

CITY OF GEARHART

Staff Report

For City Council Meeting - 1/7/2026

Subject - Visitors - Accuity LLC - Annual Audit

Synopsis: Oregon law requires local governments to file annual financial reports to the Secretary of State, Divisions of Audits. The audit being presented is for the July 1, 2024 – June 30, 2025 fiscal year. Accuity, the City's independent, certified public accountants, prepared the required audit reports. Accuity's objective was to provide a professional opinion as to whether the basic financial statements were fairly presented. In their opinion, the financial information was fairly stated in all material respects in relation to the basic financial statements taken as a whole. The City confirmed on November 4, 2025 that the required paperwork was filed with the Secretary of State, Divisions of Audits.

An area of improvement noted was the City's organizational structure, which can be mitigated through monitored internal controls, awareness, and City Council oversight.

One of Accuity's audit team members is scheduled to be available for audit report questions.

Recommended Motion: N/A

Legal Analysis: N/A

Financial Analysis: N/A

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'Justine Hill', is written over a circular stamp.

Justine Hill
City Treasurer



CITY OF GEARHART
Clatsop County, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2025



436 1st Avenue W • P.O. Box 1072
Albany, Oregon 97321 • (541) 223-5555

CITY OF GEARHART
Clatsop County, Oregon

CITY OFFICIALS

June 30, 2025

MAYOR

Kerry Smith

CITY COUNCIL

Paulina Cockrum, President

Preston Devereaux

Dana Gould

Sharon Kloepper

**All city councilors receive mail at the City's mailing address listed below.*

CITY ADMINISTRATOR

Chad Sweet

MAILING ADDRESS

P.O. Box 2510
Gearhart, Oregon 97138

CITY ATTORNEY

Beery, Elsner & Hammond, LLP
1804 NE 45th Avenue
Portland, Oregon 97213

CITY OF GEARHART
Clatsop County, Oregon

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

The Honorable Kerry Smith, Mayor
and Members of the City Council
City of Gearhart
Gearhart, Oregon 97138

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 Gearhart, Clatsop County, Oregon, as of and for the year ended June 30, 2025, 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 Gearhart, Clatsop County, Oregon as of June 30, 2025, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended on the modified cash 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. 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 Gearhart, Clatsop 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 Gearhart, Clatsop 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 this matter.

Emphasis of Matter – Change in Accounting Principle

As described in the notes to the financial statements, in the year ended June 30, 2025, the City adopted new accounting guidance: GASB Statement No. 102, *Certain Risk Disclosures*. 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Gearhart, Clatsop County, Oregon's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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, 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 Gearhart, Clatsop 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 Gearhart, Clatsop 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gearhart, Clatsop County, Oregon's basic financial statements. The budgetary comparison information, combining statements, and individual fund schedules 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 budgetary comparison information, combining statements, and individual fund schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated October 13, 2025 on our tests of the City's compliance with certain provisions of laws and regulations specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Accuity, LLC

By: 
Glen O. Kearns, CPA

Albany, Oregon
October 13, 2025

BASIC FINANCIAL STATEMENTS

CITY OF GEARHART
Clatsop County, Oregon

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

June 30, 2025

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,001,805	\$ 218,143	\$ 1,219,948
Restricted assets			
Cash and cash equivalents	1,691,296	-	1,691,296
Noncurrent assets			
Capital assets not being depreciated	28,025	54,650	82,675
Capital assets being depreciated, net	527,928	8,754,825	9,282,753
Total noncurrent assets	555,953	8,809,475	9,365,428
Total assets	3,249,054	9,027,618	12,276,672
LIABILITIES			
Current liabilities			
Payroll liabilities	1,918	-	1,918
Bail trust liability	19,535	-	19,535
Long-term debt, current portion	240,000	-	240,000
Total current liabilities	261,453	-	261,453
Noncurrent liabilities			
Long-term debt, less current portion	1,604,642	-	1,604,642
Total liabilities	1,866,095	-	1,866,095
NET POSITION			
Net investment in capital assets	(1,288,689)	8,809,475	7,520,786
Restricted for:			
Special projects	29,696	-	29,696
Streets and roads	561,053	-	561,053
Debt service	29,507	-	29,507
System development	1,069,779	-	1,069,779
Unrestricted	1,542,666	218,143	1,760,809
Total net position	\$ 1,382,959	\$ 9,027,618	\$ 10,410,577

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

CITY OF GEARHART
Clatsop County, Oregon

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Governmental activities							
General government	\$ 1,121,603	\$ 190,982	\$ 5,000	\$ -	\$ (925,621)	\$ -	\$ (925,621)
Public safety	1,652,428	453,288	91,760	-	(1,107,380)	-	(1,107,380)
Highways and streets	191,374	-	-	-	(191,374)	-	(191,374)
Parks and recreation	94,655	-	16,400	-	(78,255)	-	(78,255)
Unallocated depreciation	93,248	-	-	-	(93,248)	-	(93,248)
Interest on long-term debt	37,788	-	-	-	(37,788)	-	(37,788)
Total governmental activities	<u>\$ 3,191,096</u>	<u>\$ 644,270</u>	<u>\$ 113,160</u>	<u>\$ -</u>	<u>(2,433,666)</u>	<u>-</u>	<u>(2,433,666)</u>
Business-type activities							
Water	<u>\$ 1,617,069</u>	<u>\$ 1,194,239</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>(422,830)</u>	<u>(422,830)</u>
General revenues							
Property taxes levied for general purposes					765,546	-	765,546
Property taxes levied for debt service					654,758	-	654,758
Transient room taxes					574,010	-	574,010
State highway tax					156,075	-	156,075
Alcohol and cigarette taxes					73,198	-	73,198
Franchise fees					191,185	-	191,185
State revenue sharing					28,293	-	28,293
Investment earnings					151,910	12,314	164,224
Miscellaneous					26,105	7,153	33,258
Total general revenues					<u>2,621,080</u>	<u>19,467</u>	<u>2,640,547</u>
Transfers					<u>(190,594)</u>	<u>190,594</u>	<u>-</u>
Change in net position					(3,180)	(212,769)	(215,949)
Net position - beginning, as restated					<u>1,386,139</u>	<u>9,240,387</u>	<u>10,626,526</u>
Net position - ending					<u>\$ 1,382,959</u>	<u>\$ 9,027,618</u>	<u>\$ 10,410,577</u>

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

CITY OF GEARHART
Clatsop County, Oregon

BALANCE SHEET - MODIFIED CASH BASIS

GOVERNMENTAL FUNDS

June 30, 2025

	General Fund	Special Revenue Fund Gearhart Road District General	Debt Service Fund	Capital Projects Funds Fire Apparatus Reserve Water Reserve		Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 376,064	\$ 312,938	\$ 29,507	\$ 350,285	\$ 1,069,779	\$ 554,528	\$ 2,693,101
LIABILITIES							
Bail trust liability	\$ 19,535	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,535
Payroll liabilities	1,918	-	-	-	-	-	1,918
Total liabilities	21,453	-	-	-	-	-	21,453
FUND BALANCES							
Restricted	10,207	312,938	29,507	-	1,069,779	268,865	1,691,296
Committed	-	-	-	350,285	-	285,663	635,948
Unassigned	344,404	-	-	-	-	-	344,404
Total fund balances	354,611	312,938	29,507	350,285	1,069,779	554,528	2,671,648
Total liabilities and fund balances	\$ 376,064	\$ 312,938	\$ 29,507	\$ 350,285	\$ 1,069,779	\$ 554,528	\$ 2,693,101

