



**CITY OF BAY CITY**  
**Tillamook County, Oregon**

**ANNUAL FINANCIAL REPORT**

June 30, 2022



436 1<sup>st</sup> Avenue W • PO Box 1072  
Albany, Oregon 97321 • (541) 223-5555

**CITY OF BAY CITY  
Tillamook County, Oregon**

**CITY OFFICIALS**

June 30, 2022

**MAYOR**

David McCall  
9633 1<sup>st</sup> Street  
Bay City, Oregon 97107

**CITY COUNCIL**

Kathleen Baker, Council President  
6315 Seattle Avenue  
Bay City, Oregon 97107

Tom Imhoff  
PO Box 3572  
Bay City, Oregon 97107

Tim Josi (appointed 2/8/22)  
6740 Baseline Road  
Tillamook, Oregon 97107

Wendy Krostag  
5515 Pacific Avenue  
Bay City, Oregon 97107

Melissa Rondeau  
5545 Main Street  
Bay City, Oregon 97107

Helen Wright  
PO Box 3087  
Bay City, Oregon 97107

**CITY RECORDER**

Lindsey Gann

**CITY OF BAY CITY**  
**Tillamook County, Oregon**

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## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

The Honorable David McCall, Mayor  
and Members of the City Council  
City of Bay City  
Bay City, Oregon 97107

### 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 Bay City, Tillamook County, Oregon, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

### Basis for Opinions

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

### Emphasis of Matter - Basis of Accounting

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

### Emphasis of Matter - Change in Accounting Principle

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

## **Responsibilities of Management for the Financial Statements**

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

## Supplementary Information

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


## 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 21, 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.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2022, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Bay City's internal control over financial reporting and compliance.

Accuity, LLC

By:   
\_\_\_\_\_

Glen O. Kearns, CPA

Albany, Oregon  
November 21, 2022



## **BASIC FINANCIAL STATEMENTS**

**CITY OF BAY CITY**  
**Tillamook County, Oregon**

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

June 30, 2022

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 1,061,454	\$ 4,323,322	\$ 5,384,776
Restricted assets			
Cash and cash equivalents	510,196	-	510,196
Housing rehabilitation loans receivable	104,459	-	104,459
Capital assets not being depreciated	1,211,124	444,326	1,655,450
Capital assets being depreciated, net	3,342,361	7,229,896	10,572,257
Total assets	6,229,594	11,997,544	18,227,138
<b>LIABILITIES</b>			
Current liabilities			
Accrued payroll	367	989	1,356
Customer deposits	1,464	2,647	4,111
Long-term debt, current portion	27,823	52,555	80,378
Total current liabilities	29,654	56,191	85,845
Noncurrent liabilities			
Long-term debt, less current portion	52,197	380,465	432,662
Total liabilities	81,851	436,656	518,507
<b>DEFERRED INFLOWS OF RESOURCES - USER FEES</b>	21,458	-	21,458
<b>NET POSITION</b>			
Net investment in capital assets	4,473,465	7,241,202	11,714,667
Restricted for various purposes	510,110	-	510,110
Unrestricted	1,652,820	4,319,686	5,972,506
Total net position	\$ 6,126,285	\$ 11,560,888	\$ 17,687,173

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

**CITY OF BAY CITY**  
**Tillamook County, Oregon**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For the Year Ended June 30, 2022

<b>Functions/Programs</b>	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental activities</b>							
General government	\$ 265,378	\$ 15,732	\$ 1,000	\$ -	\$ (248,646)	\$ -	\$ (248,646)
Public safety	221,228	-	-	-	(221,228)	-	(221,228)
Planning and development	25,138	11,000	17	40,000	25,879	-	25,879
Culture and recreation	148,621	420	-	-	(148,201)	-	(148,201)
Highways and streets	133,749	140,883	-	-	7,134	-	7,134
Unallocated depreciation	119,212	-	-	-	(119,212)	-	(119,212)
Interest on long-term debt	32,920	-	-	-	(32,920)	-	(32,920)
<b>Total governmental activities</b>	<b>\$ 946,246</b>	<b>\$ 168,035</b>	<b>\$ 1,017</b>	<b>\$ 40,000</b>	<b>\$ (737,194)</b>	<b>-</b>	<b>(737,194)</b>
<b>Business-type activities</b>							
Water operations	\$ 844,382	\$ 875,265	\$ -	\$ 370,000	-	400,883	400,883
Sewer operations	557,773	434,774	-	474,389	-	351,390	351,390
<b>Total business-type activities</b>	<b>\$ 1,402,155</b>	<b>\$ 1,310,039</b>	<b>\$ -</b>	<b>\$ 844,389</b>	<b>-</b>	<b>752,273</b>	<b>752,273</b>
<b>General revenues</b>							
Property taxes levied for general purposes					226,014	-	226,014
Property taxes levied for debt service					30,298	-	30,298
Property taxes levied for public safety					138,820	-	138,820
Franchise taxes					60,093	-	60,093
Transient room taxes					92,988	-	92,988
Motor fuel taxes					110,981	-	110,981
Alcohol and cigarette taxes					27,054	-	27,054
Intergovernmental					22,789	-	22,789
Investment earnings					7,984	18,524	26,508
Miscellaneous					70,252	200,259	270,511
<b>Total general revenues</b>					<b>787,273</b>	<b>218,783</b>	<b>1,006,056</b>
Transfers					(92,222)	92,222	-
Change in net position					(42,143)	1,063,278	1,021,135
Net position - beginning					6,168,428	10,497,610	16,666,038
Net position - ending					<b>\$ 6,126,285</b>	<b>\$ 11,560,888</b>	<b>\$ 17,687,173</b>

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

**CITY OF BAY CITY**  
**Tillamook County, Oregon**

BALANCE SHEET - CASH BASIS

GOVERNMENTAL FUNDS

June 30, 2022

	General Fund	Housing Rehabilitation Loan Fund	Street Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 486,521	\$ 127,865	\$ 474,710	\$ 482,554	\$ 1,571,650
Housing rehabilitation loans receivable	-	104,459	-	-	104,459
Total assets	<u>\$ 486,521</u>	<u>\$ 232,324</u>	<u>\$ 474,710</u>	<u>\$ 482,554</u>	<u>\$ 1,676,109</u>
<b>LIABILITIES</b>					
Accrued expenses	\$ 281	\$ -	\$ -	\$ 86	\$ 367
Customer deposits	1,464	-	-	-	1,464
Total liabilities	<u>1,745</u>	<u>-</u>	<u>-</u>	<u>86</u>	<u>1,831</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue -					
Housing rehabilitation loans	-	104,459	-	-	104,459
User fees	21,458	-	-	-	21,458
Total deferred inflows of resources	<u>21,458</u>	<u>104,459</u>	<u>-</u>	<u>-</u>	<u>125,917</u>
<b>FUND BALANCES</b>					
Fund balances					
Restricted	98,303	127,865	-	283,942	510,110
Committed	-	-	474,710	198,526	673,236
Assigned	148,581	-	-	-	148,581
Unassigned	216,434	-	-	-	365,015
Total fund balances	<u>463,318</u>	<u>127,865</u>	<u>474,710</u>	<u>482,468</u>	<u>1,548,361</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 486,521</u>	<u>\$ 232,324</u>	<u>\$ 474,710</u>	<u>\$ 482,554</u>	<u>\$ 1,676,109</u>

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

**CITY OF BAY CITY**  
**Tillamook County, Oregon**

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

June 30, 2022

<b>Total fund balances</b>		\$ 1,548,361
Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds:		
Cost	8,074,691	
Accumulated depreciation	<u>(3,521,206)</u>	4,553,485
Housing rehabilitation loans receivable are not available for use in current year resources and are therefore deferred on the governmental balance sheet. Governmental activities recognize the loans as assets when made.		104,459
Long-term liabilities accounted for in governmental funds are not financial expenses and are therefore not reported in governmental funds.		<u>(80,020)</u>
<b>Net position of governmental activities</b>		<u><u>\$ 6,126,285</u></u>

