

CITY OF GEARHART

Clatsop County, Oregon

AUDITED FINANCIAL STATEMENTS

Year Ended June 30, 2018

CITY OF GEARHART

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CITY OF GEARHART

CITY OFFICIALS

June 30, 2018

MAYOR AND COUNCILORS

<u>NAME</u>	<u>TERM EXPIRES</u>
MATT BROWN, Mayor 786 Summit Gearhart, Oregon 97138	December 2020
KERRY SMITH, Position 1 707 F St. Gearhart, Oregon 97138	December 2018
REITA FACKERELL, Position 2 776 Summit Gearhart, Oregon 97138	December 2020
PAULINA COCKRUM, Position 3 P. O. Box 2405 Gearhart, Oregon 97138	December 2018
DANIEL JESSE, Position 4 1389 Sea Ridge Lane Gearhart, Oregon 97138	December 2020

CHAD SWEET
City Administrator
PO Box 2510
Gearhart, OR 97138

JEFFREY BOWMAN
Police Chief
PO Box 2510
Gearhart, OR 97138

GAIL COMO
City Treasurer
PO Box 2510
Gearhart, OR 97138

JOHN ORR
Municipal Judge
PO Box 452
Seaside, OR 97138

PETER WATTS
City Attorney
P.O. Box 230669
Portland, OR 97281

DENNIS R. CONNER
CERTIFIED PUBLIC ACCOUNTANT
CLATSKANIE, OREGON 97016

INDEPENDENT AUDITOR'S REPORT

Modified Cash Basis Financial Statements

To the Mayor & Council
City of Gearhart
Clatsop County, Oregon

I have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Gearhart (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2018, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

I draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared 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. My opinions are not modified with respect to this matter.

Report on Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the City's basic financial statements. The budgetary comparison schedules, and other financial schedules listed in the table of contents, and the management's discussion and analysis are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedules, and other financial schedules are the responsibility of management and were derived from and relate 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 my opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

The management's discussion and analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on such information.

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for audits of Oregon Municipal Corporations, I have also issued my report dated February 20, 2019, on my consideration of the City's internal control over financial reporting and on my tests of its compliance with the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-240 to 162-10-320. The purpose of that report is to describe my evaluation of internal control over financial reporting and the scope of my testing of compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance.



Dennis R. Conner
Certified Public Accountant
February 20, 2019

CITY OF GEARHART, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

Management's discussion and analysis of the City of Gearhart's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2018, within the limitations of the City's modified cash basis of accounting. This Management's Discussion and Analysis (MD&A) is based on currently known facts, decisions, and conditions that existed as of the date of the independent auditor's report. Please read it in conjunction with the City's financial statements which begin on page 9.

USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the City's modified cash basis of accounting as described in the notes to the financial statements.

Report Components

This annual report consists of five parts as follows:

- **Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).
- The governmental activities of the City include the following:
 - Administrative
 - Police
 - Public Works
 - Planning
 - Building Department
 - Court
 - Fire
 - Streets
- The Business-type activities of the City include the following:
 - Water Utility
- **Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: Governmental funds and Proprietary funds.
- **Governmental funds.** Governmental funds are used to account for activities where the emphasis is placed on available financial resources, rather than upon net income determination. Therefore, unlike the government-wide financial statements, governmental fund financial statements focus on the acquisition and use of current spendable resources, as well as on balances of spendable

resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements.

- Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial decisions. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund Statement of Assets & Liabilities and the governmental fund Statement of Receipts, Expenditures, and Changes in Fund Balances provide reconciliation to facilitate this comparison between governmental funds and governmental activities
- The City maintains nine individual governmental funds. Information is presented separately in the governmental fund Statement of Assets and Liabilities and in the governmental fund Statement of Receipts, Expenditures, and Changes in Fund Balances for those funds that are considered significant (major) to the City taken as a whole. These financial statements report three major funds, the General Fund, the Fire Equipment Reserve Fund, and the Building Reserve Fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided as supplementary information in the form of combining statements.
- The City adopts an annual appropriated budget for all governmental funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided for the General Fund, special revenue funds, and all non-major governmental funds.
- **Proprietary funds.** Proprietary funds are used to account for activities where the emphasis is placed on net income determination. The City maintains one type of proprietary fund known as an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water utility operations. The enterprise fund is reported separately as proprietary fund financial statements in the basic financial statements.
- The City also adopts an annual appropriated budget for all proprietary funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided for the individual enterprise funds
- **Notes to the basic financial statements.** The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. They are an integral part of the financial statements and should be read in conjunction with them.
- **Supplementary Information:** This part of the annual report includes optional financial information such as combining statements for non-major funds (which are added together and shown in the fund financial statements in a single column). This other supplemental financial information is provided to address certain specific needs of various users of the City's annual report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$7,724,638 at the close of the most recent fiscal year.

A portion of the City's net position (\$5,755,737) represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net position of \$1,968,900 may be used to meet the government's ongoing obligations to citizens and creditors.

The City's net position increased \$294,315 or 4.0% from the prior year. The increase is primarily due to reduction of long term debt.

City of Gearhart - Net Position

	Governmental Activities June 30, 2017	Governmental Activities June 30, 2018	Business-Type Activities June 30, 2017	Business-Type Activities June 30, 2018	Total June 30, 2017	Total June 30, 2018	Increase (Decrease)
ASSETS							
Cash & Cash Equivalents	\$ 923,619	\$ 994,293	\$ 1,339,456	\$ 1,391,845	\$2,263,075	\$2,386,138	\$ 123,063
Capital Assets, Net of Depreciation	609,793	557,500	11,087,454	10,766,000	11,697,247	11,323,500	(373,747)
Total	1,533,412	1,551,793	12,426,910	12,157,845	13,960,322	13,709,638	(250,684)
LIABILITIES							
Bonds Payable							
Due Within One Year	-	-	545,000	575,000	545,000	575,000	30,000
Due in More Than One Year	-	-	5,985,000	5,410,000	5,985,000	5,410,000	(575,000)
Total	-	-	6,530,000	5,985,000	6,530,000	5,985,000	(545,000)
Total Net Position	\$ 1,533,412	\$ 1,551,793	\$ 5,896,910	\$ 6,172,845	\$7,430,322	\$7,724,638	\$ 294,316

City of Gearhart - Change in Net Position

	Governmental Activities 2016-17	Governmental Activities 2017-18	Business-Type Activities 2016-17	Business-Type Activities 2017-18	Total 2016-17	Total 2017-18	Increase (Decrease)
PROGRAM RECEIPTS							
Charges for Services	\$ 370,667	\$ 396,725	\$ 811,711	\$ 818,242	\$1,182,378	\$1,214,967	\$ 32,589
Operating Grants	-	-	-	-	-	-	-
Total	370,667	396,725	811,711	818,242	1,182,378	1,214,967	32,589
GENERAL RECEIPTS							
Property Taxes, General	529,262	552,771	-	-	529,262	552,771	23,509
Property Taxes, Debt	-	-	787,515	808,110	787,515	808,110	20,595
Local Option Tax - Fire Truck	3,142	2,837	-	-	3,142	2,837	(305)
Transient Room Tax	299,944	302,483	-	-	299,944	302,483	2,539
Intergovernmental	260,955	347,069	-	-	260,955	347,069	86,114
Interest	9,699	15,927	15,745	24,995	25,444	40,922	15,478
Conflagration Reimbursement	-	130,996	-	-	-	130,996	130,996
Miscellaneous	59,355	52,433	-	-	59,355	52,433	(6,922)
Total	1,162,357	1,404,516	803,260	833,105	1,965,617	2,237,621	272,004
Total Receipts	1,533,024	1,801,241	1,614,971	1,651,347	3,147,995	3,452,588	304,593
EXPENSES							
Administrative	(327,085)	(380,461)	-	-	(327,085)	(380,461)	(53,376)
Police	(380,037)	(407,383)	-	-	(380,037)	(407,383)	(27,346)
Fire	(317,402)	(480,968)	-	-	(317,402)	(480,968)	(163,566)
Streets & Roads	(68,177)	(81,842)	-	-	(68,177)	(81,842)	(13,665)
Other	(328,524)	(355,904)	-	-	(328,524)	(355,904)	(27,380)
Depreciation	(87,348)	(76,301)	-	-	(87,348)	(76,301)	11,047
Water	-	-	(1,308,646)	(1,375,413)	(1,308,646)	(1,375,413)	(66,767)
Total	(1,508,573)	(1,782,860)	(1,308,646)	(1,375,413)	(2,817,219)	(3,158,273)	(341,054)
Transfers	30,000	-	(30,000)	-	-	-	-
Change in Net Position	\$ 54,451	\$ 18,381	\$ 276,325	\$ 275,935	\$ 330,776	\$ 294,315	\$ (36,461)

Governmental activities. Governmental-type activities increased the City's total net position by \$18,381.

Business-type activities. Business-type activities increased the City's net position by \$275,934.

