



CITY OF GEARHART
Clatsop County, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2022



**CITY OF GEARHART
Clatsop County, Oregon**

CITY OFFICIALS

June 30, 2022

MAYOR

Paulina Cockrum
P.O. Box 2405
Gearhart, Oregon 97138

CITY COUNCIL

Kerry Smith
707 F Street
Gearhart, Oregon 97138

Reita Fackerell
776 Summit
Gearhart, Oregon 97138

Brent Warren
P.O. Box 2295
Gearhart, Oregon 97138

Daniel Jesse (resigned January 5, 2022)
1389 Sea Ridge Lane
Gearhart, Oregon 97138

Austin Tomlinson (appointed February 2, 2022)
523 S Cottage
Gearhart, Oregon 97138

CITY ADMINISTRATOR

Chad Sweet
89447 Manion Drive
Warrenton, Oregon 97146

CITY ATTORNEY

Peter Watts
1969 Willamette Falls Dr, Suite 260
West Linn, Oregon 97068

CITY OF GEARHART
Clatsop County, Oregon

TABLE OF CONTENTS

June 30, 2022

Page
Number

INTRODUCTORY SECTION

Title Page	
City Officials	
Table of Contents	

FINANCIAL SECTION

Independent Auditor's Report	1-3
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position – Modified Cash Basis	4
Statement of Activities – Modified Cash Basis	5
Fund Financial Statements	
Balance Sheet – Modified Cash Basis – Governmental Funds.....	6
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	7
Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis – Governmental Funds	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
Statement of Net Position – Modified Cash Basis – Proprietary Funds.....	10
Statement of Revenues, Expenses, and Changes in Fund Net Position – Modified Cash Basis – Proprietary Funds	11
Statement of Cash Flows – Modified Cash Basis – Proprietary Funds	12
Notes to Basic Financial Statements	13-38
Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual –	
General Fund.....	39
Gearhart Road District General Fund.....	40
State Street Fund.....	41
Combining Balance Sheet – Modified Cash Basis – Nonmajor Governmental Funds ...	42
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis – Nonmajor Governmental Funds.....	43

	<u>Page Number</u>
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual -	
State Revenue Sharing Fund	44
Public Works Equipment Reserve Fund.....	45
Fire Apparatus Reserve Fund	46
Police Car Reserve Fund	47
Building Reserve Fund.....	48
Hazard Mitigation Reserve Fund	49
Debt Service Fund.....	50
Schedule of Revenues, Expenses, and Changes in Fund Net Position - Budget and Actual -	
Water Operating Fund	51
Water Reserve Fund	52
Water Construction Fund	53

AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

Independent Auditor's Report Required by Oregon State Regulations	54-55
---	-------

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

The Honorable Paulina Cockrum, Mayor
and Members of the City Council
City of Gearhart
Gearhart, Oregon 97138

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Gearhart, Clatsop County, Oregon, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Gearhart, Clatsop County, Oregon as of June 30, 2022, and the respective changes in modified cash basis financial position thereof for the year then ended on the basis of accounting described in Note I.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Gearhart, Clatsop County, Oregon, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - Basis of Accounting

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

Emphasis of Matter - Change in Accounting Principle

As described in the notes to the financial statements, in the year ended June 30, 2022, the City adopted new accounting guidance: GASB Statement No. 83, *Certain Asset Retirement Obligations*, Statement No. 87, *Leases*, Statement No. 92, *Omnibus 2020*, and Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statement No. 14 and No. 84, and a supersession of GASB Statement No. 32*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Gearhart, Clatsop County, Oregon's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Gearhart, Clatsop County, Oregon's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

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

Other Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated November 14, 2022 on our tests of the City's compliance with certain provisions of laws and regulations specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Accuity, LLC



By: _____

Glen O. Kearns, CPA

Albany, Oregon

November 14, 2022

BASIC FINANCIAL STATEMENTS

CITY OF GEARHART
Clatsop County, Oregon

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

June 30, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,518,196	\$ 40,164	\$ 1,558,360
Restricted assets			
Cash and cash equivalents	677,674	1,371,525	2,049,199
Capital assets not being depreciated	28,025	54,650	82,675
Capital assets being depreciated, net	447,468	9,518,377	9,965,845
Total assets	2,671,363	10,984,716	13,656,079
LIABILITIES			
Current liabilities			
Payroll liabilities	12	-	12
Bail trust liability	14,585	-	14,585
Long-term debt, current portion	605,000	-	605,000
Total current liabilities	619,597	-	619,597
Noncurrent liabilities			
Long-term debt, less current portion	3,216,891	-	3,216,891
Total liabilities	3,836,488	-	3,836,488
NET POSITION			
Net investment in capital assets	(3,346,398)	9,573,027	6,226,629
Restricted for:			
Special projects	458,735	-	458,735
Debt service	239,939	-	239,939
System development	-	1,371,525	1,371,525
Unrestricted	1,482,599	40,164	1,522,763
Total net position	\$ (1,165,125)	\$ 10,984,716	\$ 9,819,591

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

CITY OF GEARHART
Clatsop County, Oregon

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Totals
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental activities							
General government	\$ 737,753	\$ 260,286	\$ -	\$ 127,058	\$ (350,409)	\$ -	\$ (350,409)
Public safety	1,042,607	367,548	20,584	-	(654,475)	-	(654,475)
Highways and streets	182,079	-	-	12,696	(169,383)	-	(169,383)
Parks and recreation	74,339	-	1,983	15,000	(57,356)	-	(57,356)
Unallocated depreciation	66,761	-	-	-	(66,761)	-	(66,761)
Interest on long-term debt	122,960	-	-	-	(122,960)	-	(122,960)
Total governmental activities	<u>\$ 2,226,499</u>	<u>\$ 627,834</u>	<u>\$ 22,567</u>	<u>\$ 154,754</u>	<u>(1,421,344)</u>	<u>-</u>	<u>(1,421,344)</u>
Business-Type activities							
Water	<u>\$ 1,258,764</u>	<u>\$ 968,608</u>	<u>\$ -</u>	<u>\$ 41,714</u>	<u>-</u>	<u>(248,442)</u>	<u>(248,442)</u>
General revenues							
Property taxes levied for general purposes					667,381	-	667,381
Property taxes levied for debt service					880,751	-	880,751
Transient room taxes					618,608	-	618,608
State highway tax					136,634	-	136,634
Alcohol and cigarette taxes					173,051	-	173,051
Franchise fees					154,178	-	154,178
State revenue sharing					33,234	-	33,234
Investment earnings					11,056	7,752	18,808
Miscellaneous					4,721	6,710	11,431
Total general revenues					<u>2,679,614</u>	<u>14,462</u>	<u>2,694,076</u>
Change in net position					1,258,270	(233,980)	1,024,290
Net position - beginning, as restated					<u>(2,423,395)</u>	<u>11,218,696</u>	<u>8,795,301</u>
Net position - ending					<u>\$ (1,165,125)</u>	<u>\$ 10,984,716</u>	<u>\$ 9,819,591</u>

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

CITY OF GEARHART
Clatsop County, Oregon

BALANCE SHEET - MODIFIED CASH BASIS

GOVERNMENTAL FUNDS

June 30, 2022

	General Fund	Special Revenue Funds		Fire Apparatus Reserve Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
		Gearhart Road District General Fund	State Street Fund				
ASSETS							
Cash and cash equivalents	\$ 799,871	\$ 180,080	\$ 244,774	\$ 303,524	\$ 239,939	\$ 427,682	\$ 2,195,870
LIABILITIES							
Bail trust liability	\$ 14,585	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,585
Payroll liability	<u>12</u>	-	-	-	-	-	<u>12</u>
Total liabilities	<u>14,597</u>	-	-	-	-	-	<u>14,597</u>
FUND BALANCES							
Restricted	12,881	180,080	244,774	-	239,939	-	677,674
Committed	-	-	-	303,524	-	427,682	731,206
Unassigned	<u>772,393</u>	-	-	-	-	-	<u>772,393</u>
Total fund balances	<u>785,274</u>	<u>180,080</u>	<u>244,774</u>	<u>303,524</u>	<u>239,939</u>	<u>427,682</u>	<u>2,181,273</u>
Total liabilities and fund balances	<u>\$ 799,871</u>	<u>\$ 180,080</u>	<u>\$ 244,774</u>	<u>\$ 303,524</u>	<u>\$ 239,939</u>	<u>\$ 427,682</u>	<u>\$ 2,195,870</u>

