



CITY OF MANZANITA
Tillamook County, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2020

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CITY OF MANZANITA
Tillamook County, Oregon

CITY OFFICIALS

June 30, 2020

MAYOR

Mike Scott
P.O. Box 1075
Manzanita, Oregon 97130

CITY COUNCIL

Linda Kozlowski, Council President
P.O. Box 549
Manzanita, Oregon 97130

Thomas Aschenbrener
P.O. Box 714
Manzanita, Oregon 97130

Steve Nuttall
P O Box 1238
Manzanita, Oregon 97130

Hans Tonjes
P.O. Box 1015
Manzanita, Oregon 97130

CITY MANAGER

Cynthia Alamillo
P.O. Box 42
Manzanita, Oregon 97130

CITY ATTORNEY

James Walker
PO Box 3585
Portland, Oregon 97208

CITY OF MANZANITA
Tillamook County, Oregon

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FINANCIAL SECTION

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BASIC FINANCIAL STATEMENTS

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CITY OF MANZANITA
Tillamook County, Oregon

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

June 30, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,474,842	\$ 496,177	\$ 2,971,019
Restricted assets			
Cash and cash equivalents	344,083	2,398,581	2,742,664
Notes receivable - housing rehab loans	135,743	-	135,743
Total restricted assets	479,826	2,398,581	2,878,407
Capital assets not being depreciated	2,154,139	153,147	2,307,286
Capital assets being depreciated, net	3,712,235	7,777,119	11,489,354
Total assets	8,821,042	10,825,024	19,646,066
LIABILITIES			
Current liabilities			
Accrued payroll	103,803	-	103,803
Long-term debt, current portion	167,411	70,000	237,411
Total current liabilities	271,214	70,000	341,214
Noncurrent liabilities			
Long-term debt, less current portion	1,214,539	2,755,000	3,969,539
Total liabilities	1,485,753	2,825,000	4,310,753
NET POSITION			
Net investment in capital assets	4,484,424	5,105,266	9,589,690
Restricted for:			
System development	-	2,398,581	2,398,581
Capital projects and street maintenance	64,685	-	64,685
Special projects	109,517	-	109,517
Tourism promotion	169,881	-	169,881
Unrestricted	2,506,782	496,177	3,002,959
Total net position	\$ 7,335,289	\$ 8,000,024	\$ 15,335,313

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

CITY OF MANZANITA
Tillamook County, Oregon

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Totals
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental activities							
General government	\$ 554,748	\$ 300,885	\$ -	\$ -	\$ (253,863)	\$ -	\$ (253,863)
Public safety	617,027	55,560	-	-	(561,467)	-	(561,467)
Highways and streets	157,264	2,839	5,919	1,872	(146,634)	-	(146,634)
Culture and recreation	131,603	32,295	-	-	(99,308)	-	(99,308)
Other	41,650	-	-	-	(41,650)	-	(41,650)
Unallocated depreciation	227,863	-	-	-	(227,863)	-	(227,863)
Interest on long-term debt	31,335	-	-	-	(31,335)	-	(31,335)
Total governmental activities	<u>\$1,761,490</u>	<u>\$ 391,579</u>	<u>\$ 5,919</u>	<u>\$ 1,872</u>	<u>(1,362,120)</u>	<u>-</u>	<u>(1,362,120)</u>
Water	<u>\$1,237,806</u>	<u>\$1,099,837</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>(137,969)</u>	<u>(137,969)</u>
General revenues							
Property taxes					224,056	-	224,056
Transient lodging tax					1,067,733	-	1,067,733
State highway tax					41,076	-	41,076
Alcohol and cigarette taxes					14,793	-	14,793
Privilege taxes					153	-	153
Franchise fees					141,438	-	141,438
Unrestricted grants and contributions					553	-	553
State revenue sharing					23,187	-	23,187
Investment earnings					51,351	66,052	117,403
Sale of assets					4,197	-	4,197
Timber sales					558,087	-	558,087
Miscellaneous					51,069	599	51,668
Total general revenues					<u>2,177,693</u>	<u>66,651</u>	<u>2,244,344</u>
Transfers					<u>97,522</u>	<u>(97,522)</u>	<u>-</u>
Change in net position					913,095	(168,840)	744,255
Net position - beginning					<u>6,422,194</u>	<u>8,168,864</u>	<u>14,591,058</u>
Net position - ending					<u>\$ 7,335,289</u>	<u>\$ 8,000,024</u>	<u>\$ 15,335,313</u>

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

CITY OF MANZANITA
Tillamook County, Oregon

BALANCE SHEET - MODIFIED CASH BASIS

GOVERNMENTAL FUNDS

June 30, 2020

		Capital Projects Funds				
	General Fund	Road Fund	City Hall Expansion Fund	Timber Management Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 792,097	\$ 541,523	\$ 270,557	\$ 507,302	\$ 707,446	\$ 2,818,925
Notes receivable	-	-	-	-	135,743	135,743
Total assets	<u>\$ 792,097</u>	<u>\$ 541,523</u>	<u>\$ 270,557</u>	<u>\$ 507,302</u>	<u>\$ 843,189</u>	<u>\$ 2,954,668</u>
LIABILITIES						
Accrued payroll	<u>\$ 103,803</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,803</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - housing rehab loans	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>135,743</u>	<u>135,743</u>
FUND BALANCES						
Restricted	-	-	-	-	344,083	344,083
Committed	63,935	541,523	270,557	507,302	363,363	1,746,680
Unassigned	<u>624,359</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>624,359</u>
Total fund balances	<u>688,294</u>	<u>541,523</u>	<u>270,557</u>	<u>507,302</u>	<u>707,446</u>	<u>2,715,122</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 792,097</u>	<u>\$ 541,523</u>	<u>\$ 270,557</u>	<u>\$ 507,302</u>	<u>\$ 843,189</u>	<u>\$ 2,954,668</u>

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

CITY OF MANZANITA
Tillamook County, Oregon

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES**

June 30, 2020

Total fund balances		\$ 2,715,122
Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds:		
Cost	8,400,728	
Accumulated depreciation	<u>(2,534,354)</u>	5,866,374
Long-term liabilities are not due or payable in the current period and are therefore not reported in the governmental funds. Interest on long-term debt is not accrued in the governmental funds, but rather, is recognized as an expenditure when due. These liabilities consist of:		
Notes payable		(1,381,950)
Housing rehabilitation loans are not available to pay for current period expenditures and are therefore deferred in the fund statements		<u>135,743</u>
Net position of governmental activities		<u><u>\$ 7,335,289</u></u>

The accompanying notes are an integral part of these financial statements

CITY OF MANZANITA
Tillamook County, Oregon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

MODIFIED CASH BASIS - GOVERNMENTAL FUNDS

For the Year Ended June 30, 2020

	Capital Projects Funds				Other	Total
	General	Road	City Hall	Timber	Governmental	Governmental
	Fund	Fund	Expansion	Management	Funds	Funds
			Fund	Fund		
REVENUES						
Property taxes	\$ 224,056	\$ -	\$ -	\$ -	\$ -	\$ 224,056
Intergovernmental	59,362	-	-	-	-	59,362
Licenses, fees, and permits	170,543	2,000	-	-	-	172,543
Franchise fees	57,821	83,617	-	-	-	141,438
State liquor taxes	10,332	-	-	-	-	10,332
State cigarette taxes	659	-	-	-	-	659
State revenue sharing	23,187	-	-	-	-	23,187
State highway tax	-	41,076	-	-	-	41,076
Excise tax	153	-	-	-	-	153
Grants and contributions	553	5,919	-	-	-	6,472
Short-term rental tax	902,786	-	-	-	164,947	1,067,733
Fines and forfeitures	113,842	-	-	-	1,872	115,714
Investment earnings	27,828	5,376	1,017	8,065	9,065	51,351
Rents and leases	-	-	16,500	-	839	17,339
Other	45,357	-	-	558,087	38,007	641,451
Total revenues	<u>1,636,479</u>	<u>137,988</u>	<u>17,517</u>	<u>566,152</u>	<u>214,730</u>	<u>2,572,866</u>
EXPENDITURES						
Current						
General government	361,246	-	79,427	66,806	-	507,479
Public safety	619,200	264	-	-	-	619,464
Highways and streets	-	111,135	-	-	11,014	122,149
Culture and recreation	69,385	-	-	-	90,801	160,186
Administration	-	-	203	-	-	203
Debt service	-	-	155,332	-	50,868	206,200
Capital outlay	19,228	78,590	-	-	874	98,692
Total expenditures	<u>1,069,059</u>	<u>189,989</u>	<u>234,962</u>	<u>66,806</u>	<u>153,557</u>	<u>1,714,373</u>
Excess (deficiency) of revenues over (under) expenditures	<u>567,420</u>	<u>(52,001)</u>	<u>(217,445)</u>	<u>499,346</u>	<u>61,173</u>	<u>858,493</u>
OTHER FINANCING SOURCES (USES)						
Asset sales	-	-	-	-	4,197	4,197
Transfers in	-	325,000	323,675	-	81,047	729,722
Transfers out	(621,200)	(9,200)	-	-	(1,800)	(632,200)
Total other financing sources (uses)	<u>(621,200)</u>	<u>315,800</u>	<u>323,675</u>	<u>-</u>	<u>83,444</u>	<u>101,719</u>
Net change in fund balances	(53,780)	263,799	106,230	499,346	144,617	960,212
Fund balances - beginning	<u>742,074</u>	<u>277,724</u>	<u>164,327</u>	<u>7,956</u>	<u>562,829</u>	<u>1,754,910</u>
Fund balances - ending	<u>\$ 688,294</u>	<u>\$ 541,523</u>	<u>\$ 270,557</u>	<u>\$ 507,302</u>	<u>\$ 707,446</u>	<u>\$ 2,715,122</u>

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

CITY OF MANZANITA
Tillamook County, Oregon

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2020

Net change in fund balances	\$ 960,212
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures; however, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and are reported as depreciation expense.

