



CITY OF MANZANITA
Tillamook County, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2022



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CERTIFIED PUBLIC ACCOUNTANTS

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CITY OF MANZANITA
Tillamook County, Oregon

CITY OFFICIALS

June 30, 2022

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

Leila Aman
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

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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 aggregate remaining fund information of the City of Manzanita, Tillamook County, Oregon as of June 30, 2022, and the respective changes in modified cash basis financial position thereof for the year then ended on the basis of accounting described in Note I.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Manzanita, Tillamook County, Oregon, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - Basis of Accounting

We draw attention to Note I of the financial statements, which describes the basis of accounting. The City of Manzanita, Tillamook County, Oregon, 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.

Emphasis of Matter - Change in Accounting Principle

As described in the notes to the financial statements, in the year ended June 30, 2022, the City adopted new accounting guidance: GASB Statement No. 83, *Certain Asset Retirement Obligations*, Statement No. 87, *Leases*, Statement No. 92, *Omnibus 2020*, and 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 Statement No. 14 and No. 84, and a supersession of GASB Statement No. 32*. Our opinions are not modified with respect to this matter.

Responsibilities of Management 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, and for 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 misstatements, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Manzanita, Tillamook County, Oregon's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Manzanita, Tillamook County, Oregon's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Manzanita, Tillamook County, Oregon’s basic financial statements. The individual fund financial statements, if applicable, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements, if applicable, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other financial schedules, 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 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 February 1, 2023 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2023, 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.

Accuity, LLC

By: 
Glen O. Kearns, CPA

Albany, Oregon
February 1, 2023

BASIC FINANCIAL STATEMENTS

CITY OF MANZANITA
Tillamook County, Oregon

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

June 30, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 3,937,175	\$ 454,017	\$ 4,391,192
Restricted assets			
Cash and cash equivalents	914,881	3,282,854	4,197,735
Notes receivable - housing rehab loans	142,754	-	142,754
Total restricted assets	1,057,635	3,282,854	4,340,489
Capital assets not being depreciated	2,188,671	173,333	2,362,004
Capital assets being depreciated, net	3,437,365	7,259,944	10,697,309
Total assets	10,620,846	11,170,148	21,790,994
LIABILITIES			
Current liabilities			
Long-term debt, current portion	177,312	75,000	252,312
Total current liabilities	177,312	75,000	252,312
Noncurrent liabilities			
Long-term debt, less current portion	864,934	2,605,000	3,469,934
Total liabilities	1,042,246	2,680,000	3,722,246
NET POSITION			
Net investment in capital assets	4,583,790	4,753,277	9,337,067
Restricted for:			
System development	-	3,282,854	3,282,854
Capital projects and street maintenance	24,134	-	24,134
Special projects	452,925	-	452,925
Tourism promotion	437,822	-	437,822
Unrestricted	4,079,929	454,017	4,533,946
Total net position	\$ 9,578,600	\$ 8,490,148	\$ 18,068,748

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, 2022

Functions/Programs	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	\$1,132,294	\$ 841,218	\$ -	\$ -	\$ (291,076)	\$ -	\$ (291,076)
Public safety	661,029	136,276	-	-	(524,753)	-	(524,753)
Highways and streets	173,240	-	10,924	8,718	(153,598)	-	(153,598)
Culture and recreation	105,504	840	-	-	(104,664)	-	(104,664)
Unallocated depreciation	232,735	-	-	-	(232,735)	-	(232,735)
Total governmental activities	<u>\$2,304,802</u>	<u>\$ 978,334</u>	<u>\$ 10,924</u>	<u>\$ 8,718</u>	<u>(1,306,826)</u>	<u>-</u>	<u>(1,306,826)</u>
Business-Type activities							
Water	<u>\$1,067,684</u>	<u>\$1,133,172</u>	<u>\$ 55,418</u>	<u>\$ 282,900</u>	-	403,806	403,806
General revenues							
Property taxes					249,564	-	249,564
Transient lodging tax					1,890,231	-	1,890,231
State highway tax					50,033	-	50,033
Alcohol and cigarette taxes					12,357	-	12,357
Privilege taxes					6,136	-	6,136
Franchise fees					161,414	-	161,414
Unrestricted grants and contributions					73,368	-	73,368
State revenue sharing					17,536	-	17,536
Investment earnings					24,268	18,472	42,740
Sale of assets					29,029	-	29,029
Miscellaneous					41,924	1,194	43,118
Total general revenues					<u>2,555,860</u>	<u>19,666</u>	<u>2,575,526</u>
Transfers					<u>128,008</u>	<u>(128,008)</u>	<u>-</u>
Change in net position					1,377,042	295,464	1,672,506
Net position - beginning					<u>8,201,558</u>	<u>8,194,684</u>	<u>16,396,242</u>
Net position - ending					<u>\$ 9,578,600</u>	<u>\$ 8,490,148</u>	<u>\$ 18,068,748</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, 2022

	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	\$ 2,317,045	\$ 437,822	\$ 736,404	\$ 623,161	\$ 12,941	\$ 724,683	\$ 4,852,056
Notes receivable	-	-	-	-	-	142,754	142,754
Total assets	<u>\$ 2,317,045</u>	<u>\$ 437,822</u>	<u>\$ 736,404</u>	<u>\$ 623,161</u>	<u>\$ 12,941</u>	<u>\$ 867,437</u>	<u>\$ 4,994,810</u>
LIABILITIES							
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - housing rehab loans	-	-	-	-	-	142,754	142,754
FUND BALANCES							
Restricted	-	437,822	-	-	-	477,059	914,881
Committed	-	-	736,404	623,161	12,941	247,624	1,620,130
Unassigned	<u>2,317,045</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,317,045</u>
Total fund balances	<u>2,317,045</u>	<u>437,822</u>	<u>736,404</u>	<u>623,161</u>	<u>12,941</u>	<u>724,683</u>	<u>4,852,056</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,317,045</u>	<u>\$ 437,822</u>	<u>\$ 736,404</u>	<u>\$ 623,161</u>	<u>\$ 12,941</u>	<u>\$ 867,437</u>	<u>\$ 4,994,810</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, 2022

Total fund balances		\$ 4,852,056
Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds:		
Cost	8,622,910	
Accumulated depreciation	<u>(2,996,874)</u>	5,626,036
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		(1,042,246)
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>\$ 9,578,600</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, 2022