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

CITY OF GEARHART
Clatsop County, Oregon

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

June 30, 2022

Total fund balances		\$ 2,181,273
Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds:		
Cost	1,520,599	
Accumulated depreciation	<u>(1,045,106)</u>	475,493
Long-term liabilities are not due or payable in the current period and are therefore not reported in the governmental funds. Interest on long-term debt is not accrued in the governmental funds, but rather, is recognized as an expenditure when due. These liabilities consist of:		
Bonds payable	(3,450,000)	
Bond premiums, net	<u>(371,891)</u>	<u>(3,821,891)</u>
Net position of governmental activities		<u>\$ (1,165,125)</u>

The accompanying notes are an integral part of these financial statements

CITY OF GEARHART
Clatsop County, Oregon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

MODIFIED CASH BASIS - GOVERNMENTAL FUNDS

For the Year Ended June 30, 2022

	Special Revenue Funds						Total Governmental Funds
	General Fund	Gearhart Road District General Fund	State Street Fund	Fire Apparatus Reserve Fund	Debt Service Fund	Nonmajor Governmental Funds	
REVENUES							
Property taxes	\$ 629,729	\$ 37,652	\$ -	\$ -	\$ 880,751	\$ -	\$ 1,548,132
Intergovernmental	501,105	-	136,634	-	-	33,234	670,973
Licenses, fees, and permits	291,662	-	-	-	-	-	291,662
Franchise fees	154,178	-	-	-	-	-	154,178
Grants and contributions	144,041	12,696	-	-	-	20,584	177,321
Transient room taxes	618,608	-	-	-	-	-	618,608
Fines and forfeitures	7,106	-	-	-	-	-	7,106
Investment earnings	4,310	976	1,160	1,325	1,452	1,832	11,055
Miscellaneous	4,722	-	-	-	-	1,012	5,734
Total revenues	<u>2,355,461</u>	<u>51,324</u>	<u>137,794</u>	<u>1,325</u>	<u>882,203</u>	<u>56,662</u>	<u>3,484,769</u>
EXPENDITURES							
Current							
General government	750,576	-	-	-	-	-	750,576
Public safety	927,736	-	-	-	-	72,662	1,000,398
Highways and streets	-	554	87,836	-	-	-	88,390
Parks and recreation	36,724	-	-	-	-	-	36,724
Debt service	-	-	-	-	774,993	-	774,993
Capital outlay	86,702	73,650	-	-	-	100,933	261,285
Total expenditures	<u>1,801,738</u>	<u>74,204</u>	<u>87,836</u>	<u>-</u>	<u>774,993</u>	<u>173,595</u>	<u>2,912,366</u>
Excess (deficiency) of revenues over (under) expenditures	<u>553,723</u>	<u>(22,880)</u>	<u>49,958</u>	<u>1,325</u>	<u>107,210</u>	<u>(116,933)</u>	<u>572,403</u>
OTHER FINANCING SOURCES (USES)							
Sale of assets	385	-	-	-	-	-	385
Refunding debt proceeds	-	-	-	-	2,520,895	-	2,520,895
Payment to escrow agent	-	-	-	-	(2,434,202)	-	(2,434,202)
Transfers in	-	-	-	60,000	-	145,000	205,000
Transfers out	(205,000)	-	-	-	-	-	(205,000)
Total other financing sources (uses)	<u>(204,615)</u>	<u>-</u>	<u>-</u>	<u>60,000</u>	<u>86,693</u>	<u>145,000</u>	<u>87,078</u>
Net change in fund balances	349,108	(22,880)	49,958	61,325	193,903	28,067	659,481
Fund balances - beginning	<u>436,166</u>	<u>202,960</u>	<u>194,816</u>	<u>242,199</u>	<u>46,036</u>	<u>399,615</u>	<u>1,521,792</u>
Fund balances - ending	<u>\$ 785,274</u>	<u>\$ 180,080</u>	<u>\$ 244,774</u>	<u>\$ 303,524</u>	<u>\$ 239,939</u>	<u>\$ 427,682</u>	<u>\$ 2,181,273</u>

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

CITY OF GEARHART
Clatsop County, Oregon

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

For the Year Ended June 30, 2022

Net change in fund balances		\$ 659,481
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlay as expenditures; however, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and are reported as depreciation expense.</p>		
Expenditures for capital assets	102,715	
Capital asset dispositions, net	(2,505)	
Less current year depreciation	(66,761)	33,449
<p>Long-term debt proceeds are reported as other financing sources in the governmental funds. In the statement of net position, however, issuing long-term debt increases liabilities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.</p>		
Debt principal paid	2,975,000	
Debt issued	(2,520,895)	
Amortization of bond premiums	111,235	565,340
Change in net position		\$ 1,258,270

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

CITY OF GEARHART
Clatsop County, Oregon

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

PROPRIETARY FUNDS

June 30, 2022

	Business-Type Activities - Enterprise Funds			
	Water Operating	Water Reserve	Water Construction	Totals
ASSETS				
Current assets				
Cash and cash equivalents	\$ 40,164	\$ -	\$ -	\$ 40,164
Restricted assets				
Cash and cash equivalents	-	1,367,570	3,955	1,371,525
Capital assets not being depreciated	54,650	-	-	54,650
Capital assets being depreciated, net	<u>9,518,377</u>	<u>-</u>	<u>-</u>	<u>9,518,377</u>
Total assets	<u>9,613,191</u>	<u>1,367,570</u>	<u>3,955</u>	<u>10,984,716</u>
NET POSITION				
Net investment in capital assets	9,573,027	-	-	9,573,027
Restricted for:				
System development	-	1,367,570	3,955	1,371,525
Unrestricted	<u>40,164</u>	<u>-</u>	<u>-</u>	<u>40,164</u>
Total net position	<u>\$ 9,613,191</u>	<u>\$ 1,367,570</u>	<u>\$ 3,955</u>	<u>\$ 10,984,716</u>

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

CITY OF GEARHART
Clatsop County, Oregon

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

PROPRIETARY FUNDS

For the Year Ended June 30, 2022

	Business-Type Activities - Enterprise Funds			Totals
	Water Operating	Water Reserve	Water Construction	
Operating revenues				
Water charges	\$ 944,458	\$ -	\$ -	\$ 944,458
Water meter installations	<u>24,150</u>	<u>-</u>	<u>-</u>	<u>24,150</u>
Total operating revenues	<u>968,608</u>	<u>-</u>	<u>-</u>	<u>968,608</u>
Operating expenses				
Payroll and related costs	330,830	-	-	330,830
Plant and well operations	558,835	37,766	-	596,601
Depreciation	<u>331,333</u>	<u>-</u>	<u>-</u>	<u>331,333</u>
Total operating expenses	<u>1,220,998</u>	<u>37,766</u>	<u>-</u>	<u>1,258,764</u>
Operating income (loss)	<u>(252,390)</u>	<u>(37,766)</u>	<u>-</u>	<u>(290,156)</u>
Nonoperating revenues (expenses)				
Investment earnings	648	7,083	21	7,752
Miscellaneous income	6,710	-	-	6,710
Grants and contributions	<u>41,714</u>	<u>-</u>	<u>-</u>	<u>41,714</u>
Total nonoperating revenues (expenses)	<u>49,072</u>	<u>7,083</u>	<u>21</u>	<u>56,176</u>
Income (loss) before contributions and transfers	(203,318)	(30,683)	21	(233,980)
Transfers in	-	50,000	-	50,000
Transfers out	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>
Change in net position	(253,318)	19,317	21	(233,980)
Total net position - beginning	<u>9,866,509</u>	<u>1,348,253</u>	<u>3,934</u>	<u>11,218,696</u>
Total net position - ending	<u>\$ 9,613,191</u>	<u>\$ 1,367,570</u>	<u>\$ 3,955</u>	<u>\$ 10,984,716</u>