Expenditures for capital assets	429,743	
Disposal of capital assets, net	(373,663)	
Less current year depreciation	<u>(227,863)</u>	(171,783)

Repayments on notes receivable are recognized as revenue in the fund financial statements; however, they reduce the asset in the statement of net position.

(38,006)

Long-term debt proceeds are reported as other financing sources in the governmental funds. In the statement of net position, however, issuing long-term debt increases liabilities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.

Debt principal paid	<u>162,672</u>	
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Change in net position	<u><u>\$ 913,095</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF MANZANITA
Tillamook County, Oregon

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

PROPRIETARY FUNDS

June 30, 2020

	Business-Type Activities - Enterprise Funds		
	Water Operating	Water Construction	Totals
ASSETS			
Current assets			
Cash and cash equivalents	\$ 496,177	\$ -	\$ 496,177
Restricted assets			
Cash and cash equivalents	-	2,398,581	2,398,581
Capital assets not being depreciated	153,147	-	153,147
Capital assets being depreciated, net	<u>7,777,119</u>	<u>-</u>	<u>7,777,119</u>
Total assets	<u>8,426,443</u>	<u>2,398,581</u>	<u>10,825,024</u>
LIABILITIES			
Current liabilities			
Long-term debt, current portion	70,000	-	70,000
Noncurrent liabilities			
Long-term debt, less current portion	<u>2,755,000</u>	<u>-</u>	<u>2,755,000</u>
Total liabilities	<u>2,825,000</u>	<u>-</u>	<u>2,825,000</u>
NET POSITION			
Net investment in capital assets	5,105,266	-	5,105,266
Restricted for:			
System development	-	2,398,581	2,398,581
Unrestricted	<u>496,177</u>	<u>-</u>	<u>496,177</u>
Total net position	<u>\$ 5,601,443</u>	<u>\$ 2,398,581</u>	<u>\$ 8,000,024</u>

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

CITY OF MANZANITA
Tillamook County, Oregon

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
MODIFIED CASH BASIS

PROPRIETARY FUNDS

For the Year Ended June 30, 2020

	Business-Type Activities - Enterprise Funds		
	Water	Water	
	Operating	Construction	Totals
Operating revenues			
Water charges	\$ 1,003,237	\$ -	\$ 1,003,237
Total operating revenues	1,003,237	-	1,003,237
Operating expenses			
Payroll and related costs	411,422	-	411,422
Plant and well operations	404,828	53,002	457,830
Depreciation	265,623	-	265,623
Total operating expenses	1,081,873	53,002	1,134,875
Operating income (loss)	(78,636)	(53,002)	(131,638)
Nonoperating revenues (expenses)			
System development charges	-	96,600	96,600
Other income	599	-	599
Investment earnings	27,697	38,355	66,052
Interest expense	(102,931)	-	(102,931)
Total nonoperating revenues (expenses)	(74,635)	134,955	60,320
Income (loss) before contributions and transfers	(153,271)	81,953	(71,318)
Transfers in	155,393	1,800	157,193
Transfers out	(127,975)	(126,740)	(254,715)
Change in net position	(125,853)	(42,987)	(168,840)
Total net position - beginning	5,727,296	2,441,568	8,168,864
Total net position - ending	\$ 5,601,443	\$ 2,398,581	\$ 8,000,024

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

CITY OF MANZANITA
Tillamook County, Oregon

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS

PROPRIETARY FUNDS

For the Year Ended June 30, 2020

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water Operating</u>	<u>Water Construction</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,003,237	\$ -	\$ 1,003,237
Cash payments for payroll and related costs	(411,422)	-	(411,422)
Cash payments for operating expenses	(404,828)	(53,002)	(457,830)
Net cash provided (used) by operating activities	<u>186,987</u>	<u>(53,002)</u>	<u>133,985</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Miscellaneous revenues	<u>599</u>	<u>-</u>	<u>599</u>
Net cash provided (used) by noncapital financing activities	<u>599</u>	<u>-</u>	<u>599</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
System development charges	-	96,600	96,600
Long-term debt payments	(172,931)	-	(172,931)
Capital asset purchases	(18,526)	(126,740)	(145,266)
Transfers from (to) other funds for capital purchases	(127,975)	1,800	(126,175)
Net cash provided (used) by capital and related financing activities	<u>(319,432)</u>	<u>(28,340)</u>	<u>(347,772)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	<u>27,697</u>	<u>38,355</u>	<u>66,052</u>
Net cash provided (used) by investing activities	<u>27,697</u>	<u>38,355</u>	<u>66,052</u>
Net increase (decrease) in cash and cash equivalents	(104,149)	(42,987)	(147,735)
Cash and cash equivalents - ending	<u>600,326</u>	<u>2,441,568</u>	<u>3,041,894</u>
Cash and cash equivalents - ending	<u>\$ 496,177</u>	<u>\$ 2,398,581</u>	<u>\$ 2,894,758</u>

(Continued)

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

CITY OF MANZANITA
Tillamook County, Oregon

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS

PROPRIETARY FUNDS

For the Year Ended June 30, 2020

(Continued)

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water Operating</u>	<u>Water Construction</u>	<u>Totals</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (78,636)	\$ (53,002)	\$ (131,638)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	<u>265,623</u>	<u>-</u>	<u>265,623</u>
Net cash provided (used) by operating activities	<u>\$ 186,987</u>	<u>\$ (53,002)</u>	<u>\$ 133,985</u>
Noncash investing, capital, and financing activities			
Contributions of capital assets	\$ 126,740	\$ -	\$ 126,740
Transfers of capital assets to other funds	-	(126,740)	(126,740)

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

CITY OF MANZANITA
Tillamook County, Oregon

STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS

June 30, 2020

	Agency Funds		
	Municipal Court Trust	Performance Guarantee Deposit Fund	Total
ASSETS			
Cash and cash equivalents	\$ 31,727	\$ 2,516	\$ 34,243
LIABILITIES			
Due to others	\$ 31,727	\$ 2,516	\$ 34,243

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

NOTES TO BASIC FINANCIAL STATEMENTS

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CITY OF MANZANITA
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Manzanita have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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 City's accounting principles are described below.

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. All fiduciary activities are reported only in the fund financial statements. *Governmental Activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

B. Reporting Entity

The City of Manzanita, Oregon operates under the 1992 Manzanita Charter. The government of the City consists of an elected mayor and four council members. The mayor serves a two-year term and the council members serve four-year terms. The city council appoints the city manager, an additional officer of the City.

C. Basis of Presentation - Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from all governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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 and other charges between the government's various functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the government's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. Major individual governmental funds are reported as separate columns in the fund financial statements.

CITY OF MANZANITA
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It accounts for all financial resources of the City except those required to be accounted for in another fund.

Capital Projects Funds

Road Fund – The Road Fund accounts for the receipt and expenditure of financial resources that are generally restricted for use on the City's streets.

City Hall Expansion Fund – The City Hall Expansion Fund accounts for revenues transferred from the General Fund, sale of surplus property, investment earnings, and carryover. The fund is maintained to address the city hall office space needs when appropriate.

Timber Management Fund – The Timber Management Fund accounts for revenues generated by the periodic sale of timber on City-owned property. The fund is used for managing City-owned timber resources and for major capital improvement projects.

The City reports the following major proprietary funds:

Enterprise Funds

Water Operating Fund – The Water Operating Fund accounts for the operation and maintenance of the City's water system.

Water Construction Fund – The Water Construction Fund accumulates resources restricted to expenditure on water system construction, reconstruction, major upgrades, equipment, and other long-term investments in the City's water collection, storage, and distribution systems.

Additionally, the City reports the following nonmajor governmental funds:

Special Revenue Fund

Housing Rehabilitation Revolving Loan Fund – The Housing Rehabilitation Revolving Loan Fund accounts for the repayment of no-interest loans for housing rehabilitation funded by a federal community development block grant. The money may only be used for new no-interest loans to qualified homeowners. The City has a contract with Community Action Team, Inc. (CAT) to identify qualified homeowners for possible loans.

