



CITY OF MANZANITA
Tillamook County, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2023



CITY OF MANZANITA
Tillamook County, Oregon

CITY OFFICIALS

June 30, 2023

MAYOR

Mike Scott (term ended 1/4/2023)
Debra Simmons (term began 1/4/2023)

CITY COUNCIL

Linda Kozlowski, Council President

Jenna Edginton (appointed 9/7/2022)

Brad Mayerle (term began 1/4/2023)

Steve Nuttall (term ended 1/4/2023)

Jerry Spegman

Hans Tonjes (resigned 8/1/2022)

*All councilors receive mail at the address below.

CITY MANAGER

Leila Aman

MAILING ADDRESS

P.O. Box 129
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 Debra Simmons, 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, 2023, 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, 2023, and the respective changes in modified cash basis financial position, and where applicable, cash flows, thereof for the year then ended on the basis of accounting described in Note I.

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, 2023, the City adopted new accounting guidance: GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Arrangements*, Statement No. 96, *Subscription-Based Information Technology Arrangements*, Statement No. 99, *Omnibus 202*, and Statement No. 101, *Compensated Absences*. 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 and budgetary comparison information, 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 and budgetary comparison information, 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 November 8, 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 November 8, 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
November 8, 2023

BASIC FINANCIAL STATEMENTS

CITY OF MANZANITA
Tillamook County, Oregon

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

June 30, 2023

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 4,282,343	\$ 597,799	\$ 4,880,142
Restricted assets			
Cash and cash equivalents	1,065,822	2,807,069	3,872,891
Notes receivable - housing rehab loans	142,754	-	142,754
Total restricted assets	1,208,576	2,807,069	4,015,645
Capital assets not being depreciated	2,703,030	771,091	3,474,121
Capital assets being depreciated, net	3,237,085	6,983,968	10,221,053
Total assets	11,431,034	11,159,927	22,590,961
LIABILITIES			
Current liabilities			
Long-term debt, current portion	182,483	80,000	262,483
Total current liabilities	182,483	80,000	262,483
Noncurrent liabilities			
Long-term debt, less current portion	682,451	2,525,000	3,207,451
Total liabilities	864,934	2,605,000	3,469,934
NET POSITION			
Net investment in capital assets	5,075,181	5,150,059	10,225,240
Restricted for:			
System development	-	2,807,069	2,807,069
Building department	260,589	-	260,589
Capital projects and street maintenance	25,197	-	25,197
Special projects	194,477	-	194,477
Tourism promotion	585,559	-	585,559
Unrestricted	4,425,097	597,799	5,022,896
Total net position	\$ 10,566,100	\$ 8,554,927	\$ 19,121,027

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, 2023

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Governmental activities							
General government	\$1,184,155	\$ 364,493	\$ -	\$ -	\$ (819,662)	\$ -	\$ (819,662)
Public safety	885,656	184,810	-	-	(700,846)	-	(700,846)
Highways and streets	130,245	146,839	-	2,514	19,108	-	19,108
Culture and recreation	128,822	-	-	-	(128,822)	-	(128,822)
Interest expense	20,747	-	-	-	(20,747)	-	(20,747)
Unallocated depreciation	224,665	-	-	-	(224,665)	-	(224,665)
Total governmental activities	<u>\$2,574,290</u>	<u>\$ 696,142</u>	<u>\$ -</u>	<u>\$ 2,514</u>	<u>(1,875,634)</u>	<u>-</u>	<u>(1,875,634)</u>
Business-Type activities							
Water	<u>\$1,082,528</u>	<u>\$1,106,011</u>	<u>\$ 38,122</u>	<u>\$ 75,900</u>	<u>-</u>	<u>137,505</u>	<u>137,505</u>
General revenues							
Property taxes					252,722	-	252,722
Transient lodging tax					1,879,874	-	1,879,874
State highway tax					47,966	-	47,966
Alcohol and cigarette taxes					12,579	-	12,579
Privilege taxes					1,216	-	1,216
Franchise fees					162,727	-	162,727
Unrestricted grants and contributions					73,409	-	73,409
State revenue sharing					33,325	-	33,325
Investment earnings					173,845	97,797	271,642
Sale of assets					9,112	-	9,112
Miscellaneous					26,249	14,723	40,972
Total general revenues					<u>2,673,024</u>	<u>112,520</u>	<u>2,785,544</u>
Transfers					<u>185,246</u>	<u>(185,246)</u>	<u>-</u>
Change in net position					982,636	64,779	1,047,415
Net position - beginning					<u>9,583,464</u>	<u>8,490,148</u>	<u>18,073,612</u>
Net position - ending					<u>\$ 10,566,100</u>	<u>\$ 8,554,927</u>	<u>\$ 19,121,027</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, 2023

		Special Revenue Funds		Capital Projects Funds			
	General	Tourism	Building	Road	City Hall	Nonmajor	Total
	Fund	Promotion	Fund	Fund	Expansion	Governmental	Governmental
		& Facilities			Fund	Funds	Funds
ASSETS							
Cash and cash equivalents	\$ 2,974,665	\$ 585,559	\$ 260,589	\$ 735,102	\$ 251,483	\$ 540,767	\$ 5,348,165
Notes receivable	-	-	-	-	-	142,754	142,754
Total assets	<u>\$ 2,974,665</u>	<u>\$ 585,559</u>	<u>\$ 260,589</u>	<u>\$ 735,102</u>	<u>\$ 251,483</u>	<u>\$ 683,521</u>	<u>\$ 5,490,919</u>
LIABILITIES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - housing rehab loans	-	-	-	-	-	142,754	142,754
FUND BALANCES							
Restricted	-	585,559	260,589	-	-	219,674	1,065,822
Committed	-	-	-	735,102	251,483	321,093	1,307,678
Unassigned	<u>2,974,665</u>	-	-	-	-	-	<u>2,974,665</u>
Total fund balances	<u>2,974,665</u>	<u>585,559</u>	<u>260,589</u>	<u>735,102</u>	<u>251,483</u>	<u>540,767</u>	<u>5,348,165</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,974,665</u>	<u>\$ 585,559</u>	<u>\$ 260,589</u>	<u>\$ 735,102</u>	<u>\$ 251,483</u>	<u>\$ 683,521</u>	<u>\$ 5,490,919</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, 2023

Total fund balances		\$ 5,348,165
Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds:		
Cost	8,953,051	
Accumulated depreciation	<u>(3,012,936)</u>	5,940,115
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		(864,934)
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>\$ 10,566,100</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, 2023

