



CITY OF MANZANITA
Tillamook County, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2021



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CERTIFIED PUBLIC ACCOUNTANTS

436 1st Avenue W • PO Box 1072
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**CITY OF MANZANITA
Tillamook County, Oregon**

CITY OFFICIALS

June 30, 2021

MAYOR

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

CITY COUNCIL

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

Steve Nuttall
P.O. Box 1238
Manzanita, Oregon 97130

Jerry Spegman
P.O. Box 624
Manzanita, Oregon 97130

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

CITY MANAGERS

Cynthia Alamillo (resigned 9/13/2020)
John Kunkel (3/26/2021 - 4/12/2021)
Leila Aman (started 4/13/2021)
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



INDEPENDENT AUDITOR'S REPORT

The Honorable Mike Scott, Mayor
and Members of the City Council
City of Manzanita
Manzanita, Oregon 97130

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Manzanita, Tillamook County, Oregon, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note I; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, business-type activities, each major fund, and the remaining fund activity of the City of Manzanita, Tillamook County, Oregon as of June 30, 2021, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended on the basis of accounting described in Note I.

Emphasis of Matter – Change in Accounting Principle

As described in the notes to the financial statements, in the year ended June 30, 2021, the City adopted new accounting guidance: GASB Statement No. 84, *Fiduciary Activities*, and Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Our opinions are not modified with respect to this matter.

Basis of Accounting

We draw attention to Note I of the financial statements, which describes the basis of accounting. The City of Manzanita prepares its financial statements on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to that matter.

Disclaimer of Opinion on Supplementary Information and Other Financial Schedules

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Manzanita’s basic financial statements. The other financial schedules on pages 60-62, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Matters

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Manzanita’s basic financial statements. The budgetary comparison information and combining fund statements presented on pages 42 through 59 are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2021 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Manzanita's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated November 9, 2021 on our tests of the City's compliance with certain provisions of laws and regulations specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Accuity, LLC

By: 

Glen O. Kearns, CPA

Albany, Oregon
November 9, 2021

BASIC FINANCIAL STATEMENTS

CITY OF MANZANITA
Tillamook County, Oregon

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

June 30, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,928,916	\$ 507,405	\$ 3,436,321
Restricted assets			
Cash and cash equivalents	568,968	2,765,442	3,334,410
Notes receivable - housing rehab loans	142,754	-	142,754
Total restricted assets	711,722	2,765,442	3,477,164
Capital assets not being depreciated	2,154,139	153,147	2,307,286
Capital assets being depreciated, net	3,621,319	7,523,691	11,145,010
Total assets	9,416,096	10,949,685	20,365,781
LIABILITIES			
Current liabilities			
Long-term debt, current portion	172,291	75,000	247,291
Noncurrent liabilities			
Long-term debt, less current portion	1,042,246	2,680,000	3,722,246
Total liabilities	1,214,537	2,755,000	3,969,537
NET POSITION			
Net investment in capital assets	4,560,921	4,921,838	9,482,759
Restricted for:			
System development	-	2,765,442	2,765,442
Capital projects and street maintenance	21,767	-	21,767
Special projects	277,695	-	277,695
Tourism promotion	269,506	-	269,506
Unrestricted	3,071,670	507,405	3,579,075
Total net position	\$ 8,201,559	\$ 8,194,685	\$ 16,396,244

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, 2021

<u>Functions/Programs</u>	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Business-Type Activities	Totals
			Grants and Contributions	Grants and Contributions			
Governmental activities							
General government	\$ 748,908	\$ 491,608	\$ -	\$ -	\$ (257,300)	\$ -	\$ (257,300)
Public safety	749,644	203,010	-	-	(546,634)	-	(546,634)
Highways and streets	134,045	4,300	40,478	9,815	(79,452)	-	(79,452)
Culture and recreation	121,931	-	-	-	(121,931)	-	(121,931)
Unallocated depreciation	235,012	-	-	-	(235,012)	-	(235,012)
Interest on long-term debt	27,901	-	-	-	(27,901)	-	(27,901)
Total governmental activities	<u>\$2,017,441</u>	<u>\$ 698,918</u>	<u>\$ 40,478</u>	<u>\$ 9,815</u>	<u>(1,268,230)</u>	<u>-</u>	<u>(1,268,230)</u>
Business-Type activities							
Water	<u>\$ 957,975</u>	<u>\$1,286,767</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>328,792</u>	<u>328,792</u>
General revenues							
Property taxes					232,756	-	232,756
Transient lodging tax					1,350,878	-	1,350,878
State highway tax					46,404	-	46,404
Alcohol and cigarette taxes					13,175	-	13,175
Privilege taxes					2,360	-	2,360
Franchise fees					149,500	-	149,500
State revenue sharing					25,366	-	25,366
Investment earnings					19,737	25,862	45,599
Miscellaneous					83,146	9,855	93,001
Total general revenues					<u>1,923,322</u>	<u>35,717</u>	<u>1,959,039</u>
Transfers					<u>169,848</u>	<u>(169,848)</u>	<u>-</u>
Change in net position					824,940	194,661	1,019,601
Net position - beginning					<u>7,376,619</u>	<u>8,000,024</u>	<u>15,376,643</u>
Net position - ending					<u>\$ 8,201,559</u>	<u>\$ 8,194,685</u>	<u>\$ 16,396,244</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, 2021

	General Fund	Tourism Promotion & Facilities	Capital Projects Funds			Other Governmental Funds	Total Governmental Funds
			Road Fund	City Hall Expansion Fund	Timber Management Fund		
ASSETS							
Cash and cash equivalents	\$ 1,367,726	\$ 269,506	\$ 592,857	\$ 691,990	\$ 10,592	\$ 565,213	\$ 3,497,884
Notes receivable	-	-	-	-	-	142,754	142,754
Total assets	<u>\$ 1,367,726</u>	<u>\$ 269,506</u>	<u>\$ 592,857</u>	<u>\$ 691,990</u>	<u>\$ 10,592</u>	<u>\$ 707,967</u>	<u>\$ 3,640,638</u>
LIABILITIES							
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - housing rehab loans	-	-	-	-	-	142,754	142,754
FUND BALANCES							
Restricted	-	269,506	-	-	-	299,462	568,968
Committed	118,768	-	592,857	691,990	10,592	265,751	1,679,958
Unassigned	<u>1,248,958</u>	-	-	-	-	-	<u>1,248,958</u>
Total fund balances	<u>1,367,726</u>	<u>269,506</u>	<u>592,857</u>	<u>691,990</u>	<u>10,592</u>	<u>565,213</u>	<u>3,497,884</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,367,726</u>	<u>\$ 269,506</u>	<u>\$ 592,857</u>	<u>\$ 691,990</u>	<u>\$ 10,592</u>	<u>\$ 707,967</u>	<u>\$ 3,640,638</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, 2021

Total fund balances		\$ 3,497,884
Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds:		
Cost	8,544,824	
Accumulated depreciation	<u>(2,769,366)</u>	5,775,458
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		(1,214,537)
Housing rehabilitation loans are not available to pay for current period expenditures and are therefore deferred in the fund statements		<u>142,754</u>
Net position of governmental activities		<u><u>\$ 8,201,559</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, 2021

