>\$ 8,123,852</u>	<u>9,852,352</u>	<u>\$ 17,976,204</u>	<u>\$ 233,276</u>	<u>\$ 76,217</u>	<u>\$ 309,493</u>

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

	<i>Fiscal Year Ended June 30, 2015</i>		
	<i>Governmental</i>	<i>Business-</i>	
	<i>Activities</i>	<i>Type</i>	
	<i>Activities</i>	<i>Activities</i>	<i>Total</i>
<b>Revenues</b>			
<b>Program Revenues</b>			
Charges for services	\$ 686,540	\$ 1,962,435	\$ 2,648,975
Operating grants and contributions	277,270	-	277,270
Capital grants and contributions	82,839	146,287	229,126
<i>Total Program Revenues</i>	<u>1,046,649</u>	<u>2,108,722</u>	<u>3,155,371</u>
<b>General Revenues</b>			
Property taxes	1,899,928	-	1,899,928
Franchise taxes	393,156	-	393,156
Other	207,679	43,362	251,041
<i>Total General Revenues</i>	<u>2,500,763</u>	<u>43,362</u>	<u>2,544,125</u>
<i>Total Revenues</i>	<u>3,547,412</u>	<u>2,152,084</u>	<u>5,699,496</u>
<b>Expenses (Net of Indirect Expenses)</b>			
General governmental	821,340	-	821,340
Police	1,360,609	-	1,360,609
Streets	396,655	-	396,655
Public Works	231,340	-	231,340
Interest on long-term debt	21,020	-	21,020
Other	-	-	-
Water	-	835,609	835,609
Sewer	-	981,540	981,540
Storm Drain	-	52,052	52,052
<i>Total Expenses</i>	<u>2,830,964</u>	<u>1,869,201</u>	<u>4,700,165</u>
<b>Transfers</b>	<u>47,567</u>	<u>(47,567)</u>	<u>-</u>
<b>Changes in Net Position</b>	764,015	235,316	999,331
<b>Beginning Net Position, Restated</b>	7,593,113	9,693,253	17,286,366
<b>Ending Net Position</b>	<u>\$ 8,357,128</u>	<u>\$ 9,928,569</u>	<u>\$ 18,285,697</u>

The City's overall net position increased by \$999,331 during FY 2014-15.

*Governmental activities* - Governmental activities increased the City's net position by \$764,015. The key factor for the increase was an increase in property tax revenue, a decrease in capital expenditures, and a \$424,068 credit deriving from a fair value change in pension liability explained on page 20.

*Business-type activities* - Business-type activities increased the City's net position by \$235,316. This was largely due to an increase in water and sewer utility revenue, as well as a \$127,122 credit deriving from a fair value change in pension liability. Water revenue increased due to an increase in industrial usage. Sewer revenue increased due to a 4.6% rate increase. With reduced Systems Development Charges in the last few years the rate increase was necessary to cover sewer bond obligations. The City can only use these assets to

<i>Fiscal Year Ended June 30, 2014</i>			<i>Change</i>		
<i>Governmental Activities</i>	<i>Business- Type Activities</i>	<i>Total</i>	<i>Governmental Activities</i>	<i>Business- Type Activities</i>	<i>Total</i>
\$ 745,906	\$ 1,845,001	\$ 2,590,907	\$ (59,366)	\$ 117,434	\$ 58,068
310,118	-	310,118	(32,848)	-	(32,848)
34,554	108,791	143,345	48,285	37,496	85,781
<u>1,090,578</u>	<u>1,953,792</u>	<u>3,044,370</u>	<u>(43,929)</u>	<u>154,930</u>	<u>111,001</u>
1,718,119	-	1,718,119	181,809	-	181,809
399,903	-	399,903	(6,747)	-	(6,747)
194,791	27,678	222,469	12,888	15,684	28,572
<u>2,312,813</u>	<u>27,678</u>	<u>2,340,491</u>	<u>187,950</u>	<u>15,684</u>	<u>203,634</u>
3,403,391	1,981,470	5,384,861	144,021	170,614	314,635
1,166,265	-	1,166,265	(344,925)	-	(344,925)
1,334,540	-	1,334,540	26,069	-	26,069
399,958	-	399,958	(3,303)	-	(3,303)
244,350	-	244,350	(13,010)	-	(13,010)
21,859	-	21,859	(839)	-	839
-	857,657	857,657	-	(22,048)	(22,048)
-	1,011,377	1,011,377	-	(29,837)	(29,837)
-	57,878	57,878	-	(5,826)	(5,826)
<u>3,166,972</u>	<u>1,926,912</u>	<u>5,093,884</u>	<u>(336,008)</u>	<u>(57,711)</u>	<u>(393,719)</u>
<u>(363,134)</u>	<u>363,134</u>	<u>-</u>	<u>410,701</u>	<u>(410,701)</u>	<u>-</u>
(126,715)	417,692	290,977	890,730	(182,376)	708,354
8,250,567	9,434,660	17,685,227	(657,454)	258,593	(398,861)
<u>\$ 8,123,852</u>	<u>\$ 9,852,352</u>	<u>\$ 17,976,204</u>	<u>\$ 233,276</u>	<u>\$ 76,217</u>	<u>\$ 309,493</u>

finance the continuing operations of the water, sewer, and storm drain operations.

## General Fund Budgetary Highlights

Appropriation transfers of \$35,000 were made from the General Fund contingencies during the year. The transfers were used to pay final costs of the new park shelter at City Park and surrounding grounds improvement.

## Financial Analysis of the City's Funds

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

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

At June 30, 2015, the City's governmental funds reported combined ending fund balances of **Error! Not a valid link.**604, an increase of \$449,934 in comparison with the prior year.

*General Fund.* The General Fund is the primary operating fund of the City. Property taxes are the major source of revenue for the General Fund. Property tax revenue was up \$138,359 from the prior year. As of June 30, 2015, the fund balance for the General Fund was \$134,199, a decrease of \$17,300 during the current fiscal year.

*Community Development Fund.* The Community Development Fund administers Federal low-income housing rehabilitation grant money that the City received in past years. The City received one 1992 loan payment for \$6,138. A transfer of \$50,000 was made to the Land, Building & Equipment Fund to help pay for the enclosed park shelter at City Park. The source of funds for the transfer were previous repayments of 1992 loans. The 1992 repaid loan funds have no restrictions attached and can be used for any purpose. As of June 30, 2015 there was \$6,496 remaining in repaid 1992 loan funds.

*Street Fund.* The Street Fund is funded primarily by the City's portion of state gasoline taxes and franchise fees. The primary function is to maintain the City's transportation network. Revenues exceeded expenditures by \$59,890, after transfers the net fund balance increase was \$1,090.

*Urban Renewal Fund.* There was minimal activity in the Urban Renewal Fund this fiscal year. It is anticipated that the City will seek bond funding in FY 2015-16 to fund water and sewer utility upgrades on Main Street between 7<sup>th</sup> and 12<sup>th</sup> Streets. The fund balance increased by \$433,409 to \$1,485,472.

*Land, Building & Equipment Reserve Fund.* The Land, Building and Equipment Reserve Fund was established to accumulate funds for future capital projects. Small capital improvement projects during the year including completion of the electronic meter reading system costing \$134,843. Transfers in exceeded expenditures by \$23,522. Ending fund balance was \$1,297,080.

*Systems Development Capital Projects Fund.* This fund was established to collect Systems Development Charges and to accumulate funds for future capital projects. There were no capital projects funded from the Systems Development Fund in 2014-15. Fund balance increased by \$125,614 to \$51,527.

*Business-type activities* – Unrestricted net position of the Business-type activities increased \$235,316 over the prior year. The increase is primarily due to cash generated in the Water Fund from operating income. The City can only use these assets to finance the continuing operations of the water, sewer, and storm drain operations.

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

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

*Storm Drain Fund.* The Storm Drain Fund was established to reduce the potential of neighborhood flooding during periods of high water. It is funded mainly by storm drain fees paid by the City's utility customers.

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

## Capital Assets and Debt Administration

### Capital Assets

At June 30, 2015, the City had approximately \$20 million invested in a broad range of capital assets, including land, buildings and improvements, equipment, roads, water, sewer and storm drain lines.

There was only one major capital asset purchase during the fiscal year which was \$134,843 towards converting water meters to allow for radio read.

