

**CITY OF PHILOMATH URBAN RENEWAL AGENCY  
BENTON COUNTY, OREGON**

**COMPONENT UNIT**

**FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2018**



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

**CITY OF PHILOMATH URBAN RENEWAL AGENCY**  
**BENTON COUNTY, OREGON**

**For the Year Ended June 30, 2018**

**COMPONENT UNIT**

**ANNUAL FINANCIAL REPORT**

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**CITY OF PHILOMATH URBAN RENEWAL AGENCY**  
**BENTON COUNTY, OREGON**

ELECTED OFFICIALS

June 30, 2018

<u>NAME</u>	<u>TERM EXPIRES</u>
Rocky Sloan, Mayor	December 31, 2018
Doug Edmonds	December 31, 2018
Candy Koetz	December 31, 2018
Charla Koepe	December 31, 2018
David Low	December 31, 2018
Eric Niemann	December 31, 2018
Jerry Jackson	December 31, 2018

Chris Workman, City Manager

Joan Swanson, Finance Director

The Mayor and City Councilors receive mail at the address listed below:

P.O. Box 400  
Philomath, Oregon 97370

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**CITY OF PHILOMATH URBAN RENEWAL AGENCY  
BENTON COUNTY, OREGON**

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**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 29, 2018

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Board Members  
City of Philomath Urban Renewal Agency  
Benton County, Oregon

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the major fund of the City of Philomath Urban Renewal Agency, a component unit of the City of Philomath, as of and for the year ended June 30, 2018, 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 and the major fund of the City of Philomath Urban Renewal Agency, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplemental information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

The budgetary comparison schedule presented as Required Supplementary Information, as listed in the table of contents, 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 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 is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### *Supplementary and Other 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 board members 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 29, 2018, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



TARA M KAMP, CPA  
PAULY, ROGERS AND CO., P.C.

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**CITY OF PHILOMATH URBAN RENEWAL AGENCY  
BENTON COUNTY, OREGON**

**COMPONENT UNIT BASIC FINANCIAL STATEMENTS**

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**PHILOMATH URBAN RENEWAL AGENCY**  
**A Component Unit of the City of Philomath**  
**BENTON COUNTY, OREGON**

**STATEMENT OF NET POSITION**  
**June 30, 2018**

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ASSETS

Cash and Investments	\$ 3,011,826
Property Taxes Receivable	<u>32,464</u>
Total Assets	<u>3,044,290</u>

LIABILITIES

Current Liabilities	
Accounts Payable	800
Other Current Liabilities	<u>27,438</u>
Total Current Liabilities	28,238
Noncurrent Liabilities:	
Due within one year	
Bonds Payable	115,000
Due in more than one year	
Bonds Payable	<u>3,089,365</u>
Total Long Term Liabilities	<u>3,204,365</u>
Total Liabilities	<u>3,232,603</u>

NET POSITION

Unrestricted	<u>(188,313)</u>
TOTAL NET POSITION	<u><u>\$ (188,313)</u></u>

See accompanying notes to the basic financial statements

**PHILOMATH URBAN RENEWAL AGENCY**  
**A Component Unit of the City of Philomath**  
**BENTON COUNTY, OREGON**

**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2018**

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Expenses:

General Government	\$ 56,671
Capital Contribution to the City of Philomath	2,727,643
Interest on Long Term Debt	<u>93,196</u>
Total Expenses	<u>2,877,510</u>

General Revenues:

Property Taxes	547,701
Miscellaneous	<u>69,842</u>
Total General Revenues	<u>617,543</u>
Change in Net Position	(2,259,967)
Beginning Net Position	<u>2,071,654</u>
Ending Net Position	<u><u>\$ (188,313)</u></u>