Tourism Promotion & Facilities Fund – The Tourism Promotion & Facilities Fund accounts for the portion of transient lodging taxes required by Oregon law to be spent on tourism promotion and/or tourist related facilities for lodging tax increases enacted after 2003.

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Trust Fund – The Trust Fund was established in 1997 to account for revenues and expenditures by volunteer groups working under the City’s umbrella, and who have not achieved separate tax-exempt status. The fund is also intended to account for donations for specific projects and to provide a clear accounting for individuals who may be hesitant to donate for fear that their donation might be mixed in with the City’s other general revenues and be overlooked.

Capital Projects Funds

Park Facility Fund – The Park Facility Fund accounts for revenues related to system development charges from new residences, private donations, and investment earnings. Expenditures are proposed when a new park related project is identified.

Public Safety Equipment and Facilities Reserve Fund – The Public Safety Equipment and Facilities Reserve Fund, authorized by ORS 294.525, was established by Ordinance 98-06. This fund accounts for revenues transferred from the General Fund for the purchase of vehicles, vehicle equipment, police and emergency medical equipment, and training facilities. Transfers from the General Fund are proposed and based on an updated analysis, determining the amount to be set aside each year for the replacement of all police equipment over time.

Public Works Equipment Reserve Fund – The Public Works Equipment Reserve Fund accounts for revenues transferred from the Water Operating Fund and the Road Fund for the purchase of vehicles, vehicle equipment, and any other equipment used for the maintenance of the water system, storm drainage system, streets, and parks.

Storm Drain Facilities Fund – The Storm Drain Facilities Fund accounts for revenues related to system development charges from new residences, investment earnings, and cash carryover. Primary expenditures are for the installation of storm drains in critical areas, as identified in the Storm Drainage Master Plan.

Puffin LID Fund – The Puffin LID Fund accounts for revenues from property assessments. Primary expenditures are for capital outlays related to the local improvement district.

The City reports the following fiduciary funds:

Agency Funds

Municipal Court Trust Fund – The Municipal Court Trust Fund accounts for collections and disbursements of monies resulting from municipal court proceedings.

Performance Guarantee Deposit Fund – The Performance Guarantee Deposit Fund accounts for collections and disbursements of monies related to the South 4th Place Drainage project.

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Certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Transfers between the funds included in governmental activities are eliminated, so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus within the limitations of the modified cash basis of accounting, as described below.

Governmental fund financial statements are reported using the current financial resources measurement focus. Only current financial assets and liabilities are generally included on the balance sheet. The operating statements present sources and uses of available expendable financial resources during a given period. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt is reported as other financing source.

In the government-wide financial statements, proprietary funds, and the fund financial statements, governmental activities are presented using the modified cash basis of accounting. This basis recognizes assets, liabilities, fund balance/net position, revenues, and expenditures when they result from cash transactions, with a provision for depreciation in the government-wide statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenues for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in the financial statements.

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If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements would use the modified accrual basis of accounting and the government-wide financial statements would be presented on the accrual basis of accounting.

F. Budgetary Information

1. Budgetary Basis of Accounting

Annual budgets are adopted on the cash basis of accounting. The City budgets all funds in accordance with the requirements of state law. Annual appropriated budgets are adopted for the general, special revenue, capital projects, and enterprise funds.

The City begins its budgeting process by appointing budget committee members. The budget officer prepares a budget, which is reviewed by the budget committee. The budget is then published in proposed form and is presented at public hearings to obtain taxpayer comments and approval from the budget committee. The city council legally adopts the budget by resolution prior to the beginning of the City's fiscal year. The council resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total personnel services, materials and services, debt service, capital outlay, and contingency for each fund are the levels of control established by the resolution. The detailed budget document, however, is required to contain more specific detailed information for the aforementioned expenditure categories and management may revise the detailed line-item budgets within appropriation categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. The city council may adopt supplemental budgets less than 10% of a fund's original budget at a regular council meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers, and approval by the city council. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the city council. During the year, there were no supplemental budgets. The City does not use encumbrances and appropriations lapse at year-end.

Budget amounts shown in the financial statements reflect the original budget amounts and one approved appropriation change.

G. Assets, Liabilities, Deferred Inflows/Deferred Outflows and Net Position/Fund Balance

1. Cash and Cash Equivalents

The City's 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.

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2. Investments

State statutes authorize the City to invest in legally issued general obligations of the United States, the agencies and instrumentalities of the United States and the states of Oregon, Washington, Idaho, or California, certain interest-bearing bonds, time deposit open accounts, certificates of deposit, and savings accounts in banks, mutual savings banks, and savings and loan associations that maintain a head office or a branch in this state in the capacity of a bank, mutual savings bank, or savings and loan association, and share accounts and savings accounts in credit unions in the name of, or for the benefit of, a member of the credit union pursuant to a plan of deferred compensation.

3. Notes Receivable

Notes receivable represent amounts due from property owners for loans made for housing rehabilitation. The original funding for these loans was a housing rehabilitation grant received by the City. The loans are secured by real property, do not bear interest, and generally are due when the real property is transferred or otherwise sold. Accordingly, the outstanding receivable balances are restricted for future rehabilitation loans.

4. Capital Assets

Capital assets resulting from cash transactions, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost where no historical records exist.

The costs of normal maintenance or repairs that do not add to the value of an asset or materially extend its life are charged to expenditures as incurred and are not capitalized.

Major capital outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed.

Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Vehicles and Equipment	3-25
Buildings	10-50
Infrastructure	10-50
Water System	10-70

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5. 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 position that applies to a future period and will therefore not be recognized as an outflow of resources (expense/expenditure) until that time.

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 and will therefore not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified cash 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 housing rehabilitation loans. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

6. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

7. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted fund balances to have been depleted before using any of the components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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8. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The city council is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City Council (Council) has by resolution authorized the City Manager to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to remove or revise a commitment.

The City reports fund equity in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e. board of directors). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.

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- Assigned fund balance – amounts that City intends to use for a specific purpose. Intent can be expressed by the board of directors or by an official or body to which the board of directors delegates authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The City has not formally adopted a minimum fund balance policy.

H. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collection to entities levying taxes. Property taxes are levied and become a lien as of July 1 on property values assessed as of June 30. Property taxes are payable in three installments, which are due on November 15, February 15, and May 15.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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 water fund are charges to customers for sales and services. Operating expenses for the 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.

I. Use of Estimates

The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

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II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Excess of Expenditures Over Appropriations

During the year ended June 30, 2020, the City expended funds in excess of amounts appropriated as follows:

<u>Fund</u>	<u>Function</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Road	Personnel services	\$ 76,977	\$ 82,504	\$ 5,527
Timber Management	Materials and services	\$ 50,000	\$ 66,806	\$ 16,806
City Hall Expansion	Materials and services	\$ 46,750	\$ 79,630	\$ 32,880

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

B. Deposits and Investments

The City of Manzanita maintains a cash and cash equivalents pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and cash equivalents. Additionally, several funds held separate cash accounts. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances. Investments, including amounts held in pooled cash and investments, are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value. The City participates in an external investment pool (State of Oregon Local Government Investment Pool). The Pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The State's investment policies are governed by the Oregon Revised Statutes (ORS) and the Oregon Investment Council (OIC). The State Treasurer is the investment officer for the OIC and is responsible for all funds in the State Treasury. These funds are invested exercising reasonable care, skill, and caution. Investments in the Pool are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which established diversification percentages and specifies the types and maturities of investments. The portion of the external investment pool which belongs to local government investment participants is reported in an Investment Trust Fund in the State's Comprehensive Annual Financial Report (CAFR). A copy of the State's CAFR may be obtained at the Oregon State Treasury, 350 Winter St. N.E., Salem, Oregon 97310-0840.

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or price 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.

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The classification of securities within the fair value hierarchy is based 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 quoted prices for identical investments in active markets.
- *Level 2* – Observable inputs other than quoted market prices; and,
- *Level 3* – Unobservable inputs.

There were no transfers of assets or liabilities among the three levels of the fair value hierarchy for the year ended June 30, 2020.

Fair values of assets measured on a recurring basis at June 30, 2020 are as follows:

	<u>Level 2</u>
Investments:	
Oregon Local Government Investment Pool	<u>\$ 5,531,195</u>

Credit Risk

Oregon statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the Local Government Investment Pool.

The City has not adopted an investment policy regarding credit risk; however, investments comply with state statutes.

Investments

As of June 30, 2020, the City had the following investments:

	<u>Credit Quality Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
Oregon Local Government Investment Pool	Unrated	-	<u>\$ 5,531,195</u>

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Interest Rate Risk

The City does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increases in interest rates.

Concentration of Credit Risk

The City does not have a formal policy that places a limit on the amount that may be invested in any one insurer. 100 percent of the City's investments are in the Oregon Local Government Investment Pool.