#### Capital Assets at Year-End (Net of Depreciation) June 30, 2015

	<i>Governmental Activities</i>		<i>Percentage Change</i>	
	<i>2015</i>	<i>2014</i>		
Land	\$ 130,933	\$ 130,933	0.00	%
Improvements	234,271	254,505	(7.95)	
Buildings	1,848,718	1,868,332	(1.05)	
Equipment	296,558	345,864	(14.26)	
Infrastructure	2,205,795	2,261,399	(2.46)	
<i>Total Governmental Activities</i>	<u>\$ 4,716,275</u>	<u>\$ 4,861,033</u>	<u>(2.98)</u>	<u>%</u>
	<i>Business-type Activities</i>		<i>Percentage Change</i>	
	<i>2015</i>	<i>2014</i>		
Land	\$ 853,202	\$ 853,202	0.00	%
Improvements	25,698	27,955	(8.07)	
Buildings	200,960	210,211	(4.40)	
Equipment	521,401	432,408	20.58	
Infrastructure	13,650,942	14,033,486	(2.73)	
<i>Total Business-type Activities</i>	<u>\$ 15,252,203</u>	<u>\$ 15,557,262</u>	<u>(1.96)</u>	<u>%</u>
<i>Total Capital Assets</i>	<u>\$ 19,968,478</u>	<u>\$ 20,418,295</u>	<u>(2.20)</u>	<u>%</u>

Long-Term Debt

	<b>June 30, 2015</b>		
	<i><b>Governmental Activities</b></i>	<i><b>Business- Type Activities</b></i>	<i><b>Total Government</b></i>
<i><b>Governmental</b></i>			
Bonds payable	\$ -	\$ 5,695,000	\$ 5,695,000
Urban Renewal bonds	-	-	-
Notes payable	488,443	194,634	683,077
	<hr/>	<hr/>	<hr/>
<i>Total Outstanding Debt</i>	<u>\$ 488,443</u>	<u>\$ 5,889,634</u>	<u>\$ 6,378,077</u>

At the end of the current fiscal year, the City had total debt outstanding of \$6,378,077. Of this amount, \$488,443 represents outstanding notes payable for the governmental funds. This note is outstanding on the Lakeside Industrial property. Lakeside reimburses the city annually for principal and interest payments. The City has a lien on the Lakeside property for the amount of the loan.

The remainder of the City's debt is for business-type activities and includes one outstanding water note payable, one sewer bond and one storm drain note payable. For FY 2014-15 the water fund paid an additional \$53,000 principal payment towards the note payable, leaving a balance of \$28,000 at June 30, 2015. The note is paid from net revenues of the water system.

The sewer bond payable at June 30, 2015 is \$5,695,000 which resulted from the sale of \$6.125 million in full faith and credit obligations in January 2009. The credit obligations will be paid over 24 years from net revenues of the sewer system and sewer systems development charges.

The amount of storm drain debt outstanding at June 30, 2014 is \$166,634. The note is paid from storm drain systems development charges.

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

During the preparation of the budget for the ensuing fiscal year, the long-term impacts of the local economy were examined in conjunction with business decisions made by the City. The following are the major assumptions used in developing the FY 2015-16 budget:

- The July 2014 (the most current) population was 4,630. In the last few years population growth has slowed to .1 - .2% growth per year.
- Growth is expected to return to pre-recession levels starting in 2016. Beginning in early 2015, building permit revenue has steadily increased each month. There are several commercial and residential projects in the works that are expected to be completed in the next 12 month.
- Assessed values, the basis of property tax revenues, have been growing at about 2% per year. The 2014-15 assessed values increased by 3.1%.
- The City's permanent tax rate of \$5.3005.
- The City has no projects scheduled for the foreseeable future that would require local option funding approval by the electorate.
- Interest rates on investments are expected to remain under 1%.
- Combined water and sewer utility rates increased by 8.2%. All other fees charged by the City will remain at their present levels.
- There will be no increase in the number of General Fund supported personnel.
- Health benefit costs will increase by 8% starting January 2016.

The City's adopted budget for FY 2015-16 reflects total estimated resources of \$8,514,454 which exceeds total estimated expenditures by \$2,370,170.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report should be addressed to the Finance Director at P.O. Box 400, Philomath OR 97370.

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**BASIC FINANCIAL STATEMENTS**

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**STATEMENT OF NET POSITION  
June 30, 2015**

ASSETS	GOVERNMENTAL	BUSINESS- TYPE	TOTAL
Current:			
Cash and Investments	\$ 3,156,922	\$ 504,568	\$ 3,661,490
Receivables:			
Accounts	5,218	214,607	219,825
Property Taxes	167,671	-	167,671
Special Assessments	71,321	-	71,321
Other	85,105	-	85,105
Prepaid Items	9,239	-	9,239
Total Current Assets	<u>3,495,476</u>	<u>719,175</u>	<u>4,214,651</u>
Non-Current:			
Loans Receivable	1,010,745	-	1,010,745
Nondepreciable Capital Assets	130,933	853,202	984,135
Depreciable Capital Assets	4,585,342	14,399,001	18,984,343
Net Pension Asset	312,322	93,624	405,946
Total Assets	<u>9,534,818</u>	<u>16,065,002</u>	<u>25,599,820</u>
LIABILITIES			
Current:			
Accounts Payable	57,480	52,172	109,652
Other Current Liabilities	13,258	-	13,258
Total Current Liabilities	<u>70,738</u>	<u>52,172</u>	<u>122,910</u>
Bonds Payable:			
Due within one year			
Notes Payable	24,152	33,067	57,219
Bonds Payable	-	130,000	130,000
Due in more than one year			
Notes Payable	464,291	161,567	625,858
Bonds Payable	-	5,565,000	5,565,000
Accrued Compensated Absences	199,516	69,026	268,542
Total Long Term Liabilities	<u>687,959</u>	<u>5,958,660</u>	<u>6,646,619</u>
Total Liabilities	<u>758,697</u>	<u>6,010,832</u>	<u>6,769,529</u>
DEFERRED INFLOWS OF RESOURCES			
Net Pension Related Deferrals	418,993	125,601	544,594
NET POSITION			
Net Investments in Capital Assets	4,227,832	9,362,569	13,590,401
Restricted	4,111,007	218,161	4,329,168
Unrestricted	18,289	347,839	366,128
TOTAL NET POSITION	<u>\$ 8,357,128</u>	<u>\$ 9,928,569</u>	<u>\$ 18,285,697</u>

See accompanying notes to the basic financial statements

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2015**

Functions/Programs	Expenses	Program Revenues			Net Revenues (Expenses) and Changes in Net Position		Total
		Fines and Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>Governmental Activities</b>							
General Government	\$ 821,340	\$ 625,584	\$ 3,410	8,469	\$ (183,877)	\$ -	\$ (183,877)
Police	1,360,609	7,892	6,584	-	(1,346,133)	-	(1,346,133)
Streets	396,655	53,064	264,603	74,370	(4,618)	-	(4,618)
Public Works	231,340	-	2,673	-	(228,667)	-	(228,667)
Interest on long-term debt	21,020	-	-	-	(21,020)	-	(21,020)
<b>Total Governmental Activities</b>	<b>2,830,964</b>	<b>686,540</b>	<b>277,270</b>	<b>82,839</b>	<b>(1,784,315)</b>	<b>-</b>	<b>(1,784,315)</b>
<b>Business-Type Activities</b>							
Water	835,609	997,433	-	69,224	-	231,048	231,048
Sewer	981,540	922,176	-	63,554	-	4,190	4,190
Storm Drain	52,052	42,826	-	13,509	-	4,283	4,283
<b>Total Business-Type Activities</b>	<b>1,869,201</b>	<b>1,962,435</b>	<b>-</b>	<b>146,287</b>	<b>-</b>	<b>239,521</b>	<b>239,521</b>
<b>Total Primary Government</b>	<b>\$ 4,700,165</b>	<b>\$ 2,648,975</b>	<b>\$ 277,270</b>	<b>229,126</b>	<b>\$ (1,784,315)</b>	<b>\$ 239,521</b>	<b>\$ (1,544,794)</b>

**General Revenues**

Property Taxes	1,899,928	-	1,899,928
Franchise Fees	393,156	-	393,156
Intergovernmental	115,474	-	115,474
Gain/Loss on Sale of Capital Assets	4,230	-	4,230
Interest and Miscellaneous	87,975	43,362	131,337
Transfers	47,567	(47,567)	-
<b>Total General Revenues</b>	<b>2,548,330</b>	<b>(4,205)</b>	<b>2,544,125</b>
Change in Net Position	764,015	235,316	999,331
Beginning Net Position - Restated	7,593,113	9,693,253	17,286,366
Ending Net Position	<b>\$ 8,357,128</b>	<b>\$ 9,928,569</b>	<b>\$ 18,285,697</b>