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

CITY OF GEARHART
Clatsop County, Oregon

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

June 30, 2025

Total fund balances		\$ 2,671,648
Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds:		
Cost	1,854,927	
Accumulated depreciation	<u>(1,298,974)</u>	555,953
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:		
Bonds payable	(1,575,000)	
Bond premiums, net	<u>(269,642)</u>	<u>(1,844,642)</u>
Net position of governmental activities		<u><u>\$ 1,382,959</u></u>

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

CITY OF GEARHART
Clatsop County, Oregon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

MODIFIED CASH BASIS - GOVERNMENTAL FUNDS

For the Year Ended June 30, 2025

		Special Revenue Fund		Capital Projects Funds			
	General Fund	Gearhart Road District General	Debt Service Fund	Fire Apparatus Reserve	Water Reserve	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Property taxes	\$ 722,356	\$ 42,620	\$ 654,758	\$ -	\$ -	\$ -	\$ 1,419,734
Intergovernmental	490,733	-	-	-	-	184,368	675,101
Licenses, fees, and permits	76,284	-	-	-	-	132,959	209,243
Franchise fees	191,185	-	-	-	-	-	191,185
Grants and contributions	87,933	-	-	-	-	25,227	113,160
Transient room taxes	574,010	-	-	-	-	-	574,010
Fines and forfeitures	18,062	-	-	-	-	-	18,062
Investment earnings	21,559	13,833	9,390	18,891	56,665	31,572	151,910
Miscellaneous	14,034	-	-	-	-	12,071	26,105
Total revenues	<u>2,196,156</u>	<u>56,453</u>	<u>664,148</u>	<u>18,891</u>	<u>56,665</u>	<u>386,197</u>	<u>3,378,510</u>
EXPENDITURES							
Current							
General government	774,976	-	-	-	-	222,985	997,961
Public safety	1,386,684	-	-	-	-	-	1,386,684
Highways and streets	-	1,238	-	-	-	156,023	157,261
Parks and recreation	52,265	-	-	-	-	-	52,265
Debt service	-	-	721,949	-	-	-	721,949
Capital outlay	45,134	7,200	-	141,505	456,700	281,655	932,194
Total expenditures	<u>2,259,059</u>	<u>8,438</u>	<u>721,949</u>	<u>141,505</u>	<u>456,700</u>	<u>660,663</u>	<u>4,248,314</u>

(Continued)

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

CITY OF GEARHART
Clatsop County, Oregon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

MODIFIED CASH BASIS - GOVERNMENTAL FUNDS

For the Year Ended June 30, 2025

(Continued)

	General Fund	Special Revenue Fund Gearhart Road District General	Debt Service Fund	Capital Projects Funds		Nonmajor Governmental Funds	Total Governmental Funds
				Fire Apparatus Reserve	Water Reserve		
Excess (deficiency) of revenues over (under) expenditures	\$ (62,903)	\$ 48,015	\$ (57,801)	\$ (122,614)	\$ (400,035)	\$ (274,466)	\$ (869,804)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	30,000	295,000	56,600	381,600
Transfers out	(309,100)	(25,000)	-	-	-	-	(334,100)
Total other financing sources (uses)	(309,100)	(25,000)	-	30,000	295,000	56,600	47,500
Net change in fund balances	(372,003)	23,015	(57,801)	(92,614)	(105,035)	(217,866)	(822,304)
Fund balances - beginning	726,614	289,923	87,308	442,899	1,174,814	772,394	3,493,952
Fund balances - ending	<u>\$ 354,611</u>	<u>\$ 312,938</u>	<u>\$ 29,507</u>	<u>\$ 350,285</u>	<u>\$ 1,069,779</u>	<u>\$ 554,528</u>	<u>\$ 2,671,648</u>

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

CITY OF GEARHART
Clatsop 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, 2025

Net change in fund balances	\$ (822,304)
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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	228,211	
Less current year depreciation	<u>(93,248)</u>	134,963

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	645,000	
Amortization of bond premiums	<u>39,161</u>	<u>684,161</u>

Change in net position	<u><u>\$ (3,180)</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF GEARHART
Clatsop County, Oregon

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

PROPRIETARY FUND

June 30, 2025

	Business-Type Activities - Enterprise Fund Water Operating
ASSETS	
Current assets	
Cash and cash equivalents	\$ 218,143
Noncurrent assets	
Capital assets not being depreciated	54,650
Capital assets being depreciated, net	8,754,825
Total noncurrent assets	8,809,475
Total assets	9,027,618
NET POSITION	
Net investment in capital assets	8,809,475
Unrestricted	218,143
Total net position	\$ 9,027,618

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

CITY OF GEARHART
Clatsop County, Oregon

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

PROPRIETARY FUND

For the Year Ended June 30, 2025

	Business-Type Activities - Enterprise Fund <u>Water Operating</u>
Operating revenues	
Water charges	\$ 1,185,510
Water meter installations	<u>8,729</u>
Total operating revenues	<u>1,194,239</u>
Operating expenses	
Payroll and related costs	413,778
Plant and well operations	863,080
Depreciation	<u>340,211</u>
Total operating expenses	<u>1,617,069</u>
Operating income (loss)	<u>(422,830)</u>
Nonoperating revenues (expenses)	
Investment earnings	12,314
Miscellaneous income	<u>7,153</u>
Total nonoperating revenues (expenses)	<u>19,467</u>
Income (loss) before transfers	(403,363)
Transfers in	238,094
Transfers out	<u>(47,500)</u>
Change in net position	(212,769)
Total net position - beginning	<u>9,240,387</u>
Total net position - ending	<u><u>\$ 9,027,618</u></u>

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

CITY OF GEARHART
Clatsop County, Oregon

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS

PROPRIETARY FUND

For the Year Ended June 30, 2025

	Business-Type Activities - Enterprise Fund <u>Water</u> <u>Operating</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,194,239
Cash payments for payroll and related costs	(413,778)
Cash payments for operating expenses	<u>(863,080)</u>
Net cash provided (used) by operating activities	<u>(82,619)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Miscellaneous revenues	<u>7,153</u>
Net cash provided (used) by noncapital financing activities	<u>7,153</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Transfers from (to) other funds for capital purchases	<u>(47,500)</u>
Net cash provided (used) by capital and related financing activities	<u>(47,500)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings	<u>12,314</u>
Net cash provided (used) by investing activities	<u>12,314</u>
Net increase (decrease) in cash and cash equivalents	(110,652)
Cash and cash equivalents - beginning	<u>328,795</u>
Cash and cash equivalents - ending	<u><u>\$ 218,143</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (422,830)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	<u>340,211</u>
Net cash provided (used) by operating activities	<u><u>\$ (82,619)</u></u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Gearhart 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 activities of the City. *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 Gearhart is located along the north Oregon coast in Clatsop County just north of the City of Seaside and is a full-service city providing police and fire protection, building, planning, water, and administrative services. The City operates under the 1987 Charter. The governing body of the City consists of an elected mayor and four council members. The mayor serves a four-year term and the council members serve four-year terms. The city council appoints the city administrator.