Fund-based Financial Analysis

As previously discussed, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$994,293.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the fund balance of the General Fund was \$160,949, all of which is unassigned.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net assets of each proprietary fund are as follows:

	<u>Assets</u>	<u>Liabilities</u>	<u>Net Position</u>
Water Fund	\$ 10,927,133	\$ 5,985,000	\$ 4,942,133
Water Reserve Fund	1,048,320	-	1,048,320
Debt Service Fund	128,113	-	128,113
Water Construction Fund	54,279	-	54,279
Totals	<u>\$ 12,157,845</u>	<u>\$ 5,985,000</u>	<u>\$ 6,172,845</u>

Restrictions generally limit the use of monies in the Water, Water Reserve, Debt Service and Water Construction Funds.

Economic Factors and Next Year's Budgets and Rates

During the preparation of the budget for the ensuing fiscal year, the long-term impacts of the local economy were examined in conjunction with business decisions made by the City. The following are the major assumptions used in developing the FY 2017-18 fiscal year budget.

- Interest rates on investments are anticipated to remain flat to last year.
- Cautious optimism for a continuation of economic stability. The economic outlook for the next year should look about the same as this year.
- Property tax revenue is anticipated to increase by 2.5%. New home building is flat to last year and not expected to change.
- PERS rates and health benefits are anticipated to increase another 6% this year.

Requests for Information

The financial report is designed to provide a general overview of the City's finances for those with an interest in the government's finances. Questions concerning any of the information should be addressed to: Chad Sweet, City Administrator, City of Gearhart, PO Box 2510, Gearhart, OR 97138

CITY OF GEARHART, OREGON

STATEMENT OF NET POSITION-MODIFIED CASH BASIS

June 30, 2018

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 994,293	\$ 1,391,845	\$ 2,386,138
Capital Assets			
Land & Projects in Progress	30,150	54,650	84,800
Other Capital Assets, Net of Depreciation	527,350	10,711,350	11,238,700
<u>Total Assets</u>	<u>1,551,793</u>	<u>12,157,845</u>	<u>13,709,638</u>
 <u>LIABILITIES</u>			
Bonds Payable:			
Due Within One Year	-	575,000	575,000
Due in More Than One Year	-	5,410,000	5,410,000
<u>Total Liabilities</u>	<u>-</u>	<u>5,985,000</u>	<u>5,985,000</u>
 <u>NET POSITION</u>			
Net Investment in Capital Assets	557,500	4,781,000	5,338,500
Restricted for:			
Capital Projects	287,050	-	287,050
Debt Service	-	128,113	128,113
Other Purposes	2,074	-	2,074
Unrestricted	705,168	1,263,732	1,968,900
<u>Total Net Position</u>	<u>\$ 1,551,793</u>	<u>\$ 6,172,845</u>	<u>\$ 7,724,638</u>

See Notes to Financial Statements

CITY OF GEARHART, OREGON

STATEMENT OF ACTIVITIES-MODIFIED CASH BASIS

Year Ended June 30, 2018

	Program Receipts and Expenses			Net (Expense) Receipts and Changes in Net Position		
	Expenses	Charges		Governmental Activities	Business Activities	Total
		For Services	Grants			
<u>PRIMARY GOVERNMENT</u>						
<u>Government Activities</u>						
Administrative	\$ (380,461)	\$ 360,050	\$ -	\$ (20,411)	\$ -	\$ (20,411)
Police	(407,383)	36,675	-	(370,709)	-	(370,709)
Fire	(480,968)	-	-	(480,968)	-	(480,968)
Streets & Roads	(81,842)	-	-	(81,842)	-	(81,842)
Other	(355,904)	-	-	(355,904)	-	(355,904)
Depreciation	(76,301)	-	-	(76,301)	-	(76,301)
Total	<u>(1,782,860)</u>	<u>396,725</u>	<u>-</u>	<u>(1,386,135)</u>	<u>-</u>	<u>(1,386,135)</u>
<u>Business-Type Activities</u>						
Water	(1,375,413)	818,242	-	-	(557,171)	(557,171)
<u>Total Primary Government</u>	<u>(3,158,273)</u>	<u>1,214,967</u>	<u>-</u>	<u>(1,386,135)</u>	<u>(557,171)</u>	<u>(1,943,306)</u>
<u>General Receipts</u>						
Property Taxes				552,771	808,110	1,360,881
Local Option Tax - Fire Truck				2,837	-	2,837
Transient Room Tax				302,483	-	302,483
Intergovernmental				347,069	-	347,069
Interest				15,927	24,995	40,922
Misc.				52,433	-	52,433
Conflagration Reimbursement				130,996	-	130,996
Total				<u>1,404,516</u>	<u>833,105</u>	<u>2,237,621</u>
<u>CHANGE IN NET POSITION</u>				18,381	275,935	294,315
<u>NET POSITION, Beginning</u>				1,533,412	5,896,910	7,430,323
<u>NET POSITION, Ending</u>				<u>\$ 1,551,793</u>	<u>\$ 6,172,845</u>	<u>\$ 7,724,638</u>

See Notes to Financial Statements

CITY OF GEARHART, OREGON

STATEMENT OF ASSETS & LIABILITIES - MODIFIED CASH BASIS

GOVERNMENTAL FUNDS

June 30, 2018

	General Fund	State Street Fund	General Road Fund	Fire Equipment Reserve Fund	Building Reserve Fund	Non-Major Governmental Funds	Total
<u>ASSETS</u>							
Cash and Cash Equivalents	\$160,949	\$142,647	\$144,404	\$ 168,838	\$168,015	\$ 209,441	\$ 994,293
 <u>FUND BALANCES</u>							
Restricted for Streets, Roads, & 911	\$ -	\$142,647	\$144,404	\$ -	\$ -	\$ 2,074	\$ 289,125
Committed for Capital Projects	-		-	168,838	168,015	145,182	482,035
Unassigned	160,949		-	-	-	62,185	223,134
Total	\$160,949	\$142,647	\$144,404	\$ 168,838	\$168,015	\$ 209,441	\$ 994,293

Reconciliation to Statement of Net Position

Fund Balances	\$ 994,293
 Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital Assets used in governmental activities net of accumulated depreciation are not financial resources, and therefore not reported in the fund statements.	557,500
Net Position of Governmental Activities	\$1,551,793

See Notes to Financial Statements

CITY OF GEARHART, OREGON

STATEMENT OF RECEIPTS, EXPENDITURES, AND CHANGES IN FUND BALANCES -

MODIFIED CASH BASIS - GOVERNMENTAL FUNDS

Year Ended June 30, 2018

	<u>General Fund</u>	<u>State Street</u>	<u>General Road</u>	<u>Fire Equipment Reserve Fund</u>	<u>Building Reserve Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
<u>RECEIPTS</u>							
Property Taxes	\$ 521,391	\$ -	\$ 31,380	\$ -	\$ -	\$ -	\$ 552,771
Local Option Tax - Fire Truck	2,837	-	-	-	-	-	2,837
Transient Room Tax	302,483	-	-	-	-	-	302,483
Licenses, Permits & Fees	360,050	-	-	-	-	-	360,050
Intergovernmental	229,028	93,937	-	-	-	24,103	347,069
Fines and Forfeitures	36,675	-	-	-	-	-	36,675
Interest	3,855	2,113	2,606	2,329	2,824	2,201	15,927
Grants	-	-	-	-	-	-	-
Conflagration Reimbursement	130,996	-	-	-	-	-	130,996
Miscellaneous	52,433	-	-	-	-	-	52,433
Total	<u>1,639,748</u>	<u>96,050</u>	<u>33,985</u>	<u>2,329</u>	<u>2,824</u>	<u>26,305</u>	<u>1,801,241</u>
<u>EXPENDITURES</u>							
Current:							
Administrative	368,454	-	-	-	-	10,552	379,006
Police	401,551	-	-	-	-	-	401,551
Fire	452,435	-	-	-	-	-	452,435
Streets & Roads	-	54,320	26,830	-	-	-	81,150
Other	344,251	-	-	-	-	7,163	351,414
Capital Outlay	25,078	-	-	34,751	4,490	692	65,011
Total	<u>1,591,769</u>	<u>54,320</u>	<u>26,830</u>	<u>34,751</u>	<u>4,490</u>	<u>18,407</u>	<u>1,730,567</u>
<u>RECEIPTS OVER (UNDER)</u>	<u>47,979</u>	<u>41,730</u>	<u>7,155</u>	<u>(32,422)</u>	<u>(1,667)</u>	<u>7,898</u>	<u>70,674</u>
<u>OTHER FINANCING SOURCES [USES]</u>							
Transfers In	-	-	-	25,000	-	40,000	65,000
Transfers (Out)	(65,000)	-	-	-	-	-	(65,000)
Total	<u>(65,000)</u>	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>40,000</u>	<u>-</u>
<u>NET CHANGE IN FUND BALANCES</u>	<u>(17,021)</u>	<u>41,730</u>	<u>7,155</u>	<u>(7,422)</u>	<u>(1,667)</u>	<u>47,898</u>	<u>70,674</u>
<u>FUND BALANCES, Beginning</u>	<u>177,970</u>	<u>100,916</u>	<u>137,248</u>	<u>176,261</u>	<u>169,682</u>	<u>161,543</u>	<u>923,619</u>
<u>FUND BALANCES, Ending</u>	<u>\$ 160,949</u>	<u>\$ 142,647</u>	<u>\$ 144,404</u>	<u>\$ 168,838</u>	<u>\$ 168,015</u>	<u>\$ 209,441</u>	<u>\$ 994,293</u>
<u>Reconciliation to Statement of</u>							
Net Change in Fund Balances - Total Governmental Funds							\$ 70,674
Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.							
Capital Asset Additions							24,008
Depreciation Expense							(76,301)
Change in Net Position of Governmental Activities							<u>\$ 18,381</u>