See accompanying notes to the basic financial statements

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2015**

	GENERAL	COMMUNITY DEVELOPMENT	STREET
<b>ASSETS</b>			
Cash and Investments	\$ 129,489	\$ 6,496	\$ 98,126
Receivables:			
Accounts	-	-	5,218
Property Taxes	125,542	-	-
Special Assessments	14,556	-	-
Other	41,711	-	38,808
Prepaid Items	9,239	-	-
Loans Receivable	568,581	442,164	-
Total Assets	<u>\$ 889,118</u>	<u>\$ 448,660</u>	<u>\$ 142,152</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts Payable	44,840	-	7,253
Other Liabilities	1,400	-	-
Total Liabilities	<u>46,240</u>	<u>-</u>	<u>7,253</u>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue - Special Assessments	\$ 14,556	\$ -	\$ -
Unavailable Revenue - Loans Receivable	568,581	442,164	-
Unavailable Revenue - Property Taxes	125,542	-	-
Total Deferred Inflows of Resource:	<u>\$ 708,679</u>	<u>\$ 442,164</u>	<u>\$ -</u>
<b>Fund Balances</b>			
Non-Spendable	9,239	-	-
Restricted For:			
Community Development	-	6,496	-
Construction	-	-	-
Debt Service	-	-	-
Streets	-	-	134,899
Urban Renewal	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	124,960	-	-
Total Fund Balances	<u>134,199</u>	<u>6,496</u>	<u>134,899</u>
Total Liabilities, Deferred Inflow: of Resources and Fund Balances:	<u>\$ 889,118</u>	<u>\$ 448,660</u>	<u>\$ 142,152</u>

See accompanying notes to the basic financial statement

<u>URBAN RENEWAL</u>	<u>ECONOMIC DEVELOPMENT</u>	<u>LAND, BUILDING &amp; EQUIPMENT</u>	<u>SYSTEMS DEVELOPMENT CAPITAL PROJECTS</u>	<u>TOTAL</u>
\$ 1,489,609	\$ 11,333	\$ 1,293,744	\$ 128,125	\$ 3,156,922
-	-	-	-	5,218
42,121	8	-	-	167,671
-	-	17,771	38,994	71,321
-	-	4,586	-	85,105
-	-	-	-	9,239
-	-	-	-	1,010,745
<u>\$ 1,531,730</u>	<u>\$ 11,341</u>	<u>\$ 1,316,101</u>	<u>\$ 167,119</u>	<u>\$ 4,506,221</u>
4,137	-	1,250	-	57,480
-	-	-	-	1,400
<u>4,137</u>	<u>-</u>	<u>1,250</u>	<u>-</u>	<u>58,880</u>
\$ -	\$ -	\$ 17,771	\$ 38,994	\$ 71,321
-	-	-	-	1,010,745
<u>42,121</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>167,671</u>
<u>\$ 42,121</u>	<u>\$ 8</u>	<u>\$ 17,771</u>	<u>\$ 38,994</u>	<u>\$ 1,249,737</u>
-	-	-	-	9,239
-	-	-	128,125	134,621
-	-	1,297,080	-	1,297,080
-	11,333	-	-	11,333
-	-	-	-	134,899
1,485,472	-	-	-	1,485,472
-	-	-	-	-
-	-	-	-	-
-	-	-	-	124,960
<u>1,485,472</u>	<u>11,333</u>	<u>1,297,080</u>	<u>128,125</u>	<u>3,197,604</u>
<u>\$ 1,531,730</u>	<u>\$ 11,341</u>	<u>\$ 1,316,101</u>	<u>\$ 167,119</u>	<u>\$ 4,506,221</u>

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO STATEMENT OF NET POSITION  
June 30, 2015**

---

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

Fund Balances		\$	3,197,604
<p>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.</p>			
			1,249,737
<p>The cost of capital assets (land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress) is reported as an expenditure in governmental funds. The statement of net position includes those capital assets among the assets of the City as a whole.</p>			
Net Capital Assets			4,716,275
<p>Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.</p>			
Notes Payable			(488,443)
Accrued Compensated Absences			(199,516)
Accrued Interest Payable			(11,858)
<p>Deferred Inflows and Outflows of resources related to the pension plan include differences between expected and actual experience, changes of assumptions, differences between projects and actual earning, and contributions subsequent to the measurement date.</p>			
Deferred Inflows		(602,654)	
Deferred Outflows		183,661	
Net Pension Related Deferrals		183,661	(418,993)
<p>The Net Pension Asset (Liability) is the difference between the total pension liability and the assets set aside to pay benefits earned to past and current employees and beneficiaries.</p>			
Pension Asset			312,322
Total Net Position		\$	8,357,128

See accompanying notes to the basic financial statements

This Page Intentionally Left Blank

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2015**

	<u>GENERAL</u>	<u>COMMUNITY DEVELOPMENT</u>	<u>STREET</u>	<u>URBAN RENEWAL</u>
<b>Revenue</b>				
Property Taxes	\$ 1,397,899	\$ -	\$ -	\$ 475,686
Licenses and Permits	68,647	-	-	-
Charges for Services	302,646	-	53,064	-
Franchise Fees	300,195	-	92,961	-
Intergovernmental	122,058	-	264,603	-
Fines and Forfeitures	254,291	-	-	-
Interest and Miscellaneous	36,429	6,147	572	7,971
	<u>2,482,165</u>	<u>6,147</u>	<u>411,200</u>	<u>483,657</u>
<b>Total Revenue</b>				
<b>Expenditures</b>				
<b>Current:</b>				
General Government	925,882	-	-	50,248
Police	1,323,835	-	-	-
Streets	-	-	351,310	-
Public Works	198,748	-	-	-
<b>Capital Outlay:</b>				
General Government	-	-	-	-
Police	-	-	-	-
Streets	-	-	-	-
Public Works	-	-	-	-
Water	-	-	-	-
Sewer	-	-	-	-
Storm Drain	-	-	-	-
<b>Debt Service:</b>				
Principal	-	-	-	-
Interest	-	-	-	-
	<u>2,448,465</u>	<u>-</u>	<u>351,310</u>	<u>50,248</u>
<b>Total Expenditures</b>				
<b>Excess Revenue Over/Under Expenditures</b>	33,700	6,147	59,890	433,409
<b>Other Financing Sources, -Uses</b>				
Transfers In	-	-	17,600	-
Transfers Out	(51,000)	(50,000)	(76,400)	-
	<u>(51,000)</u>	<u>(50,000)</u>	<u>(58,800)</u>	<u>-</u>
<b>Total Other Financing Sources, -Uses</b>				
<b>Net Change in Fund Balance</b>	(17,300)	(43,853)	1,090	433,409
<b>Beginning Fund Balance</b>	<u>151,499</u>	<u>50,349</u>	<u>133,809</u>	<u>1,052,063</u>
<b>Ending Fund Balance</b>	<u>\$ 134,199</u>	<u>\$ 6,496</u>	<u>\$ 134,899</u>	<u>\$ 1,485,472</u>

See accompanying notes to the basic financial statements

<u>ECONOMIC DEVELOPMENT</u>	<u>LAND, BUILDING &amp; EQUIPMENT</u>	<u>SYSTEMS DEVELOPMENT CAPITAL PROJECT</u>	<u>TOTAL</u>
\$ 4	\$ -	\$ -	\$ 1,873,589
-	-	52,033	120,680
-	-	-	355,710
-	-	-	393,156
-	2,673	-	389,334
-	7,892	-	262,183
<u>45,655</u>	<u>36,471</u>	<u>989</u>	<u>134,234</u>
<u>45,659</u>	<u>47,036</u>	<u>53,022</u>	<u>3,528,886</u>
-	-	-	976,130
-	-	-	1,323,835
-	-	-	351,310
-	-	-	198,748
-	69,894	-	69,894
-	59,369	-	59,369
-	-	-	-
-	-	-	-
-	134,843	-	134,843
-	106,608	-	106,608
-	-	-	-
24,012	-	-	24,012
<u>21,603</u>	<u>-</u>	<u>-</u>	<u>21,603</u>
<u>45,615</u>	<u>370,714</u>	<u>-</u>	<u>3,266,352</u>
44	(323,678)	53,022	262,534
-	347,200	-	364,800
<u>-</u>	<u>-</u>	<u>-</u>	<u>(177,400)</u>
<u>-</u>	<u>347,200</u>	<u>-</u>	<u>187,400</u>
44	23,522	53,022	449,934
<u>11,289</u>	<u>1,273,558</u>	<u>75,103</u>	<u>2,747,670</u>
<u>\$ 11,333</u>	<u>\$ 1,297,080</u>	<u>\$ 128,125</u>	<u>\$ 3,197,604</u>

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

**RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS - TO STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2015**

---

Explanation of certain differences between the governmental fund statement of revenue, expenditures, and changes in fund balance and the government-wide statement of activities