	General Fund	Tourism Promotion & Facilities	Capital Projects Funds			Other Governmental Funds	Total Governmental Funds
			Road Fund	City Hall Expansion Fund	Timber Management Fund		
REVENUES							
Property taxes	\$ 232,756	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 232,756
Intergovernmental	55,560	-	-	-	-	-	55,560
Licenses, fees, and permits	465,169	-	4,300	-	-	94,298	563,767
Franchise fees	60,360	-	89,140	-	-	-	149,500
State liquor taxes	12,558	-	-	-	-	-	12,558
State cigarette taxes	617	-	-	-	-	-	617
State revenue sharing	25,366	-	-	-	-	-	25,366
State highway tax	-	-	46,404	-	-	-	46,404
Excise tax	2,360	-	-	-	-	-	2,360
Grants and contributions	-	-	40,478	-	-	-	40,478
Short-term rental tax	1,142,056	208,822	-	-	-	-	1,350,878
Fines and forfeitures	63,652	-	-	-	-	9,815	73,467
Investment earnings	10,380	977	2,336	376	3,290	2,378	19,737
Rents and leases	-	-	-	15,939	-	-	15,939
Other revenue	83,146	-	-	-	-	-	83,146
Total revenues	2,153,980	209,799	182,658	16,315	3,290	106,491	2,672,533
EXPENDITURES							
Current							
General government	663,977	-	-	39,550	-	11,501	715,028
Public safety	618,947	-	-	-	-	87,328	706,275
Highways and streets	-	-	107,935	-	-	4,770	112,705
Culture and recreation	55,175	53,038	-	-	-	-	108,213
Debt service	-	50,868	-	155,332	-	-	206,200
Capital outlay	7,598	6,268	114,262	-	-	117,389	245,517
Total expenditures	1,345,697	110,174	222,197	194,882	-	220,988	2,093,938
Excess (deficiency) of revenues over (under) expenditures	808,283	99,625	(39,539)	(178,567)	3,290	(114,497)	578,595
OTHER FINANCING SOURCES (USES)							
Transfers in	157,348	-	100,000	600,000	-	109,700	967,048
Transfers out	(286,200)	-	(9,200)	-	(500,000)	(1,800)	(797,200)
Total other financing sources (uses)	(128,852)	-	90,800	600,000	(500,000)	107,900	169,848
Net change in fund balances	679,431	99,625	51,261	421,433	(496,710)	(6,597)	748,443
Fund balances - beginning	688,295	169,881	541,596	270,557	507,302	571,810	2,749,441
Fund balances - ending	<u>\$ 1,367,726</u>	<u>\$ 269,506</u>	<u>\$ 592,857</u>	<u>\$ 691,990</u>	<u>\$ 10,592</u>	<u>\$ 565,213</u>	<u>\$ 3,497,884</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, 2021

Net change in fund balances		\$ 748,443
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>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.</p>		
Expenditures for capital assets	144,096	
Less current year depreciation	<u>(235,012)</u>	(90,916)
<p>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.</p>		
Debt principal paid		<u>167,413</u>
Change in net position		<u><u>\$ 824,940</u></u>

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, 2021

	Business-Type Activities - Enterprise Funds		
	Water Operating	Water Construction	Totals
ASSETS			
Current assets			
Cash and cash equivalents	\$ 507,405	\$ -	\$ 507,405
Restricted assets			
Cash and cash equivalents	-	2,765,442	2,765,442
Capital assets not being depreciated	153,147	-	153,147
Capital assets being depreciated, net	7,523,691	-	7,523,691
Total assets	8,184,243	2,765,442	10,949,685
LIABILITIES			
Current liabilities			
Long-term debt, current portion	75,000	-	75,000
Noncurrent liabilities			
Long-term debt, less current portion	2,680,000	-	2,680,000
Total liabilities	2,755,000	-	2,755,000
NET POSITION			
Net investment in capital assets	4,921,838	-	4,921,838
Restricted for:			
System development	-	2,765,442	2,765,442
Unrestricted	507,405	-	507,405
Total net position	\$ 5,429,243	\$ 2,765,442	\$ 8,194,685

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, 2021

	Business-Type Activities - Enterprise Funds		
	Water	Water	Totals
	Operating	Construction	
Operating revenues			
Water charges	\$ 990,067	\$ -	\$ 990,067
Total operating revenues	<u>990,067</u>	<u>-</u>	<u>990,067</u>
Operating expenses			
Payroll and related costs	249,527	-	249,527
Plant and well operations	327,937	1,403	329,340
Depreciation	<u>278,252</u>	<u>-</u>	<u>278,252</u>
Total operating expenses	<u>855,716</u>	<u>1,403</u>	<u>857,119</u>
Operating income (loss)	<u>134,351</u>	<u>(1,403)</u>	<u>132,948</u>
Nonoperating revenues (expenses)			
System development charges	-	296,700	296,700
Other income	9,855	-	9,855
Investment earnings	10,376	15,486	25,862
Interest expense	<u>(100,856)</u>	<u>-</u>	<u>(100,856)</u>
Total nonoperating revenues (expenses)	<u>(80,625)</u>	<u>312,186</u>	<u>231,561</u>
Income (loss) before contributions and transfers	53,726	310,783	364,509
Transfers in	20,722	76,800	97,522
Transfers out	<u>(246,648)</u>	<u>(20,722)</u>	<u>(267,370)</u>
Change in net position	(172,200)	366,861	194,661
Total net position - beginning	<u>5,601,443</u>	<u>2,398,581</u>	<u>8,000,024</u>
Total net position - ending	<u>\$ 5,429,243</u>	<u>\$ 2,765,442</u>	<u>\$ 8,194,685</u>

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, 2021

	Business-Type Activities - Enterprise Funds		
	Water	Water	Totals
	Operating	Construction	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 990,067	\$ -	\$ 990,067
Cash payments for payroll and related costs	(249,527)	-	(249,527)
Cash payments for operating expenses	(327,937)	(1,403)	(329,340)
Net cash provided (used) by operating activities	412,603	(1,403)	411,200
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Miscellaneous revenues	9,855	-	9,855
Net cash provided (used) by noncapital financing activities	9,855	-	9,855
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
System development charges	-	296,700	296,700
Long-term debt payments	(170,856)	-	(170,856)
Capital asset purchases	(4,102)	(20,722)	(24,824)
Transfers from (to) other funds for capital purchases	(246,648)	76,800	(169,848)
Net cash provided (used) by capital and related financing activities	(421,606)	352,778	(68,828)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	10,376	15,486	25,862
Net cash provided (used) by investing activities	10,376	15,486	25,862
Net increase (decrease) in cash and cash equivalents	11,228	366,861	368,234
Cash and cash equivalents - ending	496,177	2,398,581	2,894,758
Cash and cash equivalents - ending	\$ 507,405	\$ 2,765,442	\$ 3,272,847

(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, 2021

(Continued)

	Business-Type Activities - Enterprise Funds		
	Water Operating	Water Construction	Totals
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 134,351	\$ (1,403)	\$ 132,948
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	278,252	-	278,252
Net cash provided (used) by operating activities	\$ 412,603	\$ (1,403)	\$ 411,200
Noncash investing, capital, and financing activities			
Contributions of capital assets	\$ 20,722	\$ (20,722)	\$ -

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

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF MANZANITA
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

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.