		Special Revenue Funds		Capital Projects Funds			
		Tourism			City Hall	Nonmajor	Total
	General	Promotion	Building	Road	Expansion	Governmental	Governmental
	Fund	& Facilities	Fund	Fund	Fund	Funds	Funds
REVENUES							
Property taxes	\$ 252,722	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 252,722
Intergovernmental	73,980	-	-	-	-	-	73,980
Licenses, fees, and permits	187,544	-	196,931	-	-	203,919	588,394
Franchise fees	72,354	-	-	90,373	-	-	162,727
State liquor taxes	12,131	-	-	-	-	-	12,131
State cigarette taxes	448	-	-	-	-	-	448
State revenue sharing	33,325	-	-	-	-	-	33,325
State highway tax	-	-	-	47,966	-	-	47,966
Excise tax	1,216	-	-	-	-	-	1,216
Grants and contributions	73,409	-	-	-	-	-	73,409
Short-term rental tax	1,589,891	289,983	-	-	-	-	1,879,874
Fines and forfeitures	33,768	-	-	-	-	2,514	36,282
Investment earnings	135,298	3,701	-	11,976	1,426	21,444	173,845
Other revenue	26,249	-	-	-	-	-	26,249
Total revenues	<u>2,492,335</u>	<u>293,684</u>	<u>196,931</u>	<u>150,315</u>	<u>1,426</u>	<u>227,877</u>	<u>3,362,568</u>
EXPENDITURES							
Current							
General government	996,570	-	182,272	-	5,299	206,031	1,390,172
Public safety	607,619	-	-	-	-	54,892	662,511
Highways and streets	-	-	-	114,017	-	15,837	129,854
Culture and recreation	21,634	93,590	-	-	-	-	115,224
Debt service	-	50,868	-	-	155,332	-	206,200
Capital outlay	<u>5,726</u>	<u>5,457</u>	<u>6,474</u>	<u>108,900</u>	<u>212,473</u>	<u>222,690</u>	<u>561,720</u>
Total expenditures	<u>1,631,549</u>	<u>149,915</u>	<u>188,746</u>	<u>222,917</u>	<u>373,104</u>	<u>499,450</u>	<u>3,065,681</u>
Excess (deficiency) of revenues							
over (under) expenditures	<u>860,786</u>	<u>143,769</u>	<u>8,185</u>	<u>(72,602)</u>	<u>(371,678)</u>	<u>(271,573)</u>	<u>296,887</u>
OTHER FINANCING SOURCES (USES)							
Sale of assets	-	-	-	-	-	9,112	9,112
Transfers in	172,061	-	268,615	80,000	-	69,296	589,972
Transfers out	<u>(379,815)</u>	<u>-</u>	<u>(16,211)</u>	<u>(8,700)</u>	<u>-</u>	<u>-</u>	<u>(404,726)</u>
Total other financing sources (uses)	<u>(207,754)</u>	<u>-</u>	<u>252,404</u>	<u>71,300</u>	<u>-</u>	<u>78,408</u>	<u>194,358</u>
Net change in fund balances	653,032	143,769	260,589	(1,302)	(371,678)	(193,165)	491,245
Fund balances - beginning	<u>2,321,633</u>	<u>441,790</u>	<u>-</u>	<u>736,404</u>	<u>623,161</u>	<u>733,932</u>	<u>4,856,920</u>
Fund balances - ending	<u>\$ 2,974,665</u>	<u>\$ 585,559</u>	<u>\$ 260,589</u>	<u>\$ 735,102</u>	<u>\$ 251,483</u>	<u>\$ 540,767</u>	<u>\$ 5,348,165</u>

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

CITY OF MANZANITA
Tillamook County, Oregon

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

For the Year Ended June 30, 2023

Net change in fund balances	\$ 491,245
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Amounts reported for governmental activities in the statement of activities are different because:

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

Expenditures for capital assets	550,281	
Disposal of capital assets, net	(11,537)	
Less current year depreciation	<u>(224,665)</u>	314,079

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>177,312</u>
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Change in net position	<u><u>\$ 982,636</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF MANZANITA
Tillamook County, Oregon

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

PROPRIETARY FUNDS

June 30, 2023

	Business-Type Activities - Enterprise Funds		
	Water Operating	Water Construction	Totals
ASSETS			
Current assets			
Cash and cash equivalents	\$ 597,799	\$ -	\$ 597,799
Restricted assets			
Cash and cash equivalents	-	2,807,069	2,807,069
Capital assets not being depreciated	771,091	-	771,091
Capital assets being depreciated, net	<u>6,983,968</u>	<u>-</u>	<u>6,983,968</u>
Total assets	<u>8,352,858</u>	<u>2,807,069</u>	<u>11,159,927</u>
LIABILITIES			
Current liabilities			
Long-term debt, current portion	80,000	-	80,000
Noncurrent liabilities			
Long-term debt, less current portion	<u>2,525,000</u>	<u>-</u>	<u>2,525,000</u>
Total liabilities	<u>2,605,000</u>	<u>-</u>	<u>2,605,000</u>
NET POSITION			
Net investment in capital assets	5,150,059	-	5,150,059
Restricted for:			
System development	-	2,807,069	2,807,069
Unrestricted	<u>597,799</u>	<u>-</u>	<u>597,799</u>
Total net position	<u>\$ 5,747,858</u>	<u>\$ 2,807,069</u>	<u>\$ 8,554,927</u>

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

CITY OF MANZANITA
Tillamook County, Oregon

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

PROPRIETARY FUNDS

For the Year Ended June 30, 2023

	Business-Type Activities - Enterprise Funds		
	Water	Water	
	Operating	Construction	Totals
Operating revenues			
Water charges	\$ 1,106,011	\$ -	\$ 1,106,011
Total operating revenues	1,106,011	-	1,106,011
Operating expenses			
Payroll and related costs	446,911	-	446,911
Plant and well operations	260,579	-	260,579
Depreciation	279,682	-	279,682
Total operating expenses	987,172	-	987,172
Operating income (loss)	118,839	-	118,839
Nonoperating revenues (expenses)			
System development charges	-	75,900	75,900
Grants	38,122	-	38,122
Other income	13,883	840	14,723
Investment earnings	39,232	58,565	97,797
Interest expense	(95,356)	-	(95,356)
Total nonoperating revenues (expenses)	(4,119)	135,305	131,186
Income (loss) before contributions and transfers	114,720	135,305	250,025
Transfers in	611,090	-	611,090
Transfers out	(185,246)	(611,090)	(796,336)
Change in net position	540,564	(475,785)	64,779
Total net position - beginning	5,207,294	3,282,854	8,490,148
Total net position - ending	\$ 5,747,858	\$ 2,807,069	\$ 8,554,927

