

***CITY OF PHILOMATH  
URBAN RENEWAL AGENCY  
(A component unit of the  
City of Philomath, Oregon)  
ANNUAL FINANCIAL REPORT  
Year Ended June 30, 2020***

**URBAN RENEWAL AGENCY OF THE CITY OF PHILOMATH**  
**(A Component Unit of the City of Philomath, Oregon)**  
**AGENCY OFFICIALS**  
**JUNE 30, 2020**

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***MAYOR***

Eric Niemann

***COUNCIL MEMBERS***

Ruth Causey

Matthew Thomas

Doug Edmonds

Chas Jones

David Low

Matthew Thomas

The above individuals may be contacted at the address below.

***CITY ADMINISTRATION***

Chris Workman, City Manager

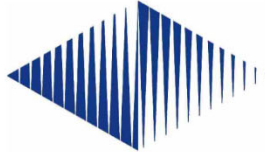
Joan Swanson, Finance Director

City of Philomath, Oregon  
P.O. Box 400  
Philomath, Oregon 97370

**URBAN RENEWAL AGENCY OF THE CITY OF PHILOMATH**  
**(A Component Unit of the City of Philomath, Oregon)**  
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## GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

[www.gmscpa.com](http://www.gmscpa.com)

(503) 581-7788 • FAX (503) 581-0152

475 Cottage Street NE, Suite 200 • Salem, Oregon 97301-3814

### ***INDEPENDENT AUDITOR'S REPORT***

Honorable Mayor and Board Members  
City of Philomath Urban Renewal Agency  
P.O. Box 400  
Philomath, Oregon 97370

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

We have audited the accompanying financial statements of the governmental activities and major fund of the Urban Renewal Agency of the City of Philomath, Oregon (the Agency), a component unit of the City of Philomath, Oregon, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Urban Renewal Agency of the City of Philomath, Oregon, as of June 30, 2020, and the respective changes in financial position 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 schedule of revenues, expenditures and changes in fund balance – budget to actual – general fund 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.

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

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated March 22, 2021, on our consideration of the Agency’s compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and results of that testing and not to provide an opinion on compliance.

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

By:   
\_\_\_\_\_  
Ryan T. Pasquarella, A Shareholder  
March 22, 2021

**URBAN RENEWAL AGENCY OF THE CITY OF PHILOMATH, OREGON**  
**(A Component Unit of the City of Philomath, Oregon)**  
**BALANCE SHEET / STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

	<u>Balance Sheet</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>			
Cash and investments	\$ 3,490,819	-	\$ 3,490,819
Property taxes receivable	14,865	-	14,865
<i>Total Assets</i>	<u>\$ 3,505,684</u>	<u>-</u>	<u>3,505,684</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 88,814	-	88,814
Accrued interest	-	25,675	25,675
Noncurrent liabilities:			
Due within one year:			
Bonds payable	-	144,119	144,119
Due in more than one year:			
Bonds payable	-	2,787,008	2,787,008
<i>Total Liabilities</i>	<u>88,814</u>	<u>2,956,802</u>	<u>3,045,616</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue	14,865	(14,865)	-
<b>FUND BALANCE/NET POSITION</b>			
<i>Fund Balance</i>			
Unassigned	3,402,005	(3,402,005)	-
<i>Total Fund Balance</i>	<u>3,402,005</u>	<u>(3,402,005)</u>	<u>-</u>
<i>Total Liabilities Deferred Inflows of Resources and Fund Balance</i>	<u>\$ 3,505,684</u>	<u>(460,068)</u>	<u>3,045,616</u>
<i>Net Position</i>			
Unrestricted		460,068	460,068
<i>Total Net Position</i>		<u>\$ 460,068</u>	<u>\$ 460,068</u>

The notes to the financial statements are an integral part of this statement.

**URBAN RENEWAL AGENCY OF THE CITY OF PHILOMATH, OREGON**  
**(A Component Unit of the City of Philomath, Oregon)**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE / STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2020**

	<i>Statement of Revenues, Expenditures and Changes in Fund Balance</i>	<i>Adjustments</i>	<i>Statement of Activities</i>
	<u>Balance</u>	<u>Adjustments</u>	<u>Activities</u>
<b>REVENUES</b>			
Taxes and assessments	\$ 637,072	\$ 1,032	\$ 638,104
Miscellaneous	79,908	-	79,908
	<u>716,980</u>	<u>1,032</u>	<u>718,012</u>
<i>Total Revenues</i>	716,980	1,032	718,012
<b>EXPENDITURES / EXPENSES</b>			
Current			
Materials and services	112,566	-	112,566
Capital outlay	360,309	-	360,309
Debt service			
Principal	120,000	(120,000)	-
Interest	106,277	(900)	105,377
Amortization of bond premium	-	(19,119)	(19,119)
	<u>699,152</u>	<u>(140,019)</u>	<u>559,133</u>
<i>Total Expenditures</i>	699,152	(140,019)	559,133
<b>CHANGE IN FUND BALANCE / NET POSITION</b>			
	17,828	141,051	158,879
<b>FUND BALANCE / NET POSITION</b>			
Beginning of year	<u>3,384,177</u>	<u>(3,082,988)</u>	<u>301,189</u>
End of year	<u>\$ 3,402,005</u>	<u>\$ (2,941,937)</u>	<u>\$ 460,068</u>

*The notes to the financial statements are an integral part of this statement.*

**URBAN RENEWAL AGENCY OF THE CITY OF PHILOMATH, OREGON**  
**(A Component Unit of the City of Philomath, Oregon)**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

*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.

*Government-Wide Financial Statements*

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 one major governmental fund:

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



**URBAN RENEWAL AGENCY OF THE CITY OF PHILOMATH, OREGON**  
**(A Component Unit of the City of Philomath, Oregon)**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2020**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Budgetary Information*

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.