The accompanying financial statements present the City and its component unit, which is an entity for which the City is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

1. Blended Component Unit – Gearhart Road District

The aforementioned road district serves the area within the existing city limits of the City of Gearhart. The district's board of directors consists of all the City of Gearhart's city council and budget committee members.

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 City's proprietary funds. Separate financial statements are provided for the governmental funds and proprietary funds.

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Government-Wide Financial Statements (Continued)

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 City'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 City's funds. Separate statements for each fund category, governmental and proprietary, are presented. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

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

Special Revenue Fund

Gearhart Road District General Fund – The Gearhart Road District General Fund accounts for ad valorem taxes levied by Clatsop County and are generally restricted for use on the City's streets.

Debt Service Fund – The Debt Service Fund accounts for the repayment of the City's governmental long-term debt. The primary source of revenue is property taxes. The primary use of revenue is the repayment of principal and interest on long-term debt.

Capital Projects Funds

Fire Apparatus Reserve Fund – The Fire Apparatus Reserve Fund accounts for transfers from the General Fund for the purpose of acquiring major acquisitions for the fire department.

Water Reserve Fund – The Water Reserve Fund accounts for transfers from the Water Operating Fund for the purpose of funding future water capital construction projects.

The City reports the following major proprietary fund:

Enterprise Fund

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

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation – Fund Financial Statements (Continued)

Additionally, the City reports the following nonmajor governmental funds:

Special Revenue Funds

Building Fund – The Building Fund accounts for building licenses and permits and expenditures for those items specified by provision.

Bench Program Fund – The Bench Program Fund accounts for grants and donations that provide funding to place benches in the community.

State Street Fund – The State Street Fund accounts for Oregon gasoline tax apportionments and expenditures for those street improvements specified by Oregon Revised Statutes.

State Revenue Sharing Fund – The State Revenue Sharing Fund accounts for Oregon revenue sharing apportionments and expenditures for those items specified by provision.

Capital Projects Funds

Public Works Equipment Reserve Fund – The Public Works Equipment Reserve Fund accounts for transfers from the General Fund and/or Water Operating Fund for the purpose of acquiring major public works equipment.

Building Reserve Fund – The Building Reserve Fund accounts for transfers from the General Fund for the purpose of building construction and improvements.

Police Car Reserve Fund – The Police Car Reserve Fund accounts for transfers from the General Fund for the purpose of acquiring capital assets for the police department.

Hazard Mitigation Reserve Fund – The Hazard Mitigation Reserve Fund accounts for transfers from the General Fund and grants for the purpose of funding hazard mitigation projects in the City.

Certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated, so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The 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 the governmental funds. Issuance of long-term debt is reported as an other financing source.

The proprietary fund financial statements are reported using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows.

In the government-wide financial statements and the fund financial statements, governmental and business-type 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 governmental fund financial statements would use the modified accrual basis of accounting, and the government-wide and proprietary fund financial statements would be presented on the accrual basis of accounting.

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Information

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, debt service, 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, interfund transfers, 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. A supplemental budget less than 10% of a fund's original budget may be adopted by the city council 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 two approved appropriation changes.

G. Assets, Liabilities, 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 GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, and Net Position/Fund Balance (Continued)

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. Capital Assets

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

The costs of normal maintenance or repairs that do not add to the value of an asset or materially extend its life are charged to expenditures as incurred and are not capitalized. Major capital outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed.

Land is not depreciated. The other 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>
Machinery and equipment	5-50
Buildings	15-40
Infrastructure	15-50
Water system	10-70

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, and Net Position/Fund Balance (Continued)

4. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations arising from cash basis transactions are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bond using the bonds outstanding method. Bonds payable are reported net of the applicable bond premium or discount. Management has determined that the bonds outstanding method approximates the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

5. Net Position Flow Assumption

Sometimes, the City 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 City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

6. Fund Balance Flow Assumptions

Sometimes, the City 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 City's policy to consider restricted fund balance 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 GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, and Net Position/Fund Balance (Continued)

7. 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 City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Restricted fund balance are amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The city council is the highest level of decision-making authority for the City 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 City for specific purposes but do not meet the criteria to be classified as committed. The city council has, by resolution, authorized the City Administrator to assign fund balance. The city 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 balance 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.

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, and Net Position/Fund Balance (Continued)

7. Fund Balance Policies (Continued)

- Committed fund balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., city council). 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.
- Assigned fund balance – amounts that the City intends to use for a specific purpose. Intent can be expressed by the city council or by an official or body to which the city council 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.

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Revenues and Expenditures/Expenses (Continued)

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

4. Retirement Plan

Most of the City's employees participate in Oregon's Public Employees Retirement System (PERS). Contributions and expenditures are made on a current basis, as required by the plan.

I. Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The City of Gearhart 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. 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 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 (LGIP)). The LGIP is not registered with the U.S. Securities and Exchange Commission as an investment company. The State's investment policies are governed by 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.

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2025

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

Investments in the LGIP 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 that 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, 867 Hawthorne Avenue SE, Salem, Oregon 97301.

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.
- *Level 3* – Unobservable inputs.

The LGIP investments are not required to be categorized under the fair value hierarchy. The fair value of the City's position in the LGIP is the same as the value of the pool shares.

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.

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2025

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

Investments

As of June 30, 2025, 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>2,617,731</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. 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.

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2025

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

The City holds an account at Columbia Bank, for which the FDIC provides insurance coverage of \$250,000 for demand deposit accounts and \$250,000 for time and savings accounts. At June 30, 2025, \$250,000 of the City's total deposits was insured by the FDIC and the remaining \$129,062 was collateralized by the PFCP.

Deposits

The City's deposits and investments at June 30, 2025 are as follows:

Cash on hand	\$ 250
Checking accounts	293,263
Investments	<u>2,617,731</u>
Total deposits and investments	<u><u>\$ 2,911,244</u></u>

The City's cash and investments by fund are as follows:

Governmental activities - unrestricted	
General Fund	\$ 365,857
Fire Apparatus Reserve Fund	350,285
Nonmajor governmental funds	<u>285,663</u>
Total governmental activities - unrestricted	1,001,805
Business-type activities - unrestricted	
Water Operating Fund	<u>218,143</u>
Subtotal unrestricted cash and investments	<u>1,219,948</u>
Governmental activities - restricted	
General Fund	10,207
Gearhart Road District General Fund	312,938
Debt Service Fund	29,507
Water Reserve Fund	1,069,779
Nonmajor governmental funds	<u>268,865</u>
Total governmental activities - restricted	<u>1,691,296</u>
Total cash and investments	<u><u>\$ 2,911,244</u></u>

Restricted cash is for roads and streets, debt service payments, special projects, and future system development improvements.