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, 2023

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water Operating</u>	<u>Water Construction</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,106,011	\$ -	\$ 1,106,011
Cash payments for payroll and related costs	(446,911)	-	(446,911)
Cash payments for operating expenses	<u>(250,950)</u>	<u>-</u>	<u>(250,950)</u>
Net cash provided (used) by operating activities	<u>408,150</u>	<u>-</u>	<u>408,150</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Miscellaneous revenues	<u>13,883</u>	<u>840</u>	<u>14,723</u>
Net cash provided (used) by noncapital financing activities	<u>13,883</u>	<u>840</u>	<u>14,723</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
System development charges	-	75,900	75,900
Grants	38,122	-	38,122
Long-term debt payments	(170,356)	-	(170,356)
Capital asset purchases	-	(611,089)	(611,089)
Transfers from (to) other funds for capital purchases	<u>(185,246)</u>	<u>-</u>	<u>(185,246)</u>
Net cash provided (used) by capital and related financing activities	<u>(317,480)</u>	<u>(535,189)</u>	<u>(852,669)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	<u>39,232</u>	<u>58,565</u>	<u>97,797</u>
Net cash provided (used) by investing activities	<u>39,232</u>	<u>58,565</u>	<u>97,797</u>
Net increase (decrease) in cash and cash equivalents	143,785	(475,784)	(346,722)
Cash and cash equivalents - beginning	<u>454,014</u>	<u>3,282,853</u>	<u>3,736,867</u>
Cash and cash equivalents - ending	<u>\$ 597,799</u>	<u>\$ 2,807,069</u>	<u>\$ 3,404,868</u>

(Continued)

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

CITY OF MANZANITA
Tillamook County, Oregon

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS

PROPRIETARY FUNDS

For the Year Ended June 30, 2023

(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)	\$ 118,839	\$ -	\$ 118,839
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	279,682	-	279,682
Loss on disposal of assets	<u>9,629</u>	<u>-</u>	<u>9,629</u>
Net cash provided (used) by operating activities	<u>\$ 408,150</u>	<u>\$ -</u>	<u>\$ 408,150</u>
Noncash investing, capital, and financing activities			
Contributions of capital assets	\$ 611,089	\$ (611,089)	\$ -

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, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Description of Government-Wide Financial Statements

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

B. Reporting Entity

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

C. Basis of Presentation - Government-Wide Financial Statements

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

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

D. Basis of Presentation - Fund Financial Statements

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

CITY OF MANZANITA
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

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 Funds

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.

Building Fund – The Building Fund accounts for restricted revenues from building inspections and plan reviews. The funds are restricted by State law for building department related expenses.

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.

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
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

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.

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.

Building Reserve Fund – The Building Reserve Fund accounts for revenues transferred from the Building Fund for vehicles for the building department staff for inspections, or for other capital equipment needs of the building department.

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
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

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, 2023

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
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

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
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

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
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

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
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

- 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, 2023

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, 2023.

CITY OF MANZANITA
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

Fair values of assets measured on a recurring basis at June 30, 2023 are as follows:

	<u>Level 2</u>
Investments:	
Oregon Local Government Investment Pool	\$ <u>9,088,840</u>

Credit Risk

Oregon statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the Local Government Investment Pool. The City has not adopted an investment policy regarding credit risk; however, investments comply with state statutes.

Investments

As of June 30, 2023, the City had the following investments:

	<u>Credit Quality Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
Oregon Local Government Investment Pool	Unrated	-	\$ <u>9,088,840</u>

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
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

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, 2023 the City had deposits of \$250,000 fully insured by the FDIC and \$303,922 collateralized by the PFCP.

Deposits

The City's deposits and investments at June 30, 2023 are as follows:

Checking accounts (book overdraft)	\$ (335,807)
Total investments	<u>9,088,840</u>
Total deposits and investments	<u><u>\$ 8,753,033</u></u>

Cash and investments by fund:

Governmental activities - unrestricted	
General Fund	\$ 2,974,665
Road Fund	735,102
City Hall Expansion Fund	251,483
Nonmajor governmental funds	<u>321,093</u>
Total governmental activities - unrestricted	<u>4,282,343</u>
Business-type activities - unrestricted	
Water Operating Fund	<u>597,799</u>
Subtotal unrestricted cash and investments	<u>4,880,142</u>
Governmental activities - restricted	
Tourism and Promotion Fund	585,559
Building Fund	260,589
Nonmajor governmental funds	<u>219,674</u>
Total governmental activities - restricted	<u>1,065,822</u>
Business-type activities - restricted	
Water Construction Fund	<u>2,807,069</u>
Subtotal restricted cash and investments	<u>3,872,891</u>
Total cash and investments	<u><u>\$ 8,753,033</u></u>

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

CITY OF MANZANITA
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

B. Capital Assets

Governmental capital asset activity resulting from modified cash basis transactions for the year ended June 30, 2023 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>34,532</u>	<u>514,359</u>	<u>-</u>	<u>548,891</u>
Total capital assets not being depreciated	<u>2,188,671</u>	<u>514,359</u>	<u>-</u>	<u>2,703,030</u>
Capital assets being depreciated				
Buildings	1,329,483	-	(26,067)	1,303,416
Vehicles and equipment	824,103	35,922	(194,073)	665,952
Infrastructure	<u>4,280,653</u>	<u>-</u>	<u>-</u>	<u>4,280,653</u>
Total capital assets being depreciated	<u>6,434,239</u>	<u>35,922</u>	<u>(220,140)</u>	<u>6,250,021</u>
Less accumulated depreciation for				
Buildings	(636,446)	(30,967)	21,079	(646,334)
Vehicles and equipment	(506,110)	(38,684)	187,524	(357,270)
Infrastructure	<u>(1,854,318)</u>	<u>(155,014)</u>	<u>-</u>	<u>(2,009,332)</u>
Total accumulated depreciation	<u>(2,996,874)</u>	<u>(224,665)</u>	<u>208,603</u>	<u>(3,012,936)</u>
Total capital assets being depreciated, net	<u>3,437,365</u>	<u>(188,743)</u>	<u>(11,537)</u>	<u>3,237,085</u>
Governmental activities capital assets, net	<u>\$ 5,626,036</u>	<u>\$ 325,616</u>	<u>\$ (11,537)</u>	<u>\$ 5,940,115</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	548,891	-	548,891
Buildings	1,303,416	(646,334)	657,082
Vehicles and equipment	665,952	(357,270)	308,682
Infrastructure	<u>4,280,653</u>	<u>(2,009,332)</u>	<u>2,271,321</u>
Total governmental activities capital assets	<u>\$ 8,953,051</u>	<u>\$ (3,012,936)</u>	<u>\$ 5,940,115</u>