See accompanying notes to the basic financial statements

**PHILOMATH URBAN RENEWAL AGENCY**  
**A Component Unit of the City of Philomath**  
**BENTON COUNTY, OREGON**

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2018**

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	<u>GENERAL</u>
<b>ASSETS</b>	
Cash and Investments	\$ 3,011,826
Property Taxes Receivable	<u>32,464</u>
Total Assets	<u><u>\$ 3,044,290</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	
Liabilities	
Accounts Payable	<u>\$ 800</u>
Total Liabilities	<u>800</u>
Deferred Inflows of Resources:	
Unavailable Revenue - Property Taxes	<u>32,464</u>
Fund Balances	
Restricted For Debt Service	3,231,803
Unassigned	<u>(220,777)</u>
Total Fund Balances	<u>3,011,026</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 3,044,290</u></u>

See accompanying notes to the basic financial statements



**PHILOMATH URBAN RENEWAL AGENCY**  
**A Component Unit of the City of Philomath**  
**BENTON COUNTY, OREGON**

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

**June 30, 2018**

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

Fund Balances	\$ 3,011,026
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.	
	32,464
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.	
Notes Payable	(2,865,000)
Accrued Interest Payable	(27,438)
Bond Premium Amortization	(345,360)
Bond Insurance Amortization	5,995
	<hr/>
Total Net Position	<u>\$ (188,313)</u>

See accompanying notes to the basic financial statements

**PHILOMATH URBAN RENEWAL AGENCY**  
**A Component Unit of the City of Philomath**  
**BENTON COUNTY, OREGON**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2018**

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Revenue	
Property Taxes	\$ 552,466
Interest and Miscellaneous	<u>69,842</u>
Total Revenue	<u>622,308</u>
Expenditures	
General Government	56,671
Capital Outlay	2,727,643
Debt Service:	
Principal	115,000
Interest	<u>113,188</u>
Total Expenditures	<u>3,012,502</u>
Net Change in Fund Balance	(2,390,194)
Beginning Fund Balance	<u>5,401,220</u>
Ending Fund Balance	<u><u>\$ 3,011,026</u></u>

See accompanying notes to the basic financial statements

**PHILOMATH URBAN RENEWAL AGENCY**  
**A Component Unit of the 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, 2018**

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

Excess of Revenue over Expenditures	\$ (2,390,194)
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.	(4,765)
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.	872
The issuance of long-term debt provides current financial resources, while the repayment of the principal of long-term debt consumes the current financial resources. Neither transaction, however, has any effect on the net assets. Also, governmental funds report the effect of insurance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of the differences in the treatment of long-term debt and related items.	19,120
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.	115,000
	<hr/>
Change in Net Position	<u>\$ (2,259,967)</u>

See accompanying notes to the basic financial statements

CITY OF PHILOMATH URBAN RENEWAL AGENCY  
BENTON COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Philomath Urban Renewal Agency of Philomath, Oregon (Agency) financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies are described below.

**THE FINANCIAL REPORTING ENTITY**

The City of Philomath Urban Renewal Agency was created on September 10, 1990 to promote the economic welfare and prosperity of the City's inhabitants. The Agency is governed by a seven-member board of directors that are the City's mayor and council members and is included as a blended component unit in the City's financial statements as a special revenue fund. Component units, as established by the Governmental Accounting Standards Board (GASB) Statement 61, are separate entities that are included in the reporting entity because of the significance of their operational or financial relationships with the City. All significant activities with which the City exercises oversight responsibility have been considered for inclusion in the basic financial statements.

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

**Government-Wide Financial Statements**

The government-wide financial statements (the statement of Net Position and the statement of activities) report information about activities as a whole. The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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.

The statement of activities reports activities by function. The major function is urban renewal. The statement of activities demonstrates the degree to which the direct expenses of a given function is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

There is the following *major governmental fund*:

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

CITY OF PHILOMATH URBAN RENEWAL AGENCY  
BENTON COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

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

**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. For GAAP purposes, borrowings are recorded as increases in liabilities, and repayments are recorded as decreases in liabilities.

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. All expenditures were within appropriations for year ended.

**ESTIMATES**

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

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

**Cash and Investments**

The Agency maintains its cash balance at the State Treasurer's Investments Pool (LGIP). Expenditures by the City for the Agency are reimbursed by the Agency. State statutes authorize the Agency to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial paper and the state treasurer's investment pool, among others.