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2025

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

B. Capital Assets

Capital asset transactions resulting from the modified cash basis for the year ended June 30, 2025 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 28,025	\$ -	\$ -	\$ 28,025
Capital assets being depreciated				
Administrative buildings	41,900	-	-	41,900
Police equipment	209,953	-	-	209,953
General equipment	18,671	-	-	18,671
Shop equipment	402,802	69,471	-	472,273
Fire equipment and buildings	829,166	126,459	-	955,625
Infrastructure	96,199	32,281	-	128,480
Total capital assets being depreciated	<u>1,598,691</u>	<u>228,211</u>	<u>-</u>	<u>1,826,902</u>
Less accumulated depreciation for				
Administrative buildings	(41,900)	-	-	(41,900)
Police equipment	(146,306)	(17,565)	-	(163,871)
General equipment	(4,308)	(3,309)	-	(7,617)
Shop equipment	(283,732)	(32,723)	-	(316,455)
Fire equipment and buildings	(677,017)	(31,793)	-	(708,810)
Infrastructure	(52,463)	(7,858)	-	(60,321)
Total accumulated depreciation	<u>(1,205,726)</u>	<u>(93,248)</u>	<u>-</u>	<u>(1,298,974)</u>
Total capital assets being depreciated, net	<u>392,965</u>	<u>134,963</u>	<u>-</u>	<u>527,928</u>
Governmental activities capital assets, net	<u>\$ 420,990</u>	<u>\$ 134,963</u>	<u>\$ -</u>	<u>\$ 555,953</u>

(Continued)

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2025

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

B. Capital Assets (Continued)

(Continued)	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 54,650	\$ -	\$ -	\$ 54,650
Capital assets being depreciated				
Buildings	18,420	-	-	18,420
Machinery and equipment	43,979	238,094	-	282,073
Water system	13,011,546	-	-	13,011,546
Total capital assets being depreciated	13,073,945	238,094	-	13,312,039
Less accumulated depreciation for				
Buildings	(16,142)	(667)	-	(16,809)
Machinery and equipment	(43,978)	(6,071)	-	(50,049)
Water system	(4,156,883)	(333,473)	-	(4,490,356)
Total accumulated depreciation	(4,217,003)	(340,211)	-	(4,557,214)
Total capital assets being depreciated, net	8,856,942	(102,117)	-	8,754,825
Business-type activities capital assets, net	\$ 8,911,592	\$ (102,117)	\$ -	\$ 8,809,475

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

	<u>Capital Assets</u>	<u>Accumulated Depreciation</u>	<u>Net Capital Assets</u>
Governmental activities			
Land	\$ 28,025	\$ -	\$ 28,025
Administrative buildings	41,900	(41,900)	-
Police equipment	209,953	(163,871)	46,082
General equipment	18,671	(7,617)	11,054
Shop equipment	472,273	(316,455)	155,818
Fire equipment and buildings	955,625	(708,810)	246,815
Infrastructure	128,480	(60,321)	68,159
Total governmental activities capital assets	\$ 1,854,927	\$ (1,298,974)	\$ 555,953

(Continued)

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2025

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

B. Capital Assets (Continued)

(Continued)

Business-type activities

Land	\$ 54,650	\$ -	\$ 54,650
Buildings	18,420	(16,809)	1,611
Machinery and equipment	282,073	(50,049)	232,024
Water system	<u>13,011,546</u>	<u>(4,490,356)</u>	<u>8,521,190</u>
Total business-type activities capital assets	<u>13,366,689</u>	<u>(4,557,214)</u>	<u>8,809,475</u>
Total capital assets	<u>\$ 15,221,616</u>	<u>\$ (5,856,188)</u>	<u>\$ 9,365,428</u>

For 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 \$ 93,248

Business-type activities

Water \$ 340,211

C. 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 ended June 30, 2025:

	Interest Rate	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities							
General obligation bonds							
Refunding, Series 2015	2.35%	\$ 4,195,000	\$ 475,000	\$ -	\$ 475,000	\$ -	\$ -
Refunding, Series 2021	3-4%	<u>2,215,000</u>	<u>1,745,000</u>	<u>-</u>	<u>170,000</u>	<u>1,575,000</u>	<u>240,000</u>
Total bonds		<u>6,410,000</u>	<u>2,220,000</u>	<u>-</u>	<u>645,000</u>	<u>1,575,000</u>	<u>240,000</u>
Bond premiums							
Refunding, Series 2015		207,344	23,477	-	23,477	-	-
Refunding, Series 2021		<u>305,895</u>	<u>285,326</u>	<u>-</u>	<u>15,684</u>	<u>269,642</u>	<u>-</u>
Total bond premiums		<u>513,239</u>	<u>308,803</u>	<u>-</u>	<u>39,161</u>	<u>269,642</u>	<u>-</u>
Total governmental activities		<u>\$ 6,923,239</u>	<u>\$ 2,528,803</u>	<u>\$ -</u>	<u>\$ 684,161</u>	<u>\$ 1,844,642</u>	<u>\$ -</u>

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2025

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

C. Long-Term Liabilities (Continued)

1. Changes in Long-Term Liabilities (Continued)

The City paid \$37,788 in interest on long-term liabilities during the year ended June 30, 2025.

2. General Obligation Bonds

General obligation bonds are direct obligations that pledge the full faith and credit of the City and are payable from ad valorem debt service levy proceeds. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The Debt Service Fund has traditionally been used to liquidate long-term debt.

a. Governmental Activities – General Obligation Bonds, Refunding Series 2015

On March 16, 2005, the City issued general obligation bonds of \$7,000,000 (par value) to refund a portion of the outstanding general obligation bonds. On May 28, 2015, the City issued general obligation bonds in the amount of \$4,195,000 for the purposes of refunding outstanding Series 2005 general obligation bonds of the City and to pay the cost of issuance of the Series 2015 bonds. The interest rate is fixed at 2.35%. Interest is due semiannually on March 1 and September 1. The bonds mature on March 1, 2025 and were issued at a premium of \$207,344. As of June 30, 2025, the obligation had been paid in full.

b. Governmental Activities – General Obligation Bonds, Refunding Series 2021

On May 25, 2011, the City issued general obligation bonds of \$4,000,000 (par value) to refund a portion of the outstanding general obligation bonds. On March 1, 2022, the City issued general obligation bonds in the amount of \$2,215,000 for the purposes of refunding outstanding Series 2011 general obligation bonds of the City and to pay the cost of issuance of the series 2021 bonds. The interest rate ranges from 3-4% based on the original debt agreement. Interest is due semiannually on March 1 and September 1. The bonds mature on March 1, 2031 and were issued at a premium of \$305,895.

3. Debt Capacity

The City's legal annual debt service limit (as defined by ORS 478.410) as of June 30, 2025 was approximately \$42,718,181. The City's legal debt service limit is 3% of the real market value of property within the City.

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2025

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

C. Long-Term Liabilities (Continued)

4. Default Risk

The general obligation bonds contain events of default; the lender may take whatever action may appear necessary or desirable to enforce or to protect any of the rights of the lender, either at law or in equity, or in bankruptcy or otherwise, if the following events occur:

- Failure by the City to pay bond principal, interest, or premium when due.
- Failure by the City to observe and perform any required covenant, condition, or agreement.
- The City is adjudged insolvent by a court of competent jurisdiction, admits in writing its inability to pay its debts as they become due, or files a petition of bankruptcy.