CITY OF MANZANITA
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

Business-type capital asset activity resulting from modified cash basis transactions for the year ended June 30, 2023 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>20,186</u>	<u>597,758</u>	<u>-</u>	<u>617,944</u>
Total capital assets not being depreciated	<u>173,333</u>	<u>597,758</u>	<u>-</u>	<u>771,091</u>
Capital assets being depreciated				
Buildings	115,709	-	-	115,709
Vehicles and equipment	228,237	13,332	(78,555)	163,014
Water system	<u>11,495,436</u>	<u>-</u>	<u>(27,835)</u>	<u>11,467,601</u>
Total capital assets being depreciated	<u>11,839,382</u>	<u>13,332</u>	<u>(106,390)</u>	<u>11,746,324</u>
Less accumulated depreciation for				
Buildings	(76,608)	(2,785)	-	(79,393)
Vehicles and equipment	(140,912)	(12,756)	68,929	(84,739)
Water system	<u>(4,361,918)</u>	<u>(264,141)</u>	<u>27,835</u>	<u>(4,598,224)</u>
Total accumulated depreciation	<u>(4,579,438)</u>	<u>(279,682)</u>	<u>96,764</u>	<u>(4,762,356)</u>
Total capital assets being depreciated, net	<u>7,259,944</u>	<u>(266,350)</u>	<u>(9,626)</u>	<u>6,983,968</u>
Business-type activities capital assets, net	<u><u>\$7,433,277</u></u>	<u><u>\$ 331,408</u></u>	<u><u>\$ (9,626)</u></u>	<u><u>\$7,755,059</u></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	617,944	-	617,944
Buildings	115,709	(79,393)	36,316
Vehicles and equipment	163,014	(84,739)	78,275
Water system	<u>11,467,601</u>	<u>(4,598,224)</u>	<u>6,869,377</u>
Total business-type activities capital assets	<u><u>\$ 12,517,415</u></u>	<u><u>\$ (4,762,356)</u></u>	<u><u>\$ 7,755,059</u></u>

CITY OF MANZANITA
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

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

	Governmental Activities	Business-Type Activities	Total
Capital assets not being depreciated	\$ 2,703,030	\$ 771,091	\$ 3,474,121
Capital assets being depreciated, net	<u>3,237,085</u>	<u>6,983,968</u>	<u>10,221,053</u>
Total capital assets	<u>\$ 5,940,115</u>	<u>\$ 7,755,059</u>	<u>\$ 13,695,174</u>

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

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

Governmental activities	
Unallocated depreciation expense	<u>\$ 224,665</u>
Business-type activities	
Water	<u>\$ 279,682</u>

C. Interfund Transfers

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

	Transfers in:				
	General Fund	Building Fund	Road Fund	Nonmajor Governmental Funds	Total
Transfers out:					
Governmental activities					
General Fund	\$ -	\$ 268,615	\$ 80,000	\$ 31,200	\$ 379,815
Building Fund	3,711	-	-	12,500	16,211
Road Fund	-	-	-	8,700	8,700
Business-type activities					
Water Operating Fund	<u>168,350</u>	<u>-</u>	<u>-</u>	<u>16,896</u>	<u>185,246</u>
Total	<u>\$ 172,061</u>	<u>\$ 268,615</u>	<u>\$ 80,000</u>	<u>\$ 69,296</u>	<u>\$ 589,972</u>

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

CITY OF MANZANITA
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

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	\$ 253,582	\$ -	\$ 42,727	\$ 210,855	\$ 44,171
Underhill Plaza Note	2.75%	1,350,000	788,664	-	134,585	654,079	138,312
Total Governmental Activities		<u>\$1,925,000</u>	<u>\$ 1,042,246</u>	<u>\$ -</u>	<u>\$ 177,312</u>	<u>\$ 864,934</u>	<u>\$ 182,483</u>
Business-type activities							
FF&C Refunding Bonds	3.0-4.0%	<u>\$2,960,000</u>	<u>\$ 2,680,000</u>	<u>\$ -</u>	<u>\$ 75,000</u>	<u>\$ 2,605,000</u>	<u>\$ 80,000</u>

The City paid \$20,747 and \$95,356 in interest on long-term liabilities during the year ended June 30, 2023 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, 2023

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
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>\$ 210,855</u>	<u>\$ 18,051</u>	<u>\$ 228,906</u>	<u>\$ 654,079</u>	<u>\$ 45,730</u>	<u>\$ 699,809</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
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	95,000	78,356	173,356
2029-2033	510,000	343,856	853,856
2034-2038	605,000	250,184	855,184
2039-2043	725,000	130,917	855,917
2044-2045	330,000	12,564	342,564
	<u>\$ 2,605,000</u>	<u>\$ 1,164,702</u>	<u>\$ 3,769,702</u>

CITY OF MANZANITA
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

E. Constraints on Fund Balances

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

	General Fund	Tourism Promotion & Facilities	Building Fund	Road Fund	City Hall Expansion Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund balances:							
Restricted:							
Special projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 117,549	\$ 117,549
Building department	-	-	260,589	-	-	-	260,589
Capital projects	-	-	-	-	-	25,197	25,197
Tourism promotion	-	585,559	-	-	-	-	585,559
Municipal court	-	-	-	-	-	68,022	68,022
Streets and roads	-	-	-	-	-	8,906	8,906
Committed:							
Streets and roads	-	-	-	735,102	-	-	735,102
City Hall expansion	-	-	-	-	251,483	-	251,483
Capital projects	-	-	-	-	-	29,962	29,962
Equipment purchases	-	-	-	-	-	291,131	291,131
Unassigned	<u>2,974,665</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,974,665</u>
Total fund balances	<u>\$ 2,974,665</u>	<u>\$ 585,559</u>	<u>\$ 260,589</u>	<u>\$ 735,102</u>	<u>\$ 251,483</u>	<u>\$ 540,767</u>	<u>\$ 5,348,165</u>

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Excess of Expenditures Over Appropriations

During the year ended June 30, 2023, the City expended funds in excess of appropriations as follows:

Fund	Function	Appropriations	Expenditures	Excess
Storm Drain Facilities	Materials and Services	\$ 15,000	\$ 15,837	\$ 837

B. Public Contracting Violation

The City did not receive proper approval from City Council for an emergency procurement, and bids/quotes were not properly retained.

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
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

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, 2022, there were 939 participating employers.

Plan Membership

As of June 30, 2022, there were 11,413 active plan members, 129,376 retired plan members or their beneficiaries currently receiving benefits, 8,372 inactive plan members entitled to but not yet receiving benefits, for a total of 149,161 Tier One members.

For Tier Two members, as of June 30, 2022, there were 27,056 active plan members, 20,720 retired plan members or their beneficiaries currently receiving benefits, 13,335 inactive plan members entitled to but not yet receiving benefits, for a total of 61,111.

As of June 30, 2022, there were 142,471 active plan members, 10,230 retired plan members or their beneficiaries currently receiving benefits, 8,625 inactive plan members entitled to but not yet receiving benefits, and 21,482 inactive plan members not eligible for refund or retirements, for a total of 182,808 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.

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June 30, 2023

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 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.

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit, in accordance with *Moro* decision. The COLA is capped at 2.0 percent.

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

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.

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June 30, 2023

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.

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, 2020 actuarial valuation, which became effective July 20, 2021. 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, 2023 were \$275,852.

CITY OF MANZANITA
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

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>

Actuarial Valuations

The employer contribution rates effective June 30, 2022 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, 2020
Measurement Date	June 30, 2022
Experience Study	2020, published July 20, 2021
<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.

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

Mortality	<p>Health retirees and beneficiaries: Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Active members: Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p>
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Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years.