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

CITY OF GEARHART
Clatsop County, Oregon

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS

PROPRIETARY FUNDS

For the Year Ended June 30, 2022

	Business-Type Activities - Enterprise Funds			
	Water	Water	Water	Totals
	Operating	Reserve	Construction	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 968,608	\$ -	\$ -	\$ 968,608
Cash payments for payroll and related costs	(330,830)	-	-	(330,830)
Cash payments for operating expenses	<u>(558,835)</u>	<u>(37,766)</u>	<u>-</u>	<u>(596,601)</u>
Net cash provided (used) by operating activities	<u>78,943</u>	<u>(37,766)</u>	<u>-</u>	<u>41,177</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Miscellaneous revenues	<u>6,710</u>	<u>-</u>	<u>-</u>	<u>6,710</u>
Net cash provided (used) by noncapital financing activities	<u>6,710</u>	<u>-</u>	<u>-</u>	<u>6,710</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital asset purchases	(61,850)	-	-	(61,850)
Capital Grants	41,714	-	-	41,714
Transfers from (to) other funds for capital purchases	<u>(50,000)</u>	<u>50,000</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>(70,136)</u>	<u>50,000</u>	<u>-</u>	<u>(20,136)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment earnings	<u>648</u>	<u>7,083</u>	<u>21</u>	<u>7,752</u>
Net cash provided (used) by investing activities	<u>648</u>	<u>7,083</u>	<u>21</u>	<u>7,752</u>
Net increase (decrease) in cash and cash equivalents	16,165	19,317	21	28,793
Cash and cash equivalents - beginning	<u>23,999</u>	<u>1,348,253</u>	<u>3,934</u>	<u>1,376,186</u>
Cash and cash equivalents - ending	<u>\$ 40,164</u>	<u>\$ 1,367,570</u>	<u>\$ 3,955</u>	<u>\$ 1,411,689</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (252,390)	\$ (37,766)	\$ -	\$ (290,156)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	<u>331,333</u>	<u>-</u>	<u>-</u>	<u>331,333</u>
Net cash provided (used) by operating activities	<u>\$ 78,943</u>	<u>\$ (37,766)</u>	<u>\$ -</u>	<u>\$ 41,177</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Description of Government-Wide Financial Statements

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

B. Reporting Entity

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

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

1. Blended Component Unit - Gearhart Road District

The aforementioned road district served the area within the existing city limits of the City of Gearhart. Board members for the district consist of all the members of the Gearhart City Council and Budget Committee members.

C. Basis of Presentation - Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from all governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

Exceptions to this general rule are payments and other charges between the government's various functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

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

The City reports the following major governmental funds:

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

Special Revenue Funds

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

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

Capital Projects Fund

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

Debt Service Fund

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

The City reports the following major proprietary funds:

Enterprise Funds

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

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

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

Additionally, the City reports the following nonmajor governmental funds:

Special Revenue Funds

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

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

Capital Projects Funds

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

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

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

The City reports the following nonmajor proprietary fund:

Enterprise Fund

Water Construction Fund – The Water Construction Fund accumulates resources restricted to expenditure on water system construction, reconstruction, major upgrades, equipment, and other long-term investments in the City's water collection, storage, and distribution systems.

Certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Transfers between the funds included in governmental activities are eliminated, so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus within the limitations of the modified cash basis of accounting, as described below.

Governmental fund financial statements are reported using the current financial resources measurement focus. Only current financial assets and liabilities are generally included on the balance sheet. The operating statements present sources and uses of available expendable financial resources during a given period. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt is reported as other financing source.

In the government-wide financial statements, proprietary funds, and the fund financial statements, governmental activities are presented using the modified cash basis of accounting. This basis recognizes assets, liabilities, fund balance/net position, revenues, and expenditures when they result from cash transactions, with a provision for depreciation in the government-wide statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenues for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in the financial statements. If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements would use the modified accrual basis of accounting and the government-wide financial statements would be presented on the accrual basis of accounting.

F. Use of Estimates

The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

G. Budgetary Information

1. Budgetary Basis of Accounting

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

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

Annual appropriated budgets are adopted for the general, special revenue, capital projects, and enterprise funds.

The City begins its budgeting process by appointing budget committee members. The budget officer prepares a budget, which is reviewed by the budget committee. The budget is then published in proposed form and is presented at public hearings to obtain taxpayer comments and approval from the budget committee. The city council legally adopts the budget by resolution prior to the beginning of the City's fiscal year. The council resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total personnel services, materials and services, debt service, capital outlay, and contingency for each fund are the levels of control established by the resolution. The detailed budget document, however, is required to contain more specific detailed information for the aforementioned expenditure categories and management may revise the detailed line-item budgets within appropriation categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. The city council may adopt supplemental budgets less than 10% of a fund's original budget at a regular council meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers, and approval by the city council. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the city council. During the year, there were no supplemental budgets. The City does not use encumbrances and appropriations lapse at year-end.

Budget amounts shown in the financial statements reflect the original budget amounts and one approved appropriation change.

H. Assets, Liabilities, Deferred Inflows/Deferred Outflows and Net Position/Fund Balance

1. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

State statutes authorize the City to invest in legally issued general obligations of the United States, the agencies and instrumentalities of the United States and the states of Oregon, Washington, Idaho, or California, certain interest-bearing bonds, time deposit open accounts, certificates of deposit, and savings accounts in banks, mutual savings banks, and savings and loan associations that maintain a head office or a branch in this state in the capacity of a bank, mutual savings bank, or savings and loan association, and share accounts and savings accounts in credit unions in the name of, or for the benefit of, a member of the credit union pursuant to a plan of deferred compensation.

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

3. Capital Assets

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

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

Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Machinery and equipment	5-50
Buildings	15-40
Infrastructure	15-50
Water System	10-70

4. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

5. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balances to have been depleted before using any of the components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

6. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The city council is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City Council (Council) has by resolution authorized the City Manager to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to remove or revise a commitment.

The City reports fund equity in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance - amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e. board of directors). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance - amounts that City intends to use for a specific purpose. Intent can be expressed by the board of directors or by an official or body to which the city council delegates authority.
- Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The City has not formally adopted a minimum fund balance policy.

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

I. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collection to entities levying taxes. Property taxes are levied and become a lien as of July 1 on property values assessed as of June 30. Property taxes are payable in three installments, which are due on November 15, February 15, and May 15.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water fund are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Noncompliance with Oregon Revised Statutes: Public Contracts and Purchasing

During the year ended June 30, 2022, the City did not retain the required documentation for solicitation of bids for public contracting projects, which is in noncompliance with Oregon Revised Statutes (ORS) 279.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The City of Gearhart maintains a cash and cash equivalents pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and cash equivalents. Additionally, several funds held separate cash accounts. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

Investments, including amounts held in pooled cash and investments, are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value. The City participates in an external investment pool (State of Oregon Local Government Investment Pool). The Pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The State's investment policies are governed by the Oregon Revised Statutes (ORS) and the Oregon Investment Council (OIC).