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

Year Ending June 30	General Obligation Bonds, Series 2021		
	Principal	Interest	Total
2026	\$ 240,000	\$ 52,850	\$ 292,850
2027	250,000	45,650	295,650
2028	260,000	38,150	298,150
2029	265,000	30,350	295,350
2030	275,000	22,400	297,400
2031	285,000	11,400	296,400
	<u>\$ 1,575,000</u>	<u>\$ 200,800</u>	<u>\$ 1,775,800</u>

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2025

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

D. Interfund Transfers

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

	Transfers in:			Total
	Fire Apparatus Reserve	Water Reserve Fund	Nonmajor Governmental Funds	
Transfers out:				
Governmental activities				
General Fund	\$ 30,000	\$ 230,000	\$ 49,100	\$ 309,100
Gearhart Road District General Fund	-	25,000	-	25,000
Business-type activities				
Water Fund	-	40,000	7,500	47,500
Total	<u>\$ 30,000</u>	<u>\$ 295,000</u>	<u>\$ 56,600</u>	<u>\$ 381,600</u>

The principal purpose of the interfund transfers was to transfer resources into reserve funds for future expenditures.

E. Constraints on Fund Balances

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

	Special Revenue Fund		Debt Service Fund	Capital Projects Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Gearhart Road District General		Fire Apparatus Reserve	Water Reserve		
Fund balances							
Restricted for:							
Roads and streets	\$ -	\$ 312,938	\$ -	\$ -	\$ -	\$ 248,115	\$ 561,053
Debt service	-	-	29,507	-	-	-	29,507
Donor projects	10,207	-	-	-	-	19,489	29,696
System development	-	-	-	-	1,069,779	-	1,069,779
Building department	-	-	-	-	-	1,261	1,261
Committed to:							
Special projects	-	-	-	-	-	1,305	1,305
Capital projects	-	-	-	350,285	-	174,761	525,046
Hazard mitigation	-	-	-	-	-	109,597	109,597
Unassigned	<u>344,404</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>344,404</u>
Total fund balances	<u>\$ 354,611</u>	<u>\$ 312,938</u>	<u>\$ 29,507</u>	<u>\$ 350,285</u>	<u>\$ 1,069,779</u>	<u>\$ 554,528</u>	<u>\$ 2,671,648</u>

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2025

III. OTHER INFORMATION

A. Risk Management

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

B. Pension Plan

1. Plan Description

The City is a participating employer in the Oregon Public Employees Retirement System (OPERS), a cost-sharing, multiple-employer, defined benefit, and defined contribution pension plan. The Oregon Legislature has delegated authority to the Public Employees Retirement System Board to administer and manage the system. All benefits of the system are established by the legislature, pursuant to Oregon Revised Statutes (ORS) Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available annual comprehensive financial report and actuarial valuation, both of which can be obtained at: <https://www.oregon.gov/pers/emp/pages/annual-reports.aspx>.

2. Benefits Provided

a. Tier One/Tier Two Retirement Benefits (ORS Chapter 238)

Pension Benefits

The PERS 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 base benefit is based on years of service and final average salary. A percentage (1.67% for general service employees, 2.0% for police and fire employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2025

III. OTHER INFORMATION (Continued)

B. Pension Plan (Continued)

2. Benefits Provided (Continued)

a. Tier One/Tier Two Retirement Benefits (ORS Chapter 238) (Continued)

Pension Benefits (Continued)

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if they have had a contribution in each of five calendar years or have 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. The ORS Chapter 238 Pension Plan is closed to new members hired on or after August 29, 2003.

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:

- the member was employed by a PERS employer at the time of death,
- the member died within 120 days after termination of PERS-covered employment,
- the member died as a result of injury sustained while employed in a PERS-covered job, or
- the 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 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 the monthly benefit.

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2025

III. OTHER INFORMATION (Continued)

B. Pension Plan (Continued)

2. Benefits Provided (Continued)

a. Tier One/Tier Two Retirement Benefits (ORS Chapter 238) (Continued)

Benefit Changes After Retirement

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the fair value of underlying global equity investments of that account. Under ORS 238.360, monthly benefits are adjusted annually through cost-of-living adjustments (COLA), starting with the monthly benefits received or entitled to be received on August 1. The COLA is capped at 2.0%.

b. Oregon Public Service Retirement Plan (OPSRP) Pension Program (Defined Benefit)

Pension Benefits

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

General service: 1.5% 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.

Police and fire: 1.8% 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 retire under the police and fire classification, the individual's last 60 months of retirement credit preceding retirement eligibility must be classified as retirement credit for service as a police officer or a firefighter.

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, or, 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% of the pension that would otherwise have been paid to the deceased member.

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2025

III. OTHER INFORMATION (Continued)

B. Pension Plan (Continued)

2. Benefits Provided (Continued)

**b. Oregon Public Service Retirement Plan (OPSRP) Pension Program (Defined Benefit)
(Continued)**

Disability Benefits

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

Benefit Changes After Retirement

Under ORS 238.360, monthly benefits are adjusted annually through cost-of-living adjustments (COLA), starting with the monthly benefits received or entitled to be received on August 1. The COLA is capped at 2.0%.

c. OPSRP Individual Account Program (IAP) (Defined Contribution)

Benefit Terms

The IAP is an individual account-based program under the OPERS tax-qualified governmental plan as defined under ORS 238A.400. An IAP member becomes vested on the date the employee account is established or on the date the rollover account is 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 IAP may receive the amounts in their employee account, rollover account, and vested employer-funded account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, or 20-year period or an anticipated life span option. Installment amounts vary with market returns as the account remains invested while in distribution. When chosen, the distribution option must result in a \$200 minimum distribution amount, or the frequency of the installments will be adjusted to reach that minimum.

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2025

III. OTHER INFORMATION (Continued)

B. Pension Plan (Continued)

2. Benefits Provided (Continued)

c. OPSRP Individual Account Program (IAP) (Defined Contribution) (Continued)

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.

Recordkeeping

OPERS contracts with Voya Financial to maintain IAP participant records.

3. Contributions

PERS' funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. Employer contribution rates during the period were based on the December 31, 2022 actuarial valuation, which became effective July 1, 2023. Employer contributions for the year ended June 30, 2025 were \$277,750, excluding amounts to fund employer-specific liabilities. The rates in effect for the fiscal year ended June 30, 2025 were 25.1% for Tier One/Tier Two general service members, 25.1% for Tier One/Tier Two police and fire members, 18.22% for OPSRP Pension Program general service members, 23.01% for OPSRP Pension Program police and fire members, and 6% for OPSRP IAP.

C. Restatement

To correct fund type reporting for an enterprise fund reclassified to a governmental fund, the City restated beginning net position as follows:

	Government-Wide Basis	
	Governmental Activities	Business-Type Activities
Net position - beginning, as originally reported	\$ 211,325	\$ 10,415,201
To correct fund type - Water Reserve Fund	1,174,814	(1,174,814)
Net position - beginning, as restated	<u>\$ 1,386,139</u>	<u>\$ 9,240,387</u>

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2025

III. OTHER INFORMATION (Continued)

D. New Pronouncements

For the fiscal year ended June 30, 2025, the City implemented the following new accounting standard:

GASB Statement No. 102, *Certain Risk Disclosures* – This statement improves reporting by providing users of financial statements with essential information that previously was not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact.