	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	\$ 249,564	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 249,564
Intergovernmental	43,720	-	-	-	-	-	43,720
Licenses, fees, and permits	593,890	-	-	-	-	309,131	903,021
Franchise fees	63,295	-	98,119	-	-	-	161,414
State liquor taxes	11,810	-	-	-	-	-	11,810
State cigarette taxes	547	-	-	-	-	-	547
State revenue sharing	17,536	-	-	-	-	-	17,536
State highway tax	-	-	50,033	-	-	-	50,033
Excise tax	6,136	-	-	-	-	-	6,136
Grants and contributions	73,368	-	10,924	-	-	-	84,292
Short-term rental tax	1,628,971	261,260	-	-	-	-	1,890,231
Fines and forfeitures	23,439	-	-	-	-	8,718	32,157
Investment earnings	17,276	699	1,976	268	2,350	1,699	24,268
Rents and leases	-	-	-	7,314	-	-	7,314
Other revenue	41,924	-	-	-	-	840	42,764
Total revenues	2,771,476	261,959	161,052	7,582	2,350	320,388	3,524,807
EXPENDITURES							
Current							
General government	955,781	-	-	2,602	-	155,465	1,113,848
Public safety	538,525	-	-	-	-	51,737	590,262
Highways and streets	126	-	170,431	-	-	1,173	171,730
Culture and recreation	29,460	40,520	-	-	-	-	69,980
Debt service	-	50,868	-	155,332	-	-	206,200
Capital outlay	9,013	2,255	27,874	73,877	-	62,632	175,651
Total expenditures	1,532,905	93,643	198,305	231,811	-	271,007	2,327,671
Excess (deficiency) of revenues over (under) expenditures	1,238,571	168,316	(37,253)	(224,229)	2,350	49,381	1,197,136
OTHER FINANCING SOURCES (USES)							
Sale of assets	-	-	-	-	-	29,029	29,029
Transfers in	157,348	-	190,000	155,400	-	124,700	627,448
Transfers out	(446,600)	-	(9,200)	-	-	(43,640)	(499,440)
Total other financing sources (uses)	(289,252)	-	180,800	155,400	-	110,089	157,037
Net change in fund balances	949,319	168,316	143,547	(68,829)	2,350	159,470	1,354,173
Fund balances - beginning	1,367,726	269,506	592,857	691,990	10,591	565,213	3,497,883
Fund balances - ending	\$ 2,317,045	\$ 437,822	\$ 736,404	\$ 623,161	\$ 12,941	\$ 724,683	\$ 4,852,056

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

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, 2022

Net change in fund balances \$ 1,354,173

Amounts reported for governmental activities in the statement of activities are different because:

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

Expenditures for capital assets	86,339	
Disposal of capital assets, net	(3,026)	
Less current year depreciation	<u>(232,735)</u>	(149,422)

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

Debt principal paid	<u>172,291</u>	
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Change in net position \$ 1,377,042

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, 2022

	Business-Type Activities - Enterprise Funds		
	Water Operating	Water Construction	Totals
ASSETS			
Current assets			
Cash and cash equivalents	\$ 454,017	\$ -	\$ 454,017
Restricted assets			
Cash and cash equivalents	-	3,282,854	3,282,854
Capital assets not being depreciated	173,333	-	173,333
Capital assets being depreciated, net	7,259,944	-	7,259,944
Total assets	7,887,294	3,282,854	11,170,148
LIABILITIES			
Current liabilities			
Long-term debt, current portion	75,000	-	75,000
Noncurrent liabilities			
Long-term debt, less current portion	2,605,000	-	2,605,000
Total liabilities	2,680,000	-	2,680,000
NET POSITION			
Net investment in capital assets	4,753,277	-	4,753,277
Restricted for:			
System development	-	3,282,854	3,282,854
Unrestricted	454,017	-	454,017
Total net position	\$ 5,207,294	\$ 3,282,854	\$ 8,490,148

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, 2022

	Business-Type Activities - Enterprise Funds		
	Water Operating	Water Construction	Totals
Operating revenues			
Water charges	\$ 1,133,172	\$ -	\$ 1,133,172
Total operating revenues	<u>1,133,172</u>	<u>-</u>	<u>1,133,172</u>
Operating expenses			
Payroll and related costs	332,848	-	332,848
Plant and well operations	355,417	1	355,418
Depreciation	<u>280,737</u>	<u>-</u>	<u>280,737</u>
Total operating expenses	<u>969,002</u>	<u>1</u>	<u>969,003</u>
Operating income (loss)	<u>164,170</u>	<u>(1)</u>	<u>164,169</u>
Nonoperating revenues (expenses)			
System development charges	-	282,900	282,900
Grants	55,418	-	55,418
Other income	1,194	-	1,194
Investment earnings	7,412	11,060	18,472
Interest expense	<u>(98,681)</u>	<u>-</u>	<u>(98,681)</u>
Total nonoperating revenues (expenses)	<u>(34,657)</u>	<u>293,960</u>	<u>259,303</u>
Income (loss) before contributions and transfers	129,513	293,959	423,472
Transfers in	20,186	243,640	263,826
Transfers out	<u>(371,648)</u>	<u>(20,186)</u>	<u>(391,834)</u>
Change in net position	(221,949)	517,413	295,464
Total net position - beginning	<u>5,429,243</u>	<u>2,765,441</u>	<u>8,194,684</u>
Total net position - ending	<u>\$ 5,207,294</u>	<u>\$ 3,282,854</u>	<u>\$ 8,490,148</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, 2022

	Business-Type Activities - Enterprise Funds		
	Water	Water	Totals
	Operating	Construction	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,133,172	\$ -	\$ 1,133,172
Cash payments for payroll and related costs	(332,848)	-	(332,848)
Cash payments for operating expenses	(355,417)	(1)	(355,418)
Net cash provided (used) by operating activities	444,907	(1)	444,906
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Miscellaneous revenues	1,194	-	1,194
Net cash provided (used) by noncapital financing activities	1,194	-	1,194
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
System development charges	-	282,900	282,900
Grants	55,418	-	55,418
Long-term debt payments	(173,681)	-	(173,681)
Capital asset purchases	(16,987)	(20,186)	(37,173)
Transfers from (to) other funds for capital purchases	(371,648)	243,640	(128,008)
Net cash provided (used) by capital and related financing activities	(506,898)	506,354	(544)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	7,412	11,060	18,472
Net cash provided (used) by investing activities	7,412	11,060	18,472
Net increase (decrease) in cash and cash equivalents	(53,385)	517,413	462,834
Cash and cash equivalents - ending	507,402	2,765,441	3,272,843
Cash and cash equivalents - ending	\$ 454,017	\$ 3,282,854	\$ 3,736,871

(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, 2022

(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)	\$ 164,170	\$ (1)	\$ 164,169
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	280,737	-	280,737
Net cash provided (used) by operating activities	\$ 444,907	\$ (1)	\$ 444,906
Noncash investing, capital, and financing activities			
Contributions of capital assets	\$ 20,186	\$ (20,186)	\$ -

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, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Manzanita have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting principles are described below.