See Notes to Financial Statements

CITY OF GEARHART, OREGON

STATEMENT OF NET POSITION-MODIFIED CASH BASIS

PROPRIETARY FUNDS - COMBINED

June 30, 2018

<u>ASSETS</u>	<u>Water</u>
<u>Current Assets:</u>	
Cash and Cash Equivalents	\$ 1,391,845
<u>Noncurrent Assets:</u>	
Capital Assets:	
Land	54,650
Other Capital Assets, Net of Depreciation	<u>10,711,350</u>
<u>Total Assets</u>	<u>12,157,845</u>
<u>LIABILITIES</u>	
<u>Current Liabilities:</u>	
Debt Due Within One Year	575,000
<u>Noncurrent Liabilities:</u>	
Debt Due in More Than One Year	<u>5,410,000</u>
<u>Total Liabilities</u>	<u>5,985,000</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 4,781,000
Restricted for Debt Service	128,113
Unrestricted	<u>1,263,732</u>
<u>Total Net Position</u>	<u>\$ 6,172,845</u>

See Notes to Financial Statements

CITY OF GEARHART, OREGON

STATEMENT OF RECEIPTS, EXPENSES, AND

CHANGES IN NET POSITION-MODIFIED CASH BASIS

PROPRIETARY FUNDS - COMBINED

Year Ended June 30, 2018

	<u>Water</u>
<u>OPERATING RECEIPTS</u>	
Water Sales	<u>\$ 818,242</u>
<u>OPERATING EXPENSES</u>	
Water Expenses Paid	(807,420)
Depreciation Expense	<u>(321,454)</u>
Total	<u>(1,128,874)</u>
<u>OPERATING INCOME</u>	<u>(310,632)</u>
<u>NON-OPERATING RECEIPTS (EXPENSES)</u>	
Property Taxes	808,110
Interest & Misc. Income	24,995
Interest Expense	<u>(246,539)</u>
Total	<u>586,566</u>
CHANGE IN NET POSITION	275,935
<u>NET POSITION, Beginning</u>	<u>5,896,910</u>
<u>NET POSITION, Ending</u>	<u>\$ 6,172,845</u>

See Notes to Financial Statements

CITY OF GEARHART, OREGON

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS

PROPRIETARY FUNDS - COMBINED

Year Ended June 30, 2018

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	<u>Water</u>
Receipts From Customers	\$ 818,242
Payment to Suppliers	(571,473)
Payments to Employees	(235,947)
Net Cash Provided by Operating Activities	<u>10,822</u>
 <u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>	
Property Taxes	808,110
Net Cash Provided by (Used In) Financing Activities	<u>808,110</u>
 <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Bond Principal Paid	(545,000)
Interest Paid on Capital Debt	(246,539)
Purchase Capital Assets	-
Net Cash Used In Capital and Related Financing Activities	<u>(791,539)</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest and Other Receipts	<u>24,995</u>
 <u>NET INCREASE [DECREASE] IN CASH AND CASH EQUIVALENTS</u>	
	52,389
 <u>CASH BALANCE, Beginning</u>	
	<u>1,339,456</u>
 <u>CASH BALANCE, Ending</u>	
	<u>\$ 1,391,845</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ (310,632)
Adjustment for Depreciation Expense	<u>321,454</u>
Net Cash Provided by Operating Activities	<u>\$ 10,822</u>

See Notes to Financial Statements

CITY OF GEARHART, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.C, these financial statements are presented 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 (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

1A FINANCIAL REPORTING ENTITY

The City's financial reporting entity is composed of the following:

Primary Government: CITY OF GEARHART

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

1B BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The City presently has no fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type.
- b. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

GOVERNMENTAL FUNDS

The **General Fund** is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the City. The reporting entity includes the following non-major special revenue funds:

<u>Fund</u>	<u>Brief Description</u>
<u>General Road Fund</u> -	The General Road Fund receives ad valorem taxes levied by Clatsop County.
<u>State Tax Street Fund</u> -	The State Tax Street Fund accounts for Oregon gasoline tax apportionments and expenditures for those street improvements specified by Oregon Revised Statutes
<u>State Revenue Sharing Fund</u>	The State Revenue Sharing Fund accounts for Oregon revenue sharing apportionments and expenditures for those items specified by provisions.
<u>911 Emergency Phone Reserve Fund</u> -	The 911 Emergency Phone Reserve Fund accounts for Oregon 911 Tax apportionments for the purpose of purchasing, maintaining, repairing and replacing emergency communications equipment.

Capital Projects Funds are used to account for the resources that are restricted, committed, or assigned to expenditures for specific capital outlays.

The City has the following capital projects funds:

<u>Fund</u>	<u>Brief Description</u>
<u>Police Car Reserve Fund</u> -	The Police Car Reserve Fund accounts for transfers from the General Fund for the purpose of acquiring capital assets for the police department.
<u>Fire Equipment Reserve Fund</u> -	The Fire Equipment Reserve Fund accounts for transfers from the General Fund for the purpose of acquiring major acquisitions for the fire department. This is a major fund.
<u>Public Works Equipment Reserve Fund</u> -	The Public Works Equipment Reserve Fund accounts for transfers from the General Fund and the Water Fund for the purpose of acquiring major public works equipment.
<u>Building Reserve Fund</u>	The Building Reserve Fund accounts for transfers from the General Fund for the purpose of building construction and improvements. This is a major fund.
<u>Hazard Mitigation Fund</u>	The Hazard Mitigation Fund accounts for transfers from the General Fund for the purpose of funding hazard mitigation projects in the City.

FUND BALANCE:

Governmental fund balances are categorized in five ways:

- 1) **Non-spendable** - resources that must be maintained intact due to legal or contractual requirements, such as the principal of an endowment.

- 2) **Restricted** - that portion of a fund balance that reflects resources that are subject to externally enforceable legal restrictions imposed by creditors, contributors, or laws and regulations.
- 3) **Committed** - that portion of a fund balance that reflects limitations the City imposes on itself by action of the Council.
- 4) **Assigned** - that portion of a fund balance that reflects its intended use. Authority for an assigned fund balance can be delegated by the Council to another body (such as a committee) or an official of the City.
- 5) **Unassigned** - that portion of the General Fund balance that does not fall within one of the categories above.

Special Revenue Funds:

If a special revenue fund (other than debt service or capital projects funds) does not have a substantial portion of its revenues coming from a source (or sources) with restrictions specified for the use of those funds, it will be considered to be part of the General Fund in the governmental funds financial statements. Funds (other than debt service or capital projects funds) whose principal source of revenue is transfers from other funds will generally be combined into the General Fund.

The City has no special revenue funds that need to be combined with the General Fund.

PROPRIETARY FUNDS

Enterprise Funds

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The City has one enterprise fund for water service.

1C MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

MEASUREMENT FOCUS

In the *government-wide Statement of Net Position and the Statement of Activities*, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitation of the modified cash basis of accounting, as defined in item b below.

In the *fund financial statements*, the “current financial resources” measurement focus or the “economic resources” measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available expendable financial resources during a given period. These funds use fund balance as their measure of available expendable financial resources at the end of the period.
- b. The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net position.

BASIS OF ACCOUNTING

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements and governmental business-like activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation and interest in the government-wide statements and proprietary fund 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 this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue 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 these financial statements.

If the City utilized the basis of accounting recognized as generally accepted in the United States, the fund financial statements for governmental funds would use the modified accrual basis of accounting while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

1D ASSETS, LIABILITIES, AND NET POSITION

CASH AND INVESTMENTS

The City considers cash on hand, demand deposits and short-term highly liquid investments with a maturity of three months or less, when purchased, to be cash and cash equivalents. Investments maintained in the Oregon Local Government Investment Pool are carried at cost, which approximates fair value, and are classified as a cash equivalent. Fair value of the investments in the Oregon Local Government Investment Pool are the same as the value of the pool shares.

CAPITAL ASSETS

The City's modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate. The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund and whether they are reported in the government-wide or fund financial statements.

In the *government-wide financial statements*, capital assets arising from cash transactions are accounted for as assets in the Statement of Net Position. Capital assets are those assets that have an initial useful life extending beyond one reporting period. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 1979. Prior to July 1, 1979, governmental funds' infrastructure assets were not capitalized. Infrastructure assets acquired since July 1, 2003 are recorded at cost. Donated capital assets are recorded at their fair market value at the time of acquisition.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The capitalization threshold and range of estimated useful lives by type of asset are as follows:

<u>Item</u>	<u>Life</u>	<u>Capitalization Threshold</u>
Buildings	40-50 Years	\$ 50,000
Improvements Other than Buildings	10-25 Years	\$ 50,000
Machinery, Furniture, and Equipment	5-20 Years	\$ 5,000
Utility Property and Improvement	10-50 Years	\$ 50,000
Infrastructure	25-50 Years	\$ 100,000

In the *fund financial statements*, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in *government-wide statements*.