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

**CITY OF BAY CITY**  
**Tillamook County, Oregon**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

CASH BASIS - GOVERNMENTAL FUNDS

For the Year Ended June 30, 2022

	General Fund	Housing Rehabilitation Loan Fund	Street Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property taxes	\$ 484,876	\$ -	\$ -	\$ 30,298	\$ 515,174
Licenses	1,558	-	-	-	1,558
Intergovernmental	63,806	-	-	110,981	174,787
Charges for services	11,420	-	90,703	50,193	152,316
Franchise fees	55,516	-	20,296	-	75,812
Investment earnings	2,738	654	2,202	2,390	7,984
Miscellaneous	51,457	16,857	-	26,472	94,786
Total revenues	<u>671,371</u>	<u>17,511</u>	<u>113,201</u>	<u>220,334</u>	<u>1,022,417</u>
<b>EXPENDITURES</b>					
Current					
Administration	263,800	-	-	-	263,800
Police	-	-	-	-	-
Fire	221,228	-	-	-	221,228
Recreation	88,833	-	-	-	88,833
Planning and development	25,138	-	-	-	25,138
General services	30,039	-	-	-	30,039
Tourism	40,712	-	-	-	40,712
Highways and streets	-	-	-	133,749	133,749
Debt service	-	-	-	73,133	73,133
Capital outlay	-	-	-	29,276	29,276
Total expenditures	<u>669,750</u>	<u>-</u>	<u>-</u>	<u>236,158</u>	<u>905,908</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,621</u>	<u>17,511</u>	<u>113,201</u>	<u>(15,824)</u>	<u>116,509</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	77,000	77,000
Transfers out	(52,000)	-	(10,000)	(75,698)	(137,698)
Total other financing sources (uses)	<u>(52,000)</u>	<u>-</u>	<u>(10,000)</u>	<u>1,302</u>	<u>(60,698)</u>
Net change in fund balances	(50,379)	17,511	103,201	(14,522)	55,811
Fund balances - beginning	513,697	110,354	371,509	496,990	1,492,550
Fund balances - ending	<u>\$ 463,318</u>	<u>\$ 127,865</u>	<u>\$ 474,710</u>	<u>\$ 482,468</u>	<u>\$ 1,548,361</u>

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

**CITY OF BAY CITY**  
**Tillamook County, Oregon**

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

For the Year Ended June 30, 2022

<b>Net change in fund balances</b>	\$	55,811
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures; however, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital asset additions	24,975	
Less current year depreciation	<u>(119,212)</u>	(94,237)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Issuance of long-term debt	(10,135)	
Repayment of long-term debt	<u>22,375</u>	<u>12,240</u>

<b>Change in net position</b>	\$	<u>(42,143)</u>
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The accompanying notes are an integral part of these financial statements.

**CITY OF BAY CITY**  
**Tillamook County, Oregon**

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

PROPRIETARY FUNDS

June 30, 2022

	Business-Type Activities - Enterprise Funds			
	Bay City Water Operating	Bay City Water System	Sewer Operating	Totals
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 597,449	\$ 1,436,567	\$ 2,289,306	\$ 4,323,322
Noncurrent assets				
Capital assets not being depreciated	24,619	59,140	360,567	444,326
Capital assets, net	886,490	4,583,079	1,760,327	7,229,896
Total assets	1,508,558	6,078,786	4,410,200	11,997,544
<b>LIABILITIES</b>				
Current liabilities				
Accrued payroll	335	170	484	989
Customer deposits	-	-	2,647	2,647
Long-term debt, current portion	-	-	52,555	52,555
Total current liabilities	335	170	55,686	56,191
Noncurrent liabilities				
Long-term debt, less current portion	-	-	380,465	380,465
Total liabilities	335	170	436,151	436,656
<b>NET POSITION</b>				
Net investment in capital assets	886,490	4,583,079	1,327,307	6,796,876
Unrestricted	621,733	1,495,537	2,646,742	4,764,012
Total net position	\$ 1,508,223	\$ 6,078,616	\$ 3,974,049	\$ 11,560,888

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



**CITY OF BAY CITY**  
**Tillamook County, Oregon**

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

PROPRIETARY FUNDS

For the Year Ended June 30, 2022

	Business-Type Activities - Enterprise Funds			Totals
	Bay City Water Operating	Bay City Water System	Sewer Operating	
Operating revenues				
Charges for services	\$ 382,231	\$ 262,115	\$ 464,120	\$ 1,108,466
Other fees	<u>113,922</u>	<u>22,344</u>	<u>63,993</u>	<u>200,259</u>
Total operating revenues	<u>496,153</u>	<u>284,459</u>	<u>528,113</u>	<u>1,308,725</u>
Operating expenses				
Personnel services	217,807	135,399	306,656	659,862
Materials and services	183,905	83,152	132,683	399,740
Small equipment	-	16,570	47,093	63,663
Depreciation	<u>23,511</u>	<u>184,038</u>	<u>71,341</u>	<u>278,890</u>
Total operating expenses	<u>425,223</u>	<u>419,159</u>	<u>557,773</u>	<u>1,402,155</u>
Operating income (loss)	<u>70,930</u>	<u>(134,700)</u>	<u>(29,660)</u>	<u>(93,430)</u>
Nonoperating revenues (expenses)				
Grants and contributions	-	370,000	474,389	844,389
System development charges	98,964	-	102,609	201,573
Investment earnings	<u>2,430</u>	<u>5,320</u>	<u>10,774</u>	<u>18,524</u>
Total nonoperating revenues (expenses)	<u>101,394</u>	<u>375,320</u>	<u>587,772</u>	<u>1,064,486</u>
Income (loss) before contributions and transfers	172,324	240,620	558,112	971,056
Transfers in	209,038	432,827	69,602	711,467
Transfers out	<u>(275,206)</u>	<u>(309,039)</u>	<u>(35,000)</u>	<u>(619,245)</u>
Change in net position	106,156	364,408	592,714	1,063,278
Net position - beginning	<u>1,402,067</u>	<u>5,714,208</u>	<u>3,381,335</u>	<u>10,497,610</u>
Net position - ending	<u>\$ 1,508,223</u>	<u>\$ 6,078,616</u>	<u>\$ 3,974,049</u>	<u>\$ 11,560,888</u>

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

**CITY OF BAY CITY**  
**Tillamook County, Oregon**

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS

PROPRIETARY FUNDS

For the Year Ended June 30, 2022

	Business-Type Activities - Enterprise Funds			Totals
	Bay City Water Operating	Bay City Water System	Sewer Operating	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 382,231	\$ 262,115	\$ 464,120	\$ 1,108,466
Other operating revenues	113,922	22,344	63,993	200,259
Payments to employees	(217,807)	(135,399)	(306,656)	(659,862)
Payments to suppliers	(183,905)	(99,722)	(179,776)	(463,403)
Net cash provided (used) by operating activities	<u>94,441</u>	<u>49,338</u>	<u>41,681</u>	<u>185,460</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Grants received	-	370,000	474,389	844,389
Transfers from other funds	75,698	132,827	30,000	238,525
Transfers to other funds	(137,827)	(5,000)	(35,000)	(177,827)
Net cash provided (used) by noncapital financing activities	<u>(62,129)</u>	<u>497,827</u>	<u>469,389</u>	<u>905,087</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
System development charges received	98,964	-	102,609	201,573
Purchase of capital assets	(4,039)	(13,179)	(226,633)	(243,851)
Net cash provided (used) by capital and related financing activities	<u>94,925</u>	<u>(13,179)</u>	<u>(124,024)</u>	<u>(42,278)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	<u>3,777</u>	<u>5,427</u>	<u>11,246</u>	<u>20,450</u>
Net cash provided (used) by investing activities	<u>3,777</u>	<u>5,427</u>	<u>11,246</u>	<u>20,450</u>
Net increase (decrease) in cash and cash equivalents	131,014	539,413	398,292	1,068,719
Cash and cash equivalents - beginning	<u>466,435</u>	<u>897,154</u>	<u>1,891,014</u>	<u>3,254,603</u>
Cash and cash equivalents - ending	<u>\$ 597,449</u>	<u>\$ 1,436,567</u>	<u>\$ 2,289,306</u>	<u>\$ 4,323,322</u>

(Continued)

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

**CITY OF BAY CITY**  
**Tillamook County, Oregon**

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS

PROPRIETARY FUNDS

For the Year Ended June 30, 2022

(Continued)

	Business-Type Activities - Enterprise Funds			Totals
	Bay City Water Operating	Bay City Water System	Sewer Operating	
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 70,930	\$ (134,700)	\$ (29,660)	\$ (93,430)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	23,511	184,038	71,341	278,890
Net cash provided (used) by operating activities	\$ 94,441	\$ 49,338	\$ 41,681	\$ 185,460

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

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**CITY OF BAY CITY**  
**Tillamook County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Bay City 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 policies 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 Bay City, Oregon operates under the 1998 Bay City Charter. The government of the City consists of an elected mayor and six council 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.

**D. Basis of Presentation - Fund Financial Statements**

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

The government reports the following major governmental funds:

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

**CITY OF BAY CITY**  
**Tillamook County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

Special Revenue Fund

*Housing Rehabilitation Loan Fund* – The Housing Rehabilitation Loan Fund accounts for the repayment of no-interest loans for housing rehabilitation funded by a federal community development block grant. The money may only be used for new no-interest loans to qualified homeowners. The City has a contract with Community Action Team, Inc. (CAT) to identify qualified homeowners for possible loans.

Capital Projects Fund

*Street Reserve Fund* – The Street Reserve Fund accounts for money reserved for future street repairs.