A. Description of Government-Wide Financial Statements

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

B. Reporting Entity

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

C. Basis of Presentation - Government-Wide Financial Statements

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments and other charges between the government's various functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation - Fund Financial Statements

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

CITY OF MANZANITA
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

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.

CITY OF MANZANITA
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

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.

CITY OF MANZANITA
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

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.

CITY OF MANZANITA
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

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.

CITY OF MANZANITA
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

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.

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

CITY OF MANZANITA
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

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.

CITY OF MANZANITA
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

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.

CITY OF MANZANITA
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

- 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.

CITY OF MANZANITA
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

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 Annual Comprehensive Financial Report (ACFR). A copy of the State's ACFR 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, 2022.

CITY OF MANZANITA
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

Fair values of assets measured on a recurring basis at June 30, 2022 are as follows:

	Level 2
Investments:	
Oregon Local Government Investment Pool	\$ 8,449,284

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, 2022, the City had the following investments:

	Credit Quality Rating	Maturities	Fair Value
Oregon Local Government Investment Pool	Unrated	-	\$ 8,449,284

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.

CITY OF MANZANITA
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NOTES TO BASIC FINANCIAL STATEMENTS

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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 an account at US Bank, for which deposits are insured up to \$250,000. At June 30, 2022 the City had deposits of \$186,176 insured by the FDIC.

Deposits

The City's deposits and investments at June 30, 2022 are as follows:

Checking accounts	\$ 139,643
Total investments	<u>8,449,284</u>
Total deposits and investments	<u><u>\$ 8,588,927</u></u>

Cash and investments by fund:

Governmental activities - unrestricted	
General Fund	\$ 2,317,045
Road Fund	736,404
City Hall Expansion Fund	623,161
Timber Management Fund	12,941
Nonmajor governmental funds	<u>247,624</u>
Total governmental activities - unrestricted	<u>3,937,175</u>
Business-type activities - unrestricted	
Water Operating Fund	<u>454,017</u>
Subtotal unrestricted cash and investments	<u>4,391,192</u>
Governmental activities - restricted	
Tourism and Promotion Fund	437,822
Nonmajor governmental funds	<u>477,059</u>
Total governmental activities - restricted	<u>914,881</u>
Business-type activities - restricted	
Water Construction Fund	<u>3,282,854</u>
Subtotal restricted cash and investments	<u>4,197,735</u>
Total cash and investments	<u><u>\$ 8,588,927</u></u>

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

CITY OF MANZANITA
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

B. Capital Assets

Governmental capital asset activity resulting from modified cash basis transactions for the year ended June 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land and improvements	\$ 2,154,139	\$ -	\$ -	\$ 2,154,139
Construction in progress	<u>-</u>	<u>34,532</u>	<u>-</u>	<u>34,532</u>
Total capital assets not being depreciated	<u>2,154,139</u>	<u>34,532</u>	<u>-</u>	<u>2,188,671</u>
Capital assets being depreciated				
Buildings	1,329,483	-	-	1,329,483
Vehicles and equipment	780,549	51,807	(8,253)	824,103
Infrastructure	<u>4,280,653</u>	<u>-</u>	<u>-</u>	<u>4,280,653</u>
Total capital assets being depreciated	<u>6,390,685</u>	<u>51,807</u>	<u>(8,253)</u>	<u>6,434,239</u>
Less accumulated depreciation for				
Buildings	(604,400)	(32,046)	-	(636,446)
Vehicles and equipment	(468,859)	(42,478)	5,227	(506,110)
Infrastructure	<u>(1,696,107)</u>	<u>(158,211)</u>	<u>-</u>	<u>(1,854,318)</u>
Total accumulated depreciation	<u>(2,769,366)</u>	<u>(232,735)</u>	<u>5,227</u>	<u>(2,996,874)</u>
Total capital assets being depreciated, net	<u>3,621,319</u>	<u>(180,928)</u>	<u>(3,026)</u>	<u>3,437,365</u>
Governmental activities capital assets, net	<u>\$ 5,775,458</u>	<u>\$ (146,396)</u>	<u>\$ (3,026)</u>	<u>\$ 5,626,036</u>

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

	Capital Assets	Accumulated Depreciation	Net Capital Assets
Governmental activities			
Land and improvements	\$ 2,154,139	\$ -	\$ 2,154,139
Construction in progress	34,532	-	34,532
Buildings	1,329,483	(636,446)	693,037
Vehicles and equipment	824,103	(506,110)	317,993
Infrastructure	<u>4,280,653</u>	<u>(1,854,318)</u>	<u>2,426,335</u>
Total governmental activities capital assets	<u>\$ 8,622,910</u>	<u>\$ (2,996,874)</u>	<u>\$ 5,626,036</u>