The State Treasurer is the investment officer for the OIC and is responsible for all funds in the State Treasury. These funds are invested exercising reasonable care, skill, and caution. Investments in the Pool are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which established diversification percentages and specifies the types and maturities of investments. The portion of the external investment pool which belongs to local government investment participants is reported in an Investment Trust Fund in the State's Annual Comprehensive Financial Report (ACFR). A copy of the State's ACFR may be obtained at the Oregon State Treasury, 350 Winter St. N.E., Salem, Oregon 97310-0840.

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or price paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity.

Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based on the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

- *Level 1* - Unadjusted quoted prices for identical investments in active markets.
- *Level 2* - Observable inputs other than quoted market prices; and,
- *Level 3* - Unobservable inputs.

There were no transfers of assets or liabilities among the three levels of the fair value hierarchy for the year ended June 30, 2022. Fair values of assets measured on a recurring basis at June 30, 2022 are as follows:

Investments:	<u>Level 2</u>
Oregon Local Government Investment Pool	\$ <u>3,457,081</u>

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

Credit Risk

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

Investments

As of June 30, 2022, the City had the following investments:

	<u>Credit Quality</u> <u>Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
Oregon Local Government Investment Pool	Unrated	-	<u>\$ 3,457,081</u>

Interest Rate Risk

The City does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increases in interest rates.

Concentration of Credit Risk

The City does not have a formal policy that places a limit on the amount that may be invested in any one insurer. 100 percent of the City's investments are in the Oregon Local Government Investment Pool.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of a counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City does not have a policy that limits the amount of investments that can be held by counterparties.

Custodial Credit Risk - Deposits

This is the risk that, in the event of a bank failure, the City's deposits may not be returned. All City deposits not covered by Federal Depository Insurance Corporation (FDIC) insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon, organized in accordance with ORS 295. The PFCP is a shared liability structure for participating bank depositories. Barring any exceptions, a bank depository is required to pledge collateral valued at a minimum of 10% of their quarter-end public fund deposits if they are considered well capitalized, 25% of their quarter-end public fund deposits if they are considered adequately capitalized, or 110% of their quarter-end public fund deposits if they are considered undercapitalized or assigned to pledge 110% by the Office of the State Treasurer.

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities. The City holds a noninterest-bearing account at Columbia Bank, for which deposits are insured up to \$250,000. At June 30, 2022 the City had deposits of \$204,593 fully insured by FDIC insurance.

Deposits

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

Cash on hand	\$ 250
Checking accounts	150,228
Total investments	<u>3,457,081</u>
Total deposits and investments	<u><u>\$ 3,607,559</u></u>

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

Governmental activities - unrestricted	
General Fund	\$ 786,990
Fire Apparatus Reserve Fund	303,524
Nonmajor governmental funds	<u>427,682</u>
Total governmental activities - unrestricted	<u>1,518,196</u>
Business-type activities - unrestricted	
Water Operating Fund	<u>40,164</u>
Subtotal unrestricted cash and investments	<u>1,558,360</u>
Governmental activities - restricted	
General Fund	12,881
Gearhart Road District General Fund	180,080
State Street Fund	244,774
Debt Service Fund	<u>239,939</u>
Total governmental activities - restricted	<u>677,674</u>
Business-type activities - restricted	
Water Reserve Fund	1,367,570
Water Construction Fund	<u>3,955</u>
Total business-type activities - restricted	<u>1,371,525</u>
Subtotal restricted cash and investments	<u>2,049,199</u>
Total cash and investments	<u><u>\$ 3,607,559</u></u>

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

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

B. Capital Assets

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Capital assets not being depreciated	\$ 28,025	\$ 54,650	\$ 82,675
Capital assets being depreciated, net	<u>447,468</u>	<u>9,518,377</u>	<u>9,965,845</u>
 Total capital assets	 <u>\$ 475,493</u>	 <u>\$ 9,573,027</u>	 <u>\$ 10,048,520</u>

Capital asset transactions resulting from the modified cash basis for the year ended June 30, 2022 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 28,025	\$ -	\$ -	\$ 28,025
Construction in progress	<u>26,451</u>	<u>-</u>	<u>(26,451)</u>	<u>-</u>
Total capital assets not being depreciated	<u>54,476</u>	<u>-</u>	<u>(26,451)</u>	<u>28,025</u>
Capital assets being depreciated				
Administrative buildings	41,900	-	-	41,900
Police equipment	167,252	-	(23,956)	143,296
Shop equipment	280,371	129,166	(6,735)	402,802
Fire equipment and buildings	978,452	-	(157,600)	820,852
Infrastructure	<u>83,724</u>	<u>-</u>	<u>-</u>	<u>83,724</u>
Total capital assets being depreciated	<u>1,551,699</u>	<u>129,166</u>	<u>(188,291)</u>	<u>1,492,574</u>
Less accumulated depreciation for				
Administrative buildings	(41,900)	-	-	(41,900)
Police equipment	(131,623)	(11,065)	23,956	(118,732)
Shop equipment	(209,589)	(20,575)	6,735	(223,429)
Fire equipment and buildings	(743,460)	(31,193)	155,095	(619,558)
Infrastructure	<u>(37,559)</u>	<u>(3,928)</u>	<u>-</u>	<u>(41,487)</u>
Total accumulated depreciation	<u>(1,164,131)</u>	<u>(66,761)</u>	<u>185,786</u>	<u>(1,045,106)</u>
Total capital assets being depreciated, net	<u>387,568</u>	<u>62,405</u>	<u>(2,505)</u>	<u>447,468</u>
Governmental activities capital assets, net	<u>\$ 442,044</u>	<u>\$ 62,405</u>	<u>\$ (28,956)</u>	<u>\$ 475,493</u>

(Continued)

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

(Continued)	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 54,650	\$ -	\$ -	\$ 54,650
Capital assets being depreciated				
Buildings	18,420	-	-	18,420
Machinery and equipment	63,330	-	(19,351)	43,979
Water system	<u>12,943,815</u>	<u>61,850</u>	<u>-</u>	<u>13,005,665</u>
Total capital assets being depreciated	<u>13,025,565</u>	<u>61,850</u>	<u>(19,351)</u>	<u>13,068,064</u>
Less accumulated depreciation for				
Buildings	(14,142)	(666)	-	(14,808)
Machinery and equipment	(63,329)	-	19,351	(43,978)
Water system	<u>(3,160,234)</u>	<u>(330,667)</u>	<u>-</u>	<u>(3,490,901)</u>
Total accumulated depreciation	<u>(3,237,705)</u>	<u>(331,333)</u>	<u>19,351</u>	<u>(3,549,687)</u>
Total capital assets being depreciated, net	<u>9,787,860</u>	<u>(269,483)</u>	<u>-</u>	<u>9,518,377</u>
Business-type activities capital assets, net	<u>\$ 9,842,510</u>	<u>\$ (269,483)</u>	<u>\$ -</u>	<u>\$ 9,573,027</u>

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

	<u>Capital Assets</u>	<u>Accumulated Depreciation</u>	<u>Net Capital Assets</u>
Governmental activities			
Land	\$ 28,025	\$ -	\$ 28,025
Administrative buildings	41,900	(41,900)	-
Police equipment	143,296	(118,732)	24,564
Shop equipment	402,802	(223,429)	179,373
Fire equipment and buildings	820,852	(619,558)	201,294
Infrastructure	<u>83,724</u>	<u>(41,487)</u>	<u>42,237</u>
Total governmental activities capital assets	<u>1,520,599</u>	<u>(1,045,106)</u>	<u>475,493</u>
Business-type activities			
Land	\$ 54,650	\$ -	\$ 54,650
Buildings	18,420	(14,808)	3,612
Machinery and equipment	43,979	(43,978)	1
Water system	<u>13,005,665</u>	<u>(3,490,901)</u>	<u>9,514,764</u>
Total business-type activities capital assets	<u>13,122,714</u>	<u>(3,549,687)</u>	<u>9,573,027</u>
Total capital assets	<u>\$ 14,643,313</u>	<u>\$ (4,594,793)</u>	<u>\$ 10,048,520</u>