Excess of Revenue over Expenditures	\$ 449,934
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.	49,212
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Collection on long-term receivables	(30,686)
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.	583
The net effect of disposal of capital assets is to reduce net assets.	-
Governmental funds do not report expenditures for unpaid compensated absences since they do not require the use of current financial resources. However, the statement of activities reports such expenses when incurred, regardless of when settlement ultimately occurs.	(8,350)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as an expenditure. This is the amount by which capital outlays exceeded depreciation in the current period.	
Purchases of Capital Assets	95,817
Depreciation	(240,575)
Changes in Bonds Payable have an effect on net income in the governmental funds. On the government wide statements, however, changes are posted to the liability account on the balance sheet.	24,012
The Pension Expense represents the changes in Net Pension Asset (Liability) from year to year due to changes in total pension liability and the fair value of pension plan net position available to pay pension benefits.	
Pension Expense	<u>424,068</u>
Change in Net Position	<u>\$ 764,015</u>

See accompanying notes to the basic financial statements

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2015**

ASSETS:	Water Fund	Sewer Fund	Storm Drain Fund	System Development Fund	Total
Current Assets					
Cash and Investments	\$ 211,001	\$ 63,009	\$ 6,565	\$ 223,993	\$ 504,568
Accounts Receivable	119,554	90,931	4,122	-	214,607
Total Current Assets	330,555	153,940	10,687	223,993	719,175
Noncurrent Assets					
Nondepreciable Capital Assets	219,594	633,608	-	-	853,202
Depreciable Capital Assets, net	3,575,166	9,557,681	1,266,154	-	14,399,001
Net Pension Asset	51,278	42,346	-	-	93,624
Total Assets	4,176,593	10,387,575	1,276,841	223,993	16,065,002
LIABILITIES:					
Current Liabilities					
Accounts Payable	18,714	27,626	-	5,832	52,172
Noncurrent Liabilities					
Due within one year	18,566	130,000	-	14,501	163,067
Due in more than one year	9,434	5,565,000	-	152,133	5,726,567
Accrued Compensated Absences	38,090	30,936	-	-	69,026
Total Liabilities	84,804	5,753,562	-	172,466	6,010,832
DEFERRED INFLOWS OF RESOURCES					
Net Pension Related Deferrals	68,791	56,810	-	-	125,601
NET POSITION:					
Net Investment in Capital Assets	3,766,760	4,496,289	1,266,154	(166,634)	9,362,569
Restricted for Construction	-	-	-	218,161	218,161
Unrestricted	256,238	80,914	10,687	-	347,839
Total Net Position	\$ 4,022,998	\$ 4,577,203	\$ 1,276,841	\$ 51,527	\$ 9,928,569

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2015**

	Water Fund	Sewer Fund	Storm Drain Fund	System Development Fund	Total
OPERATING Revenue					
Charges for Services	\$ 997,433	\$ 922,176	\$ 42,826	\$ -	\$ 1,962,435
Miscellaneous	15,129	6,580	-	-	21,709
Total Operating Revenue	<u>1,012,562</u>	<u>928,756</u>	<u>42,826</u>	<u>-</u>	<u>1,984,144</u>
OPERATING Expenditures					
Personal Services	250,581	211,746	-	-	462,327
Materials and Services	415,053	291,934	9,085	-	716,072
Depreciation	166,124	246,142	32,627	-	444,893
Total Operating Expenditures	<u>831,758</u>	<u>749,822</u>	<u>41,712</u>	<u>-</u>	<u>1,623,292</u>
Operating Income/(Loss)	<u>180,804</u>	<u>178,934</u>	<u>1,114</u>	<u>-</u>	<u>360,852</u>
NONOPERATING Revenue (Expenditures)					
Investment Revenue	664	398	24	1,667	2,753
Property Lease	-	18,900	-	-	18,900
Interest Expense	(3,851)	(231,718)	-	(10,340)	(245,909)
Gain (Loss) on Sale of Capital Assets	-	-	-	-	-
Total	<u>(3,187)</u>	<u>(212,420)</u>	<u>24</u>	<u>(8,673)</u>	<u>(224,256)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	177,617	(33,486)	1,138	(8,673)	136,596
Capital Contributions	-	-	-	146,287	146,287
Transfers In	134,843	34,990	-	18,000	187,833
Transfers Out	(114,900)	(54,900)	(35,600)	(30,000)	(235,400)
Change in Net Position	197,560	(53,396)	(34,462)	125,614	235,316
Beginning Net Position - RESTATED	<u>3,825,438</u>	<u>4,630,599</u>	<u>1,311,303</u>	<u>(74,087)</u>	<u>9,693,253</u>
Ending Net Position	<u>\$ 4,022,998</u>	<u>\$ 4,577,203</u>	<u>\$ 1,276,841</u>	<u>\$ 51,527</u>	<u>\$ 9,928,569</u>

See accompanying notes to the basic financial statement.

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2015**

	Water Fund	Sewer Fund	Storm Drain Fund	System Development Fund	Total
Cash Flows from Operating Activities:					
Cash Received from Customers	\$ 991,086	\$ 928,826	\$ 42,832	\$ -	\$ 1,962,744
Cash Paid to Suppliers	(404,718)	(289,276)	(10,879)	-	(704,873)
Cash Paid to Employees	(315,194)	(265,057)	-	-	(580,251)
Net Cash Provided -Used by Operating Activities	<u>271,174</u>	<u>374,493</u>	<u>31,953</u>	<u>-</u>	<u>677,620</u>
Cash Flows from Noncapital Financing Activities:					
Transfers	(114,900)	(24,900)	(35,600)	(12,000)	-
Net Cash Provided -Used by Noncapital Financing Activities	<u>(114,900)</u>	<u>(24,900)</u>	<u>(35,600)</u>	<u>(12,000)</u>	<u>(187,400)</u>
Cash Flows from Capital and Related Financing Activities:					
Capital Contributions	-	-	-	146,287	146,287
Principal Payments on Long-Term Debt	(70,577)	(100,000)	-	(13,680)	(184,257)
Interest Payments on Long-Term Debt	(6,408)	(232,068)	-	(10,819)	(249,295)
Additions/Deletions to Capital Assets	-	-	-	-	-
Net Cash Provided -Used by Capital and Related Financing Activities	<u>(76,985)</u>	<u>(332,068)</u>	<u>-</u>	<u>121,788</u>	<u>(287,265)</u>
Cash Flows from Investing Activities:					
Property Lease	-	18,900	-	-	18,900
Interest on Investments	664	398	24	1,667	2,753
Net Increase -Decrease in Cash and Cash Equivalents	<u>79,953</u>	<u>36,823</u>	<u>(3,623)</u>	<u>111,455</u>	<u>224,608</u>
Cash and Investments at Beginning of Year	<u>131,048</u>	<u>26,186</u>	<u>10,188</u>	<u>112,538</u>	<u>279,960</u>
Cash and Investments at End of Year	<u>\$ 211,001</u>	<u>\$ 63,009</u>	<u>\$ 6,565</u>	<u>\$ 223,993</u>	<u>\$ 504,568</u>
Reconciliation of Operating Income to					
Net Cash Provided by Operating Activities					
Operating Income, -Loss	\$ 180,804	\$ 178,934	\$ 1,114	\$ -	\$ 360,852
Noncash Items Included in Income					
Depreciation	166,124	246,142	32,627	-	444,893
Pension Expense	(69,624)	(57,498)	-	-	(127,122)
Decrease -Increase in Accounts Receivable	(22,026)	70	6	-	(21,950)
Increase -Decrease in Accounts Payable	10,335	2,658	(1,794)	-	11,199
Increase -Decrease in Deposits	550	-	-	-	550
Increase -Decrease in Compensated Absences	5,011	4,187	-	-	9,198
Net Cash Provided -Used by Operating Activities	<u>\$ 271,174</u>	<u>\$ 374,493</u>	<u>\$ 31,953</u>	<u>\$ -</u>	<u>\$ 677,620</u>

#

See accompanying notes to the basic financial statements

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**THE FINANCIAL REPORTING ENTITY**

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

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

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

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

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

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

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

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

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

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

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

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

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

There are the following *major governmental funds*:

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

Community Development Fund – This fund is used to account for federal monies received through the Oregon Community Development Block Grant program to make loans for the rehabilitation of low-income housing.

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

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

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

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

*Special Revenue Funds*

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

*Capital Projects Funds*

Systems Development Fund - This fund is used to account for acquisition and construction of streets, sewer, water, park and storm drain system improvement and expansion. Revenue is received from dedicated systems development charges on new construction. For budgetary purposes, the City accounts for business and nonbusiness SDC charges in one fund. For reporting purposes, in the basic financial statements the components of this fund have been segregated into the business and nonbusiness portions.