CITY OF MANZANITA
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

Business-type capital asset activity resulting from modified cash basis transactions for the year ended June 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land and improvements	\$ 153,147	\$ -	\$ -	\$ 153,147
Construction in progress	<u>-</u>	<u>20,186</u>	<u>-</u>	<u>20,186</u>
Total capital assets not being depreciated	<u>153,147</u>	<u>20,186</u>	<u>-</u>	<u>173,333</u>
Capital assets being depreciated				
Buildings	115,709	-	-	115,709
Vehicles and equipment	211,247	16,990	-	228,237
Water system	<u>11,495,436</u>	<u>-</u>	<u>-</u>	<u>11,495,436</u>
Total capital assets being depreciated	<u>11,822,392</u>	<u>16,990</u>	<u>-</u>	<u>11,839,382</u>
Less accumulated depreciation for				
Buildings	(73,824)	(2,784)	-	(76,608)
Vehicles and equipment	(127,102)	(13,810)	-	(140,912)
Water system	<u>(4,097,775)</u>	<u>(264,143)</u>	<u>-</u>	<u>(4,361,918)</u>
Total accumulated depreciation	<u>(4,298,701)</u>	<u>(280,737)</u>	<u>-</u>	<u>(4,579,438)</u>
Total capital assets being depreciated, net	<u>7,523,691</u>	<u>(263,747)</u>	<u>-</u>	<u>7,259,944</u>
Business-type activities capital assets, net	<u>\$7,676,838</u>	<u>\$ (243,561)</u>	<u>\$ -</u>	<u>\$7,433,277</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
Construction in progress	20,186	-	20,186
Buildings	115,709	(76,608)	39,101
Vehicles and equipment	228,237	(140,912)	87,325
Water system	<u>11,495,436</u>	<u>(4,361,918)</u>	<u>7,133,518</u>
Total business-type activities capital assets	<u>\$ 12,012,715</u>	<u>\$ (4,579,438)</u>	<u>\$ 7,433,277</u>

CITY OF MANZANITA
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

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

	Governmental Activities	Business-Type Activities	Total
Capital assets not being depreciated	\$ 2,188,671	\$ 173,333	\$ 2,362,004
Capital assets being depreciated, net	3,437,365	7,259,944	10,697,309
Total capital assets	\$ 5,626,036	\$ 7,433,277	\$ 13,059,313

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	\$ 232,735
Business-type activities	
Water	\$ 280,737

C. Interfund Transfers

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

	Transfers in:					
General Fund	Road Fund	City Hall Expansion Fund	Nonmajor Governmental Funds	Water Construction Fund	Total	
Transfers out:						
Governmental activities						
General Fund	\$ -	\$ 190,000	\$ 155,400	\$ 101,200	\$ -	\$ 446,600
Road Fund	-	-	-	9,200	-	9,200
Nonmajor governmental funds	-	-	-	-	43,640	43,640
Business-type activities						
Water Operating Fund	157,348	-	-	14,300	200,000	371,648
Total	\$ 157,348	\$ 190,000	\$ 155,400	\$ 124,700	\$ 243,640	\$ 871,088

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, 2022

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	\$ 294,913	\$ -	\$ 41,331	\$ 253,582	\$ 42,727
Underhill Plaza Note	2.75%	<u>1,350,000</u>	<u>919,624</u>	<u>-</u>	<u>130,960</u>	<u>788,664</u>	<u>134,585</u>
Total Governmental Activities		<u>\$1,925,000</u>	<u>\$ 1,214,537</u>	<u>\$ -</u>	<u>\$ 172,291</u>	<u>\$ 1,042,246</u>	<u>\$ 177,312</u>
Business-type activities							
FF&C Refunding Bonds	3.0-4.0%	<u>\$2,960,000</u>	<u>\$ 2,755,000</u>	<u>\$ -</u>	<u>\$ 75,000</u>	<u>\$ 2,680,000</u>	<u>\$ 75,000</u>

The City paid \$33,909 and \$98,681 in interest on long-term liabilities during the year ended June 30, 2022 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 principal 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
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

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
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	48,799	2,069	50,868	150,123	5,211	155,334
2028	25,016	418	25,434	77,425	1,053	78,478
	<u>\$ 253,582</u>	<u>\$ 26,192</u>	<u>\$ 279,774</u>	<u>\$ 788,664</u>	<u>\$ 66,477</u>	<u>\$ 855,141</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
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	90,000	82,056	172,056
2028-2032	495,000	360,124	855,124
2033-2037	585,000	270,879	855,879
2038-2042	700,000	157,028	857,028
2043-2045	485,000	27,846	512,846
	<u>\$ 2,680,000</u>	<u>\$ 1,260,058</u>	<u>\$ 3,940,058</u>

CITY OF MANZANITA
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 197,751	\$ 197,751
Capital projects	-	-	-	-	-	24,134	24,134
Tourism promotion	-	437,822	-	-	-	-	437,822
Municipal court	-	-	-	-	-	45,577	45,577
Streets and roads	-	-	-	-	-	209,597	209,597
Committed:							
Streets and roads	-	-	736,404	-	-	-	736,404
City Hall expansion	-	-	-	623,161	-	-	623,161
Capital projects	-	-	-	-	12,941	-	12,941
Equipment purchases	-	-	-	-	-	247,624	247,624
Unassigned	2,317,045	-	-	-	-	-	2,317,045
Total fund balances	<u>\$ 2,317,045</u>	<u>\$ 437,822</u>	<u>\$ 736,404</u>	<u>\$ 623,161</u>	<u>\$ 12,941</u>	<u>\$ 724,683</u>	<u>\$ 4,852,056</u>

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Excess of Expenditures Over Appropriations

During the year ended June 30, 2022, the City expended funds in excess of appropriations as follows:

Fund	Function	Appropriations	Expenditures	Excess
General Fund	Revenue Department 100	\$ -	\$ 385,100	\$ 385,100
General Fund	Road Department	\$ -	\$ 2,363	\$ 2,363
Water Operating	Debt Service	\$ 172,981	\$ 173,681	\$ 700

IV. 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.

CITY OF MANZANITA
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

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 (Plan) for units of state government, 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, 2021, there were 941 participating employers.

Plan Membership

As of June 30, 2021, there were 13,991 active plan members, 129,357 retired plan members or their beneficiaries currently receiving benefits, 9,103 inactive plan members entitled to but not yet receiving benefits, for a total of 152,451 Tier One members.

For Tier Two members, as of June 30, 2021, there were 29,322 active plan members, 18,832 retired plan members or their beneficiaries currently receiving benefits, 13,498 inactive plan members entitled to but not yet receiving benefits, for a total of 61,652.

As of June 30, 2021, there were 136,785 active plan members, 8,311 retired plan members or their beneficiaries currently receiving benefits, 7,520 inactive plan members entitled to but not yet receiving benefits, and 18,263 inactive plan members not eligible for refund or retirements, for a total of 170,879 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.

CITY OF MANZANITA
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

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. 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.

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Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

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

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, 2022

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, 2019 actuarial valuation, which became effective July 1, 2020. 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, 2022 were \$224,295.