The City reports the following major proprietary funds:

Enterprise Funds

*Bay City Water Operating Fund* – The Water Operating Fund accounts for the operation and maintenance of the City's water system, which provides water services to residents of Bay City.

*Bay City Water System Fund* – The Bay City Water System Fund is used to account for revenues and expenses attributable and allocable to the providing of water services to residents of Kilchis Regional Water District.

*Sewer Operating Fund* – The Sewer Operating Fund is used to account for revenues and expenses attributable to the providing of sewer services to residents of Bay City.

Additionally, the City reports the following nonmajor governmental funds:

Special Revenue Fund

*Streets and Roads Fund* – The Streets and Roads Fund is used to account for motor fuel taxes received from the State of Oregon. Use of money is restricted to repairs and upgrades to streets within the City.

Debt Service Funds

*Kilchis Water Bond Fund* – The Kilchis Water Bond Fund is used to account for the accumulation of resources for payment of bond principal and interest on the 1981 water bond issue.

*Sewer Bond Fund* – The Sewer Bond Fund is used to account for the accumulation of resources for payment of bond principal and interest on the 1971 Series A and B Sewer Bond issues: Sewer Bond No. 1 and Sewer Bond No. 2.

**CITY OF BAY CITY**  
**Tillamook County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

*DEQ Loan Repayment Fund* – The DEQ Loan Repayment Fund is used to account for the accumulation of resources for payment of principal and interest on the DEQ Clean Water Revolving Loan.

Capital Projects Funds

*Bay City Equipment Reserve* – The Bay City Equipment Reserve Fund is used to account for money reserved for replacement of capital equipment.

*Fire Apparatus & Relocation Reserve Fund* – The Fire Apparatus Reserve Fund is used to account for money reserved for replacement of fire apparatus.

*Parks and Recreation Fund*– The Parks and Recreation Fund accounts for revenues related to parks and recreation within the city including grants, private donations, and investment earnings. Expenditures are proposed when a new project is identified.

*Footpaths and Bicycle Trails Fund*– The Footpaths and Bicycle Trails Fund is used to reserve 1% of motor fuel taxes received from the State of Oregon to be used exclusively for development and maintenance of footpaths and bicycle trails.

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

**E. Measurement Focus and Basis of Accounting**

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

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

**CITY OF BAY CITY**  
**Tillamook County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

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

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenues for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in the financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the 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. Budgetary Information**

**1. Budgetary Basis of Accounting**

The City budgets all funds in accordance with the requirements of state law. Annual appropriated budgets are adopted for the general, special revenue, capital projects, and enterprise funds. All funds are budgeted on the cash basis of accounting.

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 budget is legally adopted by the city council by resolution prior to the beginning of the City's fiscal year. The council resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total personnel services, materials and services, debt service, capital outlay, interfund transfers, and operating contingencies are the levels of control established by the resolution.



**CITY OF BAY CITY**  
**Tillamook County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

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. Supplemental budgets less than 10% of a fund's original budget may be adopted by the city council at a regular council meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers, and approval by the city council. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the city council. During the year, there was one supplemental budget. The City does not use encumbrances and appropriations lapse at year-end.

Budget amounts shown in the financial statements reflect the original budget amounts, one supplemental budget, and four approved appropriation changes.

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

**3. Notes Receivable**

Notes receivable represent amounts due from property owners for loans made for housing rehabilitation. The original funding for these loans was a housing rehabilitation grant received by the City. The loans are secured by real property, do not bear interest, and generally are due when the real property is transferred or otherwise sold. Accordingly, the outstanding receivable balances are restricted for future rehabilitation loans.

**CITY OF BAY CITY**  
**Tillamook County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

**4. Capital Assets**

Capital assets resulting from cash transactions, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column 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 reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Major capital outlays for capital assets and improvements are capitalized as projects are constructed.

Land and construction in progress are not depreciated. 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>
Equipment	7-20
Buildings and improvements	5-50
Infrastructure	20-50

**5. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement elements, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet.

The governmental funds report unavailable revenues from housing rehab loans. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The proprietary funds report unearned user charges as well; these deferred inflows are reported on the statement of net position for business-type activities.

**CITY OF BAY CITY**  
**Tillamook County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

**6. Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations arising from cash basis transactions are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bond using the bonds outstanding method. Bonds payable are reported net of the applicable bond premium or discount.

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

**7. Net Position Flow Assumption**

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or 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 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.

**8. Fund Balance Flow Assumption**

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 balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the 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.

**9. 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.

**CITY OF BAY CITY**  
**Tillamook County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

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 department managers to assign fund balance. The council may 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 either 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. City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance - amounts that City intends to use for a specific purpose. Intent can be expressed by the City council or by an official or body to which the city council delegates authority.
- Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

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

**CITY OF BAY CITY**  
**Tillamook County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

**H. Use of Estimates**

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

**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 intentionally dedicated resources are reported as general revenues rather than as program revenues.

**2. Property Taxes**

Property taxes attach as an enforceable lien on real property and are levied as of July 1<sup>st</sup>. The tax levy is divided into two billings: the first billing (mailed on July 1) is an estimate of the current year's levy based on prior year's taxes; the second billing (mailed on January 1) reflects adjustments to the current year's actual levy. The billings are considered past due 15 days after the respective billing date, at which time the applicable property is subject to lien, and penalties and interest are assessed.

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 proprietary fund's principal ongoing operations. The principal operating revenues of the Bay City Water Operating, Kilchis Water Operating, and Sewer Operating Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues not meeting this definition are reported as nonoperating revenues and expenses.

**CITY OF BAY CITY**  
**Tillamook County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

**II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. Cash Deposits with Financial Institutions**

The City of Bay City maintains a cash and cash equivalents pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and cash equivalents. Additionally, several funds held separate cash accounts. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances. Investments, including amounts held in pooled cash and investments, are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value. The City participates in an external investment pool (State of Oregon Local Government Investment Pool). The Pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The State's investment policies are governed by the Oregon Revised Statutes (ORC) and the Oregon Investment Council (OIC). The State Treasurer is the investment officer for the OIC and is responsible for all funds in the State Treasury. These funds are invested exercising reasonable care, skill, and caution. Investments in the Pool are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which established diversification percentages and specifies the types and maturities of investments. The portion of the external investment pool which belongs to local government investment participants is reported in an Investment Trust Fund in the State's Annual Comprehensive Financial Report (ACFR). A copy of the State's ACFR may be obtained at the Oregon State Treasury, 350 Winter St. N.E., Salem, Oregon 97310-0840.

Fair Value Measurement

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

The classification of securities within the fair value hierarchy is based on the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

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

There were no transfers of assets or liabilities among the three levels of the fair value hierarchy for the year ended June 30, 2022.

**CITY OF BAY CITY**  
**Tillamook County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

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

	Level 2
Investments	
Oregon Local Government Investment Pool	\$ 5,231,557

Credit Risk

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

Investments

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

	Credit Quality Rating	Maturities	Fair Value
Oregon Local Government Investment Pool	Unrated	-	\$ 5,231,557

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.

**CITY OF BAY CITY**  
**Tillamook County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

Concentration of Credit Risk

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

Custodial Credit Risk - Investments

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

Custodial Credit Risk - Deposits

This is the risk that, in the event of a bank failure, the City's deposits may not be returned. All City deposits not covered by Federal Depository Insurance Corporation (FDIC) insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon, organized in accordance with ORS 295. The PFCP is a shared liability structure for participating bank depositories.

Barring any exceptions, a bank depository is required to pledge collateral valued at a minimum of 10% of their quarter-end public fund deposits if they are considered well capitalized, 25% of their quarter-end public fund deposits if they are considered adequately capitalized, or 110% of their quarter-end public fund deposits if they are considered undercapitalized or assigned to pledge 110% by the Office of the State Treasurer.

In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities.

The City holds accounts at US Bank, for which deposits are insured by the FDIC up to \$250,000. The City also holds accounts at TLC Credit Union, for which deposits are insured by the National Credit Union Administration (NCUA) up to \$250,000. At June 30, 2022, the City had deposits of \$250,000 insured by the FDIC, \$5 insured by the NCUA and \$469,282 collateralized under the PFCP.