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. 103, *Financial Reporting Model Improvements* – The objective of this statement is to improve key components of the financial reporting model. The purposes of the improvements are to (a) enhance the effectiveness of the financial reporting model in providing information that is essential for decision making and assessing a government's accountability and (b) address certain application issues identified through pre-agenda research conducted by the GASB. The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* – This statement establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures required by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. It also establishes requirements for capital assets held for sale, including additional disclosures for those capital assets. The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

E. Subsequent Events

Management has evaluated subsequent events through October 13, 2025, which was the date that the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

CITY OF GEARHART
Clatsop County, Oregon

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

GENERAL FUND

For the Year Ended June 30, 2025

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual Budget Basis
REVENUES				
Property taxes	\$ 716,105	\$ 716,105	\$ 6,251	\$ 722,356
Charges for services	438,811	438,811	(21,276)	417,535
Licenses, fees, and permits	75,400	75,400	884	76,284
Franchise fees	192,465	192,465	(1,280)	191,185
State liquor taxes	38,500	38,500	(8,135)	30,365
State cigarette and marijuana taxes	53,351	53,351	(10,518)	42,833
Grants and contributions	160,000	160,000	(72,067)	87,933
Transient room taxes	589,000	589,000	(14,990)	574,010
Fines and forfeitures	35,000	35,000	(16,938)	18,062
Investment earnings	24,000	24,000	(2,441)	21,559
Miscellaneous	20,500	20,500	(6,466)	14,034
Total revenues	<u>2,343,132</u>	<u>2,343,132</u>	<u>(146,976)</u>	<u>2,196,156</u>
EXPENDITURES				
Current				
Administrative department	648,570	648,570	(45,134)	603,436
Police department	723,125	723,125	(106,800)	616,325
Municipal court	29,138	34,138	(5,471)	28,667
Fire department	916,459	916,459	(151,133)	765,326
Planning department	137,859	152,859	(11,303)	141,556
Parks department	63,576	85,576	(11,811)	73,765
Non-departmental	165,500	123,500	(93,516)	29,984
Total expenditures	<u>2,684,227</u>	<u>2,684,227</u>	<u>(425,168)</u>	<u>2,259,059</u>
Excess (deficiency) of revenues over (under) expenditures	(341,095)	(341,095)	278,192	(62,903)
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(309,100)</u>	<u>(309,100)</u>	<u>-</u>	<u>(309,100)</u>
Net change in fund balance	(650,195)	(650,195)	278,192	(372,003)
Fund balance - beginning	<u>650,195</u>	<u>650,195</u>	<u>76,419</u>	<u>726,614</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 354,611</u>	<u>\$ 354,611</u>

CITY OF GEARHART
Clatsop County, Oregon

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

GEARHART ROAD DISTRICT GENERAL FUND

For the Year Ended June 30, 2025

	Originals Budget	Final Budget	Variance with Final Budget Over (Under)	Actual Budget Basis
REVENUES				
Property taxes	\$ 42,785	\$ 42,785	\$ (165)	\$ 42,620
Investment earnings	<u>4,850</u>	<u>4,850</u>	<u>8,983</u>	<u>13,833</u>
Total revenues	<u>47,635</u>	<u>47,635</u>	<u>8,818</u>	<u>56,453</u>
EXPENDITURES				
Current				
Materials and services	950	2,450	(1,212)	1,238
Capital outlay	<u>306,705</u>	<u>305,205</u>	<u>(298,005)</u>	<u>7,200</u>
Total expenditures	<u>307,655</u>	<u>307,655</u>	<u>(299,217)</u>	<u>8,438</u>
Excess (deficiency) of revenues over (under) expenditures	(260,020)	(260,020)	308,035	48,015
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>	<u>(25,000)</u>
Net change in fund balance	(285,020)	(285,020)	308,035	23,015
Fund balance - beginning	<u>285,020</u>	<u>285,020</u>	<u>4,903</u>	<u>289,923</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 312,938</u>	<u>\$ 312,938</u>

CITY OF GEARHART
Clatsop County, Oregon

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

DEBT SERVICE FUND

For the Year Ended June 30, 2025

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Budget Basis
REVENUES			
Property taxes	\$ 674,377	\$ (19,619)	\$ 654,758
Investment earnings	<u>5,998</u>	<u>3,392</u>	<u>9,390</u>
Total revenues	<u>680,375</u>	<u>(16,227)</u>	<u>664,148</u>
EXPENDITURES			
Debt service	<u>721,950</u>	<u>(1)</u>	<u>721,949</u>
Excess (deficiency) of revenues over (under) expenditures	(41,575)	(16,226)	(57,801)
Fund balance - beginning	<u>68,000</u>	<u>19,308</u>	<u>87,308</u>
Fund balance - ending	<u><u>\$ 26,425</u></u>	<u><u>\$ 3,082</u></u>	<u><u>\$ 29,507</u></u>

CITY OF GEARHART
Clatsop County, Oregon

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

FIRE APPARATUS RESERVE FUND

For the Year Ended June 30, 2025

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Budget Basis
REVENUES			
Investment earnings	\$ 6,750	\$ 12,141	\$ 18,891
EXPENDITURES			
Capital outlay	<u>478,750</u>	<u>(337,245)</u>	<u>141,505</u>
Excess (deficiency) of revenues over (under) expenditures	(472,000)	349,386	(122,614)
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>30,000</u>	<u>-</u>	<u>30,000</u>
Net change in fund balance	(442,000)	349,386	(92,614)
Fund balance - beginning	<u>442,000</u>	<u>899</u>	<u>442,899</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ 350,285</u></u>	<u><u>\$ 350,285</u></u>

CITY OF GEARHART
Clatsop County, Oregon

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

WATER RESERVE FUND

For the Year Ended June 30, 2025

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Budget Basis
REVENUES			
Investment earnings	\$ 28,500	\$ 28,165	\$ 56,665
EXPENDITURES			
Current			
Materials and services	160,000	(160,000)	-
Capital outlay	1,118,500	(661,800)	456,700
Total expenditures	1,278,500	(821,800)	456,700
Excess (deficiency) of revenues over (under) expenditures	(1,250,000)	849,965	(400,035)
OTHER FINANCING SOURCES (USES)			
Transfers in	295,000	-	295,000
Net change in fund balance	(955,000)	849,965	(105,035)
Fund balance - beginning	955,000	219,814	1,174,814
Fund balance - ending	\$ -	\$ 1,069,779	\$ 1,069,779