Annual Comprehensive Financial Report (ACFR)

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/2021-ACFR.pdf>

CITY OF MANZANITA
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

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, 2019
Measurement Date	June 30, 2021
Experience Study	2018, published July 24, 2019
<i>Actuarial Assumptions:</i>	
Actuarial Cost Method	Entry age normal
Inflation Rate	2.40 percent
Long-term Expected Rate of Return	6.90 percent
Discount Rate	6.90 percent
Projected Salary Increases	3.40 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.
Mortality	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.

CITY OF MANZANITA
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

	<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, 2021 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.

Discount Rate

The discount rate used to measure the total pension liability was 6.90 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.

CITY OF MANZANITA
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

Depletion Date Projection

GASB 68 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 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) 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 68 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 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in June 2021 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

CITY OF MANZANITA
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

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/2021-ACFR.pdf>

OIC Target and Actual Investment Allocation as of June 30, 2021

<u>Asset Class/Strategy</u>	<u>OIC Policy Low Range</u>	<u>OIC Policy High Range</u>	<u>OIC Target Allocation</u>	<u>Actual Allocation²</u>
Debt Securities	15.0%	25.0%	20.0%	20.8%
Public Equity	27.5%	37.5%	32.5%	29.4%
Real Estate	9.5%	15.5%	12.5%	10.5%
Private Equity	14.0%	21.0%	17.5%	25.1%
Alternatives Portfolio	7.5%	17.5%	15.0%	9.5%
Opportunity Portfolio ¹	0.0%	5.0%	0.0%	2.3%
Risk Parity	0.0%	2.5%	2.5%	2.4%
Total			100.0%	100.0%

¹Opportunity Portfolio is an investment strategy, and it may be invested up to 5% of total Fund assets.

² Based on the actual investment value at 6/30/2021.

C. New Pronouncements

For the fiscal year ended June 30, 2022, the City implemented the following new accounting standards:

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.

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.

CITY OF MANZANITA
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

GASB Statement No. 92, Omnibus 2020. This statement was issued January 2020 and enhances comparability in accounting and financial reporting to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to leases implementation, derivative instruments, postemployment benefits (pensions and other postemployment benefits), asset retirement obligations, risk pool and fair value measurements.

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 Statement No. 14 and No. 84, and a supersession of GASB Statement No. 32. The primary objectives are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension/OPEB plans and employee benefit plans other than pension/OPEB plans, as fiduciary component units in fiduciary fund financial statement; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meets the definition of a pension plan and for benefits provided through those plans.

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. 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*).

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.

CITY OF MANZANITA
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

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.

3. Architectural Service Agreement

In June 2022, the City entered into an architectural service agreement with a not to exceed maximum of \$399,845.

4. Professional Services Agreement

In June 2022, the City entered into a professional services agreement with Tillamook Coast Visitor's Association to manage the Manzanita Visitor's Center for the 2022-2023 fiscal year in the amount of \$44,490.

E. Subsequent Events

Management has evaluated subsequent events through February 1, 2023, 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, 2022

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		
				Budget Basis	Adjustments	Modified Cash Basis
REVENUES						
Property taxes	\$ 228,000	\$ 228,000	\$ 21,564	\$ 249,564	\$ -	\$ 249,564
Intergovernmental	53,000	53,000	(9,280)	43,720	-	43,720
Licenses, fees, and permits	218,800	218,800	375,090	593,890	-	593,890
Franchise fees	57,100	57,100	6,195	63,295	-	63,295
State liquor taxes	11,342	11,342	468	11,810	-	11,810
State cigarette taxes	466	466	81	547	-	547
State revenue sharing	22,000	22,000	(4,464)	17,536	-	17,536
Excise taxes	-	-	6,136	6,136	-	6,136
Grants and contributions	147,000	147,000	(73,632)	73,368	-	73,368
Short-term rental tax	821,900	821,900	807,071	1,628,971	-	1,628,971
Fines and forfeitures	60,000	60,000	(36,561)	23,439	-	23,439
Investment earnings	10,000	10,000	7,276	17,276	-	17,276
Other revenue	1,000	1,000	40,924	41,924	-	41,924
Total revenues	1,630,608	1,630,608	1,140,868	2,771,476	-	2,771,476
EXPENDITURES						
Revenue department-100	-	-	385,100	385,100	-	385,100
Administration-110	666,732	716,732	(326,113)	390,619	-	390,619
Police department-125	671,213	671,213	(141,055)	530,158	-	530,158
Building department-120	124,404	134,404	(28,338)	106,066	-	106,066
Court department-130	68,160	73,160	(6,171)	66,989	-	66,989
Parks department-135	88,914	88,914	(52,689)	36,225	-	36,225
Civic improvement dept-140	70,000	70,000	(10,000)	60,000	-	60,000
Road department-150	-	-	2,363	2,363	-	2,363
Non-departmental-190	572,400	572,400	(170,415)	401,985	(231,200)	170,785
Contingency	137,974	72,974	(72,974)	-	-	-
Total expenditures	2,399,797	2,399,797	(420,292)	1,979,505	(231,200)	1,748,305
Excess (deficiency) of revenues over (under) expenditures	(769,189)	(769,189)	1,561,160	791,971	231,200	1,023,171
OTHER FINANCING SOURCES (USES)						
Transfers in	157,348	157,348	-	157,348	-	157,348
Transfers out	-	-	-	-	(231,200)	(231,200)
Total other financing sources (uses)	157,348	157,348	-	157,348	(231,200)	(73,852)
Net change in fund balance	(611,841)	(611,841)	1,561,160	949,319	-	949,319
Fund balance - beginning	728,291	728,291	639,435	1,367,726	-	1,367,726
Fund balance - ending	\$ 116,450	\$ 116,450	\$ 2,200,595	\$ 2,317,045	\$ -	\$ 2,317,045

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, 2022

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
Transient room tax	\$ 151,400	\$ 109,860	\$ 261,260
Investment earnings	1,000	(301)	699
Total revenues	152,400	109,559	261,959
EXPENDITURES			
Current			
Materials and services	120,000	(80,120)	39,880
Capital outlay	11,000	(8,105)	2,895
Debt service	50,900	(32)	50,868
Total expenditures	181,900	(88,257)	93,643
Net change in fund balance	(29,500)	197,816	168,316
Fund balance - beginning	189,324	80,182	269,506
Fund balance - ending	\$ 159,824	\$ 277,998	\$ 437,822