Custodial Credit Risk – Investments

This is the risk that, in the event of the failure of a counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City does not have a policy that limits the amount of investments that can be held by counterparties.

Custodial Credit Risk – Deposits

This is the risk that, in the event of a bank failure, the City's deposits may not be returned. All City deposits not covered by Federal Depository Insurance Corporation (FDIC) insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon, organized in accordance with ORS 295. The PFCP is a shared liability structure for participating bank depositories.

Barring any exceptions, a bank depository is required to pledge collateral valued at a minimum of 10% of their quarter-end public fund deposits if they are considered well capitalized, 25% of their quarter-end public fund deposits if they are considered adequately capitalized, or 110% of their quarter-end public fund deposits if they are considered undercapitalized or assigned to pledge 110% by the Office of the State Treasurer.

In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities.

The City holds a noninterest-bearing account at US Bank, for which deposits are insured up to \$250,000. At June 30, 2020 the City had deposits of \$250,000 insured by FDIC insurance and \$90,677 collateralized by the PFCP.

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Deposits

The City's deposits and investments at June 30, 2020 are as follows:

Checking accounts	\$ 216,731
Total investments	<u>5,531,195</u>
Total deposits and investments	<u><u>\$ 5,713,683</u></u>

Cash and investments by fund:

Governmental activities - unrestricted	
General Fund	\$ 792,097
Road Fund	541,523
City Hall Expansion Fund	270,557
Timber Management Fund	507,302
Nonmajor governmental funds	<u>363,363</u>
Total governmental activities - unrestricted	2,474,842
Business-type activities - unrestricted	
Water Operating Fund	<u>496,177</u>
Subtotal unrestricted cash and investments	<u>2,971,019</u>
Governmental activities - restricted	
Nonmajor governmental funds	<u>344,083</u>
Business-type activities - restricted	
Water Construction Fund	<u>2,398,581</u>
Subtotal restricted cash and investments	<u>2,742,664</u>
Total cash and investments	<u><u>\$ 5,713,683</u></u>

Restricted cash is for tourism promotion, housing rehabilitation loans, and future system development improvements.

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June 30, 2020

B. Capital Assets

Capital asset activity resulting from modified cash basis transactions for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land and improvements	\$2,154,139	\$ -	\$ -	\$2,154,139
Construction in progress	<u>373,663</u>	<u>-</u>	<u>(373,663)</u>	<u>-</u>
Total capital assets not being depreciated	<u>2,527,802</u>	<u>-</u>	<u>(373,663)</u>	<u>2,154,139</u>
Capital assets being depreciated				
Buildings	1,323,763	5,720	-	1,329,483
Vehicles and equipment	598,698	37,755	-	636,453
Infrastructure	<u>3,894,385</u>	<u>386,268</u>	<u>-</u>	<u>4,280,653</u>
Total capital assets being depreciated	<u>5,816,846</u>	<u>429,743</u>	<u>-</u>	<u>6,246,589</u>
Less accumulated depreciation for				
Buildings	(539,867)	(32,356)	-	(572,223)
Vehicles and equipment	(387,622)	(37,558)	-	(425,180)
Infrastructure	<u>(1,379,002)</u>	<u>(157,949)</u>	<u>-</u>	<u>(1,536,951)</u>
Total accumulated depreciation	<u>(2,306,491)</u>	<u>(227,863)</u>	<u>-</u>	<u>(2,534,354)</u>
Total capital assets being depreciated, net	<u>3,510,355</u>	<u>201,880</u>	<u>-</u>	<u>3,712,235</u>
Governmental activities capital assets, net	<u>\$6,038,157</u>	<u>\$ 201,880</u>	<u>\$ (373,663)</u>	<u>\$5,866,374</u>

(Continued)

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June 30, 2020

(Continued)	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land and improvements	\$ 153,147	\$ -	\$ -	\$ 153,147
Construction in progress	368,270	-	(368,270)	-
Total capital assets not being depreciated	521,417	-	(368,270)	153,147
Capital assets being depreciated				
Buildings	115,709	-	-	115,709
Vehicles and equipment	167,897	18,526	-	186,423
Water system	10,971,773	523,663	-	11,495,436
Total capital assets being depreciated	11,255,379	542,189	-	11,797,568
Less accumulated depreciation for				
Buildings	(68,254)	(2,785)	-	(71,039)
Vehicles and equipment	(106,859)	(8,914)	-	(115,773)
Water system	(3,579,713)	(253,924)	-	(3,833,637)
Total accumulated depreciation	(3,754,826)	(265,623)	-	(4,020,449)
Total capital assets being depreciated, net	7,500,553	276,566	-	7,777,119
Business-type activities capital assets, net	\$8,021,970	\$ 276,566	\$ (368,270)	\$7,930,266

Capital assets are reported on the statement of net position as follows:

	Governmental Activities	Business-Type Activities	Total
Capital assets not being depreciated	\$ 2,154,139	\$ 153,147	\$ 2,307,286
Capital assets being depreciated, net	3,712,235	7,777,119	11,489,354
Total capital assets	\$ 5,866,374	\$ 7,930,266	\$ 13,796,640

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	Capital Assets	Accumulated Depreciation	Net Capital Assets
Governmental activities			
Land and improvements	\$ 2,154,139	\$ -	\$ 2,154,139
Construction in progress	-	-	-
Buildings	1,329,483	(572,223)	757,260
Vehicles and equipment	636,453	(425,180)	211,273
Infrastructure	<u>4,280,653</u>	<u>(1,536,951)</u>	<u>2,743,702</u>
Total governmental activities capital assets	<u>8,400,728</u>	<u>(2,534,354)</u>	<u>5,866,374</u>
Business-type activities			
Land and improvements	\$ 153,147	\$ -	\$ 153,147
Construction in progress	-	-	-
Buildings	115,709	(71,039)	44,670
Vehicles and equipment	186,423	(115,773)	70,650
Water system	<u>11,495,436</u>	<u>(3,833,637)</u>	<u>7,661,799</u>
Total business-type activities capital assets	<u>11,950,715</u>	<u>(4,020,449)</u>	<u>7,930,266</u>
Total capital assets	<u><u>\$ 20,351,443</u></u>	<u><u>\$ (6,554,803)</u></u>	<u><u>\$ 13,796,640</u></u>

For the governmental activities, depreciation was not charged to specific functions or programs of the City. Capital assets of the City's governmental activities are for the use of the entire City and are therefore unallocated.

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities	
Unallocated depreciation expense	<u><u>\$ 227,863</u></u>
Business-type activities	
Water	<u><u>\$ 265,623</u></u>

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C. Interfund Transfers

The City's interfund transfers during the year consisted of the following:

	Transfers in:				Total
	Road Fund	City Hall Expansion Fund	Nonmajor Governmental Funds	Water Construction Fund	
Transfers out:					
Governmental activities					
General Fund	\$325,000	\$ 296,200	\$ -	\$ -	\$ 621,200
Road Fund	-	-	9,200	-	9,200
Nonmajor governmental funds	-	-	-	1,800	1,800
Business-type activities					
Water Operating Fund	-	27,475	71,847	-	99,322
Total	<u>\$325,000</u>	<u>\$ 323,675</u>	<u>\$ 81,047</u>	<u>\$ 1,800</u>	<u>\$ 731,522</u>

The principal purposes of the interfund transfers in were to transfer resources into reserve funds for future expenses.

D. Long-Term Liabilities

1. Changes in Long-Term Liabilities

The following is a summary of long-term liabilities arising from cash transactions for the year:

	Interest Rate	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
Visitor Center Note	3.35%	\$ 575,000	\$ 373,570	\$ -	\$ (38,675)	\$ 334,895	\$ 39,980
Underhill Plaza Note	2.75%	1,350,000	1,171,052	-	(123,997)	1,047,055	127,431
Total Governmental Activities		<u>\$1,925,000</u>	<u>\$ 1,544,622</u>	<u>\$ -</u>	<u>\$ (162,672)</u>	<u>\$ 1,381,950</u>	<u>\$ 167,411</u>
Business-type activities							
FF&C Refunding Bonds	3.0-4.0%	<u>\$2,960,000</u>	<u>\$ 2,895,000</u>	<u>\$ -</u>	<u>\$ (70,000)</u>	<u>\$ 2,825,000</u>	<u>\$ 70,000</u>

The City paid \$43,528 and \$102,931 in interest on long-term liabilities during the year ended June 30, 2020 from governmental and business-type activities, respectively.

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June 30, 2020

2. Governmental Activities – Visitor Center Note Payable

The City obtained a note payable on January 17, 2013 for the construction of a visitor's center, which is pledged as collateral. The face amount of the note is \$575,000. A portion of the proceeds was used to pay off the loan payable used to obtain the land for the building. The note calls for interest of 3.35% paid semi-annually. The note will be paid with proceeds from the increase in the transient room tax increase passed by the City Council in 2012. If the City is unable to make payments, the agreement contains an event of default; the lender may declare the entire unpaid principle balance and all accrued unpaid interest immediately due. The Tourism Promotion & Facilities Fund has traditionally been used to liquidate the obligation.