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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.

Special Revenue Fund

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.

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.

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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.

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.

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.

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.

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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.

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.

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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. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. 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. 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, 2021.

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Fair values of assets measured on a recurring basis at June 30, 2021 are as follows:

	Level 2
Investments:	
Oregon Local Government Investment Pool	\$ 6,178,656

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, 2021, the City had the following investments:

	Credit Quality Rating	Maturities	Fair Value
Oregon Local Government Investment Pool	Unrated	-	\$ 6,178,656

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.

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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, 2021 the City had deposits of \$250,000 insured by FDIC insurance and \$412,478 collateralized by the PFCP.

Deposits

The City's deposits and investments at June 30, 2021 are as follows:

Checking accounts	\$ 592,075
Total investments	<u>6,178,656</u>
Total deposits and investments	<u>\$ 6,770,731</u>

Cash and investments by fund:

Governmental activities - unrestricted	
General Fund	\$ 1,367,726
Road Fund	592,857
City Hall Expansion Fund	691,990
Timber Management Fund	10,592
Nonmajor governmental funds	<u>265,751</u>
Total governmental activities - unrestricted	<u>2,928,916</u>
Business-type activities - unrestricted	
Water Operating Fund	<u>507,405</u>
Subtotal unrestricted cash and investments	<u>3,436,321</u>
Governmental activities - restricted	
Tourism and Promotion Fund	269,506
Nonmajor governmental funds	<u>299,462</u>
Total governmental activities - restricted	<u>568,968</u>
Business-type activities - restricted	
Water Construction Fund	<u>2,765,442</u>
Subtotal restricted cash and investments	<u>3,334,410</u>
Total cash and investments	<u>\$ 6,770,731</u>

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

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B. Capital Assets

Governmental capital asset activity resulting from modified cash basis transactions for the year ended June 30, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land and improvements	\$ 2,154,139	\$ -	\$ -	\$ 2,154,139
Capital assets being depreciated				
Buildings	1,329,483	-	-	1,329,483
Vehicles and equipment	636,453	144,096	-	780,549
Infrastructure	<u>4,280,653</u>	<u>-</u>	<u>-</u>	<u>4,280,653</u>
Total capital assets being depreciated	<u>6,246,589</u>	<u>144,096</u>	<u>-</u>	<u>6,390,685</u>
Less accumulated depreciation for				
Buildings	(572,223)	(32,177)	-	(604,400)
Vehicles and equipment	(425,180)	(43,679)	-	(468,859)
Infrastructure	<u>(1,536,951)</u>	<u>(159,156)</u>	<u>-</u>	<u>(1,696,107)</u>
Total accumulated depreciation	<u>(2,534,354)</u>	<u>(235,012)</u>	<u>-</u>	<u>(2,769,366)</u>
Total capital assets being depreciated, net	<u>3,712,235</u>	<u>(90,916)</u>	<u>-</u>	<u>3,621,319</u>
Governmental activities capital assets, net	<u>\$ 5,866,374</u>	<u>\$ (90,916)</u>	<u>\$ -</u>	<u>\$ 5,775,458</u>

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

	<u>Capital Assets</u>	<u>Accumulated Depreciation</u>	<u>Net Capital Assets</u>
Governmental activities			
Land and improvements	\$ 2,154,139	\$ -	\$ 2,154,139
Buildings	1,329,483	(604,400)	725,083
Vehicles and equipment	780,549	(468,859)	311,690
Infrastructure	<u>4,280,653</u>	<u>(1,696,107)</u>	<u>2,584,546</u>
Total governmental activities capital assets	<u>\$ 8,544,824</u>	<u>\$ (2,769,366)</u>	<u>\$ 5,775,458</u>

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Business-type capital asset activity resulting from modified cash basis transactions for the year ended June 30, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land and improvements	\$ 153,147	\$ -	\$ -	\$ 153,147
Capital assets being depreciated				
Buildings	115,709	-	-	115,709
Vehicles and equipment	186,423	24,824	-	211,247
Water system	<u>11,495,436</u>	<u>-</u>	<u>-</u>	<u>11,495,436</u>
Total capital assets being depreciated	<u>11,797,568</u>	<u>24,824</u>	<u>-</u>	<u>11,822,392</u>
Less accumulated depreciation for				
Buildings	(71,039)	(2,785)	-	(73,824)
Vehicles and equipment	(115,773)	(11,329)	-	(127,102)
Water system	<u>(3,833,637)</u>	<u>(264,138)</u>	<u>-</u>	<u>(4,097,775)</u>
Total accumulated depreciation	<u>(4,020,449)</u>	<u>(278,252)</u>	<u>-</u>	<u>(4,298,701)</u>
Total capital assets being depreciated, net	<u>7,777,119</u>	<u>(253,428)</u>	<u>-</u>	<u>7,523,691</u>
Business-type activities capital assets, net	<u>\$7,930,266</u>	<u>\$ (253,428)</u>	<u>\$ -</u>	<u>\$7,676,838</u>

Business-type capital assets are reported on the statement of net position as follows:

Business-type activities			
Land and improvements	\$ 153,147	\$ -	\$ 153,147
Buildings	115,709	(73,824)	41,885
Vehicles and equipment	211,247	(127,102)	84,145
Water system	<u>11,495,436</u>	<u>(4,097,775)</u>	<u>7,397,661</u>
Total business-type activities capital assets	<u>\$ 11,975,539</u>	<u>\$ (4,298,701)</u>	<u>\$ 7,676,838</u>

Total 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	<u>3,621,319</u>	<u>7,523,691</u>	<u>11,145,010</u>
Total capital assets	<u>\$ 5,775,458</u>	<u>\$ 7,676,838</u>	<u>\$ 13,452,296</u>

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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>\$ 235,012</u>
Business-type activities	
Water	<u>\$ 278,252</u>

C. Interfund Transfers

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

	Transfers in:					Total
	General Fund	Road Fund	City Hall Expansion Fund	Nonmajor Governmental Funds	Water Construction Fund	
Transfers out:						
Governmental activities						
General Fund	\$ -	\$ 100,000	\$ 100,000	\$ 86,200	\$ -	\$ 286,200
Road Fund	-	-	-	9,200	-	9,200
Timber Management Fund	-	-	500,000	-	-	500,000
Nonmajor governmental funds	-	-	-	-	1,800	1,800
Business-type activities						
Water Operating Fund	<u>157,348</u>	<u>-</u>	<u>-</u>	<u>14,300</u>	<u>75,000</u>	<u>246,648</u>
Total	<u>\$ 157,348</u>	<u>\$ 100,000</u>	<u>\$ 600,000</u>	<u>\$ 109,700</u>	<u>\$ 76,800</u>	<u>\$ 1,043,848</u>

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

CITY OF MANZANITA
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

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	\$ 334,895	\$ -	\$ 39,982	\$ 294,913	\$ 41,331
Underhill Plaza Note	2.75%	<u>1,350,000</u>	<u>1,047,055</u>	<u>-</u>	<u>127,431</u>	<u>919,624</u>	<u>130,960</u>
Total Governmental Activities		<u>\$ 1,925,000</u>	<u>\$ 1,381,950</u>	<u>\$ -</u>	<u>\$ 167,413</u>	<u>\$ 1,214,537</u>	<u>\$ 172,291</u>
Business-type activities							
FF&C Refunding Bonds	3.0-4.0%	<u>\$ 2,960,000</u>	<u>\$ 2,825,000</u>	<u>\$ -</u>	<u>\$ 70,000</u>	<u>2,755,000</u>	<u>\$ 75,000</u>

The City paid \$27,901 and \$100,856 in interest on long-term liabilities during the year ended June 30, 2021 from governmental and business-type activities, respectively.