CITY OF GEARHART
Clatsop County, Oregon

COMBINING BALANCE SHEET - MODIFIED CASH BASIS

NONMAJOR GOVERNMENTAL FUNDS

June 30, 2025

	Special Revenue Funds				Capital Projects Funds				Total Nonmajor Governmental Funds
	<u>Building</u>	<u>Bench Program</u>	<u>State Street</u>	<u>State Revenue Sharing</u>	<u>Public Works Equipment Reserve</u>	<u>Building Reserve</u>	<u>Police Car Reserve</u>	<u>Hazard Mitigation Reserve</u>	
ASSETS									
Cash and cash equivalents	<u>\$ 1,261</u>	<u>\$ 19,489</u>	<u>\$ 248,115</u>	<u>\$ 1,305</u>	<u>\$ 44,019</u>	<u>\$ 94,737</u>	<u>\$ 36,005</u>	<u>\$ 109,597</u>	<u>\$ 554,528</u>
FUND BALANCES									
Restricted for:									
Building department	\$ 1,261	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,261
Grant projects	-	19,489	-	-	-	-	-	-	19,489
Roads and streets	-	-	248,115	-	-	-	-	-	248,115
Committed for:									
Special projects	-	-	-	1,305	-	-	-	-	1,305
Capital projects	-	-	-	-	44,019	94,737	36,005	-	174,761
Hazard mitigation	-	-	-	-	-	-	-	109,597	109,597
Total fund balances	<u>\$ 1,261</u>	<u>\$ 19,489</u>	<u>\$ 248,115</u>	<u>\$ 1,305</u>	<u>\$ 44,019</u>	<u>\$ 94,737</u>	<u>\$ 36,005</u>	<u>\$ 109,597</u>	<u>\$ 554,528</u>

CITY OF GEARHART
Clatsop County, Oregon

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

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2025

	Special Revenue Funds				Capital Projects Funds				Total Nonmajor Governmental Funds
	Building	Bench Program	State Street	State Revenue Sharing	Public Works Equipment Reserve	Building Reserve	Police Car Reserve	Hazard Mitigation Reserve	
REVENUES									
Intergovernmental	\$ -	\$ -	\$ 156,075	\$ 28,293	\$ -	\$ -	\$ -	\$ -	\$ 184,368
Licenses and permits	132,119	-	-	-	-	-	-	-	132,119
Grants and contributions	-	-	-	-	-	-	-	25,227	25,227
Fees and charges	-	-	-	-	-	-	-	840	840
Investment earnings	621	889	11,816	929	2,216	9,454	1,280	4,367	31,572
Miscellaneous	9,267	-	-	326	2,478	-	-	-	12,071
Total revenues	142,007	889	167,891	29,548	4,694	9,454	1,280	30,434	386,197
EXPENDITURES									
Current									
General government	153,454	-	-	41,464	-	-	-	28,067	222,985
Highways and streets	-	-	156,023	-	-	-	-	-	156,023
Capital outlay	-	-	11,913	-	48,805	217,461	3,476	-	281,655
Total expenditures	153,454	-	167,936	41,464	48,805	217,461	3,476	28,067	660,663
Excess (deficiency) of revenues over (under) expenditures	(11,447)	889	(45)	(11,916)	(44,111)	(208,007)	(2,196)	2,367	(274,466)
OTHER FINANCING SOURCES (USES)									
Transfers in	-	18,600	-	-	7,500	20,000	10,500	-	56,600
Net change in fund balances	(11,447)	19,489	(45)	(11,916)	(36,611)	(188,007)	8,304	2,367	(217,866)
Fund balances - beginning	12,708	-	248,160	13,221	80,630	282,744	27,701	107,230	772,394
Fund balances - ending	\$ 1,261	\$ 19,489	\$ 248,115	\$ 1,305	\$ 44,019	\$ 94,737	\$ 36,005	\$ 109,597	\$ 554,528

CITY OF GEARHART
Clatsop County, Oregon

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

BUILDING FUND

For the Year Ended June 30, 2025

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual Budget Basis
REVENUES				
Fees and permits	\$ 276,200	\$ 276,200	\$ (144,081)	\$ 132,119
Investment earnings	599	599	22	621
Miscellaneous	<u>6,300</u>	<u>6,300</u>	<u>2,967</u>	<u>9,267</u>
Total revenues	<u>283,099</u>	<u>283,099</u>	<u>(141,092)</u>	<u>142,007</u>
EXPENDITURES				
Current				
Personnel services	60,859	60,859	(5,132)	55,727
Materials and services	<u>232,240</u>	<u>232,240</u>	<u>(134,513)</u>	<u>97,727</u>
Total expenditures	<u>293,099</u>	<u>293,099</u>	<u>(139,645)</u>	<u>153,454</u>
Excess (deficiency) of revenues over (under) expenditures	(10,000)	(10,000)	(1,447)	(11,447)
Fund balance - beginning	<u>10,000</u>	<u>10,000</u>	<u>2,708</u>	<u>12,708</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,261</u>	<u>\$ 1,261</u>

CITY OF GEARHART
Clatsop County, Oregon

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

BENCH PROGRAM FUND

For the Year Ended June 30, 2025

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Budget Basis
REVENUES			
Bench sales and maintenance fees	\$ 110,000	\$ (110,000)	\$ -
Investment earnings	<u>200</u>	<u>689</u>	<u>889</u>
Total revenues	<u>110,200</u>	<u>(109,311)</u>	<u>889</u>
EXPENDITURES			
Current			
Personnel services	58,600	(58,600)	-
Materials and services	<u>22,200</u>	<u>(22,200)</u>	<u>-</u>
Total expenditures	<u>80,800</u>	<u>(80,800)</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	29,400	(28,511)	889
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>18,600</u>	<u>-</u>	<u>18,600</u>
Net change in fund balance	48,000	(28,511)	19,489
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u><u>\$ 48,000</u></u>	<u><u>\$ (28,511)</u></u>	<u><u>\$ 19,489</u></u>

CITY OF GEARHART
Clatsop County, Oregon

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

STATE STREET FUND

For the Year Ended June 30, 2025

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Budget Basis
REVENUES			
State highway taxes	\$ 156,000	\$ 75	\$ 156,075
Investment earnings	<u>5,800</u>	<u>6,016</u>	<u>11,816</u>
Total revenues	<u>161,800</u>	<u>6,091</u>	<u>167,891</u>
EXPENDITURES			
Current			
Personnel services	128,217	(29,391)	98,826
Materials and services	209,583	(152,386)	57,197
Capital outlay	<u>25,000</u>	<u>(13,087)</u>	<u>11,913</u>
Total expenditures	<u>362,800</u>	<u>(194,864)</u>	<u>167,936</u>
Excess (deficiency) of revenues over (under) expenditures	(201,000)	200,955	(45)
Fund balance - beginning	<u>201,000</u>	<u>47,160</u>	<u>248,160</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ 248,115</u></u>	<u><u>\$ 248,115</u></u>

CITY OF GEARHART
Clatsop County, Oregon

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

STATE REVENUE SHARING FUND

For the Year Ended June 30, 2025

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Budget Basis
REVENUES			
State revenue sharing	\$ 38,000	\$ (9,707)	\$ 28,293
Investment earnings	210	719	929
Miscellaneous	<u>-</u>	<u>326</u>	<u>326</u>
Total revenues	<u>38,210</u>	<u>(8,662)</u>	<u>29,548</u>
EXPENDITURES			
Current			
Materials and services	<u>48,210</u>	<u>(6,746)</u>	<u>41,464</u>
Excess (deficiency) of revenues over (under) expenditures	(10,000)	(1,916)	(11,916)
Fund balance - beginning	<u>15,000</u>	<u>(1,779)</u>	<u>13,221</u>
Fund balance - ending	<u><u>\$ 5,000</u></u>	<u><u>\$ (3,695)</u></u>	<u><u>\$ 1,305</u></u>