3. Governmental Activities – Underhill Plaza Note Payable

The City obtained a note payable on September 22, 2017 for the purchase of Underhill Plaza, which is pledged as collateral. The face amount of the note is \$1,350,000. The note calls for interest of 2.75% paid semi-annually. If the City is unable to make payments for longer than 90 days, the agreement contains an event of default; the lender may, in addition to pursuing other remedies, increase the interest rate by 3.00 percentage points. The City Hall Expansion Fund has traditionally been used to liquidate the obligation.

4. Governmental Activities - Future Maturities of Long-Term Liabilities

Year Ending June 30	Visitor Center Note			Underhill Plaza Note		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 39,980	\$ 10,888	\$ 50,868	\$ 127,431	\$ 27,902	\$ 155,333
2022	41,331	9,537	50,868	130,960	24,373	155,333
2023	42,727	8,141	50,868	134,585	20,747	155,332
2024	44,171	6,697	50,868	138,312	17,020	155,332
2025	45,663	5,205	50,868	142,142	13,191	155,333
2026-2027	121,023	6,147	228,906	373,625	15,519	389,144
	<u>\$ 334,895</u>	<u>\$ 46,615</u>	<u>\$ 483,246</u>	<u>\$ 1,047,055</u>	<u>\$ 118,752</u>	<u>\$ 1,165,807</u>

5. Business-Type Activities – Full Faith and Credit Refunding Bonds

On May 30, 2018, the City entered into an agreement for the refinance of the series 2002 water revenue bonds. The City financed \$2,960,000 plus interest ranging from 3.00%-4.00% per the original debt agreement. The Water Operating Fund has traditionally been used to liquidate the obligation. Assets of the City are pledged as collateral. If the City is unable to make payments, the agreement contains an event of default; the lender may exercise any remedy available at law or in equity.

CITY OF MANZANITA
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

6. Business-Type Activity Future Maturities of Long-Term Liabilities

Year Ending June 30	FF&C Refunding Bonds		
	Principal	Interest	Total
2021	\$ 70,000	\$ 100,156	\$ 170,156
2022	75,000	97,981	172,981
2023	75,000	95,356	170,356
2024	80,000	92,256	172,256
2025	85,000	88,957	173,957
2026-2030	465,000	393,105	858,105
2031-2035	545,000	309,348	854,348
2036-2040	650,000	205,750	855,750
2041-2045	780,000	75,286	855,286
	<u>\$ 2,825,000</u>	<u>\$ 1,458,195</u>	<u>\$ 4,283,195</u>

E. Constraints on Fund Balances

Constraints on fund balances reported on the balance sheet are as follows:

	General Fund	Road Fund	City Hall Expansion Fund	Timber Management Fund	Other Governmental Funds	Total Governmental Funds
Fund balances:						
Restricted:						
Special projects	\$ -	\$ -	\$ -	\$ -	\$ 109,517	\$ 109,517
Capital projects	-	-	-	-	64,685	64,685
Tourism promotion	-	-	-	-	169,881	169,881
Committed:						
Civic improvements	63,935	-	-	-	-	63,935
Streets and roads	-	13,925	-	-	75,739	89,664
City Hall expansion	-	-	270,557	-	-	270,557
Capital projects	-	-	-	507,302	-	507,302
Equipment purchases	-	-	-	-	287,624	287,624
Unassigned	<u>624,359</u>	<u>527,598</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,151,957</u>
Total fund balances	<u>\$ 688,294</u>	<u>\$ 541,523</u>	<u>\$ 270,557</u>	<u>\$ 507,302</u>	<u>\$ 707,446</u>	<u>\$ 2,715,122</u>

CITY OF MANZANITA
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

III. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. There was no significant reduction in insurance coverage from the previous year. There were no insurance settlements exceeding insurance coverage in any of the past three years.

B. Retirement Plans

1. Oregon Public Employees Retirement System

General Information about the Pension Plan

Name of Pension Plan

The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employer defined benefit plan.

Description of Benefit Terms

Plan Benefits – PERS Pension (Chapter 238)

Plan benefits of the System are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A.

PERS Pension

The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

Pension Benefits

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

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).

CITY OF MANZANITA
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- Member was employed by a 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

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 monthly benefit.

Benefit Changes after Retirement

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit, in accordance with *Moro* decision.

OPSRP Pension Program (OPSRP DB)

Pension Benefits

The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age: 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.

CITY OF MANZANITA
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

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 the termination becomes effective.

Death Benefits

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability Benefits

A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit Changes After Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit, in accordance with *Moro* decision.

Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2017 actuarial valuation, which became effective July 1, 2019. The State of Oregon and certain schools, community colleges, and political subdivisions have made unfunded actuarial liability payments, and their rates have been reduced.

Employer contributions for the year ended June 30, 2020 were \$188,603.

Pension Plan Comprehensive Annual Financial Report (CAFR)

Oregon PERS produces an independently audited CAFR which can be found at: <https://www.oregon.gov/pers/Documents/Financials/CAFR/2019-CAFR.pdf>.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Oregon PERS and additions to/deductions from Oregon PERS' fiduciary net position have been determined on the same basis as they are reported by Oregon PERS.

CITY OF MANZANITA
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

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.

Actuarial Valuations

The employer contribution rates effective July 1, 2019, through June 30, 2021, 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 (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) 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 20 years.

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

Actuarial Methods and Assumptions:

Valuation Date	December 31, 2017
Measurement Date	June 30, 2019
Experience Study	2016, published July 26, 2017
<i>Actuarial Assumptions:</i>	
Actuarial Cost Method	Entry age normal
Inflation Rate	2.50 percent
Long-term Expected Rate of Return	7.20 percent
Discount Rate	7.20 percent
Projected Salary Increases	3.50 percent
Cost of living adjustment (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/.15%) in accordance with <i>Moro</i> decision; blend based on service.

CITY OF MANZANITA
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

Mortality	<p>Health retirees and beneficiaries: RP-2014 healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.</p>
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Actuarial valuations of an ongoing plan involve estimates of the 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 methods and assumptions shown above are on the 2016 Experience Study, which reviewed experience for the four-year period ended December 31, 2016.

Discount Rate

The discount rate used to measure the total pension liability was 7.20 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2017 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

CITY OF MANZANITA
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

For more information on the Plan's portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS' audited financial statements at:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2019-CAFR.pdf>

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

C. Individual Account Program (IAP)

Plan Description

Employees of the District are provided with pensions through OPERS. All the benefits of OPERS are established by the Oregon legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003. Chapter 238A created the Oregon Public Service Retirement Plan (OPSRP), which consists of the Defined Benefit Pension Program and the Individual Account Program (IAP).

Membership includes public employees hired on or after August 29, 2003. PERS members retain their existing defined benefit plan accounts, but member contributions are deposited into the member's IAP account. OPSRP is part of OPERS and is administered by the OPERS Board.

Pension Benefits

Participants in OPERS defined benefit pension plans also participate in their defined contribution plan. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established.

CITY OF MANZANITA
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP IAP may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits

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

Contributions

Member contributions are set by statute at 6 percent of salary and are remitted by participating employers. The contributions are either deducted from member salaries or paid by the employers on the members' behalf. As permitted, the District has opted to pick-up the contributions on behalf of its employees.

Actuarial Methods and Assumptions

Assets are valued at their market value. Gains and losses between odd-year valuations are amortized as a level percentage of combined valuation payroll over 20 years from the odd-year valuation in which they are first recognized. The assumed rate of return on investments is 7.2% compounded annually. The assumed consumer price inflation rate used is 2.5% per year.

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

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2019-CAFR.pdf>.

D. New Pronouncements

The Governmental Accounting Standards Board (GASB) issued [Statement No. 95](#), *Postponement of the Effective Dates of Certain Authoritative Guidance*. The Statement is intended to provide relief to governments and other stakeholders in light of the COVID-19 pandemic.

CITY OF MANZANITA
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

The guidance postpones by one year the effective dates of certain provisions in the pronouncements as follows:

GASB Statement No. 84, *Fiduciary Activities* – This statement established criteria and guidance for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes, as well as the reporting requirements for these fiduciary funds.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Borrowing and Direct Placements* – This statement addresses the information that is disclosed in the notes to government financial statements related to debt, including borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

The Statement postpones the effective dates of the following pronouncements by 18 months:

GASB Statement No. 87, *Leases* – This statement addresses the accounting and financial reporting for leases by governments, requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases.

The District will implement applicable new GASB pronouncements no later than the required fiscal year. Management has not determined the effect on the financial statements for implementing any of the above pronouncements.

The GASB provides other COVID-19 related resources on its website:

<https://www.gasb.org/COVID19>.