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.

CITY OF MANZANITA
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

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
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	47,206	3,662	50,868	146,077	9,255	155,332
2027-2028	<u>73,815</u>	<u>2,487</u>	<u>76,302</u>	<u>227,548</u>	<u>6,264</u>	<u>233,812</u>
	<u>\$ 294,913</u>	<u>\$ 35,729</u>	<u>\$ 330,642</u>	<u>\$ 919,624</u>	<u>\$ 90,850</u>	<u>\$ 1,010,474</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.

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

Year Ending June 30	FF&C Refunding Bonds		
	Principal	Interest	Total
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	85,000	85,556	170,556
2027-2031	480,000	376,530	856,530
2032-2036	565,000	290,592	855,592
2037-2041	675,000	181,965	856,965
2042-2045	<u>635,000</u>	<u>48,846</u>	<u>683,846</u>
	<u>\$ 2,755,000</u>	<u>\$ 1,358,039</u>	<u>\$ 4,113,039</u>

CITY OF MANZANITA
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

E. Constraints on Fund Balances

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

	General Fund	Tourism Promotion & Facilities	Road Fund	City Hall Expansion Fund	Timber Management Fund	Other Governmental Funds	Total Governmental Funds
Fund balances:							
Restricted:							
Special projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 111,808	\$ 111,808
Capital projects	-	-	-	-	-	21,767	21,767
Tourism promotion	-	269,506	-	-	-	-	269,506
Municipal court	-	-	-	-	-	28,197	28,197
Streets and roads	-	-	-	-	-	137,690	137,690
Committed:							
Civic improvements	118,768	-	-	-	-	-	118,768
Streets and roads	-	-	592,857	-	-	-	592,857
City Hall expansion	-	-	-	691,990	-	-	691,990
Capital projects	-	-	-	-	10,592	43,640	54,232
Equipment purchases	-	-	-	-	-	222,111	222,111
Unassigned	1,248,958	-	-	-	-	-	1,248,958
Total fund balances	<u>\$ 1,367,726</u>	<u>\$ 269,506</u>	<u>\$ 592,857</u>	<u>\$ 691,990</u>	<u>\$ 10,592</u>	<u>\$ 565,213</u>	<u>\$ 3,497,884</u>

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

The Oregon Public Employees Retirement System (OPERS) consists of a cost-sharing, multiple-employer defined benefit plan for units of state governmental, political subdivisions, community colleges, and school districts, containing multiple actuarial pools. Plan assets may be used to pay the benefits of the employees of any employer that provides pensions through the Plan. As of June 30, 2020, there were 901 participating employers.

CITY OF MANZANITA
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

Plan Membership

As of June 30, 2020, there were 16,323 active plan members, 129,520 retired plan members or their beneficiaries currently receiving benefits, 9,930 inactive plan members entitled to but not yet receiving benefits, for a total of 155,773 Tier One members.

For Tier Two members, as of June 30, 2020, there were 31,548 active plan members, 17,162 retired plan members or their beneficiaries currently receiving benefits, 13,880 inactive plan members entitled to but not yet receiving benefits, for a total of 62,590.

As of June 30, 2020, there were 130,806 active plan members, 6,940 retired plan members or their beneficiaries currently receiving benefits, 6,281 inactive plan members entitled to but not yet receiving benefits, and 16,439 inactive plan members not eligible for refund or retirements, for a total of 160,466 OPSRP Pension Program members.

Plan Benefits

Plan benefits of the System are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A, and Internal Revenue Code Section 401(a).

Tier One/Tier Two Retirement Benefit (Chapter 238) - OPERS is a defined benefit pension plan that provides retirement and disability benefits, annual cost-of-living-adjustments, and death benefits to members and their beneficiaries. Benefits are established by state statute. This defined benefit pension plan is closed to new members hired on or after August 29, 2003.

Pension Benefits

The OPERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options that are actuarially equivalent to the base benefit. 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 a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members).

General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service.

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. Police and Fire members may purchase increased benefits that are payable between the date of retirement and age 65.

Death Benefits

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- 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 a 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 their variable account after retiring and may experience annual benefit fluctuations caused by changes in the fair value of the underlying global equity investments of that account.

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. The COLA is capped at 2.0 percent.

OPSRP Defined Benefit Pension Program (OPSRP DB) – This Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003.

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

Pension Benefits

This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

Police and Fire - 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

General Service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the OPSRP Pension Program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

Death Benefits

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

Disability Benefits

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

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. The COLA is capped at 2.0 percent.

OPSRP Individual Account Program (OPSRP 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.

CITY OF MANZANITA
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

Pension Benefits

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies. Upon retirement, a member of the OPSRP Individual Account Program (IAP), may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits

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

Contributions

OPERS 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 OPERS Defined Benefit Plan and the Other Postemployment Benefit Plans.

Employer contribution rates during the period were based on the December 31, 2018 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.

Member contributions are set by statute at six 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 City has opted to pick-up the contributions on behalf of its employees.

Employer contributions for the year ended June 30, 2021 were \$197,159.

Pension Plan Comprehensive Annual Financial Report (CAFR)

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/2020-CAFR.pdf>.

CITY OF MANZANITA
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

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, 2018
Measurement Date	June 30, 2020
Experience Study	2018, published July 24, 2019
<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
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

Mortality	<p>Health retirees and beneficiaries: Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Active members: Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</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 2018 Experience Study, which reviewed experience for the four-year period ended December 31, 2018. There were no differences between the assumptions and plan provisions used for June 30, 2020 measurement date calculations compared to those shown above.

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.

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. 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.

CITY OF MANZANITA
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

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.

Depletion Date Projection

GASB 67 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 67 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 67 (paragraph 43) does allow for alternative evaluations of projected solvency if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for OPERS:

- OPERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 67 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is our independent actuary's opinion that the detailed depletion date projections outlined in GASB 67 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

CITY OF MANZANITA
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in May 2019 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.

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/2020-CAFR.pdf>

OIC Target and Actual Investment Allocation as of June 30, 2020

<u>Asset Class/Strategy</u>	<u>OIC Policy Low Range</u>	<u>OIC Policy High Range</u>	<u>OIC Target Allocation</u>	<u>Actual Allocation³</u>
Debt Securities	15.0%	25.0%	20.0%	20.0%
Public Equity	27.5%	37.5%	32.5%	31.8%
Real Estate	9.5%	15.5%	12.5%	11.4%
Private Equity	14.0%	21.0%	17.5%	22.9%
Alternatives Portfolio	7.5%	17.5%	15.0%	10.5%
Opportunity Portfolio ¹	0.0%	3.0%	0.0%	2.1%
Risk Parity ²	0.0%	2.5%	2.5%	1.3%
Total			100.0%	100.0%

¹Opportunity Portfolio is an investment strategy, and it may be invested up to 3% of total plan net position.