The methods and assumptions shown above are on the 2020 Experience Study, which reviewed experience for the four-year period ended December 31, 2020. There were no differences between the assumptions and plan provisions used for June 30, 2022 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.

CITY OF MANZANITA
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

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

Depletion Date Projection

GASB 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.

CITY OF MANZANITA
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

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 2022 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model. For more information on the Plan's portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS' audited financial statements at:

<https://www.oregon.gov/pers/Documents/Financials/ACFR/2022-Annual-Comprehensive-Financial-Report.pdf>

OIC Target and Actual Investment Allocation as of June 30, 2022

<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%	19.8%
Public Equity	25.0%	35.0%	30.0%	21.2%
Real Estate	7.5%	17.5%	12.5%	13.6%
Private Equity	15.0%	27.5%	20.0%	28.0%
Risk Parity	0.0%	3.5%	2.5%	2.0%
Real Assets	2.5%	10.0%	7.5%	7.9%
Diversifying Strategies	2.5%	10.0%	7.5%	4.9%
Opportunity Portfolio ¹	0.0%	5.0%	0.0%	2.6%
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 6/30/2022.

³ October 2021, the Alternative Portfolio was split into Real Assets and Diversifying Strategies.

CITY OF MANZANITA
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

C. New Pronouncements

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

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Arrangements* – This Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs).

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* – This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users.

GASB Statement No. 99, *Omnibus 2022*. This statement was issued April 2022 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 lease implementation, public-private and public-public partnerships and availability payment arrangements, and subscription-based information technology arrangements.

GASB Statement No. 101, *Compensated Absences*. This statement was issued to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

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. 99, *Omnibus 2022*. This statement was issued April 2022 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 financial guarantees and classification of derivatives.

GASB Statement No. 100, *Accounting Changes and Error Corrections*. This statement was issued to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

CITY OF MANZANITA
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

D. Commitments

1. Water Transmission Line

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

2. Police Services Agreement

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

3. Construction Commitments

The City entered into multiple construction contracts during the year which were not completed at year end. Total contract commitments outstanding at year end totaled \$608,682.

E. Subsequent Events

Management has evaluated subsequent events through November 8, 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, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	Modified Cash Basis
REVENUES					
Property taxes	\$ 237,000	\$ 15,722	\$ 252,722	\$ -	\$ 252,722
Intergovernmental	55,560	18,420	73,980	-	73,980
Licenses, fees, and permits	115,000	72,544	187,544	-	187,544
Franchise fees	57,500	14,854	72,354	-	72,354
State liquor taxes	11,000	1,131	12,131	-	12,131
State cigarette taxes	450	(2)	448	-	448
State revenue sharing	24,000	9,325	33,325	-	33,325
Excise taxes	2,000	(784)	1,216	-	1,216
Grants and contributions	147,000	(73,591)	73,409	-	73,409
Short-term rental tax	1,100,000	489,891	1,589,891	-	1,589,891
Fines and forfeitures	30,000	3,768	33,768	-	33,768
Investment earnings	10,000	125,298	135,298	-	135,298
Other revenue	2,000	24,249	26,249	-	26,249
Total revenues	1,791,510	700,825	2,492,335	-	2,492,335
EXPENDITURES					
Administration-110	972,564	(104,854)	867,710	-	867,710
Police department-125	732,330	(64,219)	668,111	-	668,111
Court department-130	46,153	(15,646)	30,507	-	30,507
Parks department-135	35,001	(9,556)	25,445	-	25,445
Civic improvement dept-140	145,000	(65,000)	80,000	(80,000)	-
Non-departmental-190	510,815	(171,224)	339,591	(299,815)	39,776
Contingency	122,000	(122,000)	-	-	-
Total expenditures	2,563,863	(552,499)	2,011,364	(379,815)	1,631,549
Excess (deficiency) of revenues over (under) expenditures	(772,353)	1,253,324	480,971	379,815	860,786
OTHER FINANCING SOURCES (USES)					
Transfers in	268,835	(96,774)	172,061	-	172,061
Transfers out	-	-	-	(379,815)	(379,815)
Total other financing sources (uses)	268,835	(96,774)	172,061	(379,815)	(207,754)
Net change in fund balance	(503,518)	1,156,550	653,032	-	653,032
Fund balance - beginning	1,840,381	481,252	2,321,633	-	2,321,633
Fund balance - ending	\$ 1,336,863	\$ 1,637,802	\$ 2,974,665	\$ -	\$ 2,974,665

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, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
Transient room tax	\$ 250,000	\$ 39,983	\$ 289,983
Investment earnings	500	3,201	3,701
	<u>250,500</u>	<u>43,184</u>	<u>293,684</u>
Total revenues			
	<u>250,500</u>	<u>43,184</u>	<u>293,684</u>
EXPENDITURES			
Current			
Personnel services	65,303	(38,429)	26,874
Materials and services	92,000	(25,284)	66,716
Capital outlay	10,000	(4,543)	5,457
Debt service	50,900	(32)	50,868
	<u>218,203</u>	<u>(68,288)</u>	<u>149,915</u>
Total expenditures			
	<u>218,203</u>	<u>(68,288)</u>	<u>149,915</u>
Net change in fund balance	32,297	111,472	143,769
Fund balance - beginning	366,106	75,684	441,790
	<u>366,106</u>	<u>75,684</u>	<u>441,790</u>
Fund balance - ending	<u>\$ 398,403</u>	<u>\$ 187,156</u>	<u>\$ 585,559</u>

CITY OF MANZANITA
Tillamook County, Oregon

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

BUILDING FUND

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES				
Licenses, fees, and permits	\$ 300,000	\$ 300,000	\$ (103,069)	196,931
EXPENDITURES				
Current				
Personnel services	143,453	148,453	(1,462)	146,991
Materials and services	99,100	94,100	(58,819)	35,281
Capital outlay	<u>15,000</u>	<u>15,000</u>	<u>(8,526)</u>	<u>6,474</u>
Total expenditures	<u>257,553</u>	<u>257,553</u>	<u>(8,526)</u>	<u>188,746</u>
Excess (deficiency) of revenues over (under) expenditures	42,447	42,447	(103,069)	8,185
OTHER FINANCING SOURCES (USES)				
Transfers in	268,615	268,615	-	268,615
Transfers out	<u>(68,070)</u>	<u>(68,070)</u>	<u>(51,859)</u>	<u>(16,211)</u>
Total other financing sources (uses)	<u>200,545</u>	<u>200,545</u>	<u>(8,526)</u>	<u>252,404</u>
Net change in fund balance	242,992	242,992	(154,928)	260,589
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ 242,992</u>	<u>\$ 242,992</u>	<u>\$ 17,597</u>	<u>\$ 260,589</u>