NET POSITION CLASSIFICATION

In the *government-wide financial statements*, net position is displayed in three components:

- a. Net Investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted - Consists of assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law though constitutional provisions or enabling legislation.
- c. Unrestricted - All other assets that do not meet the definition of “restricted” or “net investment in capital assets.”

It is the City’s policy to first use restricted assets prior to the use of unrestricted assets when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

In the *fund financial statements*, governmental fund net position is classified as fund balances. Proprietary fund net position is classified the same as in the *government-wide statements*.

1E RECEIPTS, EXPENDITURES, AND EXPENSES

In the Statement of Activities, modified cash basis receipts that are derived directly from each activity or from parties outside the City’s taxpayers are reported as program receipts. The City has the following program receipts:

Water	Water sales and hookup fees
-------	-----------------------------

All other receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

Operating receipts and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and expenses not related to capital and related financing, noncapital financing, or investing activities.

1F INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

In the process of aggregating the financial information for the government-wide Statement of Net Position and Statement of Activities, some amounts reported as interfund activity and balances in the *fund financial statements* have been eliminated or reclassified.

Interfund activity and balances, if any, are eliminated or reclassified in the *government-wide financial statements* as follows:

1. Internal balances - Amounts reported in the *fund financial statements* as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. Internal activities - Amount reported as interfund transfers in the *fund financial statements* are eliminated in the government-wide Statement of Activities except for the net amount of transfers between

governmental and business-type activities, which are reported as Transfers - Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the *fund financial statements*;

1. Interfund loans - Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services - Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements - Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustment to expenditures/expenses in the respective funds.
4. Interfund transfers - Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

1G USE OF ESTIMATES

The preparation of financial statements in conformity with the modified cash basis of accounting used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

Note 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the City is subject to various federal, state, and local laws and contractual regulations. The following instance of noncompliance is considered material to the financial statements.

2A BUDGETARY INFORMATION

The City budgets all funds in accordance with the requirements of state law. All funds are budgeted on the cash basis of accounting.

During FY 17-18 the City had expenses in excess of appropriations in the funds and categories listed below:

Fund	Category	Excess
General - Administrative	Materials & Services	\$19,094
General - Fire Dept	Personnel Services	\$11,628
General - Non-Dept	Materials & Services	\$13,414

Note 3 - DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3A CASH AND CASH EQUIVALENTS

Cash and investments were recorded at cost, which approximates fair market value, plus accrued interest at June 30, 2018. Cash and investments of the City at June 30, 2018 were:

Petty Cash	\$ 250
Cash in Bank -	59,503
Cash in Local Government Investment Pool	<u>2,326,386</u>
 Total	 <u>\$ 2,386,139</u>

Deposits: The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. Federal depository insurance of \$250,000 applies respectively, to total demand deposits and to total savings accounts at each financial institution. Where balances exceed \$250,000, banks are required to pledge collateral, based on their capital condition. Banks are required to provide quarterly reporting of their public funds deposits to the State Treasurer's office, which will be the basis for their collateral pledging for the next quarter. Treasury monitors each depository bank and ensures compliance with collateralization requirements for all public fund deposits. Banks will pledge 10% if they are well capitalized, 25% if they are adequately capitalized, and in turn, the banks are required to share in the liability of a failed institution, should it ever occur. Undercapitalized banks are required to pledge collateral equal to 110% of their deposits which is monitored on a weekly basis. At June 30, 2018, total demand deposits and savings accounts per bank statements were \$120,265. All these deposits were covered by federal depository insurance.

Investments: The City's cash management policies are governed by state statutes. Statutes authorize the City to invest in banker's acceptances, time certificates of deposit, repurchase agreements, obligations of the United States agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool (LGIP). At June 30, 2018, the City had invested \$2,326,386 with the Oregon Short-Term Fund (OSTF), which is a cash and investment pool available for use by all state funds and local governments and is maintained by the State Treasurer. The Local Government Investment Pool (LGIP) is an open-ended, no load diversified portfolio offered to eligible participants, including any municipality, political subdivision, or public corporation of the state. Currently there are more than 1,500 participants in the Pool. Local government pooled assets are reported as an Investment Trust Fund in Oregon's Comprehensive Annual financial Report. The Oregon Short-Term Fund board, established by the Oregon Legislature, advises the Oregon Investment Council and the Oregon State Treasury in the management and investments of the LGIP. The carrying value of this investment (cost) approximates the market value at June 30, 2018.

Credit Risk: The State of Oregon LGIP is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon revised Statutes and the Oregon Investment Council govern the Pool's investment policies. The State Treasurer is the investment officer for the LGIP and it is responsible for all funds in the LGIP. These funds must be invested and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the fund are further governed by portfolio guidelines issued by the Oregon short-Term funds Board, which establish diversification percentages and specify the types and maturities of investments. The overall credit quality of the pool is not rated. The Oregon Audits Division of the Secretary of State's Office audits of the Pool annually. The Division's report on the LGIP as of and for the year ended June 30, 2018 was unqualified.

Concentration Risk: The City had concentrations in the following investment: LGIP 97.5%.

Interest Rate Risk: The City does not have a formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

3B CAPITAL ASSETS

Capital asset activity, resulting from modified cash basis transactions, for the fiscal year ended June 30, 2018 were as follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>Balance at July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2018</u>
<u>Non-Depreciable Capital Assets</u>				
Land	\$ 28,025	\$ -	\$ -	\$ 28,025
Project in Progress	2,125	-	-	2,125
Total	<u>\$ 30,150</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,150</u>
<u>Depreciable Capital Assets</u>				
Infrastructure	\$ 83,724	\$ -	\$ -	\$ 83,724
Administrative Buildings	44,785	-	-	44,785
Police equipment	125,143	-	-	125,143
Shop equipment	251,938	-	-	251,938
Fire equipment and buildings	954,444	24,008	-	978,452
Total	<u>1,460,034</u>	<u>24,008</u>	<u>-</u>	<u>1,484,042</u>
<u>Less Accumulated Depreciation For:</u>				
Infrastructure	(21,844)	(3,928)		(25,772)
Administrative Buildings	(44,785)	-		(44,785)
Police equipment	(78,835)	(13,148)	-	(91,983)
Shop equipment	(129,671)	(24,401)	-	(154,072)
Fire equipment and buildings	<u>(605,256)</u>	<u>(34,824)</u>	<u>-</u>	<u>(640,080)</u>
Total	<u>(880,391)</u>	<u>(76,301)</u>	<u>-</u>	<u>(956,692)</u>
Total Depreciable Capital Assets, Net of Depreciation	<u>\$ 579,643</u>	<u>\$ (52,293)</u>	<u>\$ -</u>	<u>\$ 527,350</u>
Total Capital Assets, Net of Depreciation	<u>\$ 609,793</u>	<u>\$ (52,293)</u>	<u>\$ -</u>	<u>\$ 557,500</u>

During FY 17-18 a pickup truck was purchased for the fire department.

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<u>BUSINESS-TYPE ACTIVITIES</u>	Balance at July 1, 2017	Additions	Deductions	Balance at June 30, 2018
<u>Non-Depreciable Capital Assets</u>				
Land	\$ 54,650	\$ -	\$ -	\$ 54,650
<u>Depreciable Capital Assets</u>				
Buildings & Land Improvements	\$ 21,305	\$ -	\$ -	\$ 21,305
Machinery and Equipment	63,330	-	-	63,330
Water System	12,907,815	-	-	12,907,815
Total	12,992,450	-	-	12,992,450
<u>Less Accumulated Depreciation For:</u>				
Buildings & Land Improvements	(14,361)	(666)	-	(15,027)
Machinery and Equipment	(53,587)	(3,654)	-	(57,241)
Water System	(1,891,698)	(317,134)	-	(2,208,832)
Total	(1,959,646)	(321,454)	-	(2,281,100)
Total Depreciable Capital Assets, Net of Depreciation	\$ 11,032,804	\$ (321,454)	\$ -	\$ 10,711,350
Total Capital Assets, Net of Depreciation	\$ 11,087,454	\$ (321,454)	\$ -	\$ 10,766,000
<u>SUMMARY</u>				
	Beginning	Additions & Depreciation	Deletions	Ending
Governmental Activities	\$ 609,793	\$ (52,293)	\$ -	\$ 557,500
Business Activities	11,087,454	(321,454)	-	10,766,000
Total	\$ 11,697,247	\$ (373,747)	\$ -	\$ 11,323,500

Depreciation expense was charged to functions as follows in Statement of Activities:

Total Depreciation	
Governmental	(76,301)
Proprietary	(321,454)
	<u>(397,755)</u>

3C INTERFUND TRANSFERS AND BALANCES

Transfers are used to move unrestricted revenues to finance various expenditures that the City must account for in other funds in accordance with budgetary authorization.