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

*Debt Service Funds*

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

There are the following *major proprietary funds*:

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

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

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

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

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

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

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

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

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

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

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

**BUDGETS**

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

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

**LEVEL OF CONTROL**

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

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

Budget amounts shown in the basic financial statements reflect the original budget amount and appropriation transfers. All expenditures were within appropriations for the year ended June 30, 2015.

**ESTIMATES**

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

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

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

**ASSETS, LIABILITIES, AND NET POSITION OR EQUITY**

**Cash and Investments**

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

**Receivables**

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

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

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

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

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

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

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net positions that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has no items that qualify for reporting in the category.

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 items that qualify for reporting in this category, Deferred Inflows of resources. Related to the pension plan, special assessments, loans receivable, and property taxes receivable, these include differences between expected and actual experience, changes of assumptions, differences between projects and actual earning, and contributions subsequent to the measurement date.

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

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

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

**Capital assets**

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

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

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

**Accrued Compensated Absences**

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

**Long-term obligations**

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

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

**Retirement Plans**

Substantially all of the City's employees are participants in the State of Oregon Public Employees Retirement System (PERS). For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

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

of PERS and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. GASB Statements 68 and 71 have been implemented as of July 1, 2014.

**Net Position/Fund Balance**

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

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

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

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

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

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

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

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

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

There are no assigned or committed fund balances reported.

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

**2. CASH AND INVESTMENTS**

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

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

Cash and Investments (recorded at cost) consisted of:

Deposits with Financial Institutions:	
Petty Cash	\$ 500
Demand Deposits	28,767
Investments	<u>3,632,223</u>
Total Cash and Investments	<u><u>\$ 3,661,490</u></u>
Reconciliation of Cash Reported in:	
Governmental	\$ 3,156,922
Business Type	<u>504,568</u>
Total Cash and Investments	<u><u>\$ 3,661,490</u></u>

**Deposits**

Deposits with financial institutions consist of bank demand deposits. The total bank balance per the bank statements for all pooled cash is \$53,783, all of which is covered by Federal Depository Insurance.

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

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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

Custodial Credit Risk

In the case of deposits, this is the risk that in the event of a bank failure, the deposits may not be returned. There is no deposit policy for custodial credit risk. As of June 30, 2015, none of the bank balance was exposed to custodial credit risk because it was insured or collateralized.

**Investments**

State statutes authorize investment in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial papers and the State Treasurer's Investment Pool, among others. As of June 30, 2015 the fair value of the position in the LGIP approximates fair value of the Pool shares as reported in the Oregon Short Term Fund audited financial statements.

As of June 30, 2015, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in months)</u>		
		<u>Less than 3</u>	<u>3-17</u>	<u>18-19</u>
State Treasurer's Investment Pool	\$ 3,632,223	\$ 3,632,223	\$ -	\$ -
Total	<u>\$ 3,632,223</u>	<u>\$ 3,632,223</u>	<u>\$ -</u>	<u>\$ -</u>

The State Treasurer's Local Government Investment Pool (LGIP) is a cash and investment pool available for use by all state funds and local governments and is maintained by the State Treasurer. The LGIP is an open-ended, no-load diversified portfolio offered to eligible participants, including any municipality, political subdivision, or public corporation of the state. Local government pooled assets are reported as an Investment Trust Fund in Oregon's Comprehensive Annual Financial Report.

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

Interest Rate Risk

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

Custodial Credit Risk

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

Concentration Risk

Concentration risk is the risk of loss due to a large portion of investments with a single issuer. To avoid incurring unreasonable risks inherent to over-investing in specific instruments or in individual financial institutions, the

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

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

investment policy sets maximum limits on the percentage of the portfolio that can be invested in any one type of security. At June 30, 2015, all percentage restrictions were complied with. Oregon Revised Statutes require no more than 25 percent of the moneys of local government to be invested in bankers' acceptances of any qualified financial institution. Amounts in the State Treasurer's Local Government Investment Pool are not required by law to be collateralized. State statutes do not limit the percentage of investments in this instrument.

**3. PROPERTY TAXES RECEIVABLE**

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

**4. LOANS RECEIVABLE**

Loans receivable on the governmental funds balance sheet in the Community Development Fund represent amounts due from property owners for Community Development Block Grant (CDBG) loans. These loans are secured by real estate and are generally due when the real estate is transferred. The balance of these notes at June 2015 was \$464,291. The CDBG loans do not bear interest, and are due when the property securing the loans is transferred.

The following loans receivable are recorded in the General Fund:

Contract for sale of police building, monthly payments of \$1,010 including interest at 6%.	\$80,138
---	----------

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)	488,443
--	---------

The Following loans receivable are recorded in the Community Development Fund

Community Development Block Grant (CDBG) loans	<u>442,164</u>
	<u>\$ 1,010,745</u>

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**5. CAPITAL ASSETS**

Capital asset activity for governmental activities of the primary government for the year ended June 30, 2015 was as follows:

Description	GOVERNMENTAL ACTIVITIES CAPITAL ASSETS				
	June 30, 2014	Prior Period Adjustment	Additions	Disposals	June 30, 2015
Capital assets not being depreciated					
Land	\$ 130,933	\$ -	\$ -	\$ -	\$ 130,933
Capital assets being depreciated					
Improvements	491,860	-	1,950	-	493,810
Buildings	2,509,883	-	31,565	-	2,541,448
Equipment	1,172,023	-	62,302	(28,327)	1,205,998
Infrastructure	2,804,402	-	-	-	2,804,402
Total other Capital Assets	6,978,168	-	95,817	(28,327)	7,045,658
Less Accumulated Depreciation					
Improvements	237,355	-	21,844	-	259,199
Buildings	641,551	-	51,179	-	692,730
Equipment	826,159	-	111,361	(28,327)	909,193
Infrastructure	543,003	-	56,191	-	599,194
Total Accumulated Depreciation	2,248,068	-	240,575	(28,327)	2,460,316
Total Governmental Activities	<u>\$ 4,861,033</u>	<u>\$ -</u>	<u>\$ (144,758)</u>	<u>\$ -</u>	<u>\$ 4,716,275</u>

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

Function	Governmental Funds
General Government	\$ 85,612
Police	45,842
Streets	77,228
Public Works	31,893
Total	<u>\$ 240,575</u>

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**5. CAPITAL ASSETS (CONTINUED)**

Capital asset activity for business type activities for the year ended June 30, 2015 was as follows:

Description	June 30, 2014	Prior Period Adjustment	Additions	Disposals	June 30, 2015
Capital assets not being depreciated					
Land	\$ 853,202	\$ -	\$ -	\$ -	\$ 853,202
Capital assets being depreciated					
Improvements	79,090	-	-	-	79,090
Buildings	418,870	-	-	-	418,870
Equipment	1,238,756	-	139,833	(37,435)	1,341,154
Infrastructure	18,475,704	-	-	-	18,475,704
Total other Capital Assets	20,212,420	-	139,833	(37,435)	20,314,818
Less Accumulated Depreciation					
Improvements	51,134	-	2,257	-	53,391
Buildings	208,660	-	9,250	-	217,910
Equipment	806,349	-	50,840	(37,435)	819,754
Infrastructure	4,442,217	-	382,544	-	4,824,761
Total Accumulated Depreciation	5,508,360	-	444,891	(37,435)	5,915,816
Total Governmental Activities	\$ 15,557,262	\$ -	\$ (305,058)	\$ -	\$ 15,252,204

**6. DEFERRED INFLOWS OF RESOURCES**

At June 30, 2015, deferred inflows of resources on the balance sheet - governmental funds consisted of the following:

Property taxes	\$ 167,671
Community Development Block Grant Loans	442,164
Other loans receivable	568,581
Assessments	<u>71,321</u>
	<u>\$ 1,249,737</u>

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**7. EMPLOYEE RETIREMENT PLAN**

**PENSION PLAN**

Plan Description – The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employee defined benefit plan. All benefits of the system are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Oregon PERS produces an independently audited Comprehensive Annual Financial Report which can be found at: [http://www.oregon.gov/pers/Pages/section/financial\\_reports/financials.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx).

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

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

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

- b) **OPSRP Pension Program (OPSRP DB).** The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.
- i) **Pension Benefits.** This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:  
Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.  
General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.  
A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.
- ii) **Death Benefits.** Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.
- iii) **Disability Benefits.** A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.
- iv) **Benefit Changes After Retirement.** Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

Contributions – PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2011 actuarial valuation, which became effective July 1, 2013. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the year ended June 30, 2015 were \$238,717, excluding amounts to fund employer specific liabilities.

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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

At June 30, 2015, the City reported a net pension asset of \$405,946 for its proportionate share of the net pension asset. The pension asset was measured as of December 31, 2012, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2012, the City's proportion was .55 percent.