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

For the governmental activities, depreciation was not charged to specific functions or programs of the City. Capital assets of the City’s governmental activities are for the use of the entire City and are therefore unallocated. Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities	
Unallocated depreciation expense	\$ <u>66,761</u>
Business-type activities	
Water	\$ <u>331,333</u>

C. Long-Term Liabilities

1. Changes in Long-Term Liabilities

The following is a summary of long-term liabilities arising from cash transactions for the year:

	Interest Rate	Original Amount	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
General obligation bonds							
Refunding, Series 2011	4.02%	\$ 4,000,000	\$ 2,385,000	\$ -	\$ 2,385,000	\$ -	\$ -
Refunding, Series 2015	2.35%	4,195,000	1,825,000	-	440,000	1,385,000	445,000
Refunding, Series 2021	3-4%	<u>2,215,000</u>	-	<u>2,215,000</u>	<u>150,000</u>	<u>2,065,000</u>	<u>160,000</u>
Total bonds		<u>10,410,000</u>	<u>4,210,000</u>	<u>2,215,000</u>	<u>2,975,000</u>	<u>3,450,000</u>	<u>605,000</u>
Bond premiums							
Refunding, Series 2011		157,516	87,028	-	87,028	-	-
Refunding, Series 2015		207,344	90,203	-	21,748	68,455	-
Refunding, Series 2021		<u>305,895</u>	-	<u>305,895</u>	<u>2,459</u>	<u>303,436</u>	-
Total bond premiums		<u>670,755</u>	<u>177,231</u>	<u>305,895</u>	<u>111,235</u>	<u>371,891</u>	-
Total Governmental Activities		<u>\$ 11,080,755</u>	<u>\$ 4,387,231</u>	<u>\$ 2,520,895</u>	<u>\$ 3,086,235</u>	<u>\$ 3,821,891</u>	<u>\$ -</u>

The City paid \$122,960 in interest on long-term liabilities during the year ended June 30, 2022 from governmental activities.

2. General Obligation Bonds

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

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

3. Governmental Activities - General Obligation Bonds, Series 2011

On May 25, 2011, the City issued general obligation bonds in the amount of \$4,000,000 for the purposes of funding capital construction and capital improvements, which are pledged as collateral. The interest rate is fixed at 4.02%. Interest is due semiannually on March 1 and September 1. The bonds were set to mature on March 1, 2031 and were issued at a premium of \$157,516. This obligation was fully liquidated during the current fiscal year with advanced refunding bonds.

4. Governmental Activities - General Obligation Bonds, Refunding Series 2015

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

5. Governmental Activities - General Obligation Bonds, Refunding Series 2021

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

6. Debt Capacity

The City's legal annual debt service limit (as defined by Oregon Revised Statutes 478.410) as of June 30, 2022 was approximately \$19,387,759. The City's legal debt service limit is 3.00% of the Real Market Value of property within the City.

7. Default Risk

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

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

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

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

Year Ending June 30	General obligation bonds, Series 2021			General obligation bonds, Series 2015			Total Governmental Activities		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 160,000	\$ 67,550	\$ 227,550	\$ 445,000	\$ 48,725	\$ 493,725	\$ 605,000	\$ 116,275	\$ 721,275
2024	160,000	62,750	222,750	465,000	37,600	502,600	625,000	100,350	725,350
2025	170,000	57,950	227,950	475,000	19,000	494,000	645,000	76,950	721,950
2026	240,000	52,850	292,850	-	-	-	240,000	52,850	292,850
2027	250,000	45,650	295,650	-	-	-	250,000	45,650	295,650
2028-2031	1,085,000	102,300	1,482,950	-	-	-	1,085,000	102,300	1,187,300
	<u>\$ 2,065,000</u>	<u>\$ 389,050</u>	<u>\$ 2,749,700</u>	<u>\$ 1,385,000</u>	<u>\$ 105,325</u>	<u>\$ 1,490,325</u>	<u>\$ 3,450,000</u>	<u>\$ 494,375</u>	<u>\$ 3,944,375</u>

E. Interfund Transfers

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

	Fire Apparatus Reserve	Nonmajor Governmental Funds	Water Reserve Fund	Total
Transfers out:				
Governmental activities				
General Fund	\$ 60,000	\$ 145,000	\$ -	\$ 205,000
Business-type activities				
Water Operating Fund	-	-	50,000	50,000
Total	<u>\$ 60,000</u>	<u>\$ 145,000</u>	<u>\$ 50,000</u>	<u>\$ 255,000</u>

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

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

F. Constraints on Fund Balances

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

	<u>Special Revenue Funds</u>						Total Governmental Funds
	General Fund	Gearhart Road District Fund	State Street Fund	Fire Apparatus Reserve Fund	Debt Service Fund	Nonmajor Governmental Funds	
Fund balances							
Restricted for:							
Roads and streets	\$ -	\$ 180,080	\$ 244,774	\$ -	\$ -	\$ -	\$ 424,854
Debt service	-	-	-	-	239,939	-	239,939
Donor projects	12,881	-	-	-	-	-	12,881
Committed to:							
Special projects	-	-	-	-	-	21,000	21,000
Capital projects	-	-	-	303,524	-	331,737	635,261
Hazard mitigation	-	-	-	-	-	74,945	74,945
Unassigned	<u>772,393</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>772,393</u>
Total fund balances	<u>\$ 785,274</u>	<u>\$ 180,080</u>	<u>\$ 244,774</u>	<u>\$ 303,524</u>	<u>\$ 239,939</u>	<u>\$ 427,682</u>	<u>\$ 2,181,273</u>

G. OTHER INFORMATION

A. Risk Management

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

B. Retirement Plans

1. Oregon Public Employees Retirement System

General Information about the Pension Plan

The Oregon Public Employees Retirement System (OPERS) consists of a cost-sharing, multiple-employer defined benefit plan (Plan) for units of state government, political subdivisions, community colleges, and school districts, containing multiple actuarial pools. Plan assets may be used to pay the benefits of the employees of any employer that provides pensions through the Plan. As of June 30, 2021, there were 941 participating employers.

Plan Membership

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

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

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

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

Plan Benefits

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

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

Pension Benefits

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

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. Police and Fire members may purchase increased benefits that are payable between the date of retirement and age 65.

Death Benefits

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest).

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- Member was employed by a PERS employer at the time of death,
- Member died within 120 days after termination of PERS-covered employment,
- Member died as a result of injury sustained while employed in a PERS-covered job, or
- Member was on an official leave of absence from a PERS-covered job at the time of death.

Disability Benefits

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for a either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining monthly benefit.

Benefit Changes after Retirement

Members may choose to continue participation in their variable account after retiring and may experience annual benefit fluctuations caused by changes in the fair value of the underlying global equity investments of that account.

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

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

Pension Benefits

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

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

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

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

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

Death Benefits

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

Disability Benefits

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

Benefit Changes After Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit, in accordance with *Moro* decision. The COLA is capped at 2.0 percent.

OPSRP Individual Account Program (OPSRP IAP) - Membership includes public employees hired on or after August 29, 2003. PERS members retain their existing defined benefit plan accounts, but member contributions are deposited into the member's IAP account. OPSRP is part of OPERS and is administered by the OPERS Board.

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.

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

Death Benefits

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

Contributions

OPERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the OPERS Defined Benefit Plan and the Other Postemployment Benefit Plans.