²Risk Parity is a new investment strategy added to the asset allocation mix in 2019.

³ Based on the actual investment value at 6/30/2020.

CITY OF MANZANITA
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

C. New Pronouncements

For the fiscal year ended June 30, 2021, the City implemented the following new accounting standards:

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. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.*

The City 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 following pronouncements:

GASB Statement No. 83, *Certain Asset Retirement Obligations* - This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The statement is effective for fiscal years beginning after June 15, 2020 (as amended by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*).

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 statement is effective for fiscal years beginning after June 15, 2022 (as amended by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*).

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* - The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The statement is effective for fiscal years beginning after December 15, 2021 (as amended by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*).

CITY OF MANZANITA
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

D. 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.

E. Subsequent Events

Management has evaluated subsequent events through November 9, 2021, which was the date that the financial statements were available to be issued.

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, 2021

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		
				Budget Basis	Adjustments	Modified Cash Basis
REVENUES						
Property taxes	\$ 215,000	\$ 215,000	\$ 17,756	\$ 232,756	\$ -	\$ 232,756
Intergovernmental	53,000	53,000	2,560	55,560	-	55,560
Licenses, fees, and permits	188,500	188,500	276,669	465,169	-	465,169
Franchise fees	70,000	70,000	(9,640)	60,360	-	60,360
State liquor taxes	11,284	11,284	1,274	12,558	-	12,558
State cigarette taxes	692	692	(75)	617	-	617
State revenue sharing	21,000	21,000	4,366	25,366	-	25,366
Excise taxes	-	-	2,360	2,360	-	2,360
Short-term rental tax	540,000	540,000	602,056	1,142,056	-	1,142,056
Fines and forfeitures	75,000	75,000	(11,348)	63,652	-	63,652
Investment earnings	15,000	15,000	(4,620)	10,380	-	10,380
Other revenue	1,000	1,000	82,146	83,146	-	83,146
Total revenues	<u>1,190,476</u>	<u>1,190,476</u>	<u>963,504</u>	<u>2,153,980</u>	<u>-</u>	<u>2,153,980</u>
EXPENDITURES						
Administration	618,775	648,775	(56,964)	591,811	-	591,811
Police department	676,843	676,843	(94,508)	582,335	-	582,335
Building department	81,437	81,437	(6,855)	74,582	-	74,582
Court department	41,621	41,621	(2,160)	39,461	-	39,461
Parks department	108,532	108,532	(52,402)	56,130	-	56,130
Civic improvement dept	75,000	75,000	(75,000)	-	-	-
Non-departmental	33,600	33,600	(32,222)	1,378	-	1,378
Contingency	59,974	29,974	(29,974)	-	-	-
Total expenditures	<u>1,695,782</u>	<u>1,695,782</u>	<u>(350,085)</u>	<u>1,345,697</u>	<u>-</u>	<u>1,345,697</u>
Excess (deficiency) of revenues over (under) expenditures	(505,306)	(505,306)	1,313,589	808,283	-	808,283
OTHER FINANCING SOURCES (USES)						
Transfers in	157,348	157,348	-	157,348	-	157,348
Transfers out	<u>(286,200)</u>	<u>(286,200)</u>	<u>-</u>	<u>(286,200)</u>	<u>-</u>	<u>(286,200)</u>
Total other financing sources (uses)	<u>(128,852)</u>	<u>(128,852)</u>	<u>-</u>	<u>(128,852)</u>	<u>-</u>	<u>(128,852)</u>
Net change in fund balance	(634,158)	(634,158)	1,313,589	679,431	-	679,431
Fund balance - beginning	<u>688,608</u>	<u>688,608</u>	<u>(313)</u>	<u>688,295</u>	<u>-</u>	<u>688,295</u>
Fund balance - ending	<u>\$ 54,450</u>	<u>\$ 54,450</u>	<u>\$ 1,313,276</u>	<u>\$ 1,367,726</u>	<u>\$ -</u>	<u>\$ 1,367,726</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, 2021

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
Transient room tax	\$ 97,000	\$ 111,822	\$ 208,822
Investment earnings	1,800	(823)	977
Miscellaneous	100	(100)	-
Total revenues	98,900	110,899	209,799
EXPENDITURES			
Current			
Materials and services	113,379	(60,341)	53,038
Capital outlay	40,121	(33,853)	6,268
Debt service	50,900	(32)	50,868
Total expenditures	204,400	(94,226)	110,174
Net change in fund balance	(105,500)	205,125	99,625
Fund balance - beginning	124,800	45,081	169,881
Fund balance - ending	\$ 19,300	\$ 250,206	\$ 269,506

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, 2021

	Original Budget	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES				
Licenses, fees, and permits	\$ 1,500	\$ 1,500	\$ 2,800	\$ 4,300
Franchise fees	68,000	68,000	21,140	89,140
State highway tax	40,000	40,000	6,404	46,404
Grants	-	-	40,478	40,478
Investment earnings	3,000	3,000	(664)	2,336
Miscellaneous	600	600	(600)	-
Total revenues	<u>113,100</u>	<u>113,100</u>	<u>69,558</u>	<u>182,658</u>
EXPENDITURES				
Current				
Personnel services	57,399	67,399	(3,990)	63,409
Materials and services	50,125	50,125	(5,599)	44,526
Capital outlay	344,600	344,600	(230,338)	114,262
Contingency	54,207	44,207	(44,207)	-
Total expenditures	<u>506,331</u>	<u>506,331</u>	<u>(284,134)</u>	<u>222,197</u>
Excess (deficiency) of revenues over (under) expenditures	(393,231)	(393,231)	353,692	(39,539)
OTHER FINANCING SOURCES (USES)				
Transfers in	160,000	160,000	(60,000)	100,000
Transfers out	(9,200)	(9,200)	-	(9,200)
Total other financing sources (uses)	<u>150,800</u>	<u>150,800</u>	<u>(60,000)</u>	<u>90,800</u>
Net change in fund balance	(242,431)	(242,431)	293,692	51,261
Fund balance - beginning	<u>242,431</u>	<u>242,431</u>	<u>299,165</u>	<u>541,596</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 592,857</u>	<u>\$ 592,857</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, 2021

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
Investment earnings	\$ 700	\$ (324)	\$ 376
Rents and leases	<u>20,000</u>	<u>(4,061)</u>	<u>15,939</u>
Total revenues	<u>20,700</u>	<u>(4,385)</u>	<u>16,315</u>
EXPENDITURES			
Current			
Materials and services	226,750	(187,200)	39,550
Capitay outlay	736,176	(736,176)	-
Debt service	<u>155,400</u>	<u>(68)</u>	<u>155,332</u>
Total expenditures	<u>1,118,326</u>	<u>(923,444)</u>	<u>194,882</u>
Excess (deficiency) of revenues over (under) expenditures	(1,097,626)	919,059	(178,567)
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>713,675</u>	<u>(113,675)</u>	<u>600,000</u>
Net change in fund balance	(383,951)	805,384	421,433
Fund balance - beginning	<u>388,865</u>	<u>(118,308)</u>	<u>270,557</u>
Fund balance - ending	<u><u>\$ 4,914</u></u>	<u><u>\$ 687,076</u></u>	<u><u>\$ 691,990</u></u>