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	783,311
Changes in proportion and differences between District contributions and proportionate share of contributions	-	22,605
Subtotal - Amortized Deferrals (below)	-	(805,916)
District contributions subsequent to measurement date	-	261,322
Net deferred outflow (inflow) of resources		\$ (544,594)

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

Year ending June 30,	Amount
2016	\$ (200,742)
2017	\$ (200,742)
2018	\$ (200,742)
2019	\$ (200,742)
2020	\$ (2,949)
Thereafter	-
Total	\$ (805,917)

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated July 29, 2015. Oregon PERS produces an independently audited CAFR which can be found at:

[http://www.oregon.gov/pers/Pages/section/financial\\_reports/financial.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financial.aspx).

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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

Actuarial Valuations – The employer contribution rates effective July 1, 2013 through June 30, 2015, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (estimated amount necessary to finance benefits earned by employees during the current service year), (2) an amount for the amortization unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial liabilities being amortized over 20 years.

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

Actuarial Methods and Assumptions:

Valuation date	December 31, 2012 rolled forward to June 30, 2014
Experience Study Report	2012, Published September 18, 2013
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years
Asset valuation method	Market value of assets
Inflation rate	2.75 percent
Investment rate of return	7.75 percent
Projected salary increase	3.75 percent overall payroll growth; salaries for individuals are assumed to grow at 3.75 percent plus assumed rates of merit/longevity increases based on service
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (65% for males and 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The method and assumptions shown are based on the 2012 Experience Study which is reviewed for the four-year period ending December 31, 2012.

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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

Discount Rate – The discount rate used to measure the total pension liability was 7.75 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

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 7.75 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 (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate.

	Decrease (6.75%)	Rate (7.75%)	Increase (8.75%)
District's proportionate share of the net pension liability	\$ 859,647	\$ (405,946)	\$ (1,476,341)

Changes in Plan Provisions Subsequent to Measurement Date: The Oregon Supreme Court on April 30, 2015, ruled in the Moro decision, that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law were unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. PERS will make restoration payments to those benefit recipients. PERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire. Oregon Public Employees Retirement System Notes to the Schedules of Employer Allocations and Pension Amounts by Employer As of and for the Fiscal Year Ended June 30, 2014. This is a change in benefit terms subsequent to the measurement date of June 30, 2014, which will be reflected in the next year’s actuarial valuations. The impact of the Moro decision on the total pension liability and employer’s net pension liability (asset) has not been fully determined. However, PERS’ third-party actuaries have estimated the impact of the Moro decision under one possible methodology, which is summarized below (dollars in millions). Estimates have been rounded to the nearest \$10 million.

	June 30, 2014 Measurement Date for all PERS employers (in millions)	
	Pre-Moro	Post-Moro
Net pension liability		
Total pension liability	\$ 63,135	\$ 68,050
Fiduciary net position	65,402	65,400
Net pension liability (asset)	-2,267	2,650

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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

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

[http://www.oregon.gov/pers/EMP/docs/er\\_general\\_information/opers\\_gasb\\_68\\_disclosure\\_information\\_revised.pdf](http://www.oregon.gov/pers/EMP/docs/er_general_information/opers_gasb_68_disclosure_information_revised.pdf)

**8. DEFERRED COMPENSATION**

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

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

**9. LONG TERM DEBT**

**Changes in Long-Term Liabilities:** During the year ended June 30, 2015, the following changes occurred in long-term liabilities:

	Balance 7/1/2014	Additions	Reductions	Balance 6/30/2015	Due in One Year
<b>Governmental activities</b>					
OECD Lakeside Loan, 2004	\$ 512,455	\$ -	\$ (24,012)	\$ 488,443	\$ 24,152
Compensated absences	191,166	8,350	-	199,516	-
Total Governmental activities	<u>\$ 703,621</u>	<u>\$ 8,350</u>	<u>\$ (24,012)</u>	<u>\$ 687,959</u>	<u>\$ 24,152</u>
<b>Business-type activities</b>					
OEDD, 2006	\$ 98,577	\$ -	\$ (70,577)	\$ 28,000	\$ 18,566
Storm Drain SPWF Loan	180,314	-	(13,680)	166,634	14,501
Full Faith and Credit Obligations, 2009	5,795,000	-	(100,000)	5,695,000	130,000
Compensated absences	59,827	9,199	-	69,026	-
Total Business-type activities	<u>\$ 6,133,718</u>	<u>\$ 9,199</u>	<u>\$ (184,257)</u>	<u>\$ 5,958,660</u>	<u>\$ 163,067</u>

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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

The full faith and credit obligations issued in 2009 were for the purpose of capital construction projects, including construction of a submersible pump station, reconstruction of trunk sewer lines, control system and pump handling improvements, telemetry improvements, and expansion of the wastewater treatment plant.

Future debt service requirements are as follows:

**Government Activities**

<u>Fiscal Year Eanding</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015-16	\$ 24,152	\$ 20,763	\$ 44,915
2016-17	24,303	19,887	44,190
2017-18	24,464	18,976	43,440
2018-19	24,643	17,997	42,640
2019-20	29,828	17,011	46,839
2020-25	162,267	66,401	228,668
2025-30	198,786	27,645	226,431
	<u>\$ 488,443</u>	<u>\$ 188,680</u>	<u>\$ 677,123</u>

**Business-type Activities**

<u>Fiscal Year Eanding</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015-16	\$ 144,501	\$ 239,566	\$ 384,067
2016-17	160,371	234,796	395,167
2017-18	176,293	235,556	411,849
2018-19	192,271	228,409	420,680
2019-20	215,869	220,665	436,535
2020-25	1,415,329	942,170	2,357,499
2025-30	1,980,000	614,575	2,594,575
2030-33	1,605,000	147,387	1,752,387
	<u>\$ 5,889,634</u>	<u>\$ 2,863,124</u>	<u>\$ 8,752,758</u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**10. INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2015 on the budgetary basis of accounting, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	-	51,000
Street	17,600	76,400
Community Development	-	50,000
Land, Building and Equipment	347,200	-
Systems Development	18,000	30,000
Water	-	114,900
Sewer	30,000	54,900
Storm	-	35,600
	<u>          </u>	<u>          </u>
	<u>\$ 412,800</u>	<u>\$ 412,800</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**11. PROPERTY TAX LIMITATIONS**

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

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

**12. RISK MANAGEMENT**

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

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**13. CONTINGENCIES**

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

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

**14. RESTATEMENT OF PRIOR YEAR NET POSITION**

Due to the implementation of GASB 68 a restatement of the prior year net position was required. The restatement is as follows:

	<u>Government</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
Net position-Beginning as previously reported	\$ 8,123,852	\$ 3,912,575	\$ 4,702,561
Pension asset for prepaid as of 6/30/14	312,322	51,278	42,346
Proportionate share of net pension liability	(424,068)	(69,624)	(57,498)
Net outflow/(inflows) of resources	(418,993)	(68,791)	(56,810)
Net position-Beginning as restated	<u>\$ 7,593,113</u>	<u>\$ 3,825,438</u>	<u>\$ 4,630,599</u>

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**REQUIRED SUPPLEMENTARY INFORMATION**

This Page Intentionally Left Blank

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2015**

GENERAL FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Revenue				
Property Taxes	\$ 1,398,700	\$ 1,398,700	\$ 1,397,899	\$ (801)
Licenses and Permits	63,000	63,000	68,647	5,647
Charges for Services	303,088	303,088	302,646	(442)
Franchise Fees	309,800	309,800	300,195	(9,605)
Intergovernmental	138,130	138,130	122,058	(16,072)
Fines and Forfeitures	320,000	320,000	254,291	(65,709)
Interest and Miscellaneous	25,482	25,482	36,429	10,947
<b>Total Revenue</b>	<u>2,558,200</u>	<u>2,558,200</u>	<u>2,482,165</u>	<u>(76,035)</u>
Expenditures				
Personal Services	1,752,365	1,752,365 (1)	1,704,802	47,563
Materials and Services	860,835	873,835 (1)	743,663	130,172
Contingency	35,000	- (1)	-	-
<b>Total Expenditures</b>	<u>2,648,200</u>	<u>2,626,200</u>	<u>2,448,465</u>	<u>177,735</u>
Excess of Revenue Over: -Under Expenditures	(90,000)	(68,000)	33,700	101,700
Other Financing Sources, -Uses Transfers Out	(64,000)	(86,000) (1)	(51,000)	35,000
<b>Total Other Financing Sources, -Uses</b>	<u>(64,000)</u>	<u>(86,000)</u>	<u>(51,000)</u>	<u>35,000</u>
<b>Net Change in Fund Balance</b>	(154,000)	(154,000)	(17,300)	136,700
<b>Beginning Fund Balance</b>	<u>184,000</u>	<u>184,000</u>	<u>151,499</u>	<u>(32,501)</u>
<b>Ending Fund Balance</b>	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 134,199</u>	<u>\$ 104,199</u>