Employer contribution rates during the period were based on the December 31, 2019 actuarial valuation, which became effective July 1, 2020. The State of Oregon and certain schools, community colleges, and political subdivisions have made unfunded actuarial liability payments, and their rates have been reduced.

Member contributions are set by statute at six percent of salary and are remitted by participating employers. The contributions are either deducted from member salaries or paid by the employers on the members' behalf.

Employer contributions for the year ended June 30, 2022 were \$138,489.

Annual Comprehensive Financial Report (ACFR)

Additional disclosures related to Oregon PERS not applicable to specific employers are available by contacting PERS at the following address: PO Box 23700 Tigard, OR 97281-3700, or can be found at:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2021-ACFR.pdf>

Actuarial Valuations

The employer contribution rates effective July 1, 2019, through June 30, 2021, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

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

Actuarial Methods and Assumptions:

Valuation Date	December 31, 2019
Measurement Date	June 30, 2021
Experience Study	2018, published July 24, 2019
<i>Actuarial Assumptions:</i>	
Actuarial Cost Method	Entry age normal
Inflation Rate	2.40 percent
Long-term Expected Rate of Return	6.90 percent
Discount Rate	6.90 percent
Projected Salary Increases	3.40 percent
Cost of living adjustment (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/.15%) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	<p>Health retirees and beneficiaries: Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Active members: Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p>

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are on the 2018 Experience Study, which reviewed experience for the four-year period ended December 31, 2018. There were no differences between the assumptions and plan provisions used for June 30, 2021 measurement date calculations compared to those shown above.

Actuarial Methods and Assumptions

Assets are valued at their market value. Gains and losses between odd-year valuations are amortized as a level percentage of combined valuation payroll over 20 years from the odd-year valuation in which they are first recognized.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Oregon PERS and additions to/deductions from Oregon PERS' fiduciary net position have been determined on the same basis as they are reported by Oregon PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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.

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

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

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

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

Long-Term Expected Rate of Return

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

For more information on the Plan's portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS' audited financial statements at:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2021-ACFR.pdf>

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

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

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

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

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

C. New Pronouncements

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

GASB Statement No. 83, *Certain Asset Retirement Obligations* - This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset.

GASB Statement No. 87, *Leases* - This statement addresses the accounting and financial reporting for leases by governments, requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases.

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

CITY OF GEARHART
Clatsop County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statement No. 14 and No. 84, and a supersession of GASB Statement No. 32. The primary objectives are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension/OPEB plans and employee benefit plans other than pension/OPEB plans, as fiduciary component units in fiduciary fund financial statement; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meets the definition of a pension plan and for benefits provided through those plans.

The City will implement applicable new GASB pronouncements no later than the required fiscal year. Management has not determined the effect on the financial statements for implementing any of the following pronouncements:

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

D. Restatement

The City's previously issued financial statements have been restated as follows:

Government-wide basis	Governmental Activities
Net position - beginning, as originally reported	\$ (2,068,936)
To restate for bond premiums reported incorrectly	(353,318)
Net position - beginning, as restated	\$ (2,422,254)

E. Subsequent Events

Management has evaluated subsequent events through November 14, 2022, which was the date that the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

CITY OF GEARHART
Clatsop County, Oregon

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

GENERAL FUND

For the Year Ended June 30, 2022

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		Modified Cash Basis
				Budget Basis	Adjustments	
REVENUES						
Property taxes	\$ 628,702	\$ 628,702	\$ 1,027	\$ 629,729	\$ -	\$ 629,729
Charges for services	304,000	304,000	24,054	328,054	-	328,054
Licenses, fees, and permits	320,000	320,000	(28,338)	291,662	-	291,662
Franchise fees	152,000	152,000	2,178	154,178	-	154,178
State liquor taxes	27,000	27,000	4,367	31,367	-	31,367
State cigarette and marijuana taxes	11,500	11,500	130,184	141,684	-	141,684
Grants and contributions	256,000	256,000	(111,959)	144,041	-	144,041
Transient room taxes	380,000	380,000	238,608	618,608	-	618,608
Fines and forfeitures	41,000	41,000	(33,894)	7,106	-	7,106
Investment earnings	18,000	18,000	(13,690)	4,310	-	4,310
Miscellaneous	45,000	45,000	(40,278)	4,722	-	4,722
Total revenues	<u>2,183,202</u>	<u>2,183,202</u>	<u>172,259</u>	<u>2,355,461</u>	<u>-</u>	<u>2,355,461</u>
EXPENDITURES						
Current						
Administrative department	458,001	458,001	(20,805)	437,196	16,450	453,646
Building department	260,004	260,004	(80,476)	179,528	-	179,528
Police department	517,425	517,425	(143,411)	374,014	-	374,014
Municipal court	27,930	27,930	(16,706)	11,224	-	11,224
Fire department	627,658	627,658	(61,926)	565,732	-	565,732
Planning department	197,940	197,940	(100,577)	97,363	-	97,363
Parks department	139,244	139,244	(39,052)	100,192	-	100,192
Non-departmental	135,000	135,000	(114,961)	20,039	-	20,039
Total expenditures	<u>2,363,202</u>	<u>2,363,202</u>	<u>(577,914)</u>	<u>1,785,288</u>	<u>16,450</u>	<u>1,801,738</u>
Excess (deficiency) of revenues over (under) expenditures	(180,000)	(180,000)	750,173	570,173	(16,450)	553,723
OTHER FINANCING SOURCES (USES)						
Sale of assets	5,000	5,000	(4,615)	385	-	385
Transfers out	<u>(205,000)</u>	<u>(205,000)</u>	<u>-</u>	<u>(205,000)</u>	<u>-</u>	<u>(205,000)</u>
Total other financing sources (uses)	<u>(200,000)</u>	<u>(200,000)</u>	<u>(4,615)</u>	<u>(204,615)</u>	<u>-</u>	<u>(204,615)</u>
Net change in fund balance	(380,000)	(380,000)	745,558	365,558	(16,450)	349,108
Fund balance - beginning	<u>380,000</u>	<u>380,000</u>	<u>39,716</u>	<u>419,716</u>	<u>16,450</u>	<u>436,166</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 785,274</u>	<u>\$ 785,274</u>	<u>\$ -</u>	<u>\$ 785,274</u>

CITY OF GEARHART
Clatsop County, Oregon

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

GEARHART ROAD DISTRICT GENERAL FUND

For the Year Ended June 30, 2022

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	Modified Cash Basis
REVENUES					
Property taxes	\$ 36,000	\$ 1,652	\$ 37,652	\$ -	\$ 37,652
Grants	25,000	(12,304)	12,696	-	12,696
Investment earnings	<u>2,000</u>	<u>(1,024)</u>	<u>976</u>	<u>-</u>	<u>976</u>
Total revenues	<u>63,000</u>	<u>(11,676)</u>	<u>51,324</u>	<u>-</u>	<u>51,324</u>
EXPENDITURES					
Current					
Materials and services	<u>203,000</u>	<u>(128,796)</u>	<u>74,204</u>	<u>-</u>	<u>74,204</u>
Excess (deficiency) of revenues over (under) expenditures	(140,000)	117,120	(22,880)	-	(22,880)
Fund balance - beginning	<u>140,000</u>	<u>62,960</u>	<u>202,960</u>	<u>-</u>	<u>202,960</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 180,080</u>	<u>\$ 180,080</u>	<u>\$ -</u>	<u>\$ 180,080</u>