CITY OF MANZANITA
Tillamook County, Oregon

COMBINING BALANCE SHEET - MODIFIED CASH BASIS

NONMAJOR GOVERNMENTAL FUNDS

June 30, 2021

	Special Revenue Funds				Capital Projects Funds					Total Nonmajor Governmental Funds
	Housing Rehabilitation Loan Fund	Trust Fund	Municipal Court Trust	Performance Guarantee Deposit Fund	Park Facility Fund	Public Safety Equipment and Facilities Reserve	Public Works Equipment Reserve	Storm Drain Facilities	Puffin LID	
	ASSETS									
Cash and cash equivalents	\$ 106,324	\$ 3,968	\$ 28,197	\$ 1,516	\$ 21,767	\$ 107,138	\$ 114,973	\$ 137,690	\$ 43,640	\$ 565,213
Notes receivable	<u>142,754</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>142,754</u>
Total assets	<u>\$ 249,078</u>	<u>\$ 3,968</u>	<u>\$ 28,197</u>	<u>\$ 1,516</u>	<u>\$ 21,767</u>	<u>\$ 107,138</u>	<u>\$ 114,973</u>	<u>\$ 137,690</u>	<u>\$ 43,640</u>	<u>\$ 707,967</u>
DEFERRED INFLOWS OF RESOURCES										
Unavailable revenue										
- housing loans	\$ 142,754	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 142,754
FUND BALANCES										
Restricted:										
Special projects	106,324	3,968	-	1,516	-	-	-	-	-	111,808
Municipal court	-	-	28,197	-	-	-	-	-	-	28,197
Capital projects	-	-	-	-	21,767	-	-	-	-	21,767
Streets and roads	-	-	-	-	-	-	-	137,690	-	137,690
Committed for:										
Equipment purchases	-	-	-	-	-	107,138	114,973	-	-	222,111
Capital projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,640</u>	<u>43,640</u>
Total fund balances	<u>106,324</u>	<u>3,968</u>	<u>28,197</u>	<u>1,516</u>	<u>21,767</u>	<u>107,138</u>	<u>114,973</u>	<u>137,690</u>	<u>43,640</u>	<u>565,213</u>
Total deferred inflows of resources and fund balances	<u>\$ 249,078</u>	<u>\$ 3,968</u>	<u>\$ 28,197</u>	<u>\$ 1,516</u>	<u>\$ 21,767</u>	<u>\$ 107,138</u>	<u>\$ 114,973</u>	<u>\$ 137,690</u>	<u>\$ 43,640</u>	<u>\$ 707,967</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, 2021

	Special Revenue Funds				Capital Projects Funds					Total Nonmajor Governmental Funds
	Housing Rehabilitation Loan Fund	Trust Fund	Municipal Court Trust	Performance Guarantee Deposit Fund	Park Facility Fund	Public Safety Equipment and Facilities Reserve	Public Works Equipment Reserve	Storm Drain Facilities	Puffin LID	
	REVENUES									
Licenses, permits, and fees	\$ -	\$ -	\$ 83,798	\$ 10,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 94,298
Fines and forfeitures	-	-	-	-	2,400	-	-	7,415	-	9,815
Investment earnings	775	-	-	-	122	639	416	426	-	2,378
Total revenues	<u>775</u>	<u>-</u>	<u>83,798</u>	<u>10,500</u>	<u>2,522</u>	<u>639</u>	<u>416</u>	<u>7,841</u>	<u>-</u>	<u>106,491</u>
EXPENDITURES										
Current										
General government	-	-	-	11,501	-	-	-	-	-	11,501
Public safety	-	-	87,328	-	-	-	-	-	-	87,328
Highways and streets	-	-	-	-	-	-	-	4,770	-	4,770
Capital outlay	-	-	-	-	-	44,898	71,371	1,120	-	117,389
Total expenditures	<u>-</u>	<u>-</u>	<u>87,328</u>	<u>11,501</u>	<u>-</u>	<u>44,898</u>	<u>71,371</u>	<u>5,890</u>	<u>-</u>	<u>220,988</u>
Excess (deficiency) of revenues over (under) expenditures	775	-	(3,530)	(1,001)	2,522	(44,259)	(70,955)	1,951	-	(114,497)
OTHER FINANCING SOURCES (USES)										
Transfers in	-	-	-	-	-	26,200	23,500	60,000	-	109,700
Transfers out	-	-	-	-	-	-	-	-	(1,800)	(1,800)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,200</u>	<u>23,500</u>	<u>60,000</u>	<u>(1,800)</u>	<u>107,900</u>
Net change in fund balances	<u>775</u>	<u>-</u>	<u>(3,530)</u>	<u>(1,001)</u>	<u>2,522</u>	<u>(18,059)</u>	<u>(47,455)</u>	<u>61,951</u>	<u>(1,800)</u>	<u>(6,597)</u>
Fund balances - beginning	<u>105,549</u>	<u>3,968</u>	<u>31,727</u>	<u>2,517</u>	<u>19,245</u>	<u>125,197</u>	<u>162,428</u>	<u>75,739</u>	<u>45,440</u>	<u>571,810</u>
Fund balances - ending	<u>\$ 106,324</u>	<u>\$ 3,968</u>	<u>\$ 28,197</u>	<u>\$ 1,516</u>	<u>\$ 21,767</u>	<u>\$ 107,138</u>	<u>\$ 114,973</u>	<u>\$ 137,690</u>	<u>\$ 43,640</u>	<u>\$ 565,213</u>

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, 2021

	<u>Original and Final Budget</u>	<u>Variance with Final Budget Over (Under)</u>	<u>Actual Cash Basis</u>
REVENUES			
Loan repayments	\$ 10,000	\$ (10,000)	\$ -
Investment earnings	<u>1,500</u>	<u>(725)</u>	<u>775</u>
Total revenues	<u>11,500</u>	<u>(10,725)</u>	<u>775</u>
EXPENDITURES			
Current			
Materials and services	<u>301,330</u>	<u>(301,330)</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(289,830)	290,605	775
Fund balance - beginning	<u>289,830</u>	<u>(184,281)</u>	<u>105,549</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ 106,324</u></u>	<u><u>\$ 106,324</u></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, 2021

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
Investment earnings	\$ 900	\$ 2,390	\$ 3,290
EXPENDITURES			
Current			
Materials and services	5,000	(5,000)	-
Excess (deficiency) of revenues over (under) expenditures	(4,100)	7,390	3,290
OTHER FINANCING SOURCES (USES)			
Transfers out	(500,000)	-	(500,000)
Net change in fund balance	(504,100)	7,390	(496,710)
Fund balance - beginning	519,652	(12,350)	507,302
Fund balance - ending	\$ 15,552	\$ (4,960)	\$ 10,592

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, 2021

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

CITY OF MANZANITA
Tillamook County, Oregon

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

MUNICIPAL COURT TRUST FUND

For the Year Ended June 30, 2021

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	Modified Cash Basis
REVENUES					
Licenses, fees, and permits	\$ -	\$ 83,798	\$ 83,798	\$ -	\$ 83,798
EXPENDITURES					
Current					
Public safety	-	87,328	87,328	-	87,328
Excess (deficiency) of revenues over (under) expenditures	-	(3,530)	(3,530)	-	(3,530)
Fund balance - beginning	-	31,727	31,727	-	31,727
Fund balance - ending	\$ -	\$ 28,197	\$ 28,197	\$ -	\$ 28,197

For reporting purposes, this fund meets the requirements to be reported as a Special Revenue Fund. For budgetary reporting purposes, this fund is considered an Agency Fund, and is exempt from Oregon Budget Law as described in ORS294.361(3).