Transfers between funds for the year ended June 30, 2018, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>GENERAL FUND:</u>		
Hazard Mitigation Fund	\$ -	\$ 15,000
Public Works Equipment Reserve Fund	-	10,000
Fire Equipment Reserve Fund	-	25,000
Police Car Reserve Fund	-	15,000
Total General Fund	-	65,000
 <u>OTHER GOVERNMENTAL FUNDS</u>		
Public Works Equipment Reserve Fund	10,000	-
Fire Equipment Reserve Fund	25,000	-
Police Car Reserve Fund	15,000	-
Hazard Mitigation Fund	15,000	-
Total Other Funds	65,000	-

INTERFUND BALANCES

At June 30, 2018 there were no interfund balances.

3D LONG-TERM DEBT

BUSINESS-TYPE ACTIVITIES

As of June 30, 2018, the long-term debt, arising from cash transactions, payable from proprietary fund resources consisted of the following:

General Obligation Bonds - The government issues general obligation bonds to provide funds for the acquisition and construction of major capital assets. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20 year serial bonds, except for refunding issues.

On November 2, 2004 the voters of the City of Gearhart authorized a \$7,000,000 general obligation bonded indebtedness for the purpose of constructing a municipal water system in Gearhart, Oregon. The bonds were issued with a variable yield, averaging 4.019%. Repayment of the bond issue will be from tax revenues levied. On July 1, 2015 the bonds were redeemed in the amount of \$4,250,000, and replaced with Series 2015 GO bonds.

In May, 2011 the City issued general obligation bonds in the amount of \$4,000,000 to provide additional financing for the municipal water system. The bonds were sold at a premium of \$159,374. After deducting underwriting and other costs of issuance, the net proceeds to the City were \$4,050,795. The bonds will be repaid over a 20 year period at a variable interest rate averaging 3.91%.

In June 2015 the City issued a new series of GO bonds in the amount of \$4,195,000 to replace the Series 2004 issue. The bonds were sold with a premium of \$207,344 and an average yield of 2.35%. The bonds mature in 10 years. The premium was used to pay debt issuance costs and the final interest and principal payment on the Series 2004 bonds.

DEBT SERVICE REQUIREMENTS TO MATURITY

The annual debt service requirements to maturity, including principal and interest, for long-term debt, as of June 30, 2018, are as follows:

GO BOND - SERIES 2011

<u>Fiscal Year</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018-19	3.00%	175,000	122,831	297,831
2019-20	4.00%	180,000	117,581	297,581
2020-21	4.00%	185,000	110,381	295,381
2021-22	4.50%	195,000	102,981	297,981
2022-23	4.50%	205,000	94,206	299,206
2023-28	4.5-4.17%	1,160,000	326,487	1,486,487
2028-31	4.17%	825,000	69,688	894,688
Balance 6/30/18		<u>\$ 2,925,000</u>	<u>\$ 944,155</u>	<u>\$ 3,869,155</u>

GO BOND - SERIES 2015

<u>Fiscal Year</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018-19	3.00%	400,000	99,775	499,775
2019-20	4.00%	410,000	87,775	497,775
2020-21	3.00%	425,000	71,375	496,375
2021-22	2.25%	440,000	58,625	498,625
2022-23	2.50%	445,000	48,725	493,725
2023-25	4.00%	940,000	56,600	996,600
Balance 6/30/18		<u>\$ 3,060,000</u>	<u>\$ 422,875</u>	<u>\$ 3,482,875</u>

SUMMARY OF ALL LONG TERM DEBT ACTIVITY

PRINCIPAL

<u>Item</u>	<u>Beginning Balance</u>	<u>Paid</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Due After One Year</u>
<u>Business-Type</u>	<u>Business-Type</u>				
GO Bond - 2011	3,090,000	(165,000)	2,925,000	175,000	2,750,000
GO bond - 2015	3,440,000	(380,000)	3,060,000	400,000	2,660,000
Total	<u>\$ 6,530,000</u>	<u>\$ (545,000)</u>	<u>\$ 5,985,000</u>	<u>\$ 575,000</u>	<u>\$ 5,410,000</u>

TOTAL PAYMENTS

<u>Item</u>	<u>Principal</u>	<u>Interest & Fees</u>	<u>Total</u>
<u>Business-Type</u>			
GO Bond - 2011	165,000	131,081	296,081
GO Bond - 2015	380,000	115,458	495,458
Total	<u>\$ 545,000</u>	<u>\$ 246,539</u>	<u>\$ 791,539</u>

Note 4 - OTHER NOTES

4A EMPLOYEE PENSION PLAN

General Information about the Pension Plan

Plan Description

Employees of the City are provided with pensions through the Oregon Public Employees Retirement System (OPERS) a cost-sharing multiple-employer defined benefit pension plan, the Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the System are established by the legislature pursuant to 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 Comprehensive Annual Financial Report and Actuarial Valuation that can be obtained at http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.

Benefits Provided

1. Tier One/Tier Two Retirement Benefit ORS Chapter 238

Pension Benefits

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

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit 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 (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

Benefit Changes

After Retirement Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

2. OPSRP Pension Program (OPSRP DB)

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. Benefits are calculated with the following formula for members who attain normal retirement age:

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

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

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

Death Benefits

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

Disability Benefits

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

Benefit Changes After Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

3. OPSRP Individual Account Program (OPSRP IAP)

Pension Benefits

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member,

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

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

Death Benefits

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

Recordkeeping

OPERS contracts with VOYA Financial to maintain IAP participant records.

Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation as subsequently modified by 2015 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2015. Contributions for the year ended June 30, 2018 for PERS and OPSRP were \$123,522, excluding amounts to fund employer specific liabilities. The employer contribution rates are updated every two years. The City’s PERS contribution rates for the year ended June 30, 2018 and the rates for the new year are shown below:

Rate Category	FY 17-18 Net Rate	FY 18-19 Net Rate
Tier 1 / Tier 2	16.48%	16.48%
OPSRP General	6.32%	6.32%
OPSRP Police & Fire	11.09%	11.09%

The contribution rate for the OPSRP Individual Account Program is 6 percent, and is paid by the employees.

Actuarial Assumptions

The employer contribution rates effective July 1, 2013, through June 30, 2015 and effective July 1, 2015, through June 30, 2017, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

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

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	December 31, 2015
Measurement date	June 30, 2017
Experience Study	2014, published September 23, 2015
Actuarial assumptions:	
Actuarial cost method	Entry Age Normal
Inflation rate	2.50%
Long term expected rate of return	7.50%
Discount rate	7.50%
Projected salary increases	3.50%
Cost of living adjustments (COLA)	Blend of 2.0% and graded COLA (1.25% / .15%) in accordance with Moro decision; blend based on service
Mortality	<i>Healthy retirees and beneficiaries:</i>
	RP-2000 sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.
	<i>Active members:</i>
	Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.
	<i>Disabled retirees:</i>
	Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per scale BB, disabled mortality table.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

Long-term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model. For more information on the Plan's portfolio, assumed asset allocation, and the long term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS' audited financial statements at: http://www.oregon.gov/pers/docs/financial_reports/2017_cafir.pdf

Depletion Date Projection

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of

projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

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

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is our independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

This change in benefit terms were reflected in the current valuation.

Changes in Plan Provisions Subsequent to Measurement Date

The Board reviews the discount rate in odd-numbered years as part of the Board's adoption of actuarial methods and assumptions. That rate is then adopted in an administrative rule at the time the Board sets the new rate. On July 28, 2017, the PERS Board adopted a 7.20% assumed rate. The rule specifies that the adopted rate will be effective for PERS transactions with an effective date of January 1, 2018, consistent with the Board's policy decision from 2013 that the assumed rate will be effective January 1st following the Board's adoption of the rate.

4B - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

PERS Retirement Health Insurance Account

Plan Description

The City contributes to the PERS Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by PERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums for eligible retirees. ORS 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants hired after August 29, 2003. PERS issues publicly available financial statements and required

supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700, or online at http://Oregon.gov/PERS/section/financial_reports/financials.shtml.

Benefits Provided

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the RHIA established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost, the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Contributions

PERS funding policy provides for 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 for the period were based on the December 31, 2015 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2017. The City's contribution rates for the period were 0.50% for Tier One/Tier Two members, and 0.43% for OPSRP members. The City's total for the year ended June 30, 2018 contributions was \$5,547.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31st of even numbered years. The methods and assumptions shown below are based on the 2014 Experience Study, which reviewed experience for the four-year period ended on December 31, 2014.

Valuation date	December 31, 2015
Measurement date	June 30, 2017
Experience Study	2014, published September 23, 2015
Actuarial assumptions:	
Actuarial cost method	Entry Age Normal
Inflation rate	2.50%
Long term expected rate of return	7.50%
Discount rate	7.50%
Projected salary increases	3.50%
Retiree healthcare participation	Healthy retirees: 38%; Disabled retirees: 20%
Healthcare cost trend	Not applicable
Mortality	<i>Healthy retirees and beneficiaries:</i>
	RP-2000 sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.
	<i>Active members:</i>
	Mortality rates are a percentage of healthy retiree

	rates that vary by group, as described in the valuation.
	<i>Disabled retirees:</i>
	Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per scale BB, disabled mortality table.

Long Term Expected Rate of Return & Discount Rate

The long term expected rate of return and discount rate are the same as for the PERS pension plan as disclosed in Note 4A.