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, 2022

	<u>Original and Final Budget</u>	<u>Variance with Final Budget Over (Under)</u>	<u>Actual Cash Basis</u>
REVENUES			
Licenses, fees, and permits	\$ 2,000	\$ (2,000)	\$ -
Franchise fees	68,000	30,119	98,119
State highway tax	46,471	3,562	50,033
Grants	-	10,924	10,924
Investment earnings	2,000	(24)	1,976
Miscellaneous	<u>100</u>	<u>(100)</u>	<u>-</u>
Total revenues	<u>118,571</u>	<u>42,481</u>	<u>161,052</u>
EXPENDITURES			
Current			
Personnel services	119,545	(12,826)	106,719
Materials and services	69,400	(5,688)	63,712
Capital outlay	594,000	(566,126)	27,874
Contingency	<u>48,079</u>	<u>(48,079)</u>	<u>-</u>
Total expenditures	<u>831,024</u>	<u>(632,719)</u>	<u>198,305</u>
Excess (deficiency) of revenues over (under) expenditures	(712,453)	675,200	(37,253)
OTHER FINANCING SOURCES (USES)			
Transfers in	190,000	-	190,000
Transfers out	<u>(9,200)</u>	<u>-</u>	<u>(9,200)</u>
Total other financing sources (uses)	<u>180,800</u>	<u>-</u>	<u>180,800</u>
Net change in fund balance	(531,653)	675,200	143,547
Fund balance - beginning	<u>531,653</u>	<u>61,204</u>	<u>592,857</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ 736,404</u></u>	<u><u>\$ 736,404</u></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, 2022

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
Investment earnings	\$ 400	\$ (132)	\$ 268
Rents and leases	15,000	(7,686)	7,314
Total revenues	15,400	(7,818)	7,582
EXPENDITURES			
Current			
Materials and services	126,500	(50,021)	76,479
Capitay outlay	560,000	(560,000)	-
Debt service	155,400	(68)	155,332
Total expenditures	841,900	(610,089)	231,811
Excess (deficiency) of revenues over (under) expenditures	(826,500)	602,271	(224,229)
OTHER FINANCING SOURCES (USES)			
Transfers in	155,400	-	155,400
Net change in fund balance	(671,100)	602,271	(68,829)
Fund balance - beginning	675,800	16,190	691,990
Fund balance - ending	\$ 4,700	\$ 618,461	\$ 623,161

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, 2022

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
Investment earnings	\$ 300	\$ 2,050	\$ 2,350
EXPENDITURES			
Current			
Materials and services	5,000	(5,000)	-
Excess (deficiency) of revenues over (under) expenditures	(4,700)	7,050	2,350
Fund balance - beginning	10,402	189	10,591
Fund balance - ending	\$ 5,702	\$ 7,239	\$ 12,941

CITY OF MANZANITA
Tillamook County, Oregon

COMBINING BALANCE SHEET - MODIFIED CASH BASIS

NONMAJOR GOVERNMENTAL FUNDS

June 30, 2022

	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	
ASSETS									
Cash and cash equivalents	\$ 107,718	\$ 3,968	\$ 45,577	\$ 86,065	\$ 24,134	\$ 102,850	\$ 144,774	\$ 209,597	\$ 724,683
Notes receivable	142,754	-	-	-	-	-	-	-	142,754
Total assets	<u>\$ 250,472</u>	<u>\$ 3,968</u>	<u>\$ 45,577</u>	<u>\$ 86,065</u>	<u>\$ 24,134</u>	<u>\$ 102,850</u>	<u>\$ 144,774</u>	<u>\$ 209,597</u>	<u>\$ 867,437</u>
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue									
- housing loans	\$ 142,754	-	-	-	-	-	-	-	\$ 142,754
FUND BALANCES									
Restricted:									
Special projects	107,718	3,968	-	86,065	-	-	-	-	197,751
Municipal court	-	-	45,577	-	-	-	-	-	45,577
Capital projects	-	-	-	-	24,134	-	-	-	24,134
Streets and roads	-	-	-	-	-	-	-	209,597	209,597
Committed for:									
Equipment purchases	-	-	-	-	-	102,850	144,774	-	247,624
Total fund balances	<u>107,718</u>	<u>3,968</u>	<u>45,577</u>	<u>86,065</u>	<u>24,134</u>	<u>102,850</u>	<u>144,774</u>	<u>209,597</u>	<u>724,683</u>
Total deferred inflows of resources and fund balances	<u>\$ 250,472</u>	<u>\$ 3,968</u>	<u>\$ 45,577</u>	<u>\$ 86,065</u>	<u>\$ 24,134</u>	<u>\$ 102,850</u>	<u>\$ 144,774</u>	<u>\$ 209,597</u>	<u>\$ 867,437</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, 2022

	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	\$ -	\$ -	\$ 69,117	\$ 240,014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 309,131
Fines and forfeitures	-	-	-	-	2,280	-	-	6,438	-	-	8,718
Investment earnings	554	-	-	-	87	457	297	304	-	-	1,699
Miscellaneous	840	-	-	-	-	-	-	-	-	-	840
Total revenues	1,394	-	69,117	240,014	2,367	457	297	6,742	-	-	320,388
EXPENDITURES											
Current											
General government	-	-	-	155,465	-	-	-	-	-	-	155,465
Public safety	-	-	51,737	-	-	-	-	-	-	-	51,737
Highways and streets	-	-	-	-	-	-	-	1,173	-	-	1,173
Capital outlay	-	-	-	-	-	45,470	8,500	8,662	-	-	62,632
Total expenditures	-	-	51,737	155,465	-	45,470	8,500	9,835	-	-	271,007
Excess (deficiency) of revenues over (under) expenditures	1,394	-	17,380	84,549	2,367	(45,013)	(8,203)	(3,093)	-	-	49,381
OTHER FINANCING SOURCES (USES)											
Asset sales	-	-	-	-	-	14,525	14,504	-	-	-	29,029
Transfers in	-	-	-	-	-	26,200	23,500	75,000	-	-	124,700
Transfers out	-	-	-	-	-	-	-	-	(43,640)	-	(43,640)
Total other financing sources (uses)	-	-	-	-	-	40,725	38,004	75,000	(43,640)	-	110,089
Net change in fund balances	1,394	-	17,380	84,549	2,367	(4,288)	29,801	71,907	(43,640)	-	159,470
Fund balances - beginning	106,324	3,968	28,197	1,516	21,767	107,138	114,973	137,690	43,640	-	565,213
Fund balances - ending	\$ 107,718	\$ 3,968	\$ 45,577	\$ 86,065	\$ 24,134	\$ 102,850	\$ 144,774	\$ 209,597	\$ -	\$ -	\$ 724,683