(1) Appropriation Level

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2015**

COMMUNITY DEVELOPMENT FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
Revenue				
Interest and Miscellaneous	\$ 50,000	\$ 50,000	\$ 6,147	\$ (43,853)
Total Revenue	<u>50,000</u>	<u>50,000</u>	<u>6,147</u>	<u>(43,853)</u>
Expenditures				
Materials and Services	50,000	50,000 (1)	-	50,000
Contingency	<u>-</u>	<u>- (1)</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Excess of Revenues Over -Under Expenditures	-	-	6,147	6,147
OTHER FINANCING SOURCES				
Transfers Out	<u>(50,000)</u>	<u>(50,000) (1)</u>	<u>(50,000)</u>	<u>-</u>
Net Change in Fund Balance	(50,000)	(50,000)	(43,853)	6,147
Beginning Fund Balance	<u>50,350</u>	<u>50,350</u>	<u>50,349</u>	<u>(1)</u>
Ending Fund Balance	<u>\$ 350</u>	<u>\$ 350</u>	<u>\$ 6,496</u>	<u>\$ 6,146</u>

(1) Appropriation Level

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2015**

	<u>STREET FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
Revenue				
Charges for Services	\$ 52,680	\$ 52,680	\$ 53,064	\$ 384
Franchise Fees	89,000	89,000	92,961	3,961
Intergovernmental	262,000	262,000	264,603	2,603
Interest and Miscellaneous	980	980	572	(408)
	<u>404,660</u>	<u>404,660</u>	<u>411,200</u>	<u>6,540</u>
Total Revenue				
Expenditures				
Personal Services	176,400	176,400 (1)	157,942	18,458
Materials and Services	229,460	229,460 (1)	193,368	36,092
Contingency	30,000	30,000 (1)	-	30,000
	<u>435,860</u>	<u>435,860</u>	<u>351,310</u>	<u>84,550</u>
Total Expenditures				
Excess of Revenue Over, -Under Expenditures	(31,200)	(31,200)	59,890	91,090
Other Financing Sources, -Uses				
Transfers In	17,600	17,600	17,600	-
Transfers Out	(76,400)	(76,400) (1)	(76,400)	-
	<u>(58,800)</u>	<u>(58,800)</u>	<u>(58,800)</u>	<u>-</u>
Total Other Financing Sources, -Uses				
Net Change in Fund Balance	(90,000)	(90,000)	1,090	91,090
Beginning Fund Balance	130,000	130,000	133,809	3,809
Ending Fund Balance	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>\$ 134,899</u>	<u>\$ 94,899</u>

(1) Appropriation Level

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2015**

<u>URBAN RENEWAL</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
Revenue				
Property Taxes	\$ 481,000	\$ 481,000	\$ 475,686	\$ (5,314)
Interest and Miscellaneous	7,151	7,151	7,971	820
Total Revenue	<u>488,151</u>	<u>488,151</u>	<u>483,657</u>	<u>(4,494)</u>
Expenditures				
Materials and Services	118,151	118,151 (1)	50,248	67,903
Capital Outlay	3,000,000	3,000,000 (1)	-	3,000,000
Total Expenditures	<u>3,118,151</u>	<u>3,118,151</u>	<u>50,248</u>	<u>3,067,903</u>
Excess of Revenue Over, -Under Expenditures	(2,630,000)	(2,630,000)	433,409	3,063,409
Other Financing Sources, -Uses				
Loan Proceeds	4,000,000	4,000,000 (1)	-	(4,000,000)
Total Other Financing Sources, -Uses	<u>4,000,000</u>	<u>4,000,000</u>	<u>-</u>	<u>(4,000,000)</u>
Net Change in Fund Balance	1,370,000	1,370,000	433,409	(936,591)
Beginning Fund Balance	<u>1,080,000</u>	<u>1,080,000</u>	<u>1,052,063</u>	<u>(27,937)</u>
Ending Fund Balance	<u>\$ 2,450,000</u>	<u>\$ 2,450,000</u>	<u>\$ 1,485,472</u>	<u>\$ (964,528)</u>

(1) Appropriation Level

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2015**

ECONOMIC DEVELOPMENT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Revenue				
Property Taxes	\$ -	\$ -	\$ 4	\$ 4
Interest and Miscellaneous	45,650	45,650	45,655	5
Total Revenue	45,650	45,650	45,659	9
Expenditures				
Debt Service	45,615	45,615 (1)	45,615	-
Total Expenditures	45,615	45,615	45,615	-
Excess of Revenue Over, -Under Expenditures	35	35	44	9
Other Financing Sources, -Uses				
Transfers Out	-	- (1)	-	-
Total Other Financing Sources, -Uses	-	-	-	-
Net Change in Fund Balance	35	35	44	9
Beginning Fund Balance	11,287	11,287	11,289	2
Ending Fund Balance	\$ 11,322	\$ 11,322	\$ 11,333	\$ 11

(1) Appropriation Level

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2015**

LAND BUILDING AND EQUIPMENT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Revenue				
Intergovernmental	\$ 2,600	\$ 2,600	\$ 2,673	\$ 73
Fines and Forfeitures	13,000	13,000	7,892	(5,108)
Interest and Miscellaneous	16,500	16,500	36,471	19,971
Total Revenue	<u>32,100</u>	<u>32,100</u>	<u>47,036</u>	<u>14,936</u>
Expenditures				
Capital Outlay	439,300	461,300 (1)	370,714	90,586
Total Expenditures	<u>439,300</u>	<u>461,300</u>	<u>370,714</u>	<u>90,586</u>
Excess of Revenue Over, -Under Expenditures	(407,200)	(429,200)	(323,678)	105,522
Other Financing Sources, -Uses				
Transfers In	360,200	382,200	347,200	(35,000)
Total Other Financing Sources, -Uses	<u>360,200</u>	<u>382,200</u>	<u>347,200</u>	<u>(35,000)</u>
Net Change in Fund Balance	(47,000)	(47,000)	23,522	70,522
Beginning Fund Balance	1,314,000	1,314,000	1,273,558	(40,442)
Ending Fund Balance	<u>\$ 1,267,000</u>	<u>\$ 1,267,000</u>	<u>\$ 1,297,080</u>	<u>\$ 30,080</u>

(1) Appropriation Level

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2015**

SYSTEMS DEVELOPMENT FUND (CAPITAL PROJECTS)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
Revenue				
Intergovernmental	\$ 151,000	\$ 151,000	\$ -	\$ (151,000)
Licenses and Permits	25,200	25,200	52,033	26,833
Interest and Miscellaneous	194	194	989	795
Total Revenue	<u>176,394</u>	<u>176,394</u>	<u>53,022</u>	<u>(123,372)</u>
Expenditures				
Capital Outlay	<u>203,200</u>	<u>203,200 (1)</u>	<u>-</u>	<u>203,200</u>
Total Expenditures	<u>203,200</u>	<u>203,200</u>	<u>-</u>	<u>203,200</u>
Excess of Revenue Over, -Under Expenditures	(26,806)	(26,806)	53,022	79,828
Other Financing Sources, -Uses				
Transfers In	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources, -Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(26,806)	(26,806)	53,022	79,828
Beginning Fund Balance	<u>65,000</u>	<u>65,000</u>	<u>75,103</u>	<u>10,103</u>
Ending Fund Balance	<u>\$ 38,194</u>	<u>\$ 38,194</u>	<u>\$ 128,125</u>	<u>\$ 89,931</u>

(1) Appropriation Level

CITY OF PHILOMATH  
BENTON COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION  
 For the fiscal year ended June 30, 2015

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year Ended June 30,	(a) Employer's proportion of the net pension liability (NPL)	(b) Employer's proportionate share of the net pension liability (NPL)	(c) City's covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	0.02 %	\$ (405,946)	\$ 1,493,911	(27.2) %	103.6 %
2014	0.02	913,923	1,549,340	59.0	92.0

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

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

SCHEDULE OF CONTRIBUTIONS

Year	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
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 actuarial determined at 12/31 and rolled forward to the measurement date.