CITY OF MANZANITA
Tillamook County, Oregon

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

PERFORMANCE GUARANTEE DEPOSIT FUND

For the Year Ended June 30, 2021

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	Modified Cash Basis
REVENUES					
Licenses, fees, and permits	\$ -	\$ 10,500	\$ 10,500	\$ -	\$ 10,500
EXPENDITURES					
Current					
General government	-	11,501	11,501	-	11,501
Excess (deficiency) of revenues over (under) expenditures	-	(1,001)	(1,001)	-	(1,001)
Fund balance - beginning	-	2,517	2,517	-	2,517
Fund balance - ending	<u>\$ -</u>	<u>\$ 1,516</u>	<u>\$ 1,516</u>	<u>\$ -</u>	<u>\$ 1,516</u>

For reporting purposes, this fund meets the requirements to be reported as a Special Revenue Fund. For budgetary reporting purposes, this fund is considered an Agency Fund, and is exempt from Oregon Budget Law as described in ORS294.361(3).

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, 2021

	<u>Original and Final Budget</u>	<u>Variance with Final Budget Over (Under)</u>	<u>Actual Cash Basis</u>
REVENUES			
System development charges	\$ 900	\$ 1,500	\$ 2,400
Investment earnings	<u>200</u>	<u>(78)</u>	<u>122</u>
Total revenues	<u>1,100</u>	<u>1,422</u>	<u>2,522</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)	16,422	2,522
Fund balance - beginning	<u>17,500</u>	<u>1,745</u>	<u>19,245</u>
Fund balance - ending	<u><u>\$ 3,600</u></u>	<u><u>\$ 18,167</u></u>	<u><u>\$ 21,767</u></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, 2021

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
Investment earnings	\$ 1,100	\$ (461)	\$ 639
EXPENDITURES			
Capital outlay	45,000	(102)	44,898
Excess (deficiency) of revenues over (under) expenditures	(43,900)	(359)	(44,259)
OTHER FINANCING SOURCES (USES)			
Transfers in	26,200	-	26,200
Net change in fund balance	(17,700)	(359)	(18,059)
Fund balance - beginning	134,274	(9,077)	125,197
Fund balance - ending	\$ 116,574	\$ (9,436)	\$ 107,138

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, 2021

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
Investment earnings	\$ 700	\$ (284)	\$ 416
EXPENDITURES			
Capital outlay	109,000	(37,629)	71,371
Excess (deficiency) of revenues over (under) expenditures	(108,300)	37,345	(70,955)
OTHER FINANCING SOURCES (USES)			
Transfers in	23,500	-	23,500
Net change in fund balance	(84,800)	37,345	(47,455)
Fund balance - beginning	186,025	(23,597)	162,428
Fund balance - ending	\$ 101,225	\$ 13,748	\$ 114,973

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, 2021

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
System development charges	\$ 3,500	\$ 3,915	\$ 7,415
Investment earnings	700	(274)	426
Total revenues	4,200	3,641	7,841
EXPENDITURES			
Current			
Materials and services	13,500	(8,730)	4,770
Capital outlay	15,000	(13,880)	1,120
Total expenditures	28,500	(22,610)	5,890
Excess (deficiency) of revenues over (under) expenditures	(24,300)	26,251	1,951
OTHER FINANCING SOURCES (USES)			
Transfers in	60,000	-	60,000
Net change in fund balance	35,700	26,251	61,951
Fund balance - beginning	124,000	(48,261)	75,739
Fund balance - ending	\$ 159,700	\$ (22,010)	\$ 137,690

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, 2021

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
Loan repayment	\$ 1,800	\$ (1,800)	-
EXPENDITURES	-	-	-
Excess (deficiency) of revenues over (under) expenditures	1,800	(1,800)	-
OTHER FINANCING SOURCES (USES)			
Transfers out	(1,800)	-	(1,800)
Net change in fund balance	-	(1,800)	(1,800)
Fund balance - beginning	-	45,440	45,440
Fund balance - ending	\$ -	\$ 43,640	\$ 43,640

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, 2021

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	Modified Cash Basis
REVENUES					
Water charges	\$ 1,003,650	\$ (13,583)	\$ 990,067	\$ -	\$ 990,067
Investment earnings	14,000	(3,624)	10,376	-	10,376
Miscellaneous	100	9,755	9,855	-	9,855
Total revenues	<u>1,017,750</u>	<u>(7,452)</u>	<u>1,010,298</u>	<u>-</u>	<u>1,010,298</u>
EXPENSES					
Current					
Personnel services	300,313	(50,786)	249,527	-	249,527
Materials and services	365,175	(33,136)	332,039	(4,102)	327,937
Debt service	172,256	(1,400)	170,856	(70,000)	100,856
Capital outlay	70,000	(70,000)	-	-	-
Depreciation	-	-	-	278,252	278,252
Contingency	199,750	(199,750)	-	-	-
Total expenses	<u>1,107,494</u>	<u>(355,072)</u>	<u>752,422</u>	<u>204,150</u>	<u>956,572</u>
Excess (deficiency) of revenues over (under) expenses	<u>(89,744)</u>	<u>347,620</u>	<u>257,876</u>	<u>(204,150)</u>	<u>53,726</u>
OTHER FINANCING					
SOURCES (USES)					
Capital contributions	-	-	-	20,722	20,722
Transfers out	<u>(360,323)</u>	<u>(113,675)</u>	<u>(246,648)</u>	<u>-</u>	<u>(246,648)</u>
Total other financing sources (uses)	<u>(360,323)</u>	<u>(113,675)</u>	<u>(246,648)</u>	<u>20,722</u>	<u>(225,926)</u>
Change in net position	(450,067)	233,945	11,228	(183,428)	(172,200)
Net position - beginning	<u>450,127</u>	<u>46,050</u>	<u>496,177</u>	<u>5,105,266</u>	<u>5,601,443</u>
Net position - ending	<u>\$ 60</u>	<u>\$ 279,995</u>	<u>\$ 507,405</u>	<u>\$ 4,921,838</u>	<u>\$ 5,429,243</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, 2021