Deposits

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

Cash on hand	\$ 250
Checking account	663,165
Total investments	<u>5,231,557</u>
Total deposits and investments	<u>\$ 5,894,972</u>



**CITY OF BAY CITY**  
**Tillamook County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

Cash and investments by fund:

Governmental activities - unrestricted	
General Fund	\$ 388,218
Street Reserve Fund	474,710
Nonmajor governmental funds	<u>198,526</u>
Total governmental activities - unrestricted	<u>1,061,454</u>
Business-type activities - unrestricted	
Bay City Water Operating Fund	597,449
Bay City Water System Fund	1,436,567
Sewer Operating Fund	<u>2,289,306</u>
Total business-type activities - unrestricted	<u>4,323,322</u>
Subtotal unrestricted cash and investments	<u>5,384,776</u>
Governmental activities - restricted	
General Fund	98,303
Housing Rehabilitation Loan Fund	127,865
Nonmajor governmental funds	<u>284,028</u>
Total governmental activities - restricted	<u>510,196</u>
Total cash and investments	<u>\$ 5,894,972</u>

Restricted cash is for housing rehabilitation loans, future payments of debt principal and interest, park improvements, and future rural and system development improvements.

**B. Capital Assets**

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

	Capital Assets	Accumulated Depreciation	Net Capital Assets
Governmental activities			
Land	\$ 1,211,124	\$ -	\$ 1,211,124
Buildings and improvements	1,039,722	(925,215)	114,507
Infrastructure	4,556,053	(1,763,794)	2,792,259
Equipment	<u>1,267,792</u>	<u>(832,197)</u>	<u>435,595</u>
Total governmental capital assets	<u>\$ 8,074,691</u>	<u>\$ (3,521,206)</u>	<u>\$ 4,553,485</u>

(continued)

**CITY OF BAY CITY**  
**Tillamook County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

(continued)

Business-type activities

Land	262,792	-	262,792
Construction in progress	181,534	-	181,534
Buildings and improvements	4,377,747	(1,910,523)	2,467,224
Infrastructure	9,079,685	(4,505,583)	4,574,102
Equipment	<u>748,019</u>	<u>(559,449)</u>	<u>188,570</u>
 Total business-type capital assets	 <u>\$ 14,649,777</u>	 <u>\$ (6,975,555)</u>	 <u>\$ 7,674,222</u>
 Total capital assets	 <u>\$ 22,724,468</u>	 <u>\$ (10,496,761)</u>	 <u>\$ 12,227,707</u>

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	<u>\$ 1,211,124</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,211,124</u>
Capital assets being depreciated				
Buildings and improvements	1,039,722	-	-	1,039,722
Infrastructure	4,556,053	-	-	4,556,053
Equipment	<u>1,242,817</u>	<u>24,975</u>	<u>-</u>	<u>1,267,792</u>
Total capital assets being depreciated	<u>6,352,893</u>	<u>24,975</u>	<u>-</u>	<u>6,863,567</u>
Less accumulated depreciation for				
Buildings and improvements	(915,217)	(9,998)	-	(925,215)
Infrastructure	(1,671,994)	(91,800)	-	(1,763,794)
Equipment	<u>(814,783)</u>	<u>(17,414)</u>	<u>-</u>	<u>(832,197)</u>
Total accumulated depreciation	<u>(3,089,888)</u>	<u>(119,212)</u>	<u>-</u>	<u>(3,521,206)</u>
Total capital assets being depreciated, net	<u>3,263,005</u>	<u>(94,237)</u>	<u>-</u>	<u>3,342,361</u>
Governmental activities capital assets, net	<u>\$ 4,474,129</u>	<u>\$ (94,237)</u>	<u>\$ -</u>	<u>\$ 4,553,485</u>

(Continued)

**CITY OF BAY CITY**  
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

(Continued)	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 262,792	\$ -	\$ -	\$ 262,792
Construction in progress	55,155	126,379	-	181,534
Total capital assets not being depreciated	403,131	126,379	-	444,326
Capital assets being depreciated				
Buildings and improvements	4,377,747	-	-	4,377,747
Infrastructure	9,079,685	-	-	9,079,685
Equipment	630,547	117,472	-	748,019
Total capital assets being depreciated	13,805,622	117,472	-	14,205,451
Less accumulated depreciation for				
Buildings and improvements	(1,821,428)	(89,095)	-	(1,910,523)
Infrastructure	(4,323,985)	(181,598)	-	(4,505,583)
Equipment	(551,252)	(8,197)	-	(559,449)
Total accumulated depreciation	(5,907,845)	(278,890)	-	(6,975,555)
Total capital assets being depreciated, net	7,897,777	(161,418)	-	7,229,896
Business-type activities capital assets, net	\$ 8,300,908	\$ (35,039)	\$ -	\$ 7,674,222

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

Governmental activities	
Unallocated depreciation expense	\$ 119,212
Business-type activities	
Water operations	\$ 207,549
Sewer operations	71,341
Total business-type activities	\$ 278,890

**CITY OF BAY CITY**  
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

**C. Interfund Transfers**

Interfund transfers during the year consisted of:

	Transfers In:			Total
	Nonmajor Governmental Funds	Bay City Water Operating	Bay City Water System	
Transfers out:				
Governmental activities				
General Fund	\$ 52,000	\$ -	\$ -	\$ 52,000
Street Reserve Fund	10,000	-	-	10,000
Nonmajor governmental funds	-	75,698	-	75,698
Total governmental activities	<u>62,000</u>	<u>75,698</u>	<u>-</u>	<u>137,698</u>
Business-type activities				
Bay City Water Operating Fund	5,000	-	132,827	137,827
Bay City Water System Fund	5,000	-	-	5,000
Sewer Operating Fund	5,000	-	-	5,000
Total business-type activities	<u>15,000</u>	<u>-</u>	<u>132,827</u>	<u>147,827</u>
Total	<u>\$ 77,000</u>	<u>\$ 75,698</u>	<u>\$ 132,827</u>	<u>\$ 285,525</u>

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

**CITY OF BAY CITY**  
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

**D. Long-Term Liabilities**

**1. Changes in Long-Term Liabilities**

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

	Interest Rate	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities							
Notes/Loans payable							
Fire truck loan	2.0%	\$ 218,070	\$ 92,260	\$ -	\$ 22,375	\$ 69,885	\$ 22,823
Stryker equipment loan	0.0%	<u>10,135</u>	<u>-</u>	<u>10,135</u>	<u>-</u>	<u>10,135</u>	<u>5,000</u>
Total governmental activities		<u>\$ 228,205</u>	<u>\$ 92,260</u>	<u>\$ 10,135</u>	<u>\$ 22,375</u>	<u>\$ 80,020</u>	<u>\$ 27,823</u>
Business-type activities							
General obligation bond 92-04	4.5%	\$ 111,500	\$ 70,608	\$ -	\$ 2,868	\$ 67,740	\$ 2,997
General obligation bond 92-06	4.5%	<u>328,700</u>	<u>208,246</u>	<u>-</u>	<u>8,457</u>	<u>199,789</u>	<u>8,838</u>
Total bonds		<u>440,200</u>	<u>278,854</u>	<u>-</u>	<u>11,325</u>	<u>267,529</u>	<u>11,835</u>
Notes/Loans payable							
DEQ clean water revolving loan	1.06%	<u>225,000</u>	<u>185,690</u>	<u>-</u>	<u>20,199</u>	<u>165,491</u>	<u>40,720</u>
Total business-type		<u>\$ 665,200</u>	<u>\$ 464,544</u>	<u>\$ -</u>	<u>\$ 31,524</u>	<u>\$ 433,020</u>	<u>\$ 52,555</u>

**CITY OF BAY CITY**  
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**2. Governmental Activity Fire Truck Loan**

The fire truck loan was signed August 28, 2014, the proceeds of which were used for the purchase of a new fire truck, which is pledged as collateral. Interest is fixed at 2%. Principal and interest payments are due annually each July 15. The General Fund is used to liquidate the debt related to the fire truck loan.

**3. Governmental Activity Stryker Equipment Loan**

The Stryker equipment loan was signed December 15, 2021, the proceeds of which were used for the purchase of new Stryker equipment, which is pledged as collateral. Interest is fixed at 0%. Principal payments are due annually each January 15. The General Fund will be used to liquidate the debt related to the Stryker equipment loan.

**4. Governmental Activity Interest**

Interest expense for governmental funds for the year ended June 30, 2022 was reported as follows:

Governmental activities	
Interest on long-term debt	<u><u>\$ 32,920</u></u>

**5. Governmental Activity Future Maturities of Long-Term Debt**

Year Ending	Notes/Loans		
June 30	Principal	Interest	Total
2023	\$ 27,823	\$ 1,397	\$ 29,220
2024	28,414	940	29,354
2025	23,783	478	24,261
Totals	\$ 80,020	\$ 2,815	\$ 82,835

**6. Business-Type Activity 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 for infrastructure. The City's outstanding general obligation bonds represent funding primarily for water and sewer utilities. The bonds contain restrictive covenants, requiring repayments from ad valorem taxes and revenues from the project.

**CITY OF BAY CITY**  
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Any amount received as investment income must be spent within a one-year period, except for a reasonable carryover amount, which is not to exceed the greater of one year's earnings on debt service or one-twelfth of the annual debt service related to the bonds. Principal and interest payments are due each February. The Sewer Bond Fund is used to liquidate debt related to the bonds.