E. Commitments

1. Water Transmission Line

The City has entered into an intergovernmental agreement with the City of Wheeler for the development, management, maintenance, and control of a water well field and water transmission line. The term of the agreement is 40 years and will then continue on a year-to-year basis unless terminated by one of the parties.

2. Police Services Agreement

The City has entered into police service agreements with the City of Wheeler, the City of Nehalem, and the Oregon Parks and Recreation Department, where the City of Manzanita will provide police services for a fixed price.

CITY OF MANZANITA
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

F. Subsequent Events

Management has evaluated subsequent events through Rep Letter Date, 2021, which was the date that the financial statements were available to be issued.

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SUPPLEMENTARY INFORMATION

CITY OF MANZANITA
Tillamook County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Budget Basis	Actual Adjustments	Modified Cash Basis
REVENUES						
Property taxes	\$ 210,500	\$ 210,500	\$ 13,556	\$ 224,056	\$ -	\$ 224,056
Intergovernmental	53,000	53,000	6,362	59,362	-	59,362
Licenses, fees, and permits	202,500	202,500	(31,957)	170,543	-	170,543
Franchise fees	70,000	70,000	(12,179)	57,821	-	57,821
State liquor taxes	11,284	11,284	(952)	10,332	-	10,332
State cigarette taxes	724	724	(65)	659	-	659
State revenue sharing	21,000	21,000	2,187	23,187	-	23,187
Excise taxes	-	-	153	153	-	153
Grants and contributions	-	-	553	553	-	553
Short-term rental tax	770,500	770,500	132,286	902,786	-	902,786
Fines and forfeitures	75,500	75,500	38,342	113,842	-	113,842
Investment earnings	17,000	17,000	10,828	27,828	-	27,828
Other	1,000	1,000	44,357	45,357	-	45,357
Total revenues	<u>1,433,008</u>	<u>1,433,008</u>	<u>203,471</u>	<u>1,636,479</u>	<u>-</u>	<u>1,636,479</u>
EXPENDITURES						
Administration	306,928	365,928	(65,719)	300,209	-	300,209
Police department	699,359	699,359	(113,448)	585,911	-	585,911
Building department	107,482	107,482	(40,601)	66,881	-	66,881
Court department	47,656	47,656	(1,320)	46,336	-	46,336
Parks department	64,175	70,175	(553)	69,622	-	69,622
Civic improvement dept	90,000	90,000	(15,000)	75,000	-	75,000
Non-departmental	33,600	33,600	(33,500)	100	-	100
Contingency	121,761	56,761	(56,761)	-	-	-
Total expenditures	<u>1,470,961</u>	<u>1,470,961</u>	<u>(326,902)</u>	<u>1,144,059</u>	<u>-</u>	<u>1,144,059</u>
Excess (deficiency) of revenues over (under) expenditures	(37,953)	(37,953)	530,373	492,420	-	492,420
OTHER FINANCING SOURCES (USES)						
Transfers out	(546,200)	(546,200)	-	(546,200)	-	(546,200)
Net change in fund balance	(584,153)	(584,153)	530,373	(53,780)	-	(53,780)
Fund balance - beginning	635,353	635,353	106,721	742,074	-	742,074
Fund balance - ending	<u>\$ 51,200</u>	<u>\$ 51,200</u>	<u>\$ 637,094</u>	<u>\$ 688,294</u>	<u>\$ -</u>	<u>\$ 688,294</u>

CITY OF MANZANITA
Tillamook County, Oregon

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

ROAD FUND

For the Year Ended June 30, 2020

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
Licenses, fees, and permits	\$ 2,000	\$ -	\$ 2,000
Franchise fees	68,000	15,617	83,617
State highway tax	45,320	(4,244)	41,076
Grants	95,900	(89,981)	5,919
Investment earnings	4,500	876	5,376
Other	100	(100)	-
Total revenues	<u>215,820</u>	<u>(77,832)</u>	<u>137,988</u>
EXPENDITURES			
Current			
Personnel services	76,977	5,527	82,504
Materials and services	40,650	(11,755)	28,895
Capital outlay	440,500	(361,910)	78,590
Contingency	47,024	(47,024)	-
Total expenditures	<u>605,151</u>	<u>(415,162)</u>	<u>189,989</u>
Excess (deficiency) of revenues over (under) expenditures	(389,331)	337,330	(52,001)
OTHER FINANCING SOURCES (USES)			
Transfers in	325,000	-	325,000
Transfers out	(9,200)	-	(9,200)
Total other financing sources (uses)	<u>315,800</u>	<u>-</u>	<u>315,800</u>
Net change in fund balance	(73,531)	337,330	263,799
Fund balance - beginning	<u>73,531</u>	<u>204,193</u>	<u>277,724</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 541,523</u>	<u>\$ 541,523</u>

CITY OF MANZANITA
Tillamook County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

CITY HALL EXPANSION FUND

For the Year Ended June 30, 2020

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
Investment earnings	\$ 700	\$ 317	\$ 1,017
Rents and leases	<u>20,000</u>	<u>(3,500)</u>	<u>16,500</u>
Total revenues	20,700	(3,183)	17,517
EXPENDITURES			
Current			
Materials and services	46,750	32,880	79,630
Capitay outlay	20,000	(20,000)	-
Debt service	<u>155,400</u>	<u>(68)</u>	<u>155,332</u>
Total expenditures	222,150	12,812	234,962
Excess (deficiency) of revenues over (under) expenditures	(201,450)	(15,995)	(217,445)
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>323,675</u>	<u>-</u>	<u>323,675</u>
Net change in fund balance	122,225	(15,995)	106,230
Fund balance - beginning	<u>177,137</u>	<u>(12,810)</u>	<u>164,327</u>
Fund balance - ending	<u><u>\$ 299,362</u></u>	<u><u>\$ (28,805)</u></u>	<u><u>\$ 270,557</u></u>

CITY OF MANZANITA
Tillamook County, Oregon

COMBINING BALANCE SHEET - MODIFIED CASH BASIS

NONMAJOR GOVERNMENTAL FUNDS

June 30, 2020

	Special Revenue Funds			Capital Projects Funds					Total Nonmajor Governmental Funds
	Housing Rehabilitation Loan Fund	Tourism Promotion & Facilities Fund	Trust	Park Facility Fund	Public Safety Equipment and Facilities Reserve	Public Works Equipment Reserve	Storm Drain Facilities	Puffin LID	
ASSETS									
Cash and cash equivalents	\$ 105,549	\$ 169,881	\$ 3,968	\$ 19,245	\$ 125,196	\$ 162,428	\$ 75,739	\$ 45,440	\$ 707,446
Notes receivable	135,743	-	-	-	-	-	-	-	135,743
Total assets	<u>\$ 241,292</u>	<u>\$ 169,881</u>	<u>\$ 3,968</u>	<u>\$ 19,245</u>	<u>\$ 125,196</u>	<u>\$ 162,428</u>	<u>\$ 75,739</u>	<u>\$ 45,440</u>	<u>\$ 843,189</u>
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue - housing loans	\$ 135,743	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 135,743
FUND BALANCES									
Restricted:									
Special projects	105,549	-	3,968	-	-	-	-	-	109,517
Capital projects	-	-	-	19,245	-	-	-	45,440	64,685
Tourism promotion	-	169,881	-	-	-	-	-	-	169,881
Committed for:									
Streets and roads	-	-	-	-	-	-	75,739	-	75,739
Equipment purchases	-	-	-	-	125,196	162,428	-	-	287,624
Total fund balances	<u>105,549</u>	<u>169,881</u>	<u>3,968</u>	<u>19,245</u>	<u>125,196</u>	<u>162,428</u>	<u>75,739</u>	<u>45,440</u>	<u>707,446</u>
Total deferred inflows of resources and fund balances	<u>\$ 241,292</u>	<u>\$ 169,881</u>	<u>\$ 3,968</u>	<u>\$ 19,245</u>	<u>\$ 125,196</u>	<u>\$ 162,428</u>	<u>\$ 75,739</u>	<u>\$ 45,440</u>	<u>\$ 843,189</u>