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	Modified Cash Basis
REVENUES					
System development charges	\$ 139,000	\$ 157,700	\$ 296,700	\$ -	\$ 296,700
Investment earnings	35,000	(19,514)	15,486	-	15,486
Total revenues	<u>174,000</u>	<u>138,186</u>	<u>312,186</u>	<u>-</u>	<u>312,186</u>
EXPENSES					
Current					
Materials and services	2,500	(2,500)	-	-	-
Capital outlay	235,000	(212,875)	22,125	(20,722)	1,403
Contingency	26,235	(26,235)	-	-	-
Total expenses	<u>263,735</u>	<u>(241,610)</u>	<u>22,125</u>	<u>(20,722)</u>	<u>1,403</u>
Excess (deficiency) of revenues over (under) expenses	<u>(89,735)</u>	<u>379,796</u>	<u>290,061</u>	<u>20,722</u>	<u>310,783</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	76,800	-	76,800	-	76,800
Transfers out	-	-	-	(20,722)	(20,722)
Total other financing sources (uses)	<u>76,800</u>	<u>-</u>	<u>76,800</u>	<u>(20,722)</u>	<u>56,078</u>
Change in net position	(12,935)	379,796	366,861	-	366,861
Net position - beginning	<u>2,444,367</u>	<u>(45,786)</u>	<u>2,398,581</u>	<u>-</u>	<u>2,398,581</u>
Net position - ending	<u>\$ 2,431,432</u>	<u>\$ 334,010</u>	<u>\$ 2,765,442</u>	<u>\$ -</u>	<u>\$ 2,765,442</u>

OTHER FINANCIAL SCHEDULES

CITY OF MANZANITA
Tillamook County, Oregon

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2021

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
EXPENDITURES				
Administration				
Current				
Personnel services	\$ 500,305	\$ -	\$ 410,553	\$ 410,553
Materials and services	115,470	115,470	63,564	179,034
Capital outlay	<u>3,000</u>	<u>3,000</u>	<u>(776)</u>	<u>2,224</u>
Total administration	<u>618,775</u>	<u>118,470</u>	<u>473,341</u>	<u>591,811</u>
Police department				
Current				
Personnel services	530,693	530,693	(11,320)	519,373
Materials and services	86,150	86,150	(26,703)	59,447
Capital outlay	<u>60,000</u>	<u>60,000</u>	<u>(56,485)</u>	<u>3,515</u>
Total police department	<u>676,843</u>	<u>676,843</u>	<u>(94,508)</u>	<u>582,335</u>
Building department				
Current				
Personnel services	45,987	45,987	3,372	49,359
Materials and services	34,700	34,700	(11,336)	23,364
Capital outlay	<u>750</u>	<u>750</u>	<u>1,109</u>	<u>1,859</u>
Total building department	<u>81,437</u>	<u>81,437</u>	<u>(6,855)</u>	<u>74,582</u>
Court department				
Current				
Personnel services	29,971	29,971	1,238	31,209
Materials and services	10,650	10,650	(2,398)	8,252
Capital outlay	<u>1,000</u>	<u>1,000</u>	<u>(1,000)</u>	<u>-</u>
Total court department	<u>41,621</u>	<u>41,621</u>	<u>(2,160)</u>	<u>39,461</u>
Parks department				
Current				
Personnel services	54,982	-	27,220	27,220
Materials and services	25,550	25,550	3,360	28,910
Capital outlay	<u>28,000</u>	<u>28,000</u>	<u>(28,000)</u>	<u>-</u>
Total parks department	<u>108,532</u>	<u>53,550</u>	<u>2,580</u>	<u>56,130</u>

(Continued)

CITY OF MANZANITA
Tillamook County, Oregon

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2021

(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>60,000</u>	<u>60,000</u>	<u>(60,000)</u>	<u>-</u>
Total civic improvement dept	<u>75,000</u>	<u>75,000</u>	<u>(75,000)</u>	<u>-</u>
Non-departmental				
Current				
Materials and services	33,600	33,600	(32,222)	1,378
Transfers out	286,200	286,200	-	286,200
Contingency	<u>59,974</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-departmental	<u>379,774</u>	<u>319,800</u>	<u>(32,222)</u>	<u>287,578</u>
Total expenditures	<u>\$ 1,981,982</u>	<u>\$ 1,366,721</u>	<u>\$ 265,176</u>	<u>\$ 1,631,897</u>

CITY OF MANZANITA
Tillamook County, Oregon

SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF LONG-TERM DEBT

June 30, 2021

Governmental Activities						
Fiscal Year	Visitor Center Note			Underhill Plaza Note		
	Principal	Interest	Total	Principal	Interest	Total
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	25,016	416	25,432	77,425	1,053	78,478
Total	\$ 294,913	\$ 35,727	\$ 330,640	\$ 919,624	\$ 90,850	\$1,010,474
Business-Type Activities						
FF&C Refunding Bonds						
Fiscal Year	Principal	Interest	Total			
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			
2030-2031	100,000	68,981	168,981			
Thereafter	1,875,000	521,403	2,396,403			
Total	\$ 2,755,000	\$1,358,039	\$4,113,039			

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



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

The Honorable Mike Scott, Mayor
and Members of the City Council
City of Manzanita
Manzanita, Oregon 97130

We have audited the basic financial statements of the City of Manzanita as of and for the year ended June 30, 2021 and have issued our report thereon dated November 9, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

Compliance

As part of obtaining reasonable assurance about whether the City of Manzanita's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

Deposit of public funds with financial institutions (ORS Chapter 295)

Indebtedness limitations, restrictions, and repayment

Budgets legally required (ORS Chapter 294)

Programs funded from outside sources

Insurance and fidelity bonds in force or required by law

Highway revenues used for public highways, roads, and streets

Authorized investment of surplus funds (ORS Chapter 294)

Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)

In connection with our testing, nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except as follows:

A. Budget Adoption

The City's resolution adopting the budget for fiscal year 2020-2021 was not mathematically accurate, and the detail budget document was not in balance for one fund.

OAR 162-010-0230 Internal Control

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, as described below, that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting:

1. A lack of segregation of duties exists due to the limited number of staff. Presently, a single staff member prepares checks, reconciles bank statements, performs payroll duties, and maintains utility billing accounts.

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


Accuity, LLC
Albany, Oregon
November 9, 2021



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable Mike Scott, Mayor
and Members of the City Council
City of Manzanita
Manzanita, Oregon 97130

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Manzanita, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 9, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

We did identify certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Manzanita's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, as described below:

A. Budget Adoption

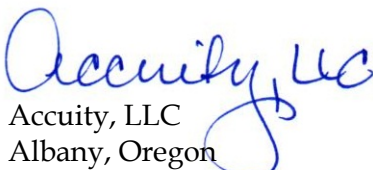
The City's resolution adopting the budget for fiscal year 2020-2021 was not mathematically accurate, and the detail budget document was not in balance for one fund.

City of Manzanita's Response to Findings

The City of Manzanita, Oregon's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City of Manzanita, Oregon's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

This report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Accuity, LLC
Albany, Oregon
November 9, 2021

CITY OF MANZANITA
Tillamook County, Oregon

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2021

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.
	Response
FS-01	Management continually evaluates the monitoring and controls established to ensure risks are mitigated.