CITY OF GEARHART
Clatsop County, Oregon

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

STATE STREET FUND

For the Year Ended June 30, 2022

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	Modified Cash Basis
REVENUES					
State highway taxes	\$ 100,000	\$ 36,634	\$ 136,634	\$ -	\$ 136,634
Investment earnings	6,000	(4,840)	1,160	-	1,160
Total revenues	<u>106,000</u>	<u>31,794</u>	<u>137,794</u>	<u>-</u>	<u>137,794</u>
EXPENDITURES					
Current					
Personnel services	56,045	(16,763)	39,282	-	39,282
Materials and services	318,955	(270,401)	48,554	-	48,554
Capital outlay	-	-	-	-	-
Total expenditures	<u>375,000</u>	<u>(287,164)</u>	<u>87,836</u>	<u>-</u>	<u>87,836</u>
Excess (deficiency) of revenues over (under) expenditures	(269,000)	318,958	49,958	-	49,958
Fund balance - beginning	<u>269,000</u>	<u>(74,184)</u>	<u>194,816</u>	<u>-</u>	<u>194,816</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 244,774</u>	<u>\$ 244,774</u>	<u>\$ -</u>	<u>\$ 244,774</u>

CITY OF GEARHART
Clatsop County, Oregon

COMBINING BALANCE SHEET - MODIFIED CASH BASIS

NONMAJOR GOVERNMENTAL FUNDS

June 30, 2022

	Special Revenue Funds		Capital Projects Funds			Total Nonmajor Governmental Funds
	State Revenue Sharing Fund	Public Works Equipment Reserve Fund	Police Car Reserve Fund	Building Reserve Fund	Hazard Mitigation Reserve Fund	
ASSETS						
Cash and cash equivalents	\$ 21,000	\$ 74,904	\$ 82,727	\$ 174,106	\$ 74,945	\$ 427,682
FUND BALANCES						
Committed for:						
Special projects	\$ 21,000	\$ -	\$ -	\$ -	\$ -	\$ 21,000
Capital projects	-	74,904	82,727	174,106	-	331,737
Hazard mitigation	-	-	-	-	74,945	74,945
Total fund balances	<u>\$ 21,000</u>	<u>\$ 74,904</u>	<u>\$ 82,727</u>	<u>\$ 174,106</u>	<u>\$ 74,945</u>	<u>\$ 427,682</u>

CITY OF GEARHART
Clatsop County, Oregon

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

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2022

	Special Revenue Funds		Capital Projects Funds			Total Nonmajor Governmental Funds
	State Revenue Sharing Fund	Public Works Equipment Reserve Fund	Police Car Reserve Fund	Building Reserve Fund	Hazard Mitigation Reserve Fund	
REVENUES						
State revenue sharing	\$ 33,234	\$ -	\$ -	\$ -	\$ -	\$ 33,234
Charges for services	-	-	-	-	1,012	1,012
Grants and contributions	-	-	-	-	20,584	20,584
Investment earnings	58	513	367	598	296	1,832
Total revenues	<u>33,292</u>	<u>513</u>	<u>367</u>	<u>598</u>	<u>21,892</u>	<u>56,662</u>
EXPENDITURES						
Current						
General government	30,250	-	-	-	42,412	72,662
Capital outlay	-	36,263	-	64,670	-	100,933
Total expenditures	<u>30,250</u>	<u>36,263</u>	<u>-</u>	<u>64,670</u>	<u>42,412</u>	<u>173,595</u>
Excess (deficiency) of revenues over (under) expenditures	3,042	(35,750)	367	(64,072)	(20,520)	(116,933)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	15,000	100,000	30,000	145,000
Net change in fund balances	3,042	(35,750)	15,367	35,928	9,480	28,067
Fund balances - beginning	<u>17,958</u>	<u>110,654</u>	<u>67,360</u>	<u>138,178</u>	<u>65,465</u>	<u>399,615</u>
Fund balances - ending	<u>\$ 21,000</u>	<u>\$ 74,904</u>	<u>\$ 82,727</u>	<u>\$ 174,106</u>	<u>\$ 74,945</u>	<u>\$ 427,682</u>

**CITY OF GEARHART
Clatsop County, Oregon**

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

STATE REVENUE SHARING FUND

For the Year Ended June 30, 2022

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	Modified Cash Basis
REVENUES					
State revenue sharing	\$ 20,000	\$ 13,234	\$ 33,234	\$ -	\$ 33,234
Investment earnings	<u>300</u>	<u>(242)</u>	<u>58</u>	<u>-</u>	<u>58</u>
Total revenues	<u>20,300</u>	<u>12,992</u>	<u>33,292</u>	<u>-</u>	<u>33,292</u>
EXPENDITURES					
Current					
Materials and services	<u>35,300</u>	<u>(5,050)</u>	<u>30,250</u>	<u>-</u>	<u>30,250</u>
Excess (deficiency) of revenues over (under) expenditures	(15,000)	18,042	3,042	-	3,042
Fund balance - beginning	<u>15,000</u>	<u>2,958</u>	<u>17,958</u>	<u>-</u>	<u>17,958</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 21,000</u>	<u>\$ 21,000</u>	<u>\$ -</u>	<u>\$ 21,000</u>

**CITY OF GEARHART
Clatsop County, Oregon**

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

PUBLIC WORKS EQUIPMENT RESERVE FUND

For the Year Ended June 30, 2022

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	Modified Cash Basis
REVENUES					
Investment earnings	\$ 3,211	\$ (2,698)	\$ 513	\$ -	\$ 513
EXPENDITURES					
Capital outlay	160,744	(124,481)	36,263	-	36,263
Excess (deficiency) of revenues over (under) expenditures	(157,533)	121,783	(35,750)	-	(35,750)
OTHER FINANCING SOURCES (USES)					
Transfers in	30,000	(30,000)	-	-	-
Net change in fund balance	(127,533)	91,783	(35,750)	-	(35,750)
Fund balance - beginning	127,533	(16,879)	110,654	-	110,654
Fund balance - ending	\$ -	\$ 74,904	\$ 74,904	\$ -	\$ 74,904

**CITY OF GEARHART
Clatsop County, Oregon**

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

FIRE APPARATUS RESERVE FUND

For the Year Ended June 30, 2022

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Modified Cash Basis	
REVENUES					
Investment earnings	\$ 6,200	\$ (4,875)	\$ 1,325	\$ -	\$ 1,325
EXPENDITURES					
Capital outlay	309,909	(309,909)	-	-	-
Excess (deficiency) of revenues over (under) expenditures	(303,709)	305,034	1,325	-	1,325
OTHER FINANCING SOURCES (USES)					
Transfers in	60,000	-	60,000	-	60,000
Net change in fund balance	(243,709)	305,034	61,325	-	61,325
Fund balance - beginning	243,709	(1,510)	242,199	-	242,199
Fund balance - ending	<u>\$ -</u>	<u>\$ 303,524</u>	<u>\$ 303,524</u>	<u>\$ -</u>	<u>\$ 303,524</u>

CITY OF GEARHART
Clatsop County, Oregon

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

POLICE CAR RESERVE FUND

For the Year Ended June 30, 2022

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	Modified Cash Basis
REVENUES					
Investment earnings	\$ 1,860	\$ (1,493)	\$ 367	\$ -	\$ 367
EXPENDITURES					
Capital outlay	<u>83,860</u>	<u>(83,860)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(82,000)	82,367	367	-	367
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>15,000</u>	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Net change in fund balance	(67,000)	82,367	15,367	-	15,367
Fund balance - beginning	<u>67,000</u>	<u>360</u>	<u>67,360</u>	<u>-</u>	<u>67,360</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 82,727</u>	<u>\$ 82,727</u>	<u>\$ -</u>	<u>\$ 82,727</u>