**7. Business-Type Activity Note Payable**

Notes are direct obligations that pledge the full faith and credit of the City and are payable from a combination of General Fund revenues, tax increment revenues, and other user fees. The City issues notes to provide funds for water and sewer utilities. The note was fully liquidated during the fiscal year.

**8. Business-Type Activity DEQ Loans Payable**

The first DEQ clean water revolving loan was signed July 14, 2015, the proceeds of which are to be used to fund the Wastewater Planning Project. Interest is fixed at 0.88%.

The DEQ Loan Repayment Fund was used to liquidate the debt related to this loan. As of June 30, 2022, the project was complete and the loan had been liquidated.

The second DEQ clean water revolving loan was signed February 12, 2019, the proceeds of which are to be used to fund the Patterson Creek Fish Passage and Sewer Relocation Project. Interest is fixed at 1.06%. An interest-only payment is due six months after the estimated project completion date, and thereafter semi-annual payments of principal and interest are due each June and December 1.

The DEQ Loan Repayment Fund will be used to liquidate the debt related to this loan. As of June 30, 2022, the project was complete.

**9. Legal Debt Limit**

The City's legal annual debt service limit (as defined by Oregon Revised Statute 478.410) as of June 30, 2022, was approximately \$6,903,532. The City's legal debt service limit is 3.00% of the real market value of property within the City.

**10. Default Risk**

If the City is unable to make payments, the notes and loans payable each contain an event of default; the lenders may declare the entire unpaid principal balances and all accrued unpaid interest immediately due.

**CITY OF BAY CITY**  
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

**11. Business-Type Activity Future Maturities of Long-Term Liabilities**

Year Ending June 30	Bonds			Notes/Loans		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 11,835	\$ 12,090	\$ 23,925	\$ 40,720	\$ 1,646	\$ 42,366
2024	11,368	12,557	23,925	41,152	1,214	42,366
2025	12,924	11,001	23,925	41,590	776	42,366
2026	13,506	10,419	23,925	42,029	335	42,364
2027	14,113	9,812	23,925	-	-	-
2028-2032	80,684	38,941	119,625	-	-	-
2033-2037	100,547	19,078	119,625	-	-	-
2038	<u>22,552</u>	<u>1,255</u>	<u>23,807</u>	-	-	-
Totals	<u>\$ 267,529</u>	<u>\$ 115,153</u>	<u>\$ 382,682</u>	<u>\$ 165,491</u>	<u>\$ 3,971</u>	<u>\$ 169,462</u>

Year Ending June 30	Total		
	Principal	Interest	Total
2023	\$ 52,555	\$ 13,736	\$ 66,291
2024	52,520	13,771	66,291
2025	54,514	11,777	66,291
2026	55,535	10,754	66,289
2027	14,113	9,812	23,925
2028-2032	80,684	38,941	119,625
2033-2037	100,547	19,078	119,625
2038	<u>22,552</u>	<u>1,255</u>	<u>23,807</u>
Totals	<u>\$ 433,020</u>	<u>\$ 119,124</u>	<u>\$ 552,144</u>



**CITY OF BAY CITY**  
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**E. Constraints on Fund Balances**

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

	General Fund	Housing Rehabilitation Loan Fund	Street Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund balances:					
Restricted for:					
Housing rehabilitation loan program	\$ -	\$ 127,865	\$ -	\$ -	\$ 127,865
Street improvements and repairs	-	-	-	104,959	104,959
Park improvements	-	-	-	8,034	8,034
Debt service	-	-	-	160,771	160,771
Footpaths and bicycle trails	-	-	-	10,178	10,178
TRT tourism	98,303	-	-	-	98,303
Committed to:					
Street system improvements	-	-	474,710	-	474,710
Equipment purchases	-	-	-	10,066	10,066
Fire apparatus purchases	-	-	-	188,460	188,460
Assigned to:					
Fire department operations	148,581	-	-	-	148,581
Unassigned	216,434	-	-	-	216,434
Total fund balances	<u>\$ 463,318</u>	<u>\$ 127,865</u>	<u>\$ 474,710</u>	<u>\$ 482,468</u>	<u>\$ 1,548,361</u>

**CITY OF BAY CITY**  
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

**III. OTHER INFORMATION**

**A. Risk Management**

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

**B. Retirement Plans**

**1. Oregon Public Employees Retirement System**

*General Information about the Pension Plan*

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

*Plan Membership*

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

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

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

*Plan Benefits*

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

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

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*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). 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.

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NOTES TO BASIC FINANCIAL STATEMENTS

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*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.

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.

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*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.

*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.

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Member contributions are set by statute at six percent of salary and are remitted by participating employers. The contributions are either deducted from member salaries or paid by the employers on the members' behalf. As permitted, the City has opted to pick-up the contributions on behalf of its employees.

Employer contributions for the year ended June 30, 2022 were \$83,016.

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.

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

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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><b>Health retirees and beneficiaries:</b> 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><b>Active members:</b> 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><b>Disabled retirees:</b> 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>

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.

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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. 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.



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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>

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 Allocation<sup>2</sup></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 <sup>1</sup>	0.0%	5.0%	0.0%	2.3%
Risk Parity	0.0%	2.5%	2.5%	2.4%
Total			100.0%	100.0%

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

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

**CITY OF BAY CITY**  
**Tillamook County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

**C. Commitments**

**1. Rental Commitments**

On December 5, 2017, the City entered into a rental agreement for the purchase of breathing apparatus for the fire department. The lease calls for five payments of \$19,075. Due to the modified cash basis of accounting utilized by the City, the rental and related assets are not recorded on the financial statements.

**D. 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.

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.

**CITY OF BAY CITY**  
**Tillamook County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

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*).

**E. Subsequent Events**

Management has evaluated subsequent events through November 21, 2022 which was the date that the financial statements were available to be issued.

## **SUPPLEMENTARY INFORMATION**

**CITY OF BAY CITY**  
**Tillamook County, Oregon**

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

GENERAL FUND

For the Year Ended June 30, 2022

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		
				Budget Basis	Adjustments	Cash Basis
<b>REVENUES</b>						
Property and other taxes	\$ 342,138	\$ 342,138	\$ 142,738	\$ 484,876	\$ -	\$ 484,876
Licenses	950	950	608	1,558	-	1,558
Intergovernmental	74,200	74,200	(10,394)	63,806	-	63,806
Charges for services	10,000	10,000	1,420	11,420	-	11,420
Franchise fees	53,000	53,000	2,516	55,516	-	55,516
Investment earnings	3,200	3,200	(462)	2,738	-	2,738
Miscellaneous	43,400	43,400	8,057	51,457	-	51,457
Total revenues	<u>526,888</u>	<u>526,888</u>	<u>144,483</u>	<u>671,371</u>	<u>-</u>	<u>671,371</u>
<b>EXPENDITURES</b>						
Current						
Administration	292,915	275,915	(12,115)	263,800	-	263,800
Fire	355,478	336,835	(69,795)	267,040	(45,812)	221,228
Recreation	105,662	105,662	(16,829)	88,833	-	88,833
Planning & development	47,500	47,500	(22,362)	25,138	-	25,138
Tourism	110,000	110,000	(69,288)	40,712	-	40,712
General services	180,922	175,238	(145,199)	30,039	-	30,039
Debt service	-	17,000	(17,000)	-	-	-
Contingencies	-	24,327	(24,327)	-	-	-
Total expenditures	<u>1,092,477</u>	<u>1,092,477</u>	<u>(376,915)</u>	<u>715,562</u>	<u>(45,812)</u>	<u>669,750</u>
Excess (deficiency) of revenues over (under) expenditures	(565,589)	(565,589)	521,398	(44,191)	45,812	1,621
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	115,238	115,238	(115,238)	-	-	-
Transfers out	-	-	-	-	(52,000)	(52,000)
Total other financing sources (uses)	<u>115,238</u>	<u>115,238</u>	<u>(115,238)</u>	<u>-</u>	<u>(52,000)</u>	<u>(52,000)</u>
Net change in fund balance	(450,351)	(450,351)	406,160	(44,191)	(6,188)	(50,379)
Fund balance - beginning	<u>475,351</u>	<u>475,351</u>	<u>32,158</u>	<u>507,509</u>	<u>6,188</u>	<u>513,697</u>
Fund balance - ending	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ 438,318</u>	<u>\$ 463,318</u>	<u>\$ -</u>	<u>\$ 463,318</u>