Changes in Plan Provisions Subsequent to Measurement Date

The PERS Board lowered the Assumed Rate of Return from 7.50% to 7.20% on July 28, 2017. This change is effective January 1, 2018.

4B RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters.

The City manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
a. Torts, errors, and omissions	Purchased commercial insurance	None
b. Workers compensation, health and life	Purchased commercial insurance	None
c. Physical property loss and natural disasters	Purchased commercial insurance	None

Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

4C COMMITMENTS AND CONTINGENCIES

COMMITMENTS

Warrenton to Gearhart Water Supply Agreement - The City of Gearhart is currently working with the City of Warrenton to finalize a water supply agreement. At the present time both parties have agreed on a water rate.

Gearhart Rural Fire Protection City Contract - The City of Gearhart has contracted to furnish fire protection to the Gearhart Rural Fire Protection District. The FY 2017-18 payment from the District was \$195,590.

There were no other commitments that were not disclosed in the financial statements.

CONTINGENCIES

Grant Program Involvement

In the normal course of operations, the City participates in various federal or state grant or loan programs from year to year. The grant or loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability of reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Litigation

The City is a party to various legal proceedings that normally occur in the course of governmental operations. As a result of the modified cash basis of accounting, the financial statements do not include accrual or provisions for loss contingencies that may result from these proceeding. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

SUPPLEMENTARY INFORMATION

CITY OF GEARHART, OREGON

NOTES TO BUDGETARY COMPARISON SCHEDULES

June 30, 2018

BUDGET LAW

The City prepares its annual operating budget under the provisions of the Oregon Municipal Budget Law. In accordance with those provisions, the following process is used to adopt the annual budget:

Local Budget law process requires that certain, specific actions must happen as a local government prepares its annual budget. The process can be broken down into four phases.

Phase 1 begins the process. The budget officer puts together a proposed budget. In larger local governments, department heads or program managers may help. The budget officer must prepare the proposed budget in a format designed by the Department of Revenue. The format meets the requirements set out in the statutes.

Phase 2 is when the budget committee approves the budget. Statutes spell out who can be on the budget committee and who cannot. The budget committee reviews the proposed budget, listens to comments from citizens, and then approves the budget. Special public notices are required before the budget committee's first meeting.

Phase 3 includes adopting the budget and, when appropriate, certifying property taxes to the county tax assessor. This phase includes a special hearing of the government body and specific public notices, including a summary of the approved budget. Special forms must also be used to notify the county assessor of the local government's property tax levy.

Phase 4 occurs during the fiscal year when the local government is operating under the adopted budget. This phase includes changes to the adopted budget. Changes to the adopted budget must be made before additional money is spent or money is spent for a different purpose than described in the adopted budget.

The level of control at which expenditures may not legally exceed appropriations is the object category level by department within a fund. The Budget Act recognizes the following object categories as the minimum legal level on control by department within a fund:

- Personal Services
- Material and Supplies
- Other Services and Charges
- Capital Outlay
- Debt Service
- Interfund Transfers

All transfers of appropriations between departments and supplemental appropriations require City Council approval. The Mayor may transfer appropriations between object categories within a department without City Council approval. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector.

The Budget is prepared on the cash basis of accounting. Revenues and expenditures are reported when they result from cash transactions.

PROPERTY TAX CALENDAR

The budget officer prepares a proposed budget.

Notice of the budget committee meeting is published.

The budget document is made available at or before the budget committee meeting at which the budget is presented.

The budget committee conducts at least one public meeting for receiving the budget message and the budget document, as well as providing opportunity for public questions or comments.

The budget committee approves the budget.

Notice of the public hearing and a summary of the approved budget is published.

The governing body conducts a public hearing on the approved budget.

The governing body, after public comment and deliberations, adopts the budget and enacts resolutions or ordinances accordingly by June 30.

The governing body certifies the entity's tax, if any, by July 15.

The lien and levy date of the tax is July 1.

Full payment receives a 3% discount if paid by November 15 of each year.

Real property taxes are delinquent if not paid in full by May 15 of the following year.

CITY OF GEARHART, OREGON

COMBINING STATEMENT OF ASSETS & LIABILITIES - MODIFIED CASH BASIS

NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2018

	State Revenue Sharing	911 Emergency Phone Reserve	Police Car Reserve	Public Works Equipment Reserve	Hazard Mitigation	Total Non-major Governmental Funds
<u>ASSETS</u>						
Cash and Cash Equivalents	\$ 39,244	\$ 2,074	\$ 68,532	\$ 76,650	\$ 22,940	\$ 209,441
 <u>FUND BALANCES</u>						
Restricted for Streets, Roads, & 911	\$ -	\$ 2,074	\$ -	\$ -	\$ -	\$ 2,074
Committed for Capital Projects	-	-	68,532	76,650	-	145,182
Unassigned	39,244	-	-	-	22,940	62,185
Total	\$ 39,244	\$ 2,074	\$ 68,532	\$ 76,650	\$ 22,940	\$ 209,441

See Notes to Financial Statements

CITY OF GEARHART, OREGON

MBINING STATEMENT OF RECEIPTS, EXPENDITURES AND CHANGES IN FUND BALANCES -MODIFIED CASH BAS

NON-MAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2018

	State Revenue Sharing	911 Emergency Phone Reserve	Police Car Reserve	Public Works Equipment Reserve	Hazard Mitigation	Total Non-major Governmental Funds
<u>RECEIPTS</u>						
Taxes and Related Items	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	24,103	-	-	-	-	24,103
Interest	44	32	860	1,088	178	2,201
Total	<u>24,147</u>	<u>32</u>	<u>860</u>	<u>1,088</u>	<u>178</u>	<u>26,305</u>
<u>EXPENDITURES</u>						
Administrative	10,552	-	-	-	-	10,552
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Streets & Roads	-	-	-	-	-	-
Other	-	-	-	-	7,163	7,163
Capital Outlay	692	-	-	-	-	692
Debt Service	-	-	-	-	-	-
Total	<u>11,244</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,163</u>	<u>18,407</u>
<u>RECEIPTS OVER (UNDER)</u>						
<u>EXPENDITURES</u>	<u>12,903</u>	<u>32</u>	<u>860</u>	<u>1,088</u>	<u>(6,985)</u>	<u>7,898</u>
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfers In	-	-	15,000	10,000	15,000	40,000
<u>NET CHANGE IN FUND BALANCES</u>						
<u>FUND BALANCES, Beginning</u>	<u>26,342</u>	<u>2,043</u>	<u>52,672</u>	<u>65,562</u>	<u>14,925</u>	<u>161,543</u>
<u>FUND BALANCES, Ending</u>	<u>\$39,244</u>	<u>\$ 2,074</u>	<u>\$ 68,532</u>	<u>\$ 76,650</u>	<u>\$ 22,940</u>	<u>\$ 209,441</u>

See Notes to Financial Statements

CITY OF GEARHART, OREGON

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

GENERAL FUND

Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>CASH RECEIPTS</u>				
Property Taxes and Related Items	\$ 572,000	\$ 572,000	\$ 521,391	\$ (50,609)
Local Option Tax - Fire Truck	-	-	2,837	2,837
Transient Room Tax	410,000	410,000	302,483	(107,517)
Licenses, Permits and Fees	459,000	459,000	360,050	(98,950)
Intergovernmental	223,090	223,090	229,028	5,938
Fines and Forfeitures	26,000	26,000	36,675	10,675
Interest	2,000	2,000	3,855	1,855
Grants	2,000	2,000	-	(2,000)
Conflagration Reimbursement	-	-	130,996	130,996
Miscellaneous	32,500	32,500	52,433	19,933
Total	<u>1,726,590</u>	<u>1,726,590</u>	<u>1,639,748</u>	<u>(86,842)</u>
 <u>CASH EXPENDITURES</u>				
Administrative Department				
Personnel Services	227,279	282,279	232,360	49,919
Material and Services	137,000	117,000	136,094	(19,094)
Capital Outlay	4,000	4,000	1,455	2,545
Total	<u>368,279</u>	<u>403,279</u>	<u>369,909</u>	<u>33,370</u>
 Building Department				
Personnel Services	4	4	-	4
Materials & Services	198,900	198,900	121,753	77,147
Total	<u>198,904</u>	<u>198,904</u>	<u>121,753</u>	<u>77,151</u>
 Police Department				
Personnel Services	405,385	405,385	354,622	50,763
Materials & Services	68,950	68,950	46,928	22,022
Capital Outlay	15,000	15,000	5,833	9,167
Total	<u>489,335</u>	<u>489,335</u>	<u>407,383</u>	<u>81,952</u>
 Fire Department				
Personnel Services	236,080	266,080	277,708	(11,628)
Materials & Services	187,200	187,200	174,727	12,473
Capital Outlay	44,000	44,000	17,790	26,210
Total	<u>467,280</u>	<u>497,280</u>	<u>470,225</u>	<u>27,055</u>

GENERAL FUND (CONT.)