CITY OF MANZANITA
Tillamook County, Oregon

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

ROAD FUND

For the Year Ended June 30, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
Licenses, fees, and permits	\$ 1,000	\$ (1,000)	\$ -
Franchise fees	68,000	22,373	90,373
State highway tax	40,000	7,966	47,966
Investment earnings	2,000	9,976	11,976
	<u>111,000</u>	<u>39,315</u>	<u>150,315</u>
EXPENDITURES			
Current			
Personnel services	94,295	(13,104)	81,191
Materials and services	63,200	(30,374)	32,826
Capital outlay	614,611	(505,711)	108,900
Contingency	40,000	(40,000)	-
	<u>812,106</u>	<u>(589,189)</u>	<u>222,917</u>
Excess (deficiency) of revenues over (under) expenditures	(701,106)	628,504	(72,602)
OTHER FINANCING SOURCES (USES)			
Transfers in	80,000	-	80,000
Transfers out	(8,700)	-	(8,700)
	<u>71,300</u>	<u>-</u>	<u>71,300</u>
Net change in fund balance	(629,806)	628,504	(1,302)
Fund balance - beginning	729,565	6,839	736,404
Fund balance - ending	<u>\$ 99,759</u>	<u>\$ 635,343</u>	<u>\$ 735,102</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, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
Investment earnings	\$ 300	\$ 1,126	\$ 1,426
EXPENDITURES			
Current			
Materials and services	296,500	(78,728)	217,772
Debt service	405,400	(250,068)	155,332
Total expenditures	701,900	(328,796)	373,104
Excess (deficiency) of revenues over (under) expenditures	(701,600)	329,922	(371,678)
OTHER FINANCING SOURCES (USES)			
Sale of assets	700,000	(700,000)	-
Net change in fund balance	(1,600)	(370,078)	(371,678)
Fund balance - beginning	606,790	16,371	623,161
Fund balance - ending	\$ 605,190	\$ (353,707)	\$ 251,483

CITY OF MANZANITA
Tillamook County, Oregon

COMBINING BALANCE SHEET - MODIFIED CASH BASIS

NONMAJOR GOVERNMENTAL FUNDS

June 30, 2023

	Special Revenue Funds				Capital Projects Funds				Total	
	Housing Rehabilitation Loan Fund	Municipal Court Trust	Performance Guarantee Deposit Fund	Park Facility Fund	Public Safety Equipment and Facilities Reserve	Public Works Equipment Reserve	Storm Drain Facilities	Timber Management Fund	Building Reserve Fund	Nonmajor Governmental Funds
ASSETS										
Cash and cash equivalents	\$ 110,658	\$ 68,022	\$ 6,891	\$ 25,197	\$ 131,468	\$ 159,663	\$ 8,906	\$ 25,384	\$ 4,578	\$ 540,767
Notes receivable	142,754	-	-	-	-	-	-	-	-	142,754
Total assets	<u>\$ 253,412</u>	<u>\$ 68,022</u>	<u>\$ 6,891</u>	<u>\$ 25,197</u>	<u>\$ 131,468</u>	<u>\$ 159,663</u>	<u>\$ 8,906</u>	<u>\$ 25,384</u>	<u>\$ 4,578</u>	<u>\$ 683,521</u>
DEFERRED INFLOWS OF RESOURCES										
Unavailable revenue										
- housing loans	\$ 142,754	-	-	-	-	-	-	-	-	\$ 142,754
FUND BALANCES										
Restricted:										
Special projects	110,658	-	6,891	-	-	-	-	-	-	117,549
Municipal court	-	68,022	-	-	-	-	-	-	-	68,022
Capital projects	-	-	-	25,197	-	-	-	-	-	25,197
Streets and roads	-	-	-	-	-	-	8,906	-	-	8,906
Committed for:										
Equipment purchases	-	-	-	-	131,468	159,663	-	-	-	291,131
Capital projects	-	-	-	-	-	-	-	25,384	4,578	29,962
Total fund balances	<u>110,658</u>	<u>68,022</u>	<u>6,891</u>	<u>25,197</u>	<u>131,468</u>	<u>159,663</u>	<u>8,906</u>	<u>25,384</u>	<u>4,578</u>	<u>540,767</u>
Total deferred inflows of resources and fund balances	<u>\$ 253,412</u>	<u>\$ 68,022</u>	<u>\$ 6,891</u>	<u>\$ 25,197</u>	<u>\$ 131,468</u>	<u>\$ 159,663</u>	<u>\$ 8,906</u>	<u>\$ 25,384</u>	<u>\$ 4,578</u>	<u>\$ 683,521</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, 2023

	Special Revenue Funds				Capital Projects Funds							Total	
	Housing Rehabilitation Loan Fund	Municipal Court Trust	Performance Guarantee Deposit Fund	Park Facility Fund	Public Safety Equipment and Facilities Reserve	Public Works Equipment Reserve	Storm Drain Facilities	Timber Management Fund	Building Reserve Fund	Nonmajor Governmental Funds			
REVENUES													
Licenses, permits, and fees	\$ -	\$ 77,062	\$ 126,857	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 203,919	
Fines and forfeitures	-	-	-	600	-	-	1,914	-	-	-	-	2,514	
Investment earnings	2,939	-	-	463	2,419	1,571	1,609	12,443	-	-	-	21,444	
Total revenues	2,939	77,062	126,857	1,063	2,419	1,571	3,523	12,443	-	-	-	227,877	
EXPENDITURES													
Current													
General government	-	-	206,031	-	-	-	-	-	-	-	-	206,031	
Public safety	-	54,892	-	-	-	-	-	-	-	-	-	54,892	
Highways and streets	-	-	-	-	-	-	15,837	-	-	-	-	15,837	
Capital outlay	-	-	-	-	-	21,391	193,377	-	7,922	-	-	222,690	
Total expenditures	-	54,892	206,031	-	-	21,391	209,214	-	7,922	-	-	499,450	
Excess (deficiency) of revenues over (under) expenditures	2,939	22,170	(79,174)	1,063	2,419	(19,820)	(205,691)	12,443	(7,922)	-	-	(271,573)	
OTHER FINANCING SOURCES (USES)													
Asset sales	-	-	-	-	-	9,112	-	-	-	-	-	9,112	
Transfers in	-	-	-	-	26,200	25,596	5,000	-	12,500	-	-	69,296	
Total other financing sources (uses)	-	-	-	-	26,200	34,708	5,000	-	12,500	-	-	78,408	
Net change in fund balances	2,939	22,170	(79,174)	1,063	28,619	14,888	(200,691)	12,443	4,578	-	-	(193,165)	
Fund balances - beginning	107,719	45,852	86,065	24,134	102,849	144,775	209,597	12,941	-	-	-	733,932	
Fund balances - ending	\$ 110,658	\$ 68,022	\$ 6,891	\$ 25,197	\$ 131,468	\$ 159,663	\$ 8,906	\$ 25,384	\$ 4,578	\$ -	\$ -	\$ 540,767	