**CITY OF BAY CITY**  
**Tillamook County, Oregon**

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

HOUSING REHABILITATION LOAN FUND

For the Year Ended June 30, 2022

	<u>Original and Final Budget</u>	<u>Variance with Final Budget Over (Under)</u>	<u>Actual Cash Basis</u>
<b>REVENUES</b>			
Investment earnings	\$ 900	\$ (246)	\$ 654
Loan repayment	<u>-</u>	<u>16,857</u>	<u>16,857</u>
Total revenues	<u>900</u>	<u>16,611</u>	<u>17,511</u>
<b>EXPENDITURES</b>			
Current			
Housing project loans	<u>110,900</u>	<u>(110,900)</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(110,000)	127,511	17,511
Fund balance - beginning	<u>110,000</u>	<u>354</u>	<u>110,354</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ 127,865</u></u>	<u><u>\$ 127,865</u></u>

**CITY OF BAY CITY**  
**Tillamook County, Oregon**

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

STREET RESERVE FUND

For the Year Ended June 30, 2022

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
<b>REVENUES</b>			
Charges for services	\$ 95,000	\$ (4,297)	\$ 90,703
Franchise fees	22,000	(1,704)	20,296
Investment earnings	2,050	152	2,202
Total revenues	119,050	(5,849)	113,201
<b>EXPENDITURES</b>			
Current			
Materials and services	127,000	(127,000)	-
Contingency	106,850	(106,850)	-
Total expenditures	233,850	(233,850)	-
Excess (deficiency) of revenues over (under) expenditures	(114,800)	228,001	113,201
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	(10,000)	-	(10,000)
Net change in fund balance	(124,800)	228,001	103,201
Fund balance - beginning	362,000	9,509	371,509
Fund balance - ending	\$ 237,200	\$ 237,510	\$ 474,710

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**



**CITY OF BAY CITY**  
**Tillamook County, Oregon**

COMBINING BALANCE SHEET - MODIFIED CASH BASIS

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2022

	Special Revenue	Debt Service Funds			Capital Projects Funds			Total Nonmajor Governmental Funds	
	Streets and Roads Fund	Kilchis Water Bond	Sewer Bond	DEQ Loan Repayment Bond	Bay City Equipment Reserve	Fire Apparatus Reserve	Parks and Recreation		Footpaths and Bicycle Trails
<b>ASSETS</b>									
Cash and cash equivalents	\$ 105,045	\$ -	\$ 50,981	\$ 109,790	\$ 10,066	\$ 188,460	\$ 8,034	\$ 10,178	\$ 482,554
<b>LIABILITIES</b>									
Accrued expenses	\$ 86	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86
<b>FUND BALANCES</b>									
Restricted for:									
Street improvement	104,959	-	-	-	-	-	-	-	104,959
Debt service	-	-	50,981	109,790	-	-	-	-	160,771
Park improvements	-	-	-	-	-	-	8,034	-	8,034
Footpath and bicycle trail upgrades	-	-	-	-	-	-	-	10,178	10,178
Committed to:									
Equipment purchases	-	-	-	-	10,066	188,460	-	-	198,526
Total fund balances	104,959	-	50,981	109,790	10,066	188,460	8,034	10,178	482,468
Total liabilities and fund balances	\$ 105,045	\$ -	\$ 50,981	\$ 109,790	\$ 10,066	\$ 188,460	\$ 8,034	\$ 10,178	\$ 482,554

**CITY OF BAY CITY**  
**Tillamook County, Oregon**  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2022

	Special Revenue	Debt Service Funds			Capital Projects Funds			Total Nonmajor Governmental Funds	
	Streets and Roads Fund	Kilchis Water Bond	Sewer Bond	DEQ Loan Repayment Bond	Bay City Equipment Reserve	Fire Apparatus Reserve	Parks and Recreation		Footpaths and Bicycle Trails
<b>REVENUES</b>									
Property taxes	\$ -	\$ 660	\$ 29,638	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,298
Intergovernmental	109,871	-	-	-	-	-	-	1,110	110,981
Charges for services	-	-	-	50,193	-	-	-	-	50,193
Investment earnings	607	442	267	-	31	916	47	80	2,390
Miscellaneous	2,125	-	-	-	-	24,347	-	-	26,472
Total revenues	<u>112,603</u>	<u>1,102</u>	<u>29,905</u>	<u>50,193</u>	<u>31</u>	<u>25,263</u>	<u>47</u>	<u>1,190</u>	<u>220,334</u>
<b>EXPENDITURES</b>									
Current									
Highways and streets	133,749	-	-	-	-	-	-	-	133,749
Debt service	-	-	23,926	24,987	-	24,220	-	-	73,133
Capital outlay	-	-	-	-	10,200	19,076	-	-	29,276
Total expenditures	<u>133,749</u>	<u>-</u>	<u>23,926</u>	<u>24,987</u>	<u>10,200</u>	<u>43,296</u>	<u>-</u>	<u>-</u>	<u>236,158</u>
Excess (deficiency) of revenues over (under) expenditures	(21,146)	1,102	5,979	25,206	(10,169)	(18,033)	47	1,190	(15,824)
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers in	10,000	-	-	-	15,000	52,000	-	-	77,000
Transfers out	-	(75,698)	-	-	-	-	-	-	(75,698)
Total other financing sources (uses)	<u>10,000</u>	<u>(75,698)</u>	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>52,000</u>	<u>-</u>	<u>-</u>	<u>1,302</u>
Net change in fund balances	(11,146)	(74,596)	5,979	25,206	4,831	33,967	47	1,190	(14,522)
Fund balances - beginning	<u>116,105</u>	<u>74,596</u>	<u>45,002</u>	<u>84,584</u>	<u>5,235</u>	<u>154,493</u>	<u>7,987</u>	<u>8,988</u>	<u>496,990</u>
Fund balances - ending	<u>\$ 104,959</u>	<u>\$ -</u>	<u>\$ 50,981</u>	<u>\$ 109,790</u>	<u>\$ 10,066</u>	<u>\$ 188,460</u>	<u>\$ 8,034</u>	<u>\$ 10,178</u>	<u>\$ 482,468</u>

**CITY OF BAY CITY**  
**Tillamook County, Oregon**

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

STREETS AND ROADS FUND

For the Year Ended June 30, 2022

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		
				Budget Basis	Adjustments	Cash Basis
<b>REVENUES</b>						
Intergovernmental	\$ 90,000	\$ 90,000	\$ 19,871	\$ 109,871	\$ -	\$ 109,871
Investment earnings	200	200	407	607	-	607
Grants and contributions	-	100,000	(100,000)	-	-	-
Miscellaneous	-	-	2,125	2,125	-	2,125
Total revenues	<u>90,200</u>	<u>190,200</u>	<u>(77,597)</u>	<u>112,603</u>	<u>-</u>	<u>112,603</u>
<b>EXPENDITURES</b>						
Current						
Personnel services	114,660	114,660	(12,609)	102,051	-	102,051
Materials and services	75,540	75,540	(43,842)	31,698	-	31,698
Capital outlay	-	100,000	(100,000)	-	-	-
Total expenditures	<u>190,200</u>	<u>290,200</u>	<u>(156,451)</u>	<u>133,749</u>	<u>-</u>	<u>133,749</u>
Excess (deficiency) of revenues over (under) expenditures	(100,000)	(100,000)	78,854	(21,146)	-	(21,146)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Net change in fund balance	(90,000)	(90,000)	78,854	(11,146)	-	(11,146)
Fund balance - beginning	<u>90,000</u>	<u>90,000</u>	<u>26,105</u>	<u>116,105</u>	<u>-</u>	<u>116,105</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 104,959</u>	<u>\$ 104,959</u>	<u>\$ -</u>	<u>\$ 104,959</u>

**CITY OF BAY CITY**  
**Tillamook County, Oregon**

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

KILCHIS WATER BOND FUND

For the Year Ended June 30, 2022

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
<b>REVENUES</b>			
Property taxes	\$ -	\$ 660	\$ 660
Investment earnings	-	442	442
	-	1,102	1,102
Total revenues	-	1,102	1,102
<b>EXPENDITURES</b>	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	1,102	1,102
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	-	(75,698)	(75,698)
Net change in fund balance	-	(74,596)	(74,596)
Fund balance - beginning	74,440	156	74,596
Fund balance - ending	\$ 74,440	\$ (74,440)	\$ -

Fund was closed via equity transfer - not a budget violation

**CITY OF BAY CITY**  
**Tillamook County, Oregon**

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

SEWER BOND FUND

For the Year Ended June 30, 2022

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
<b>REVENUES</b>			
Property taxes	\$ 19,615	\$ 10,023	\$ 29,638
Investment earnings	<u>200</u>	<u>67</u>	<u>267</u>
Total revenues	<u>19,815</u>	<u>10,090</u>	<u>29,905</u>
<b>EXPENDITURES</b>			
Debt service	<u>23,926</u>	<u>(11,325)</u>	<u>12,601</u>
Excess (deficiency) of revenues over (under) expenditures	(4,111)	21,415	17,304
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>-</u>	<u>(11,325)</u>	<u>(11,325)</u>
Net change in fund balance	(4,111)	10,090	5,979
Fund balance - beginning	<u>40,000</u>	<u>5,002</u>	<u>45,002</u>
Fund balance - ending	<u><u>\$ 35,889</u></u>	<u><u>\$ 15,092</u></u>	<u><u>\$ 50,981</u></u>