CITY OF MANZANITA
Tillamook County, Oregon

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2020

	Special Revenue Funds			Capital Projects Funds					Total
	Housing Rehabilitation Loan Fund	Tourism Promotion & Facilities Fund	Trust	Park Facility Fund	Public Safety Equipment and Facilities Reserve	Public Works Equipment Reserve	Storm Drain Facilities	Puffin LID	Nonmajor Governmental Funds
REVENUES									
Short-term rental tax	\$ -	\$ 164,947	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 164,947
Fines and forfeitures	-	-	-	420	-	-	1,452	-	1,872
Investment earnings	2,096	2,639	-	336	1,725	1,122	1,147	-	9,065
Licenses, permits, and fees	-	-	-	-	-	-	-	839	839
Miscellaneous	32,295	-	-	-	-	-	-	5,712	38,007
Total revenues	34,391	167,586	-	756	1,725	1,122	2,599	6,551	214,730
EXPENDITURES									
Current									
Highways and streets	-	-	-	-	-	-	11,014	-	11,014
Culture and recreation	-	90,801	-	-	-	-	-	-	90,801
Debt service	-	50,868	-	-	-	-	-	-	50,868
Capital outlay	-	874	-	-	-	-	-	-	874
Total expenditures	-	142,543	-	-	-	-	11,014	-	153,557
Excess (deficiency) of revenues over (under) expenditures	34,391	25,043	-	756	1,725	1,122	(8,415)	6,551	61,173
OTHER FINANCING SOURCES (USES)									
Asset sales	-	-	-	-	-	4,197	-	-	4,197
Transfers in	-	-	-	-	26,200	23,500	31,347	-	81,047
Transfers out	-	-	-	-	-	-	-	(1,800)	(1,800)
Total other financing sources (uses)	-	-	-	-	26,200	27,697	31,347	(1,800)	83,444
Net change in fund balances	34,391	25,043	-	756	27,925	28,819	22,932	4,751	144,617
Fund balances - beginning	71,158	144,838	3,968	18,489	97,271	133,609	52,807	40,689	562,829
Fund balances - ending	\$ 105,549	\$ 169,881	\$ 3,968	\$ 19,245	\$ 125,196	\$ 162,428	\$ 75,739	\$ 45,440	\$ 707,446

CITY OF MANZANITA
Tillamook County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

HOUSING REHABILITATION REVOLVING LOAN FUND

For the Year Ended June 30, 2020

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
Loan repayments	\$ 11,500	\$ 20,795	\$ 32,295
Investment earnings	-	2,096	2,096
Total revenues	<u>11,500</u>	<u>22,891</u>	<u>34,391</u>
EXPENDITURES			
Current			
Materials and services	<u>255,980</u>	<u>(255,980)</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(244,480)	278,871	34,391
Fund balance - beginning	<u>244,480</u>	<u>(173,322)</u>	<u>71,158</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 105,549</u>	<u>\$ 105,549</u>

CITY OF MANZANITA
Tillamook County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

TIMBER MANAGEMENT FUND

For the Year Ended June 30, 2020

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
Investment earnings	\$ 900	\$ 7,165	\$ 8,065
Other	<u>450,000</u>	<u>108,087</u>	<u>558,087</u>
Total revenues	<u>450,900</u>	<u>115,252</u>	<u>566,152</u>
EXPENDITURES			
Current			
Materials and services	<u>50,000</u>	<u>16,806</u>	<u>66,806</u>
Excess (deficiency) of revenues over (under) expenditures	400,900	98,446	499,346
Fund balance - beginning	<u>204</u>	<u>7,752</u>	<u>7,956</u>
Fund balance - ending	<u>\$ 401,104</u>	<u>\$ 106,198</u>	<u>\$ 507,302</u>

CITY OF MANZANITA
Tillamook County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

TOURISM PROMOTION & FACILITIES FUND

For the Year Ended June 30, 2020

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
Transient room tax	\$ 138,000	\$ 26,947	\$ 164,947
Investment earnings	1,800	839	2,639
Other	100	(100)	-
Total revenues	<u>139,900</u>	<u>27,686</u>	<u>167,586</u>
EXPENDITURES			
Current			
Materials and services	124,778	(33,977)	90,801
Capital outlay	30,000	(29,126)	874
Debt service	50,900	(32)	50,868
Total expenditures	<u>205,678</u>	<u>(63,135)</u>	<u>142,543</u>
Net change in fund balance	(65,778)	90,821	25,043
Fund balance - beginning	<u>114,678</u>	<u>30,160</u>	<u>144,838</u>
Fund balance - ending	<u>\$ 48,900</u>	<u>\$ 120,981</u>	<u>\$ 169,881</u>

CITY OF MANZANITA
Tillamook County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

TRUST FUND

For the Year Ended June 30, 2020

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash - Basis
REVENUES			
Grants and contributions	\$ 700	\$ (700)	\$ -
EXPENDITURES			
Current			
Materials and services	2,857	(2,857)	-
Capital outlay	3,432	(3,432)	-
Total expenditures	6,289	(6,289)	-
Excess (deficiency) of revenues over (under) expenditures	(5,589)	5,589	-
Fund balance - beginning	5,589	(1,621)	3,968
Fund balance - ending	\$ -	\$ 3,968	\$ 3,968

CITY OF MANZANITA
Tillamook County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

PARK FACILITIES FUND

For the Year Ended June 30, 2020

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
System development charges	\$ 900	\$ (480)	\$ 420
Investment earnings	200	136	336
Total revenues	<u>1,100</u>	<u>(344)</u>	<u>756</u>
EXPENDITURES			
Current			
Materials and services	5,000	(5,000)	-
Capital outlay	<u>10,000</u>	<u>(10,000)</u>	<u>-</u>
Total expenditures	<u>15,000</u>	<u>(15,000)</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(13,900)	14,656	756
Fund balance - beginning	<u>17,500</u>	<u>989</u>	<u>18,489</u>
Fund balance - ending	<u>\$ 3,600</u>	<u>\$ 15,645</u>	<u>\$ 19,245</u>

CITY OF MANZANITA
Tillamook County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

PUBLIC SAFETY EQUIPMENT AND FACILITIES RESERVE FUND

For the Year Ended June 30, 2020

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
Investment earnings	\$ 1,100	\$ 625	\$ 1,725
EXPENDITURES			
Capital outlay	45,400	(45,400)	-
Excess (deficiency) of revenues over (under) expenditures	(44,300)	46,025	1,725
OTHER FINANCING SOURCES (USES)			
Transfers in	26,200	-	26,200
Net change in fund balance	(18,100)	46,025	27,925
Fund balance - beginning	106,974	(9,703)	97,271
Fund balance - ending	<u>\$ 88,874</u>	<u>\$ 36,322</u>	<u>\$ 125,196</u>

CITY OF MANZANITA
Tillamook County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

PUBLIC WORKS EQUIPMENT RESERVE FUND

For the Year Ended June 30, 2020

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
Investment earnings	\$ 700	\$ 422	\$ 1,122
EXPENDITURES			
Capital outlay	5,000	(5,000)	-
Excess (deficiency) of revenues over (under) expenditures	(4,300)	5,422	1,122
OTHER FINANCING SOURCES (USES)			
Asset sales	-	4,197	4,197
Transfers in	23,500	-	23,500
Total other financing sources (uses)	23,500	4,197	27,697
Net change in fund balance	19,200	9,619	28,819
Fund balance - beginning	132,828	781	133,609
Fund balance - ending	\$ 152,028	\$ 10,400	\$ 162,428

CITY OF MANZANITA
Tillamook County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

STORM DRAIN FACILITIES FUND

For the Year Ended June 30, 2020

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
System development charges	\$ 3,500	\$ (2,048)	\$ 1,452
Investment earnings	700	447	1,147
Total revenues	<u>4,200</u>	<u>(1,601)</u>	<u>2,599</u>
EXPENDITURES			
Current			
Materials and services	45,000	(33,986)	11,014
Capital outlay	<u>15,000</u>	<u>(15,000)</u>	<u>-</u>
Total expenditures	<u>60,000</u>	<u>(48,986)</u>	<u>11,014</u>
Excess (deficiency) of revenues over (under) expenditures	(55,800)	47,385	(8,415)
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>60,000</u>	<u>(28,653)</u>	<u>31,347</u>
Net change in fund balance	4,200	18,732	22,932
Fund balance - beginning	<u>79,882</u>	<u>(27,075)</u>	<u>52,807</u>
Fund balance - ending	<u>\$ 84,082</u>	<u>\$ (8,343)</u>	<u>\$ 75,739</u>

CITY OF MANZANITA
Tillamook County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

PUFFIN LID FUND

For the Year Ended June 30, 2020

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
Loan repayment	\$ 1,800	\$ 4,751	6,551
EXPENDITURES	-	-	-
Excess (deficiency) of revenues over (under) expenditures	1,800	4,751	6,551
OTHER FINANCING SOURCES (USES)			
Transfers out	(1,800)	-	(1,800)
Net change in fund balance	-	4,751	4,751
Fund balance - beginning	-	40,689	40,689
Fund balance - ending	\$ -	\$ 45,440	\$ 45,440

CITY OF MANZANITA
Tillamook County, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
BUDGET AND ACTUAL