**Cash and cash equivalents**

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

CITY OF PHILOMATH URBAN RENEWAL AGENCY  
BENTON COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

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

**Fair Value Inputs and Methodologies and Hierarchy**

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

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

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

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

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

**Receivables**

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

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 Agency represent the Agency’s allocated share of delinquent property taxes and other amounts to be collected from property owners.

**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.

CITY OF PHILOMATH URBAN RENEWAL AGENCY  
BENTON COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

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

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

**Long-term obligations**

In the government-wide financial statements, long-term obligations are reported as liabilities on the Statement of Net Position. Premiums and discounts in addition to bond insurance costs are amortized over the life of the bonds.

In the fund financial statements bond premiums, discounts, and issuance costs are recognized 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.

**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 two categories.

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.

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.

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.
- 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.

CITY OF PHILOMATH URBAN RENEWAL AGENCY  
BENTON COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

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

- 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.

There are no nonspendable, committed, or assigned 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 Agency's cash is pooled with the City of Philomath. Please refer to the City's basic financial statements, issued under separate cover, for additional information pertaining to the nature and collateralization of the City's cash and investments.

Cash and investments are comprised of the following at June 30, 2018:

Cash Held at City of Philomath	\$ 3,840
Investments with State Treasurer's Investment Pool	<u>3,007,986</u>
Total	<u>\$ 3,011,826</u>

State statutes govern cash management policies. Statutes authorize investing in bankers' 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.

**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, 2018 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.



CITY OF PHILOMATH URBAN RENEWAL AGENCY  
BENTON COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

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

As of June 30, 2018, the Agency had the following investments and maturities:

Investment Type	<u>Fair Value</u>	<u>Less than 3 Months</u>	<u>3-17 Months</u>	<u>18-19 Months</u>
State Treasurer's Investment Pool	<u>\$ 3,007,986</u>	<u>\$ 3,007,986</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$ 3,007,986</u>	<u>\$ 3,007,986</u>	<u>\$ -</u>	<u>\$ -</u>

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

**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.

**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.

CITY OF PHILOMATH URBAN RENEWAL AGENCY  
BENTON COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

**4. DEFERRED INFLOWS OF RESOURCES**

At June 30, 2018, deferred inflow of resources on the balance sheet - governmental funds consisted of the following:

Property Taxes	\$ 32,464
Total Deferred Inflows of Resources	\$ 32,464

**5. LONG TERM DEBT**

**Changes in Long-Term Liabilities:** During the year ended June 30, 2018, the following changes occurred in long-term liabilities:

	Balance 7/1/2017	Additions	Reductions	Balance 6/30/2018	Due in One Year
URA - FF&C Obligations, 2016 Series	2,980,000	-	(115,000)	2,865,000	115,000
Total	2,980,000	-	(115,000)	2,865,000	115,000
URA - Bond Premium	364,818	-	(19,457)	345,361	-
URA - Bond Insurance	(6,333)	-	338	(5,995)	-
Total Governmental activities	\$ 3,338,485	\$ -	\$ (134,119)	\$ 3,204,366	\$ 115,000

A Full Faith and Credit refunding was issued in 2016 with two components: to refund a portion of the City of Philomath's outstanding 2009 sewer bonds, and to raise \$3.0 million for an Urban Renewal project. The total issue was \$7,825,000, with \$2,980,000 applicable to the Agency.

Future debt service requirements are as follows:

**Government Activities**

Fiscal Year Eanding	Principal	Interest	Total
2018-19	\$ 115,000	\$ 109,750	\$ 224,750
2019-20	120,000	106,300	226,300
2020-21	125,000	102,700	227,700
2021-22	125,000	98,950	223,950
2022-23	130,000	95,200	225,200
2024-28	730,000	394,000	1,124,000
2029-33	895,000	255,200	1,150,200
2034-36	625,000	50,600	675,600
	\$ 2,865,000	\$ 1,212,700	\$ 4,077,700

CITY OF PHILOMATH URBAN RENEWAL AGENCY  
BENTON COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

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**6. 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.