CITY OF GEARHART
Clatsop 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, 2025

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Budget Basis
REVENUES			
Investment earnings	\$ 1,225	\$ 991	\$ 2,216
Miscellaneous	<u>-</u>	<u>2,478</u>	<u>2,478</u>
Total revenues	<u>1,225</u>	<u>3,469</u>	<u>4,694</u>
EXPENDITURES			
Current			
Materials and services	10,000	(10,000)	-
Capital outlay	<u>79,195</u>	<u>(30,390)</u>	<u>48,805</u>
Total expenditures	<u>89,195</u>	<u>(40,390)</u>	<u>48,805</u>
Excess (deficiency) of revenues over (under) expenditures	(87,970)	43,859	(44,111)
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>7,500</u>	<u>-</u>	<u>7,500</u>
Net change in fund balance	(80,470)	43,859	(36,611)
Fund balance - beginning	<u>80,470</u>	<u>160</u>	<u>80,630</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ 44,019</u></u>	<u><u>\$ 44,019</u></u>

CITY OF GEARHART
Clatsop County, Oregon

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

BUILDING RESERVE FUND

For the Year Ended June 30, 2025

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual Budget Basis
REVENUES				
Investment earnings	\$ 3,500	\$ 3,500	\$ 5,954	\$ 9,454
EXPENDITURES				
Current				
Materials and services	71,500	21,500	(21,500)	-
Capital outlay	240,000	290,000	(72,539)	217,461
Total expenditures	311,500	311,500	(94,039)	217,461
Excess (deficiency) of revenues over (under) expenditures	(308,000)	(308,000)	78,493	(208,007)
OTHER FINANCING SOURCES (USES)				
Transfers in	20,000	20,000	-	20,000
Net change in fund balance	(288,000)	(288,000)	78,493	(188,007)
Fund balance - beginning	288,000	288,000	(5,256)	282,744
Fund balance - ending	\$ -	\$ -	\$ 73,237	\$ 94,737

CITY OF GEARHART
Clatsop County, Oregon

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

POLICE CAR RESERVE FUND

For the Year Ended June 30, 2025

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Budget Basis
REVENUES			
Investment earnings	\$ 450	\$ 830	\$ 1,280
EXPENDITURES			
Capital outlay	38,785	(35,309)	3,476
Excess (deficiency) of revenues over (under) expenditures	(38,335)	36,139	(2,196)
OTHER FINANCING SOURCES (USES)			
Transfers in	10,500	-	10,500
Net change in fund balance	(27,835)	36,139	8,304
Fund balance - beginning	27,835	(134)	27,701
Fund balance - ending	\$ -	\$ 36,005	\$ 36,005

CITY OF GEARHART
Clatsop County, Oregon

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

HAZARD MITIGATION RESERVE FUND

For the Year Ended June 30, 2025

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Budget Basis
REVENUES			
Investment earnings	\$ 1,625	\$ 2,742	\$ 4,367
Grants and contributions	50,000	(24,773)	25,227
Charges for services	<u>2,000</u>	<u>(1,160)</u>	<u>840</u>
Total revenues	<u>53,625</u>	<u>(23,191)</u>	<u>30,434</u>
EXPENDITURES			
Current			
Materials and services	101,625	(73,558)	28,067
Capital outlay	<u>57,000</u>	<u>(57,000)</u>	<u>-</u>
Total expenditures	<u>158,625</u>	<u>(130,558)</u>	<u>28,067</u>
Excess (deficiency) of revenues over (under) expenditures	(105,000)	107,367	2,367
Fund balance - beginning	<u>105,000</u>	<u>2,230</u>	<u>107,230</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ 109,597</u></u>	<u><u>\$ 109,597</u></u>

CITY OF GEARHART
Clatsop County, Oregon

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

WATER OPERATING FUND

For the Year Ended June 30, 2025

	Original and Final Budget	Variance with Final Budget Over (Under)	Budget Basis	Actual Adjustments	Modified Cash Basis
REVENUES					
Charges for services	\$ 1,265,000	\$ (79,490)	\$ 1,185,510	\$ -	\$ 1,185,510
Water meter installations	15,000	(6,271)	8,729	-	8,729
Miscellaneous	5,000	2,153	7,153	-	7,153
Investment earnings	2,500	9,814	12,314	-	12,314
Total revenues	<u>1,287,500</u>	<u>(73,794)</u>	<u>1,213,706</u>	<u>-</u>	<u>1,213,706</u>
EXPENSES					
Current					
Personnel services	454,953	(41,175)	413,778	-	413,778
Materials and services	940,370	(94,793)	845,577	-	845,577
Capital outlay	25,000	(7,497)	17,503	-	17,503
Depreciation	-	-	-	340,211	340,211
Total expenses	<u>1,420,323</u>	<u>(143,465)</u>	<u>1,276,858</u>	<u>340,211</u>	<u>1,617,069</u>
Excess (deficiency) of revenues over (under) expenses	<u>(132,823)</u>	<u>69,671</u>	<u>(63,152)</u>	<u>(340,211)</u>	<u>(403,363)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	238,094	238,094
Transfers out	(47,500)	-	(47,500)	-	(47,500)
Total other financing sources (uses)	<u>(47,500)</u>	<u>-</u>	<u>(47,500)</u>	<u>238,094</u>	<u>190,594</u>
Change in net position	(180,323)	69,671	(110,652)	(102,117)	(212,769)
Net position - beginning	<u>300,000</u>	<u>28,795</u>	<u>328,795</u>	<u>8,911,592</u>	<u>9,240,387</u>
Net position - ending	<u>\$ 119,677</u>	<u>\$ 98,466</u>	<u>\$ 218,143</u>	<u>\$ 8,809,475</u>	<u>\$ 9,027,618</u>

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



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

The Honorable Kerry Smith, Mayor
and Members of the City Council
City of Gearhart
Gearhart, Oregon 97138

We have audited the basic financial statements of the City of Gearhart as of and for the year ended June 30, 2025 and have issued our report thereon dated October 13, 2025. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the City of Gearhart'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)

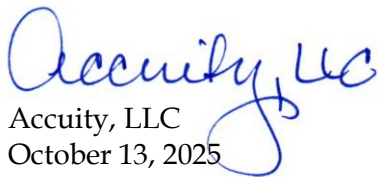
Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)

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.

OAR 162-010-0230 Internal Control

In planning and performing our audit, we considered the City of Gearhart'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 Gearhart's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Gearhart's internal control over financial reporting. However, we noted certain matters that we have reported to management of the City in a separate letter dated October 13, 2025.

This report is intended solely for the information and use of the city council and management of the City of Gearhart 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 stylized and fluid, with the letters "Accuity" and "LLC" connected together. Below the signature, the text "Accuity, LLC" and "October 13, 2025" is printed in a standard black font.

Accuity, LLC
October 13, 2025