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, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash - Basis
REVENUES			
Investment earnings	\$ 500	\$ 2,439	\$ 2,939
EXPENDITURES			
Current			
Materials and services	107,324	(107,324)	-
Excess (deficiency) of revenues over (under) expenditures	(106,824)	109,763	2,939
Fund balance - beginning	106,824	895	107,719
Fund balance - ending	\$ -	\$ 110,658	\$ 110,658

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, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	Modified Cash Basis
REVENUES					
Licenses, fees, and permits	\$ -	\$ 77,062	\$ 77,062	\$ -	\$ 77,062
EXPENDITURES					
Current					
Public safety	-	54,892	54,892	-	54,892
Excess (deficiency) of revenues over (under) expenditures	-	22,170	22,170	-	22,170
Fund balance - beginning	-	45,852	45,852	-	45,852
Fund balance - ending	\$ -	\$ 68,022	\$ 68,022	\$ -	\$ 68,022

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, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	Modified Cash Basis
REVENUES					
Licenses, fees, and permits	\$ -	\$ 126,857	\$ 126,857	\$ -	\$ 126,857
EXPENDITURES					
Current					
General government	-	206,031	206,031	-	206,031
Excess (deficiency) of revenues over (under) expenditures	-	(79,174)	(79,174)	-	(79,174)
Fund balance - beginning	-	86,065	86,065	-	86,065
Fund balance - ending	\$ -	\$ 6,891	\$ 6,891	\$ -	\$ 6,891

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, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash - Basis
REVENUES			
System development charges	\$ 2,160	\$ (1,560)	\$ 600
Investment earnings	<u>50</u>	<u>413</u>	<u>463</u>
Total revenues	<u>2,210</u>	<u>(1,147)</u>	<u>1,063</u>
EXPENDITURES			
Current			
Materials and services	<u>600</u>	<u>(600)</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	1,610	(547)	1,063
Fund balance - beginning	<u>21,278</u>	<u>2,856</u>	<u>24,134</u>
Fund balance - ending	<u><u>\$ 22,888</u></u>	<u><u>\$ 2,309</u></u>	<u><u>\$ 25,197</u></u>

CITY OF MANZANITA
Tillamook County, Oregon

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

PUBLIC SAFETY EQUIPMENT AND FACILITIES RESERVE FUND

For the Year Ended June 30, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
Investment earnings	\$ 400	\$ 2,019	\$ 2,419
EXPENDITURES			
Capital outlay	50,000	(50,000)	-
Excess (deficiency) of revenues over (under) expenditures	(49,600)	52,019	2,419
OTHER FINANCING SOURCES (USES)			
Transfers in	26,200	-	26,200
Net change in fund balance	(23,400)	52,019	28,619
Fund balance - beginning	88,268	14,581	102,849
Fund balance - ending	\$ 64,868	\$ 66,600	\$ 131,468

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, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
Investment earnings	\$ 100	\$ 1,471	\$ 1,571
EXPENDITURES			
Capital outlay	36,000	(14,609)	21,391
Excess (deficiency) of revenues over (under) expenditures	(35,900)	16,080	(19,820)
OTHER FINANCING SOURCES (USES)			
Asset sales	500	8,612	9,112
Transfers in	25,596	-	25,596
Total other financing sources (uses)	26,096	8,612	34,708
Net change in fund balance	(9,804)	24,692	14,888
Fund balance - beginning	131,473	13,302	144,775
Fund balance - ending	\$ 121,669	\$ 37,994	\$ 159,663

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, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
System development charges	\$ 5,500	\$ (3,586)	\$ 1,914
Investment earnings	100	1,509	1,609
Total revenues	<u>5,600</u>	<u>(2,077)</u>	<u>3,523</u>
EXPENDITURES			
Current			
Materials and services	15,000	837	15,837
Capital outlay	194,400	(1,023)	193,377
Contingency	<u>4,190</u>	<u>(4,190)</u>	<u>-</u>
Total expenditures	<u>213,590</u>	<u>(4,376)</u>	<u>209,214</u>
Excess (deficiency) of revenues over (under) expenditures	(207,990)	2,299	(205,691)
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Net change in fund balance	(202,990)	2,299	(200,691)
Fund balance - beginning	<u>202,990</u>	<u>6,607</u>	<u>209,597</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 8,906</u>	<u>\$ 8,906</u>

CITY OF MANZANITA
Tillamook County, Oregon

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

TIMBER MANAGEMENT FUND

For the Year Ended June 30, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash - Basis
REVENUES			
Investment earnings	\$ 300	\$ 12,143	\$ 12,443
EXPENDITURES			
Current			
Materials and services	5,000	(5,000)	-
Excess (deficiency) of revenues over (under) expenditures	(4,700)	17,143	12,443
Fund balance - beginning	10,892	2,049	12,941
Fund balance - ending	\$ 6,192	\$ 19,192	\$ 25,384

CITY OF MANZANITA
Tillamook County, Oregon

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

BUILDING RESERVE

For the Year Ended June 30, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES	\$ -	\$ -	\$ -
EXPENDITURES			
Capital outlay	10,000	(2,078)	7,922
Excess (deficiency) of revenues over (under) expenditures	(10,000)	2,078	(7,922)
OTHER FINANCING SOURCES (USES)			
Transfers in	12,500	-	12,500
Net change in fund balance	2,500	2,078	4,578
Fund balance - beginning	-	-	-
Fund balance - ending	\$ 2,500	\$ 2,078	\$ 4,578