**CITY OF GEARHART
Clatsop County, Oregon**

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

BUILDING RESERVE FUND

For the Year Ended June 30, 2022

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Modified Cash Basis	
REVENUES					
Investment earnings	\$ 4,620	\$ (4,022)	\$ 598	\$ -	\$ 598
EXPENDITURES					
Capital outlay	231,620	(166,950)	64,670	-	64,670
Excess (deficiency) of revenues over (under) expenditures	(227,000)	162,928	(64,072)	-	(64,072)
OTHER FINANCING SOURCES (USES)					
Transfers in	100,000	-	100,000	-	100,000
Net change in fund balance	(127,000)	162,928	35,928	-	35,928
Fund balance - beginning	127,000	11,178	138,178	-	138,178
Fund balance - ending	\$ -	\$ 174,106	\$ 174,106	\$ -	\$ 174,106

CITY OF GEARHART
Clatsop County, Oregon

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

HAZARD MITIGATION FUND

For the Year Ended June 30, 2022

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Modified Cash Basis	
REVENUES					
Investment earnings	\$ 2,950	\$ (2,654)	\$ 296	\$ -	\$ 296
Grants and contributions	-	20,584	20,584	-	20,584
Charges for services	-	1,012	1,012	-	1,012
Total revenues	<u>2,950</u>	<u>18,942</u>	<u>21,892</u>	<u>-</u>	<u>21,892</u>
EXPENDITURES					
Current					
Materials and services	<u>149,250</u>	<u>(106,838)</u>	<u>42,412</u>	<u>-</u>	<u>42,412</u>
Excess (deficiency) of revenues over (under) expenditures	(146,300)	125,780	(20,520)	-	(20,520)
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>30,000</u>	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>30,000</u>
Net change in fund balance	(116,300)	125,780	9,480	-	9,480
Fund balance - beginning	<u>116,300</u>	<u>(50,835)</u>	<u>65,465</u>	<u>-</u>	<u>65,465</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 74,945</u>	<u>\$ 74,945</u>	<u>\$ -</u>	<u>\$ 74,945</u>

**CITY OF GEARHART
Clatsop County, Oregon**

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

DEBT SERVICE FUND

For the Year Ended June 30, 2022

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	Modified Cash Basis
REVENUES					
Property taxes	\$ 842,413	\$ 38,338	\$ 880,751	\$ -	\$ 880,751
Investment earnings	-	1,452	1,452	-	1,452
Total revenues	<u>842,413</u>	<u>39,790</u>	<u>882,203</u>	<u>-</u>	<u>882,203</u>
EXPENDITURES					
Debt service	<u>796,610</u>	<u>(21,617)</u>	<u>774,993</u>	<u>-</u>	<u>774,993</u>
Excess (deficiency) of revenues over (under) expenditures	45,803	61,407	107,210	-	107,210
OTHER FINANCING SOURCES (USES)					
Refunding bond proceeds	-	2,520,895	2,520,895	-	2,520,895
Payment to bond refunding agent	-	(2,434,202)	(2,434,202)	-	(2,434,202)
Total other financing sources (uses)	<u>-</u>	<u>86,693</u>	<u>86,693</u>	<u>-</u>	<u>86,693</u>
Net change in fund balance	45,803	148,100	193,903	-	193,903
Fund balance - beginning	<u>35,000</u>	<u>11,036</u>	<u>46,036</u>	<u>-</u>	<u>46,036</u>
Fund balance - ending	<u>\$ 80,803</u>	<u>\$ 159,136</u>	<u>\$ 239,939</u>	<u>\$ -</u>	<u>\$ 239,939</u>

CITY OF GEARHART
Clatsop County, Oregon

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

WATER OPERATING FUND

For the Year Ended June 30, 2022

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		
				Budget Basis	Adjustments	Modified Cash Basis
REVENUES						
Charges for services	\$ 1,050,000	\$ 1,050,000	\$ (105,542)	\$ 944,458	\$ -	\$ 944,458
Water meter installations	-	-	24,150	24,150	-	24,150
Grants	75,000	75,000	(33,286)	41,714	-	41,714
Miscellaneous	-	-	6,710	6,710	-	6,710
Investment earnings	25,000	25,000	(24,352)	648	-	648
Total revenues	<u>1,150,000</u>	<u>1,150,000</u>	<u>(132,320)</u>	<u>1,017,680</u>	<u>-</u>	<u>1,017,680</u>
EXPENDITURES						
Current						
Personnel services	309,375	339,375	(8,545)	330,830	-	330,830
Materials and services	760,125	730,125	(172,523)	557,602	-	557,602
Capital outlay	100,500	100,500	(37,417)	63,083	(61,850)	1,233
Depreciation	-	-	-	-	331,333	331,333
Total expenditures	<u>1,170,000</u>	<u>1,170,000</u>	<u>(218,485)</u>	<u>951,515</u>	<u>269,483</u>	<u>1,220,998</u>
Excess (deficiency) of revenues over (under) expenditures	(20,000)	(20,000)	86,165	66,165	(269,483)	(203,318)
OTHER FINANCING SOURCES (USES)						
Transfers out	(180,000)	(180,000)	(130,000)	(50,000)	-	(50,000)
Net change in fund balance	(200,000)	(200,000)	216,165	16,165	(269,483)	(253,318)
Fund balance - beginning	<u>200,000</u>	<u>200,000</u>	<u>(176,001)</u>	<u>23,999</u>	<u>9,842,510</u>	<u>9,866,509</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,164</u>	<u>\$ 40,164</u>	<u>\$ 9,573,027</u>	<u>\$ 9,613,191</u>

**CITY OF GEARHART
Clatsop County, Oregon**

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

WATER RESERVE FUND

For the Year Ended June 30, 2022

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	Modified Cash Basis
REVENUES					
Investment earnings	\$ 31,000	\$ (23,917)	\$ 7,083	\$ -	\$ 7,083
EXPENDITURES					
Capital outlay	<u>1,562,371</u>	<u>(1,524,605)</u>	<u>37,766</u>	<u>-</u>	<u>37,766</u>
Excess (deficiency) of revenues over (under) expenditures	(1,531,371)	1,500,688	(30,683)	-	(30,683)
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>150,000</u>	<u>(100,000)</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Net change in fund balance	(1,381,371)	1,400,688	19,317	-	19,317
Fund balance - beginning	<u>1,381,371</u>	<u>(33,118)</u>	<u>1,348,253</u>	<u>-</u>	<u>1,348,253</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 1,367,570</u>	<u>\$ 1,367,570</u>	<u>\$ -</u>	<u>\$ 1,367,570</u>

**CITY OF GEARHART
Clatsop County, Oregon**

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

WATER CONSTRUCTION FUND

For the Year Ended June 30, 2022

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Modified Cash Basis	
REVENUES					
Investment earnings	\$ 1	\$ 20	\$ 21	\$ -	\$ 21
EXPENDITURES					
Capital outlay	<u>3,981</u>	<u>(3,981)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(3,980)	4,001	21	-	21
Fund balance - beginning	<u>3,980</u>	<u>(46)</u>	<u>3,934</u>	<u>-</u>	<u>3,934</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 3,955</u>	<u>\$ 3,955</u>	<u>\$ -</u>	<u>\$ 3,955</u>

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



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

The Honorable Paulina Cockrum, Mayor
and Members of the City Council
City of Gearhart
Gearhart, Oregon 97138

We have audited the basic financial statements of the City of Gearhart as of and for the year ended June 30, 2022 and have issued our report thereon dated November 14, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

Compliance

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

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

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

Indebtedness limitations, restrictions, and repayment

Budgets legally required (ORS Chapter 294)

Programs funded from outside sources

Insurance and fidelity bonds in force or required by law

Highway revenues used for public highways, roads, and streets

Authorized investment of surplus funds (ORS Chapter 294)

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

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

A. Noncompliance with Oregon Revised Statutes: Public Contracts and Purchasing

During the year ended June 30, 2022, the City did not retain the required documentation for solicitation of bids for public contracting projects, which is in noncompliance with Oregon Revised Statutes (ORS) 279.

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



Accuity, LLC
Albany, Oregon
November 14, 2022