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, 2022

	<u>Original and Final Budget</u>	<u>Variance with Final Budget Over (Under)</u>	<u>Actual Cash - Basis</u>
REVENUES			
Loan repayments	\$ 10,000	\$ (9,160)	\$ 840
Investment earnings	<u>1,000</u>	<u>(446)</u>	<u>554</u>
Total revenues	<u>11,000</u>	<u>(9,606)</u>	<u>1,394</u>
EXPENDITURES			
Current			
Materials and services	<u>117,249</u>	<u>(117,249)</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(106,249)	107,643	1,394
Fund balance - beginning	<u>106,249</u>	<u>75</u>	<u>106,324</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ 107,718</u></u>	<u><u>\$ 107,718</u></u>

CITY OF MANZANITA
Tillamook County, Oregon

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

TRUST FUND

For the Year Ended June 30, 2022

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
Grants and contributions	\$ -	\$ -	\$ -
EXPENDITURES			
Current			
Materials and services	1,775	(1,775)	-
Capital outlay	2,193	(2,193)	-
Total expenditures	3,968	(3,968)	-
Excess (deficiency) of revenues over (under) expenditures	(3,968)	3,968	-
Fund balance - beginning	3,968	-	3,968
Fund balance - ending	\$ -	\$ 3,968	\$ 3,968

CITY OF MANZANITA
Tillamook County, Oregon

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

MUNICIPAL COURT TRUST FUND

For the Year Ended June 30, 2022

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	Modified Cash Basis
REVENUES					
Licenses, fees, and permits	\$ -	\$ 69,117	\$ 69,117	\$ -	\$ 69,117
EXPENDITURES					
Current					
Public safety	-	51,737	51,737	-	51,737
Excess (deficiency) of revenues over (under) expenditures	-	17,380	17,380	-	17,380
Fund balance - beginning	-	28,197	28,197	-	28,197
Fund balance - ending	<u>\$ -</u>	<u>\$ 45,577</u>	<u>\$ 45,577</u>	<u>\$ -</u>	<u>\$ 45,577</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

PERFORMANCE GUARANTEE DEPOSIT FUND

For the Year Ended June 30, 2022

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	Modified Cash Basis
REVENUES					
Licenses, fees, and permits	\$ -	\$ 240,014	\$ 240,014	\$ -	\$ 240,014
EXPENDITURES					
Current					
General government	-	155,465	155,465	-	155,465
Excess (deficiency) of revenues over (under) expenditures	-	84,549	84,549	-	84,549
Fund balance - beginning	-	1,516	1,516	-	1,516
Fund balance - ending	\$ -	\$ 86,065	\$ 86,065	\$ -	\$ 86,065

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, 2022

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
System development charges	\$ 900	\$ 1,380	\$ 2,280
Investment earnings	100	(13)	87
Total revenues	1,000	1,367	2,367
EXPENDITURES			
Current			
Materials and services	5,000	(5,000)	-
Capital outlay	10,000	(10,000)	-
Total expenditures	15,000	(15,000)	-
Excess (deficiency) of revenues over (under) expenditures	(14,000)	16,367	2,367
Fund balance - beginning	20,255	1,512	21,767
Fund balance - ending	\$ 6,255	\$ 17,879	\$ 24,134

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, 2022

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
Investment earnings	\$ 1,100	\$ (643)	\$ 457
EXPENDITURES			
Capital outlay	48,000	(2,530)	45,470
Excess (deficiency) of revenues over (under) expenditures	(46,900)	1,887	(45,013)
OTHER FINANCING SOURCES (USES)			
Sale of assets	-	14,525	14,525
Transfers in	26,200	-	26,200
Total other financing sources (uses)	26,200	14,525	40,725
Net change in fund balance	(20,700)	16,412	(4,288)
Fund balance - beginning	107,806	(668)	107,138
Fund balance - ending	<u>\$ 87,106</u>	<u>\$ 15,744</u>	<u>\$ 102,850</u>

CITY OF MANZANITA
Tillamook County, Oregon

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

PUBLIC WORKS EQUIPMENT RESERVE FUND

For the Year Ended June 30, 2022

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
Investment earnings	\$ 400	\$ (103)	\$ 297
EXPENDITURES			
Capital outlay	25,000	(16,500)	8,500
Excess (deficiency) of revenues over (under) expenditures	(24,600)	16,397	(8,203)
OTHER FINANCING SOURCES (USES)			
Asset sales	-	14,504	14,504
Transfers in	23,500	-	23,500
Total other financing sources (uses)	23,500	14,504	38,004
Net change in fund balance	(1,100)	30,901	29,801
Fund balance - beginning	81,328	33,645	114,973
Fund balance - ending	\$ 80,228	\$ 64,546	\$ 144,774

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, 2022

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
System development charges	\$ 2,600	\$ 3,838	\$ 6,438
Investment earnings	400	(96)	304
Total revenues	3,000	3,742	6,742
EXPENDITURES			
Current			
Materials and services	6,000	(4,827)	1,173
Capital outlay	190,000	(181,338)	8,662
Total expenditures	196,000	(186,165)	9,835
Excess (deficiency) of revenues over (under) expenditures	(193,000)	189,907	(3,093)
OTHER FINANCING SOURCES (USES)			
Transfers in	75,000	-	75,000
Net change in fund balance	(118,000)	189,907	71,907
Fund balance - beginning	131,800	5,890	137,690
Fund balance - ending	\$ 13,800	\$ 195,797	\$ 209,597

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, 2022

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
Loan repayment	\$ 800	\$ (800)	-
EXPENDITURES	-	-	-
Excess (deficiency) of revenues over (under) expenditures	800	(800)	-
OTHER FINANCING SOURCES (USES)			
Transfers out	(45,300)	(1,660)	(43,640)
Net change in fund balance	(44,500)	(2,460)	(43,640)
Fund balance - beginning	44,500	(860)	43,640
Fund balance - ending	\$ -	\$ -	\$ -