WATER OPERATING FUND

For the Year Ended June 30, 2020

	Original and Final Budget	Variance with Final Budget Over (Under)	Budget Basis	Actual Adjustments	Modified Cash Basis
REVENUES					
Water charges	\$ 999,108	\$ 4,129	\$ 1,003,237	\$ -	\$ 1,003,237
Investment earnings	20,000	7,697	27,697	-	27,697
Miscellaneous	100	499	599	-	599
Total revenues	<u>1,019,208</u>	<u>12,325</u>	<u>1,031,533</u>	<u>-</u>	<u>1,031,533</u>
EXPENSES					
Current					
Personnel services	481,517	(70,095)	411,422	-	411,422
Materials and services	581,400	(158,723)	422,677	(18,526)	404,151
Debt service	172,256	675	172,931	(70,000)	102,931
Capital outlay	70,000	(69,323)	677	-	677
Depreciation	-	-	-	265,623	265,623
Contingency	32,000	(32,000)	-	-	-
Total expenses	<u>1,337,173</u>	<u>(329,466)</u>	<u>1,007,707</u>	<u>177,097</u>	<u>1,184,804</u>
Excess (deficiency) of revenues over (under) expenses	<u>(317,965)</u>	<u>341,791</u>	<u>23,826</u>	<u>(177,097)</u>	<u>(153,271)</u>
OTHER FINANCING					
SOURCES (USES)					
Capital contributions	-	-	-	155,393	155,393
Transfers out	(202,975)	75,000	(127,975)	-	(127,975)
Total other financing sources (uses)	<u>(202,975)</u>	<u>75,000</u>	<u>(127,975)</u>	<u>155,393</u>	<u>27,418</u>
Change in net position	(520,940)	416,791	(104,149)	(21,704)	(125,853)
Net position - beginning	<u>530,000</u>	<u>70,326</u>	<u>600,326</u>	<u>5,126,970</u>	<u>5,727,296</u>
Net position - ending	<u>\$ 9,060</u>	<u>\$ 487,117</u>	<u>\$ 496,177</u>	<u>\$ 5,105,266</u>	<u>\$ 5,601,443</u>

CITY OF MANZANITA
Tillamook County, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
BUDGET AND ACTUAL

WATER CONSTRUCTION FUND

For the Year Ended June 30, 2020

	Original and Final Budget	Variance with Final Budget Over (Under)	Budget Basis	Actual Adjustments	Modified Cash Basis
REVENUES					
System development charges	\$ 139,000	\$ (42,400)	\$ 96,600	\$ -	\$ 96,600
Investment earnings	35,000	3,355	38,355	-	38,355
Total revenues	<u>174,000</u>	<u>(39,045)</u>	<u>134,955</u>	<u>-</u>	<u>134,955</u>
EXPENSES					
Current					
Materials and services	2,500	(2,500)	-	-	-
Capital outlay	550,000	(496,998)	53,002	-	53,002
Contingency	31,500	(31,500)	-	-	-
Total expenses	<u>584,000</u>	<u>(530,998)</u>	<u>53,002</u>	<u>-</u>	<u>53,002</u>
Excess (deficiency) of revenues over (under) expenses	<u>(410,000)</u>	<u>491,953</u>	<u>81,953</u>	<u>-</u>	<u>81,953</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>76,800</u>	<u>(75,000)</u>	<u>1,800</u>	<u>-</u>	<u>1,800</u>
Change in net position	(333,200)	543,693	(42,987)	-	(42,987)
Net position - beginning	<u>2,764,632</u>	<u>(323,064)</u>	<u>2,441,568</u>	<u>-</u>	<u>2,441,568</u>
Net position - ending	<u>\$ 2,431,432</u>	<u>\$ 220,629</u>	<u>\$ 2,398,581</u>	<u>\$ -</u>	<u>\$ 2,398,581</u>

OTHER FINANCIAL SCHEDULES

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CITY OF MANZANITA
Tillamook County, Oregon

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
EXPENDITURES				
Administration				
Current				
Personnel services	\$ 189,258	\$ 248,258	\$ (70,563)	\$ 177,695
Materials and services	114,670	114,670	2,246	116,916
Capital outlay	<u>3,000</u>	<u>3,000</u>	<u>2,598</u>	<u>5,598</u>
Total administration	<u>306,928</u>	<u>365,928</u>	<u>(65,719)</u>	<u>300,209</u>
Police department				
Current				
Personnel services	561,459	561,459	(40,436)	521,023
Materials and services	77,900	77,900	(25,617)	52,283
Capital outlay	<u>60,000</u>	<u>60,000</u>	<u>(47,395)</u>	<u>12,605</u>
Total police department	<u>699,359</u>	<u>699,359</u>	<u>(113,448)</u>	<u>585,911</u>
Building department				
Current				
Personnel services	51,112	51,112	(17,593)	33,519
Materials and services	55,620	55,620	(22,503)	33,117
Capital outlay	<u>750</u>	<u>750</u>	<u>(505)</u>	<u>245</u>
Total building department	<u>107,482</u>	<u>107,482</u>	<u>(40,601)</u>	<u>66,881</u>
Court department				
Current				
Personnel services	34,556	34,556	(906)	33,650
Materials and services	12,100	12,100	586	12,686
Capital outlay	<u>1,000</u>	<u>1,000</u>	<u>(1,000)</u>	<u>-</u>
Total court department	<u>47,656</u>	<u>47,656</u>	<u>(1,320)</u>	<u>46,336</u>
Parks department				
Current				
Personnel services	38,225	44,225	5,296	49,521
Materials and services	25,450	25,450	(5,349)	20,101
Capital outlay	<u>500</u>	<u>500</u>	<u>(500)</u>	<u>-</u>
Total parks department	<u>64,175</u>	<u>70,175</u>	<u>(553)</u>	<u>69,622</u>

CITY OF MANZANITA
Tillamook County, Oregon

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2020

(Continued)

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
EXPENDITURES (Continued)				
Civic improvement department				
Current				
Materials and services	\$ 5,000	\$ 5,000	\$ (5,000)	\$ -
Capital outlay	10,000	10,000	(10,000)	-
Transfers out	<u>75,000</u>	<u>75,000</u>	<u>-</u>	<u>75,000</u>
Total civic improvement departm	<u>90,000</u>	<u>90,000</u>	<u>(15,000)</u>	<u>75,000</u>
Non-departmental				
Current				
Materials and services	33,600	33,600	(33,500)	100
Transfers out	546,200	546,200	-	546,200
Contingency	<u>121,761</u>	<u>56,761</u>	<u>(56,761)</u>	<u>-</u>
Total non-departmental	<u>701,561</u>	<u>636,561</u>	<u>(90,261)</u>	<u>546,300</u>
Total expenditures	<u>\$ 2,017,161</u>	<u>\$ 2,017,161</u>	<u>\$ (326,902)</u>	<u>\$ 1,690,259</u>

CITY OF MANZANITA
Tillamook County, Oregon

SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF LONG-TERM DEBT

June 30, 2020

Fiscal Year	Governmental Activities					
	Visitor Center Note			Underhill Plaza Note		
	Principal	Interest	Total	Principal	Interest	Total
2020-2021	\$ 39,980	\$ 10,888	\$ 50,868	\$ 127,431	\$ 27,902	\$ 155,333
2021-2022	41,331	9,537	50,868	130,960	24,373	155,333
2022-2023	42,727	8,141	50,868	134,585	20,747	155,332
2023-2024	44,171	6,697	50,868	138,312	17,020	155,332
2024-2025	45,663	5,205	50,868	142,142	13,191	155,333
2025-2026	47,206	3,662	50,868	146,077	9,255	155,332
2026-2027	48,799	2,069	50,868	150,123	5,211	155,334
2027-2028	25,018	416	25,434	77,425	1,053	78,478
Total	<u>\$ 334,895</u>	<u>\$ 46,615</u>	<u>\$ 381,510</u>	<u>\$1,047,055</u>	<u>\$ 118,752</u>	<u>\$1,165,807</u>

Fiscal Year	Business-Type Activities		
	FF&C Refunding Bonds		
	Principal	Interest	Total
2020-2021	\$ 70,000	\$ 100,156	\$ 170,156
2021-2022	75,000	97,981	172,981
2022-2023	75,000	95,356	170,356
2023-2024	80,000	92,256	172,256
2024-2025	85,000	88,957	173,957
2025-2026	85,000	85,556	170,556
2026-2027	90,000	82,056	172,056
2027-2028	95,000	78,356	173,356
2028-2029	95,000	75,031	170,031
2029-2030	100,000	72,106	172,106
Thereafter	1,975,000	590,384	2,565,384
Total	<u>\$ 2,825,000</u>	<u>\$1,458,195</u>	<u>\$4,283,195</u>

**AUDIT COMMENTS AND DISCLOSURES REQUIRED BY
FEDERAL AND STATE REGULATIONS**

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CITY OF MANZANITA
Tillamook County, Oregon

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2020

Finding Number	Finding
FS-01	Adequate segregation of duties in most areas was impractical due to the limited number of employees. The City has, however, developed alternative procedures, which mitigate this condition to some extent.
FS-02	Internal controls over the City's payroll cycle were in place and operating; however, the design was not effective in catching late payroll tax deposits.
	Response
FS-01	Management continually evaluates the monitoring and controls established to ensure risks are mitigated.
FS-02	{INSERT MANAGEMENT RESPONSE HERE}