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

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

**SUPPLEMENTARY INFORMATION**

This Page Intentionally Left Blank

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2015**

WATER FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>BUDGET BASIS</u>	<u>GAAP BASIS</u>
Revenue				
Charges for Services	\$ 918,420	\$ 918,420	\$ 997,433	\$ 997,433
Interest and Miscellaneous	7,650	7,650	15,793	15,793
Total Revenue	<u>926,070</u>	<u>926,070</u>	<u>1,013,226</u>	<u>1,013,226</u>
Expenditures				
Personal Services	350,102	350,102 (1)	245,570	250,581
Materials and Services	420,978	420,978 (1)	415,053	415,053
Capital Outlay/Depreciation	75,000	75,000 (1)	-	166,124
Debt Service	77,090	77,090 (1)	76,985	3,851
Contingency	40,000	40,000 (1)	-	-
Total Expenditures	<u>963,170</u>	<u>963,170</u>	<u>737,608</u>	<u>835,609</u>
Excess of Revenue Over				
-Under Expenditures	(37,100)	(37,100)	275,618	177,617
OTHER FINANCING SOURCES				
Transfers In	-	-	-	134,843
Transfers Out	(114,900)	(114,900) (1)	(114,900)	(114,900)
Total Other Financing Sources				
-Uses	<u>(114,900)</u>	<u>(114,900)</u>	<u>(114,900)</u>	<u>19,943</u>
Net Change in Fund Balance	(152,000)	(152,000)	160,718	197,560
Beginning Fund Balance	<u>192,000</u>	<u>192,000</u>	<u>221,928</u>	<u>3,912,575</u>
Ending Fund Balance	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>\$ 382,646</u>	<u>\$ 4,110,135</u>

Reconciliation to the Statement of Proprietary Net Position

Net Capital Assets	3,794,760
Long Term Debt	<u>(28,000)</u>
Net Position	<u>\$ 3,766,760</u>

(1) Appropriation Level

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2015**

SEWER FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	GAAP BASIS
<b>Revenue</b>				
Charges for Services	\$ 915,800	\$ 915,800	\$ 922,176	\$ 922,176
Lease of Land	18,000	18,000	18,900	18,900
Interest and Miscellaneous	4,090	4,090	6,978	6,978
Total Revenue	937,890	937,890	948,054	948,054
<b>Expenditures</b>				
Personal Services	288,792	288,792 (1)	207,559	211,746
Materials and Services	317,130	317,130 (1)	291,934	291,934
Capital Outlay/Depreciation	-	- (1)	-	246,142
Debt Service	332,068	332,068 (1)	332,068	231,718
Contingency	35,000	35,000 (1)	-	-
Total Expenditures	972,990	972,990	831,561	981,540
Excess of Revenue Over				
-Under Expenditures	(35,100)	(35,100)	116,493	(33,486)
<b>OTHER FINANCING SOURCES</b>				
Transfers In	30,000	30,000	30,000	34,990
Transfers Out	(54,900)	(54,900) (1)	(54,900)	(54,900)
Total Other Financing Sources				
-Uses	(24,900)	(24,900)	(24,900)	(19,910)
Net Change in Fund Balance	(60,000)	(60,000)	91,593	(53,396)
Beginning Fund Balance	90,000	90,000	112,152	4,702,561
Ending Fund Balance	\$ 30,000	\$ 30,000	\$ 203,745	\$ 4,649,165

Reconciliation to the Statement of Proprietary Net Position

Net Capital Assets	10,191,289
Long Term Debt	(5,695,000)
Net Position	\$ 4,496,289

(1) Appropriation Level

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2015**

STORM DRAIN FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	GAAP BASIS
Revenue				
Charges for Services	\$ 42,600	\$ 42,600	\$ 42,826	\$ 42,826
Interest and Miscellaneous	160	160	24	24
Total Revenue	42,760	42,760	42,850	42,850
Expenditures				
Materials and Services	19,260	19,260 (1)	9,085	9,085
Capital Outlay/Depreciation	-	- (1)	-	32,627
Total Expenditures	19,260	19,260	9,085	41,712
Excess of Revenue Over				
-Under Expenditures	23,500	23,500	33,765	1,138
OTHER FINANCING SOURCES				
Transfers In	-	-	-	-
Transfers Out	(35,600)	(35,600) (1)	(35,600)	(35,600)
Total Other Financing Sources	(35,600)	(35,600)	(35,600)	(35,600)
-Uses	(35,600)	(35,600)	(35,600)	(35,600)
Net Change in Fund Balance	(12,100)	(12,100)	(1,835)	(34,462)
Beginning Fund Balance	12,100	12,100	12,523	1,311,303
Ending Fund Balance	\$ -	\$ -	\$ 10,688	\$ 1,276,841

Reconciliation to the Statement of Proprietary Net Position

Net Capital Assets	1,266,154
Net Position	\$ 1,266,154

(1) Appropriation Level

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET  
For the Year Ended June 30, 2015**

SYSTEM DEVELOPMENT FUND (PROPRIETARY)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	GAAP BASIS
Revenue				
Charges for Services	\$ 79,100	\$ 79,100	\$ 146,287	\$ 146,287
Interest and Miscellaneous	304	304	1,667	1,667
Total Revenue	79,404	79,404	147,954	147,954
Expenditures				
Capital Outlay	-	-	-	-
Debt Service	24,499	24,499 (1)	24,499	10,340
Total Expenditures	24,499	24,499	24,499	10,340
Excess of Revenue Over:				
-Under Expenditures	54,905	54,905	123,455	137,614
OTHER FINANCING SOURCES				
Transfers In	18,000	18,000	18,000	18,000
Transfers Out	(30,000)	(30,000) (1)	(30,000)	(30,000)
Total Other Financing Sources, -Uses	(12,000)	(12,000)	(12,000)	(12,000)
Net Change in Fund Balance	42,905	42,905	111,455	125,614
Beginning Fund Balance	74,600	74,600	112,538	(74,087)
Ending Fund Balance	\$ 117,505	\$ 117,505	\$ 223,993	\$ 51,527

Reconciliation to the Statement of Proprietary Net Position

Long Term Debt	(166,634)
Net Position	\$ (166,634)

(1) Appropriation Level

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES  
OF TAXES UNCOLLECTED - GENERAL FUND  
For the Year Ended June 30, 2015**

TAX YEAR	IMPOSED LEVY OR UNCOLLECTED AT 7-1-14	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6-30-15
<b>CURRENT:</b>						
2014-15	\$ 1,457,516	\$ 39,447	\$ -	\$ -	\$ 1,369,083	\$ 48,986
<b>PRIOR YEARS:</b>						
2013-14	\$ 45,019	\$ -	\$ (137)	\$ -	\$ 16,413	\$ 28,469
2012-13	31,322	-	(115)	-	6,134	25,073
2011-12	12,819	-	(79)	-	4,154	8,586
2010-11	2,234	-	(109)	-	1,593	532
Prior	14,578	-	(148)	-	526	13,904
<b>Total</b>	<b>\$ 1,563,488</b>	<b>\$ 39,447</b>	<b>\$ (588)</b>	<b>\$ -</b>	<b>\$ 1,397,903</b>	<b>\$ 125,550</b>

RECONCILIATION TO REVENUE

Cash Collections by County Treasurer Above	\$ 1,397,903
Total Revenue	<u>\$ 1,397,903</u>

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES  
OF TAXES UNCOLLECTED - URBAN RENEWAL FUND  
For the Year Ended June 30, 2015**

TAX YEAR	IMPOSED LEVY OR UNCOLLECTED AT 7-1-14	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6-30-15
<b>CURRENT:</b>						
2014-15	\$ 496,071	\$ 13,426	\$ -	\$ -	\$ 465,973	\$ 16,672
<b>PRIOR YEARS:</b>						
2013-14	\$ 15,460	\$ -	\$ (47)	\$ -	\$ 5,636	\$ 9,777
2012-13	10,390	-	(38)	-	2,034	8,318
2011-12	4,084	-	(25)	-	1,323	2,736
2010-11	780	-	(38)	-	556	186
Prior	4,645	-	(49)	-	164	4,432
<b>Total</b>	<u>\$ 531,430</u>	<u>\$ 13,426</u>	<u>\$ (197)</u>	<u>\$ -</u>	<u>\$ 475,686</u>	<u>\$ 42,121</u>

RECONCILIATION TO REVENUE

Cash Collections by County Treasurer Above	<u>\$ 475,686</u>
Total Revenue	<u>\$ 475,686</u>

**CITY OF PHILOMATH  
BENTON COUNTY, OREGON**

**REPORTS ON LEGAL AND OTHER  
REGULATORY REQUIREMENTS**

This Page Intentionally Left Blank



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

October 19, 2015

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

We have audited the basic financial statements of the City of Philomath, Oregon as of and for the year ended June 30, 2015, and have issued our report thereon dated October 19, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

#### **Compliance**

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

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

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

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

**OAR 162-10-0230 Internal Control**

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

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



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