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, 2022

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	Modified Cash Basis
REVENUES					
Water charges	\$ 999,100	\$ 134,072	\$ 1,133,172	\$ -	\$ 1,133,172
Grants	83,650	(28,232)	55,418	-	55,418
Investment earnings	10,000	(2,588)	7,412	-	7,412
Miscellaneous	100	1,094	1,194	-	1,194
	<u>1,092,850</u>	<u>104,346</u>	<u>1,197,196</u>	<u>-</u>	<u>1,197,196</u>
EXPENSES					
Current					
Personnel services	399,112	(66,264)	332,848	-	332,848
Materials and services	555,978	(183,574)	372,404	(16,987)	355,417
Debt service	172,981	700	173,681	(75,000)	98,681
Depreciation	-	-	-	280,737	280,737
Contingency	114,495	(114,495)	-	-	-
	<u>1,242,566</u>	<u>(363,633)</u>	<u>878,933</u>	<u>188,750</u>	<u>1,067,683</u>
Excess (deficiency) of revenues over (under) expenses	<u>(149,716)</u>	<u>467,979</u>	<u>318,263</u>	<u>(188,750)</u>	<u>129,513</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	20,186	20,186
Transfers out	(371,648)	-	(371,648)	-	(371,648)
Total other financing sources (uses)	<u>(371,648)</u>	<u>-</u>	<u>(371,648)</u>	<u>20,186</u>	<u>(351,462)</u>
Change in net position	(521,364)	467,979	(53,385)	(168,564)	(221,949)
Net position - beginning	<u>530,424</u>	<u>(23,022)</u>	<u>507,402</u>	<u>4,921,841</u>	<u>5,429,243</u>
Net position - ending	<u>\$ 9,060</u>	<u>\$ 444,957</u>	<u>\$ 454,017</u>	<u>\$ 4,753,277</u>	<u>\$ 5,207,294</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, 2022

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Modified Cash Basis	
REVENUES					
System development charges	\$ 104,500	\$ 178,400	\$ 282,900	\$ -	\$ 282,900
Investment earnings	15,000	(3,940)	11,060	-	11,060
Total revenues	<u>119,500</u>	<u>174,460</u>	<u>293,960</u>	<u>-</u>	<u>293,960</u>
EXPENSES					
Capital outlay	425,000	(404,813)	20,187	(20,186)	1
Contingency	35,262	(35,262)	-	-	-
Total expenses	<u>460,262</u>	<u>(440,075)</u>	<u>20,187</u>	<u>(20,186)</u>	<u>1</u>
Excess (deficiency) of revenues over (under) expenses	<u>(340,762)</u>	<u>614,535</u>	<u>273,773</u>	<u>20,186</u>	<u>293,959</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	245,300	(1,660)	243,640	-	243,640
Transfers out	-	-	-	(20,186)	(20,186)
Total other financing sources (uses)	<u>245,300</u>	<u>(1,660)</u>	<u>243,640</u>	<u>(20,186)</u>	<u>223,454</u>
Change in net position	(95,462)	612,875	517,413	-	517,413
Net position - beginning	<u>2,495,462</u>	<u>269,979</u>	<u>2,765,441</u>	<u>-</u>	<u>2,765,441</u>
Net position - ending	<u>\$ 2,400,000</u>	<u>\$ 882,854</u>	<u>\$ 3,282,854</u>	<u>\$ -</u>	<u>\$ 3,282,854</u>

OTHER FINANCIAL SCHEDULES

CITY OF MANZANITA
Tillamook County, Oregon

SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF LONG-TERM DEBT

June 30, 2022

Governmental Activities						
Fiscal Year	Visitor Center Note			Underhill Plaza Note		
	Principal	Interest	Total	Principal	Interest	Total
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	418	25,434	77,425	1,053	78,478
Total	\$ 253,582	\$ 26,192	\$ 279,774	\$ 788,664	\$ 66,477	\$ 855,141

Business-Type Activities			
FF&C Refunding Bonds			
Fiscal Year	Principal	Interest	Total
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
2031-2032	105,000	65,650	170,650
Thereafter	1,770,000	455,753	2,225,753
Total	\$ 2,680,000	\$1,260,058	\$3,940,058

**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, 2022 and have issued our report thereon dated February 1, 2023. 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. Excess of Expenditures Over Appropriations

During the year ended June 30, 2022, the City expended funds in excess of appropriations as follows:

<u>Fund</u>	<u>Function</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund	Revenue Department 100	\$ -	\$ 385,100	\$ 385,100
General Fund	Road Department	\$ -	\$ 2,363	\$ 2,363
Water Operating	Debt Service	\$ 172,981	\$ 173,681	\$ 700

B. Expenditures from Contingency

During the year ended June 30, 2022, the City expended funds directly from contingency.

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.

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.

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. We consider the following deficiencies in internal control over financial reporting to be material weaknesses:

1. The accounting records presented for audit had multiple materially misstated items including erroneous bank deposits, expenses posted to revenues, and items posted to contingency.

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 following deficiencies in internal control over financial reporting to be significant deficiencies:

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.

A handwritten signature in blue ink that reads "Accuity, LLC". The signature is written in a cursive, flowing style.

Accuity, LLC
Albany, Oregon
February 1, 2023



**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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 1, 2023.

Report on 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency describes in the accompanying schedule of findings and responses as item (FS-02) to be a material weakness.

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 deficiency describes in the accompanying schedule of findings and responses as item (FS-01) to be a significant deficiency.

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. Excess of Expenditures Over Appropriations

During the year ended June 30, 2022, the City expended funds in excess of appropriations as follows:

Fund	Function	Appropriations	Expenditures	Excess
General Fund	Revenue Department 100	\$ -	\$ 385,100	\$ 385,100
General Fund	Road Department	\$ -	\$ 2,363	\$ 2,363
Water Operating	Debt Service	\$ 172,981	\$ 173,681	\$ 700

B. Expenditures from Contingency

During the year ended June 30, 2022, the City expended funds directly from contingency.

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
 February 1, 2023

CITY OF MANZANITA
Tillamook County, Oregon

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2022

Finding Number	Finding
FS-01	Adequate segregation of duties in most areas was impractical due to the limited number of employees. The City has, however, developed alternative procedures, which mitigate this condition to some extent.
FS-02	The accounting records presented for audit had multiple materially misstated items including erroneous bank deposits, expenses posted to revenues, and items posted to contingency.
	Response
FS-01	Management continually evaluates the monitoring and controls established to ensure risks are mitigated.
FS-02	These errors were the result of issues during conversion, the City feels that all process issues that led to the deposit and coding errors, have been identified and corrected in the subsequent fiscal year.