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable]
Municipal Court				
Personnel Services	13,700	13,700	12,102	1,598
Materials & Services	25,350	25,350	8,275	17,075
Total	<u>39,050</u>	<u>39,050</u>	<u>20,377</u>	<u>18,673</u>
Planning				
Personnel Services	41,700	41,700	34,742	6,958
Materials & Services	147,000	132,000	98,673	33,327
Total	<u>188,700</u>	<u>173,700</u>	<u>133,415</u>	<u>40,285</u>
Parks				
Personnel Services	21,135	21,135	7,864	13,271
Materials & Services	19,500	19,500	8,421	11,079
Capital Outlay	5,000	5,000	-	5,000
Total	<u>45,635</u>	<u>45,635</u>	<u>16,285</u>	<u>29,350</u>
Non-Departmental				
Materials & Services	54,006	39,006	52,420	(13,414)
Land Purchase	17,401	17,401	-	17,401
Contingencies	38,000	3,000	-	3,000
Total	<u>109,407</u>	<u>59,407</u>	<u>52,420</u>	<u>6,987</u>
TOTAL EXPENDITURES	<u>1,906,590</u>	<u>1,906,590</u>	<u>1,591,769</u>	<u>314,821</u>
RECEIPTS OVER (UNDER) EXPENDITURES	<u>(180,000)</u>	<u>(180,000)</u>	<u>47,979</u>	<u>227,979</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer to Police Car Reserve	(15,000)	(15,000)	(15,000)	-
Transfer to Fire Equipment Reserve	(25,000)	(25,000)	(25,000)	-
Transfer to Building Reserve	(10,000)	(10,000)	-	10,000
Transfer to Public Works Equipment Reserve	-	-	(10,000)	(10,000)
Transfer to Hazard Mitigation	(15,000)	(15,000)	(15,000)	-
Total	<u>(65,000)</u>	<u>(65,000)</u>	<u>(65,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(245,000)	(245,000)	(17,021)	227,979
CASH BALANCE, Beginning	245,000	245,000	177,970	(67,030)
CASH BALANCE, Ending	<u>-</u>	<u>-</u>	<u>160,949</u>	<u>\$ 160,949</u>

See Notes to Financial Statements

CITY OF GEARHART, OREGON

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

FIRE APPARATUS RESERVE FUND

Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Interest	<u>\$ 200</u>	<u>\$ 200</u>	<u>\$ 2,329</u>	<u>\$ 2,129</u>
<u>CASH EXPENDITURES</u>				
Capital Outlay	<u>190,028</u>	<u>190,028</u>	<u>34,751</u>	<u>155,277</u>
RECEIPTS OVER (UNDER) EXPENDITURES	<u>(189,828)</u>	<u>(189,828)</u>	<u>(32,422)</u>	<u>157,406</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer From General Fund	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(164,828)</u>	<u>(164,828)</u>	<u>(7,422)</u>	<u>157,406</u>
CASH BALANCE, Beginning	<u>164,828</u>	<u>164,828</u>	<u>176,261</u>	<u>11,433</u>
CASH BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 168,838</u>	<u>\$ 168,838</u>

See Notes to Financial Statements

CITY OF GEARHART, OREGON

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

BUILDING RESERVE FUND

Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Interest	<u>\$ 600</u>	<u>\$ 600</u>	<u>\$ 2,824</u>	<u>\$ 2,224</u>
<u>CASH EXPENDITURES</u>				
Capital Outlay	<u>185,364</u>	<u>185,364</u>	<u>4,490</u>	<u>180,874</u>
RECEIPTS OVER (UNDER) EXPENDITURES	<u>(184,764)</u>	<u>(184,764)</u>	<u>(1,667)</u>	<u>183,097</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer From General Fund	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
NET CHANGE IN FUND BALANCE	<u>(174,764)</u>	<u>(174,764)</u>	<u>(1,667)</u>	<u>173,097</u>
CASH BALANCE, Beginning	<u>174,764</u>	<u>174,764</u>	<u>169,682</u>	<u>(5,082)</u>
CASH BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 168,015</u>	<u>\$ 168,015</u>

See Notes to Financial Statements

CITY OF GEARHART, OREGON

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

STATE STREET FUND

Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
State of Oregon, Highway Apportionment	\$ 90,000	\$ 90,000	\$ 93,937	\$ 3,937
Interest	500	500	2,113	1,613
Total	<u>90,500</u>	<u>90,500</u>	<u>96,050</u>	<u>5,550</u>
 <u>CASH EXPENDITURES</u>				
Personnel Services	35,060	35,060	25,859	9,201
Material and Services	<u>153,440</u>	<u>153,440</u>	<u>28,461</u>	<u>124,979</u>
Total	<u>188,500</u>	<u>188,500</u>	<u>54,320</u>	<u>134,180</u>
 NET CHANGE IN FUND BALANCE	 (98,000)	 (98,000)	 41,730	 139,730
 CASH BALANCE, Beginning	 <u>98,000</u>	 <u>98,000</u>	 <u>100,916</u>	 <u>2,916</u>
 CASH BALANCE, Ending	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 142,647</u></u>	 <u><u>\$ 142,647</u></u>

See Notes to Financial Statements

CITY OF GEARHART, OREGON

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

GENERAL ROAD FUND

Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Property Taxes	\$ 32,000	\$ 32,000	\$ 31,380	\$ (620)
Interest	800	800	2,606	1,806
Total	<u>32,800</u>	<u>32,800</u>	<u>33,985</u>	<u>1,185</u>
<u>CASH EXPENDITURES</u>				
General Maintenance, Repairs, and Construction of Roads and Bridges	<u>152,800</u>	<u>152,800</u>	<u>26,830</u>	<u>125,970</u>
NET CHANGE IN FUND BALANCE	(120,000)	(120,000)	7,155	127,155
CASH BALANCE, Beginning	<u>120,000</u>	<u>120,000</u>	<u>137,248</u>	<u>17,248</u>
CASH BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 144,404</u>	<u>\$ 144,404</u>

See Notes to Financial Statements

CITY OF GEARHART, OREGON

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

STATE REVENUE SHARING FUND

Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
State of Oregon Apportionment	\$ 25,000	\$ 25,000	\$ 24,103	\$ (897)
Interest	200	200	44	(156)
Total	<u>25,200</u>	<u>25,200</u>	<u>24,147</u>	<u>(1,053)</u>
 <u>CASH EXPENDITURES</u>				
Materials and Services	27,200	27,200	10,552	16,648
Capital Outlay	800	800	692	108
Total	<u>28,000</u>	<u>28,000</u>	<u>11,244</u>	<u>16,756</u>
 NET CHANGE IN FUND BALANCE	 (2,800)	 (2,800)	 12,903	 15,703
 CASH BALANCE, Beginning	 <u>2,800</u>	 <u>2,800</u>	 <u>26,342</u>	 <u>23,542</u>
 CASH BALANCE, Ending	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 39,244</u>	 <u>\$ 39,244</u>

See Notes to Financial Statements

CITY OF GEARHART, OREGON

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

911 EMERGENCY PHONE RESERVE FUND

Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32</u>	<u>\$ 32</u>
 <u>CASH EXPENDITURES</u>				
Materials & Services	<u>2,026</u>	<u>2,026</u>	<u>-</u>	<u>2,026</u>
 NET CHANGE IN FUND BALANCE	<u>(2,026)</u>	<u>(2,026)</u>	<u>32</u>	<u>2,058</u>
 CASH BALANCE, Beginning	<u>2,026</u>	<u>2,026</u>	<u>2,043</u>	<u>17</u>
 CASH BALANCE, Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,074</u></u>	<u><u>\$ 2,074</u></u>

See Notes to Financial Statements

CITY OF GEARHART, OREGON

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

POLICE CAR RESERVE FUND

Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Interest	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 860</u>	<u>\$ 760</u>
 <u>CASH EXPENDITURES</u>				
Capital Outlay	<u>67,626</u>	<u>67,626</u>	<u>-</u>	<u>67,626</u>
RECEIPTS OVER (UNDER) EXPENDITURES	<u>(67,526)</u>	<u>(67,526)</u>	<u>860</u>	<u>68,386</u>
 <u>OTHER FINANCING SOURCES (USES)</u>				
Transfer From General Fund	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>
 NET CHANGE IN FUND BALANCE	<u>(52,526)</u>	<u>(52,526)</u>	<u>15,860</u>	<u>68,386</u>
 CASH BALANCE, Beginning	<u>52,526</u>	<u>52,526</u>	<u>52,672</u>	<u>146</u>
 CASH BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,532</u>	<u>\$ 68,532</u>

See Notes to Financial Statements

CITY OF GEARHART, OREGON

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

PUBLIC WORKS MAJOR EQUIPMENT RESERVE FUND

Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>CASH RECEIPTS</u>				
Interest	\$ 300	\$ 300	\$ 1,088	\$ 788
 <u>CASH EXPENDITURES</u>				
Capital Outlay	95,677	95,677	-	95,677
RECEIPTS OVER (UNDER) EXPENDITURES	(95,377)	(95,377)	1,088	96,465
 <u>OTHER FINANCING SOURCES (USES)</u>				
Transfer From Water Fund	30,000	30,000	-	(30,000)
Transfer From General Fund	-	-	10,000	10,000
Total	30,000	30,000	10,000	(20,000)
 NET CHANGE IN FUND BALANCE	 (65,377)	 (65,377)	 11,088	 76,465
CASH BALANCE, Beginning	65,377	65,377	65,562	185
CASH BALANCE, Ending	\$ -	\$ -	\$ 76,650	\$ 76,650