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

*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.

*Receivables*

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

**URBAN RENEWAL AGENCY OF THE CITY OF PHILOMATH, OREGON**  
**(A Component Unit of the City of Philomath, Oregon)**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2020**

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***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***

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

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 Debt*

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 materials and services 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.

**URBAN RENEWAL AGENCY OF THE CITY OF PHILOMATH, OREGON**  
**(A Component Unit of the City of Philomath, Oregon)**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2020**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 the fund financial statements, the fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Agency is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Although not a major impact on the financial statements, Governmental Fund type fund balances are now reported in the following classifications.

- *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.
- *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.

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.

**CASH AND INVESTMENTS**

Cash and investments are comprised of the following at June 30, 2020:

**Investments**

Local Government Investment Pool	<u>\$ 3,490,819</u>
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**URBAN RENEWAL AGENCY OF THE CITY OF PHILOMATH, OREGON**  
**(A Component Unit of the City of Philomath, Oregon)**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2020**

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**CASH AND INVESTMENTS (Continued)**

*Investments*

The State Treasurer of the State of Oregon maintains the Oregon Short Term Fund, of which the Local Government Investment Pool is part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, the investment funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. The Oregon Short Term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). The carrying value of the City's position in the pool is the same as the value of the pool shares; fair value was 100.88% of the value of the pool shares as of June 30, 2020. The investment in the Oregon Short Term Fund is not subject to classification. Separate financial statements for the Oregon Short Term Fund are available from the Oregon State Treasurer.

*Interest Rate Risk*

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

*Custodial Risk - Investments*

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

*Custodial Risk – Investments (Continued)*

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

**URBAN RENEWAL AGENCY OF THE CITY OF PHILOMATH, OREGON**  
**(A Component Unit of the City of Philomath, Oregon)**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2020**

**DEFERRED INFLOWS OF RESOURCES**

At June 30, 2020, deferred inflow of resources on the balance sheet - governmental funds consisted of the following:

Property taxes	\$ 14,865
<i>Total Deferred Inflows of Resources</i>	<u>\$ 14,865</u>

**LONG-TERM DEBT**

During the year ended June 30, 2020, the following changes occurred in long-term liabilities:

	<i>Outstanding July 1, 2019</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2020</i>	<i>Due within One year</i>
<i>Governmental activities</i>					
URA - FF&C Obligations, 2016 Series	\$ 2,750,000	\$ -	\$ (120,000)	\$ 2,630,000	\$ 125,000
URA - Bond Premium	325,903	-	(19,457)	306,446	19,457
URA - Bond Insurance	(5,657)	-	338	(5,319)	(338)
<i>Total Governmental activities</i>	<u>\$ 3,070,246</u>	<u>\$ -</u>	<u>\$ (139,119)</u>	<u>\$ 2,931,127</u>	<u>\$ 144,119</u>

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:

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2021	\$ 125,000	\$ 23,270	\$ 148,270
2022	125,000	22,439	147,439
2023	130,000	21,603	151,603
2024	135,000	20,763	155,763
2025	140,000	19,887	159,887
2026-2030	790,000	84,421	874,421
2031-2035	970,000	52,227	1,022,227
2036	215,000	11,382	226,382
	<u>\$ 2,630,000</u>	<u>\$ 255,992</u>	<u>\$ 2,885,992</u>

**URBAN RENEWAL AGENCY OF THE CITY OF PHILOMATH, OREGON**  
**(A Component Unit of the City of Philomath, Oregon)**  
*NOTES TO BASIC FINANCIAL STATEMENTS (Continued)*  
*YEAR ENDED JUNE 30, 2020*

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**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.

**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.

**CONTINGENCIES**

The Agency 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 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.

***REQUIRED SUPPLEMENTARY INFORMATION***

**URBAN RENEWAL AGENCY OF THE CITY OF PHILOMATH, OREGON**

**(A Component Unit of the City of Philomath, Oregon)**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**

**BUDGET AND ACTUAL - GENERAL FUND**

**YEAR ENDED JUNE 30, 2020**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Taxes and assessments	\$ 577,800	\$ 577,800	\$ 637,072	\$ 59,272
Miscellaneous	81,300	81,300	79,908	(1,392)
<i>Total Revenues</i>	659,100	659,100	716,980	57,880
<b>EXPENDITURES</b>				
Current				
Materials and services	552,800	552,800	112,566	440,234
Capital outlay	370,000	370,000	360,309	9,691
Debt service				
Principal	120,000	120,000	120,000	-
Interest	106,300	106,300	106,277	23
<i>Total Expenditures</i>	1,149,100	1,149,100	699,152	449,948
<b>NET CHANGE IN FUND BALANCE</b>	(490,000)	(490,000)	17,828	507,828
<b>FUND BALANCE, Beginning of year</b>	3,390,000	3,390,000	3,384,177	(5,823)
<b>FUND BALANCE, End of year</b>	\$ 2,900,000	\$ 2,900,000	\$ 3,402,005	\$ 502,005



***COMPLIANCE SECTION***



## GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

Honorable Mayor and Board Members  
City of Philomath Urban Renewal Agency  
P.O. Box 400  
Philomath, Oregon 97370

We have audited the basic financial statements of the City of Philomath Urban Renewal Agency as of and for the year ended June 30, 2020, and have issued our report thereon dated March 22, 2021. 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 Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**
- **Accountability for collecting or receiving money by elected officials – no money was collected or received by elected officials.**

In connection with our testing nothing came to our attention that caused us to believe the 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 Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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

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

By:   
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Ryan T. Pasquarella, A Shareholder  
March 22, 2021