**7. 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.

**8. CONTINGENCIES**

The Agency is covered by the City's 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 Agency is a defendant in various litigation proceedings. Management believes any losses arising from these actions will not materially affect the Agency's financial position.

**CITY OF PHILOMATH URBAN RENEWAL AGENCY**  
**BENTON COUNTY, OREGON**

**REQUIRED SUPPLEMENTARY INFORMATION**

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**PHILOMATH URBAN RENEWAL AGENCY**  
**A Component Unit of the City of Philomath**  
**BENTON COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**ACTUAL AND BUDGET**  
**For the Year Ended June 30, 2018**

<u>GENERAL FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
<b>Revenue</b>				
Property Taxes	\$ 521,900	\$ 521,900	\$ 552,466	\$ 30,566
Interest and Miscellaneous	31,250	31,250	69,842	38,592
<b>Total Revenue</b>	<u>553,150</u>	<u>553,150</u>	<u>622,308</u>	<u>69,158</u>
<b>Expenditures</b>				
Materials and Services	550,950	550,950 (1)	56,671	494,279
Capital Outlay	3,400,000	3,400,000 (1)	2,727,643	672,357
Debt Service	228,200	228,200 (1)	228,188	12
<b>Total Expenditures</b>	<u>4,179,150</u>	<u>4,179,150</u>	<u>3,012,502</u>	<u>1,166,648</u>
<b>Net Change in Fund Balance</b>	(3,626,000)	(3,626,000)	(2,390,194)	1,235,806
<b>Beginning Fund Balance</b>	<u>4,700,000</u>	<u>4,700,000</u>	<u>5,401,220</u>	<u>701,220</u>
<b>Ending Fund Balance</b>	<u>\$ 1,074,000</u>	<u>\$ 1,074,000</u>	<u>\$ 3,011,026</u>	<u>\$ 1,937,026</u>

(1) Appropriation Level

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**CITY OF PHILOMATH URBAN RENEWAL AGENCY**  
**BENTON COUNTY, OREGON**

**SUPPLEMENTARY INFORMATION**



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**PHILOMATH URBAN RENEWAL AGENCY**  
**A Component Unit of the City of Philomath**  
**BENTON COUNTY, OREGON**

**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES**  
**OF TAXES UNCOLLECTED**  
**For the Year Ended June 30, 2018**

TAX YEAR	IMPOSED LEVY OR UNCOLLECTED AT 7-1-17	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6-30-18
CURRENT:						
2017-18	\$ 572,349	\$ 18,578	\$ -	\$ -	\$ 546,053	\$ 7,718
PRIOR YEARS:						
2016-17	\$ 11,251	\$ -	\$ (2,557)	\$ -	\$ 3,591	\$ 5,103
2015-16	8,608	-	(2,063)	-	1,307	5,238
2014-15	7,138	-	(655)	-	1,001	5,482
2013-14	5,175	-	(361)	-	467	4,347
Prior	5,057	-	(434)	-	47	4,576
Total	<u>\$ 609,578</u>	<u>\$ 18,578</u>	<u>\$ (6,070)</u>	<u>\$ -</u>	<u>\$ 552,466</u>	<u>\$ 32,464</u>

RECONCILIATION TO REVENUE

Cash Collections by County Treasurer Above	\$ 552,466
Total Revenue	\$ 552,466

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**CITY OF PHILOMATH URBAN RENEWAL AGENCY**  
**BENTON COUNTY, OREGON**

**INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS**

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

We have audited the basic financial statements of the City of Philomath Urban Renewal Agency as of and for the year ended June 30, 2018, and have issued our report thereon dated October 29, 2018. 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 basic 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.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

In connection with our testing nothing came to our attention that caused us to believe the City of Philomath Urban Renewal Agency 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 controls 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 members and management and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

*Tara M. Kamp, CPA*

TARA M KAMP, CPA  
PAULY, ROGERS AND CO., P.C.

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