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, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Budget Basis	Actual Adjustments	Modified Cash Basis
REVENUES					
Water charges	\$ 1,029,880	\$ 76,131	\$ 1,106,011	\$ -	\$ 1,106,011
Grants	90,000	(51,878)	38,122	-	38,122
Investment earnings	6,000	33,232	39,232	-	39,232
Miscellaneous	100	13,783	13,883	-	13,883
Total revenues	<u>1,125,980</u>	<u>71,268</u>	<u>1,197,248</u>	<u>-</u>	<u>1,197,248</u>
EXPENSES					
Current					
Personnel services	489,474	(42,563)	446,911	-	446,911
Materials and services	517,928	(257,349)	260,579	-	260,579
Capital outlay	3,500	(3,500)	-	-	-
Debt service	171,000	(644)	170,356	(75,000)	95,356
Depreciation	-	-	-	279,682	279,682
Contingency	50,000	(50,000)	-	-	-
Total expenses	<u>1,231,902</u>	<u>(354,056)</u>	<u>877,846</u>	<u>204,682</u>	<u>1,082,528</u>
Excess (deficiency) of revenues over (under) expenses	<u>(105,922)</u>	<u>425,324</u>	<u>319,402</u>	<u>(204,682)</u>	<u>114,720</u>
OTHER FINANCING					
SOURCES (USES)					
Transfers in	-	-	-	611,090	611,090
Transfers out	<u>(185,246)</u>	<u>-</u>	<u>(185,246)</u>	<u>-</u>	<u>(185,246)</u>
Total other financing sources (uses)	<u>(185,246)</u>	<u>-</u>	<u>(185,246)</u>	<u>611,090</u>	<u>425,844</u>
Change in net position	(291,168)	425,324	134,156	406,408	540,564
Net position - beginning	<u>295,101</u>	<u>158,916</u>	<u>454,017</u>	<u>4,753,277</u>	<u>5,207,294</u>
Net position - ending	<u>\$ 3,933</u>	<u>\$ 584,240</u>	<u>\$ 588,173</u>	<u>\$ 5,159,685</u>	<u>\$ 5,747,858</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, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Budget Basis	Actual Adjustments	Modified Cash Basis
REVENUES					
System development charges	\$ 208,400	\$ (132,500)	\$ 75,900	\$ -	\$ 75,900
Investment earnings	6,000	52,565	58,565	-	58,565
Miscellaneous	-	840	840	-	840
Total revenues	<u>214,400</u>	<u>(79,095)</u>	<u>135,305</u>	<u>-</u>	<u>135,305</u>
EXPENSES					
Current					
Materials and Services	5,000	(5,000)	-	-	-
Capital outlay	751,359	(140,269)	611,090	(611,090)	-
Contingency	<u>40,000</u>	<u>(40,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>796,359</u>	<u>(185,269)</u>	<u>611,090</u>	<u>(611,090)</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenses	<u>(581,959)</u>	<u>106,174</u>	<u>(475,785)</u>	<u>611,090</u>	<u>135,305</u>
OTHER FINANCING SOURCES (USES)					
Transfers out	<u>(44,265)</u>	<u>(44,265)</u>	<u>-</u>	<u>(611,090)</u>	<u>(611,090)</u>
Change in net position	(626,224)	61,909	(475,785)	-	(475,785)
Net position - beginning	<u>3,153,082</u>	<u>129,772</u>	<u>3,282,854</u>	<u>-</u>	<u>3,282,854</u>
Net position - ending	<u>\$ 2,526,858</u>	<u>\$ 191,681</u>	<u>\$ 2,807,069</u>	<u>\$ -</u>	<u>\$ 2,807,069</u>

OTHER FINANCIAL SCHEDULES

CITY OF MANZANITA
Tillamook County, Oregon

SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF LONG-TERM DEBT

June 30, 2023

Governmental Activities						
Fiscal Year	Visitor Center Note			Underhill Plaza Note		
	Principal	Interest	Total	Principal	Interest	Total
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	<u>25,016</u>	<u>418</u>	<u>25,434</u>	<u>77,425</u>	<u>1,053</u>	<u>78,478</u>
Total	<u>\$ 210,855</u>	<u>\$ 18,051</u>	<u>\$ 228,906</u>	<u>\$ 654,079</u>	<u>\$ 45,730</u>	<u>\$ 699,809</u>

Business-Type Activities			
FF&C Refunding Bonds			
Fiscal Year	Principal	Interest	Total
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
2032-2033	110,000	62,088	172,088
Thereafter	<u>1,660,000</u>	<u>393,665</u>	<u>2,053,665</u>
Total	<u>\$ 2,605,000</u>	<u>\$ 1,164,702</u>	<u>\$ 3,769,702</u>

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



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

The Honorable Debra Simmons, 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 November 8, 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, 2023, 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>
Storm Drain Facilities	Materials and Services	\$ 15,000	\$ 15,837	\$ 837

B. Public Contracting Violation

The City did not receive proper approval from City Council for an emergency procurement, and bids/quotes were not properly retained.

OAR 162-010-0230 Internal Control

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses in 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 *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 identified certain deficiencies in internal control over financial reporting, as described in the accompanying schedule of findings and management’s response as items 2023-001 through 2023-002, that we consider to be significant deficiencies in internal control over financial reporting.

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
November 8, 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 Debra Simmons, 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 November 8, 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 (internal control) 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 did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We consider the deficiencies described in the accompanying schedule of findings and management’s response as items 2023-001 through 2023-002 to be significant deficiencies.

Report on 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, 2023, 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>
Storm Drain Facilities	Materials and Services	\$ 15,000	\$ 15,837	\$ 837

B. Public Contracting Violation

The City did not receive proper approval from City Council for an emergency procurement, and bids/quotes were not properly retained.

City of Manzanita’s Response to Findings

Governmental Auditing Standards requires the auditor to perform limited procedures on the City of Manzanita, Oregon’s response to the findings identified in our audit and described in the accompanying schedule of findings and management’s response. 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 the response.

Purpose of this Report

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



Accuity, LLC
Albany, Oregon
November 8, 2023

CITY OF MANZANITA
Tillamook County, Oregon

June 30, 2023

Finding Number	2023-001 (Repeat finding)
Finding Title	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.
Type of Finding	Significant Deficiency
Criteria	Ideally, staffing levels should allow for all areas of accounting responsibility (authorization or approval, custody of assets, recording transactions and reconciliations) to be performed independent of each other.
Condition	Due to limited staffing, complete segregation is not possible within the City.
Cause of Condition	Finance staff is competent, capable and performs daily and monthly functions very well. Due to the size of the City, adding finance staff is not a feasible option, so the finding is created.
Potential Effect of Condition	There is a greater opportunity for misstatements in financial records, whether from fraud or error, to occur.
Prevalence	Systemic
Recommendation	We do not recommend any changes in staffing, but the City Council should be aware of this deficiency and remain involved in mitigating controls that have been put into place.
Management's Response	Management generally agrees with this determination. Management's response to this finding is to incorporate specific procedures into all other staff functions to provide sufficient documentation to support all financial transactions.

CITY OF MANZANITA
Tillamook County, Oregon

June 30, 2023

Finding Number	2023-002 (Repeat finding)
Finding Title	City staff lacks the ability to draft financial statements in accordance with the modified cash basis of accounting including note disclosures and required schedules
Type of Finding	Significant Deficiency
Criteria	Preparing the financial statements prior to the commencement of a financial audit can be a valuable internal control to prevent misstatements in the preparation and disclosure of the financial statements.
Condition	Finance staff does not prepare their own financial statements, and instead has contracted with our office to prepare the financial statements.
Cause of Condition	Finance staff is competent, capable and performs daily and monthly functions very well. However, their experience in preparing modified cash basis financial statements and related disclosures is limited.
Potential Effect of Condition	Finance staff may not be able to prevent or detect a material misstatement in the preparation and disclosure of the financial statements. Misstatements in financial statements may include not only misstated financial amounts, but also the omission of disclosures required by the cash basis of accounting.
Prevalence	Systemic
Recommendation	We do not recommend any changes in the preparation and disclosure of the financial statements, but the City Council and management of the City should be aware of this deficiency and stress the importance of a thorough review of the financial statements prior to approval of the audit.
Management's Response	Management generally agrees with this determination. The State of Oregon has adopted statutes that mitigate the identified deficiency by requiring municipal auditing firms to assist with and/or prepare financial statements for audit clients in accordance with the modified cash basis of accounting.