**CITY OF BAY CITY**  
**Tillamook County, Oregon**

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

DEQ LOAN REPAYMENT FUND

For the Year Ended June 30, 2022

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	Cash Basis
<b>REVENUES</b>					
Charges for service	\$ 50,000	\$ 193	\$ 50,193	\$ -	\$ 50,193
<b>EXPENDITURES</b>					
Debt service	25,800	(813)	24,987	(20,199)	4,788
Excess (deficiency) of revenues over (under) expenditures	24,200	1,006	25,206	20,199	45,405
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	-	-	-	(20,199)	(20,199)
Net change in fund balance	24,200	1,006	25,206	-	25,206
Fund balance - beginning	88,000	(3,416)	84,584	-	84,584
Fund balance - ending	<u>\$ 112,200</u>	<u>\$ (2,410)</u>	<u>\$ 109,790</u>	<u>\$ -</u>	<u>\$ 109,790</u>

**CITY OF BAY CITY**  
**Tillamook County, Oregon**

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

BAY CITY EQUIPMENT RESERVE FUND

For the Year Ended June 30, 2022

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
<b>REVENUES</b>			
Investment earnings	\$ 300	\$ (269)	\$ 31
<b>EXPENDITURES</b>			
Capital outlay	37,300	(27,100)	10,200
Total expenditures	37,300	(27,100)	10,200
Excess (deficiency) of revenues over (under) expenditures	(37,000)	26,831	(10,169)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	15,000	-	15,000
Net change in fund balance	(22,000)	26,831	4,831
Fund balance - beginning	22,000	(16,765)	5,235
Fund balance - ending	\$ -	\$ 10,066	\$ 10,066

**CITY OF BAY CITY**  
**Tillamook County, Oregon**

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

FIRE APPARATUS & STATION RELOCATION RESERVE FUND

For the Year Ended June 30, 2022

	<u>Original and Final Budget</u>	<u>Variance with Final Budget Over (Under)</u>	<u>Actual Cash Basis</u>
<b>REVENUES</b>			
Investment earnings	\$ 1,100	\$ (184)	\$ 916
Miscellaneous	<u>-</u>	<u>24,347</u>	<u>24,347</u>
Total revenues	<u>1,100</u>	<u>24,163</u>	<u>25,263</u>
<b>EXPENDITURES</b>			
Capital outlay	19,100	(24)	19,076
Debt service	<u>24,300</u>	<u>(80)</u>	<u>24,220</u>
Total expenditures	<u>43,400</u>	<u>(104)</u>	<u>43,296</u>
Excess (deficiency) of revenues over (under) expenditures	(42,300)	24,267	(18,033)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>52,000</u>	<u>-</u>	<u>52,000</u>
Net change in fund balance	9,700	24,267	33,967
Fund balance - beginning	<u>154,200</u>	<u>293</u>	<u>154,493</u>
Fund balance - ending	<u>\$ 163,900</u>	<u>\$ 24,560</u>	<u>\$ 188,460</u>



**CITY OF BAY CITY**  
**Tillamook County, Oregon**

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

PARKS AND RECREATION RESERVE FUND

For the Year Ended June 30, 2022

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
<b>REVENUES</b>			
Investment earnings	\$ 10	\$ 37	\$ 47
<b>EXPENDITURES</b>	-	-	-
Excess (deficiency) of revenues over (under) expenditures	10	37	47
Fund balance - beginning	7,900	87	7,987
Fund balance - ending	\$ 7,910	\$ 124	\$ 8,034

**CITY OF BAY CITY**  
**Tillamook County, Oregon**

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

FOOTPATHS AND BICYCLE TRAILS FUND

For the Year Ended June 30, 2022

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
<b>REVENUES</b>			
Intergovernmental	\$ 800	\$ 310	\$ 1,110
Investment earnings	10	70	80
Total revenues	810	380	1,190
<b>EXPENDITURES</b>	-	-	-
Excess (deficiency) of revenues over (under) expenditures	810	380	1,190
Fund balance - beginning	8,700	288	8,988
Fund balance - ending	\$ 9,510	\$ 668	\$ 10,178

**CITY OF BAY CITY**  
**Tillamook County, Oregon**

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

BAY CITY WATER OPERATING AND RESERVE 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
<b>REVENUES</b>						
Charges for services	\$ 358,000	\$ 358,000	\$ 24,231	\$ 382,231	\$ -	\$ 382,231
SDC charges	40,000	40,000	58,964	98,964	-	98,964
Investment earnings	4,100	4,100	(1,670)	2,430	-	2,430
Miscellaneous income	2,500	95,337	18,585	113,922	-	113,922
Total revenues	<u>404,600</u>	<u>497,437</u>	<u>100,110</u>	<u>597,547</u>	<u>-</u>	<u>597,547</u>
<b>EXPENSES</b>						
Current						
Personnel services	286,319	286,319	(68,512)	217,807	-	217,807
Materials and services	175,594	268,431	(80,487)	187,944	(4,039)	183,905
Capital outlay	260,300	260,300	(260,300)	-	-	-
Depreciation	-	-	-	-	23,511	23,511
Total expenses	<u>722,213</u>	<u>815,050</u>	<u>(409,299)</u>	<u>405,751</u>	<u>19,472</u>	<u>425,223</u>
Excess (deficiency) of revenues over (under) expenses	<u>(317,613)</u>	<u>(317,613)</u>	<u>509,409</u>	<u>191,796</u>	<u>(19,472)</u>	<u>172,324</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	133,340	133,340	(75,698)	209,038	-	209,038
Transfers out	<u>(271,167)</u>	<u>(271,167)</u>	<u>-</u>	<u>(271,167)</u>	<u>4,039</u>	<u>(275,206)</u>
Total other financing sources	<u>(137,827)</u>	<u>(137,827)</u>	<u>(75,698)</u>	<u>(62,129)</u>	<u>4,039</u>	<u>(66,168)</u>
Change in net position	(455,440)	(455,440)	433,711	129,667	(15,433)	106,156
Net position - beginning	<u>455,440</u>	<u>455,440</u>	<u>12,007</u>	<u>467,447</u>	<u>934,620</u>	<u>1,402,067</u>
Net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 597,114</u>	<u>\$ 597,114</u>	<u>\$ 919,187</u>	<u>\$ 1,508,223</u>

**CITY OF BAY CITY**  
**Tillamook County, Oregon**

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

BAY CITY WATER SYSTEM AND RESERVE 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
<b>REVENUES</b>						
Charges for services	\$ 284,736	\$ 284,736	\$ (22,621)	\$ 262,115	\$ -	\$ 262,115
Investment earnings	4,100	4,100	1,220	5,320	-	5,320
Miscellaneous	1,000	371,000	(348,656)	22,344	-	22,344
Total revenues	<u>289,836</u>	<u>659,836</u>	<u>(370,057)</u>	<u>289,779</u>	<u>-</u>	<u>289,779</u>
<b>EXPENSES</b>						
Current						
Personnel services	133,613	133,613	1,786	135,399	-	135,399
Materials and services	203,950	203,950	(116,759)	87,191	(4,039)	83,152
Capital outlay	550,000	920,000	(894,290)	25,710	(9,140)	16,570
Contingency	50,000	50,000	(50,000)	-	-	-
Depreciation	-	-	-	-	184,038	184,038
Total expenses	<u>937,563</u>	<u>1,307,563</u>	<u>(1,059,263)</u>	<u>248,300</u>	<u>170,859</u>	<u>419,159</u>
Excess (deficiency) of revenues over (under) expenses	<u>(647,727)</u>	<u>(647,727)</u>	<u>689,206</u>	<u>41,479</u>	<u>(170,859)</u>	<u>(129,380)</u>
<b>OTHER FINANCING</b>						
<b>SOURCES (USES)</b>						
Transfers in	432,827	432,827	-	432,827	-	432,827
Transfers out	<u>(305,000)</u>	<u>(305,000)</u>	<u>-</u>	<u>(305,000)</u>	<u>4,039</u>	<u>(309,039)</u>
Total other financing sources (uses)	<u>127,827</u>	<u>127,827</u>	<u>-</u>	<u>127,827</u>	<u>4,039</u>	<u>123,788</u>
Change in net position	(519,900)	(519,900)	689,206	169,306	(166,820)	(5,592)
Net position - beginning	<u>830,000</u>	<u>830,000</u>	<u>67,091</u>	<u>897,091</u>	<u>4,817,117</u>	<u>5,714,208</u>
Net position - ending	<u>\$ 310,100</u>	<u>\$ 310,100</u>	<u>\$ 756,297</u>	<u>\$ 1,066,397</u>	<u>\$ 4,650,297</u>	<u>\$ 5,708,616</u>