See Notes to Financial Statements

CITY OF GEARHART, OREGON

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

HAZARD MITIGATION FUND

Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 178</u>	<u>\$ 178</u>
<u>CASH EXPENDITURES</u>				
Materials & Services	<u>29,903</u>	<u>29,903</u>	<u>7,163</u>	<u>22,740</u>
RECEIPTS OVER (UNDER) EXPENDITURES	<u>(29,903)</u>	<u>(29,903)</u>	<u>(6,985)</u>	<u>22,918</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
From General Fund	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(14,903)</u>	<u>(14,903)</u>	<u>8,015</u>	<u>22,918</u>
CASH BALANCE, Beginning	<u>14,903</u>	<u>14,903</u>	<u>14,925</u>	<u>22</u>
CASH BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,940</u>	<u>\$ 22,940</u>

See Notes to Financial Statements

CITY OF GEARHART, OREGON

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

WATER FUND

Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Water Sales and Hookups	\$ 925,000	\$ 925,000	\$ 818,242	\$ (106,758)
Interest	2,000	2,000	2,212	212
Total	<u>927,000</u>	<u>927,000</u>	<u>820,454</u>	<u>(106,546)</u>
 <u>CASH EXPENDITURES</u>				
Personnel Services	249,121	249,121	235,947	13,174
Material and Services	651,500	651,500	455,683	195,817
Capital Outlay	66,379	66,379	53,074	13,305
Operating Contingency	10,000	10,000	-	10,000
Total	<u>977,000</u>	<u>977,000</u>	<u>744,704</u>	<u>232,296</u>
 RECEIPTS OVER (UNDER) EXPENDITURES	 <u>(50,000)</u>	 <u>(50,000)</u>	 <u>75,750</u>	 <u>125,750</u>
 <u>OTHER FINANCING SOURCES (USES)</u>				
Transfer to Water Reserve Fund	(150,000)	(150,000)	-	150,000
Transfer to Public Works Reserve Fund	(30,000)	(30,000)	-	30,000
Total	<u>(180,000)</u>	<u>(180,000)</u>	<u>-</u>	<u>180,000</u>
 NET CHANGE IN CASH BALANCE	 (230,000)	 (230,000)	 75,750	 305,750
 CASH BALANCE, Beginning	 <u>230,000</u>	 <u>230,000</u>	 <u>85,383</u>	 <u>(144,617)</u>
 CASH BALANCE, Ending	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 161,133</u>	 <u>\$ 161,133</u>

See Notes to Financial Statements

CITY OF GEARHART, OREGON

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

WATER RESERVE FUND

Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Interest	\$ -	\$ -	\$ 17,950	\$ 17,950
<u>CASH EXPENDITURES</u>				
Capital Outlay	1,196,500	1,196,500	23,811	1,172,690
RECEIPTS OVER (UNDER) EXPENDITURES	<u>(1,196,500)</u>	<u>(1,196,500)</u>	<u>(5,861)</u>	<u>1,190,639</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer From Water Fund	150,000	150,000	-	(150,000)
NET CHANGE IN CASH BALANCE	(1,046,500)	(1,046,500)	(5,861)	1,040,639
CASH BALANCE, Beginning	1,046,500	1,046,500	1,054,181	7,681
CASH BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,048,320</u>	<u>\$ 1,048,320</u>

See Notes to Financial Statements

CITY OF GEARHART, OREGON

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

DEBT SERVICE FUND

Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Property Taxes & Related Items	\$ 848,284	\$ 848,284	\$ 808,110	\$ (40,174)
Interest	1,700	1,700	3,748	2,048
Total	<u>849,984</u>	<u>849,984</u>	<u>811,858</u>	<u>(38,126)</u>
 <u>CASH EXPENDITURES</u>				
Debt Service	<u>791,057</u>	<u>902,361</u>	<u>791,539</u>	<u>110,822</u>
 NET CHANGE IN CASH BALANCE	 58,927	 (52,377)	 20,319	 72,696
 CASH BALANCE, Beginning	 <u>52,377</u>	 <u>52,377</u>	 <u>107,794</u>	 <u>55,417</u>
 CASH BALANCE, Ending	 <u><u>\$ 111,304</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 128,113</u></u>	 <u><u>\$ 128,113</u></u>

See Notes to Financial Statements

CITY OF GEARHART, OREGON

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

WATER IMPROVEMENT CONSTRUCTION FUND

Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>CASH RECEIPTS</u>				
Interest	<u>\$ 200</u>	<u>\$ 200</u>	<u>\$ 1,085</u>	<u>\$ 885</u>
<u>CASH EXPENDITURES</u>				
Capital Outlay	<u>105,193</u>	<u>105,193</u>	<u>38,905</u>	<u>66,288</u>
NET CHANGE IN CASH BALANCE	<u>(104,993)</u>	<u>(104,993)</u>	<u>(37,820)</u>	<u>67,173</u>
CASH BALANCE, Beginning	<u>104,993</u>	<u>104,993</u>	<u>92,098</u>	<u>(12,895)</u>
CASH BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,279</u>	<u>\$ 54,279</u>

See Notes to Financial Statements

CITY OF GEARHART, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS

Year Ended June 30, 2018

Year of Levy	Levy & Taxes Receivable, Beginning	Discounts	Adjustments	Collections	Levy & Taxes Receivable, Ending
<u>City of Gearhart</u>					
2017-18	\$ 1,362,745	\$ (35,180)	\$ (1,061)	\$(1,283,796)	\$ 42,708
2016-17	41,663	-	(464)	(22,704)	18,494
2015-16	19,870	-	(377)	(8,724)	10,769
2014-15	10,508	-	(240)	(5,922)	4,345
2013-14	6,394	-	(245)	(3,687)	2,462
2012-13 & Prior	9,623	-	(1,316)	(1,535)	6,773
Total	<u>\$ 1,450,802</u>	<u>\$ (35,180)</u>	<u>\$ (3,703)</u>	<u>\$(1,326,367)</u>	<u>\$ 85,551</u>

Year of Levy	Levy & Taxes Receivable Beginning	Discounts	Adjustments	Collections	Levy & Taxes Receivable Ending
<u>Road District</u>					
2017-18	\$ 32,177	\$ (831)	\$ (25)	\$ (30,312)	\$ 1,008
2016-17	970	-	(11)	(529)	431
2015-16	470	-	(9)	(206)	255
2014-15	264	-	(6)	(149)	109
2013-14	120	-	(5)	(69)	46
2012-13 & Prior	164	-	(22)	(26)	116
Total	<u>\$ 34,165</u>	<u>\$ (831)</u>	<u>\$ (78)</u>	<u>\$ (31,291)</u>	<u>\$ 1,965</u>
<u>Total All Sources</u>	<u>\$ 1,484,966</u>	<u>\$ (36,011)</u>	<u>\$ (3,781)</u>	<u>\$(1,357,659)</u>	<u>\$ 87,515</u>

See Notes to Financial Statements

AUDITOR'S COMMENTS AND
DISCLOSURES REQUIRED BY STATE REGULATIONS

DENNIS R. CONNER

Certified Public Accountant
365 South Nehalem
P. O. Box 1078
Clatskanie, Oregon 97016
Facsimile (503)728-2944
Telephone(503)728-2038

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

To the Mayor and City Council
City of Gearhart
Gearhart, Oregon

I have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Gearhart (the City) as of and for the year ended June 30, 2018, and have issued my report thereon dated February 20, 2019

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, I 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 162-10-000 through 162-10-320 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, I do not express such an opinion.

I performed procedures to the extent I 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).

Insurance and fidelity bonds in force or required by law.

Programs funded by outside sources.

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 my testing, nothing came to my attention that caused me to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except as follows:

Budget Compliance

During FY 2017-18 the City had expenses in excess of appropriations in the following funds and categories:

Fund	Category	Excess
General - Administrative	Materials & Services	\$19,094
General - Fire Dept	Personnel Services	\$11,628
General - Non-Dept	Materials & Services	\$13,414

OAR 162-10-230 (Internal Control)

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

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

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the following deficiencies in the District's internal control to be significant deficiencies:

Financial Reporting

The City does not have the capability to prepare or determine if the financial statements and related disclosures are complete and presented in accordance with generally accepted accounting principles. Limited staffing prevents the City from complying with this recommendation. Since controls at that level are not available within the City, the cost benefit of having the auditor prepare the financial statements, including related footnote disclosures, far outweigh the cost of hiring additional staff or hiring an independent outside source to do the same job. The City believes the outsourcing of the financial statement preparation service to the auditor is not unusual for smaller governments.

Inadequate Segregation of Accounting Duties

The City does not have sufficient staff to adequately segregate accounting duties. The City has adopted financial controls that are relevant to smaller governmental units. The City believes there is a substantial cost benefit by not increasing staffing levels at this time. However, the City acknowledges the need for extra vigilance on the part of upper management and the Council.

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



Dennis R. Conner, CPA
February 20, 2019