**CITY OF BAY CITY**  
**Tillamook County, Oregon**

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

BAY CITY SEWER AND RESERVE 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
<b>REVENUES</b>						
Charges for services	\$ 367,000	\$ 367,000	\$ 97,120	\$ 464,120	\$ -	\$ 464,120
SDC charges	16,500	16,500	86,109	102,609	-	102,609
Grants and contributions	-	-	474,389	474,389	-	474,389
Investment earnings	12,700	12,700	(1,926)	10,774	-	10,774
Miscellaneous income	1,500	506,500	(442,507)	63,993	-	63,993
Total revenues	<u>397,700</u>	<u>902,700</u>	<u>213,185</u>	<u>1,115,885</u>	<u>-</u>	<u>1,115,885</u>
<b>EXPENSES</b>						
Current						
Sewer						
Personnel services	344,352	344,352	(37,696)	306,656	-	306,656
Materials and services	410,818	465,818	(234,215)	231,603	(98,920)	132,683
Capital outlay	385,000	1,135,000	(960,194)	174,806	(127,713)	47,093
Contingency	33,330	33,330	(33,330)	-	-	-
Depreciation	-	-	-	-	71,341	71,341
Total expenses	<u>1,173,500</u>	<u>1,978,500</u>	<u>(1,265,435)</u>	<u>713,065</u>	<u>(155,292)</u>	<u>557,773</u>
Excess (deficiency) of revenues over (under) expenses	<u>(775,800)</u>	<u>(1,075,800)</u>	<u>1,478,620</u>	<u>402,820</u>	<u>155,292</u>	<u>558,112</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Loan proceeds	-	300,000	(300,000)	-	-	-
Transfers in	50,000	50,000	(20,000)	30,000	39,602	69,602
Transfers out	<u>(35,000)</u>	<u>(35,000)</u>	<u>-</u>	<u>(35,000)</u>	<u>-</u>	<u>(35,000)</u>
Total other financing sources (uses)	<u>15,000</u>	<u>315,000</u>	<u>(320,000)</u>	<u>(5,000)</u>	<u>39,602</u>	<u>34,602</u>
Change in net position	(760,800)	(760,800)	1,158,620	397,820	194,894	592,714
Net position - beginning	<u>1,678,000</u>	<u>1,678,000</u>	<u>210,355</u>	<u>1,888,355</u>	<u>1,492,980</u>	<u>3,381,335</u>
Net position - ending	<u>\$ 917,200</u>	<u>\$ 917,200</u>	<u>\$ 1,368,975</u>	<u>\$ 2,286,175</u>	<u>\$ 1,687,874</u>	<u>\$ 3,974,049</u>

## **OTHER FINANCIAL SCHEDULES**

**CITY OF BAY CITY**  
**Tillamook County, Oregon**

COMPARATIVE STATEMENTS OF NET POSITION - MODIFIED CASH BASIS

SEWER OPERATING FUND

For the Years Ended June 30, 2022 and 2021

	Sewer Operating Fund	
	2022	2021
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 2,289,306	\$ 1,891,002
Capital assets, net of accumulated depreciation		
Land	188,173	188,173
Construction in progress	172,394	55,155
Buildings and improvements	19,163	23,069
Infrastructure	1,604,008	1,665,175
Equipment	137,156	25,952
Total capital assets	2,120,894	1,957,524
Total assets	4,410,200	3,848,526
<b>LIABILITIES</b>		
Current liabilities		
Customer deposits and accrued payroll	3,131	2,647
Long-term liabilities, current portion	52,555	31,036
Total current liabilities	55,686	33,683
Noncurrent liabilities		
Long-term liabilities, less current portion	380,465	433,508
Total liabilities	436,151	467,191
<b>NET POSITION</b>		
Net investment in capital assets	1,687,874	1,610,991
Unrestricted	2,286,175	1,770,344
Total net position	\$ 3,974,049	\$ 3,381,335

**CITY OF BAY CITY**  
**Tillamook County, Oregon**

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

SEWER OPERATING FUND

For the Years Ended June 30, 2022 and 2021

	Sewer Operating Fund	
	2022	2021
Operating revenues		
Charges for services	\$ 464,120	\$ 605,110
Miscellaneous income	63,993	1,636
Total operating revenues	528,113	606,746
Operating expenses		
Personnel services	306,656	281,578
Materials and services	132,683	293,743
Repairs and maintenance	47,093	-
Depreciation	71,341	67,774
Total operating expenses	557,773	643,095
Operating income (loss)	(29,660)	(36,349)
Nonoperating revenues (expenses)		
Grants and contributions	474,389	-
System development charges	102,609	70,333
Investment earnings	10,774	14,592
Total nonoperating revenues (expenses)	587,772	84,925
Income (loss) before contributions and transfers	558,112	48,576
Transfers in	34,602	267,318
Change in net position	592,714	315,894
Net position - beginning	3,381,335	3,065,441
Net position - ending	\$ 3,974,049	\$ 3,381,335



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



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

The Honorable David McCall, Mayor  
and Members of the City Council  
City of Bay City  
Bay City, Oregon 97107

We have audited the basic financial statements of the City of Bay City as of and for the year ended June 30, 2022 and have issued our report thereon dated November 21, 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 Bay City'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)**

**Insurance and fidelity bonds in force or required by law**

**Programs funded from outside sources**

**Highway revenues used for public highways, roads, and streets**

**Authorized investment of surplus funds (ORS Chapter 294)**

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

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

### **OAR 162-010-0230 Internal Control**

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

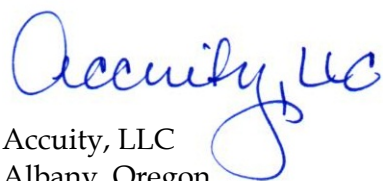
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We identified certain deficiencies in internal control over financial reporting, as described in the accompanying schedule of findings and management's response as items FS-01 through FS-05, that we consider to be material weaknesses or significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting:

1. Adequate segregation of duties in most areas was impractical due to the limited number of employees. The City has, however, developed alternative procedures which mitigate this condition to some extent.
2. The City lacks personnel with the ability to prepare financial statements in accordance with the accounting method selected by the City (modified cash).
3. The full loan proceeds were not recorded for an asset purchase which was financed over three years.
4. Significant, erroneous, outstanding checks were listed on the bank reconciliations in error.
5. Unapplied cash and deferred revenue were not being reconciled as part of month-end closures.

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

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

Accuity, LLC  
Albany, Oregon  
November 21, 2022



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

The Honorable David McCall, Mayor  
and Members of the City Council  
City of Bay City  
Bay City, Oregon 97107

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bay City, 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, and have issued our report thereon dated November 21, 2022.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City of Bay City, Oregon's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Bay City's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Bay City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

We identified certain deficiencies in internal control, as described in the accompanying schedule of findings and responses as items FS-01 through FS-05, that we consider to be significant deficiencies.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Bay City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*.

### **City of Bay City's Response to Findings**

*Governmental Auditing Standards* requires the auditor to perform limited procedures on the City of Bay City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Bay City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

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



Accuity, LLC

Albany, Oregon  
November 21, 2022

**CITY OF BAY CITY**  
**Tillamook County, Oregon**

SCHEDULE OF FINDINGS AND MANAGEMENT'S RESPONSE

For the Year Ended June 30, 2022

<u>Finding Number</u>	<u>Finding</u>
FS-01	Due to the limited number of available personnel, it is not always possible for the City to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records or to all phases of a transaction.
FS-02	The City lacks personnel with the ability to prepare financial statements in accordance with the basis of accounting deemed appropriate by management.
FS-03	The City had significant outstanding checks that were erroneous and needed to be adjusted/reconciled in the general ledger.
FS-04	It was noted that the full loan proceeds were not recorded for an asset purchase which was financed over three years.
FS-05	We noted that unapplied cash and deferred revenue were not being reconciled as a part of month-end closures, and significant adjustment was necessary.
FS-06	We noted that the City staff are utilizing their accounting software to reconcile cash accounts; however, they are not a true reconciliation to the general ledger.
FS-07	We noted the City lacks a utility billing policy for determination of account adjustments.
<b>Management's response:</b>	
FS-01 through FS-02	Management concurs with the findings described above. Due to budgetary constraints, it is improbable that additional staff will be added to correct these items.
FS-03	The City has now removed the outstanding checks and recorded the proposed journal entries to balance to the general ledger. Reconciliation policies have been updated.
FS-04 through FS-07	Management concurs with the findings described above. Each of these items are being addressed through a fiscal policy that is in process and will be reviewed by City Council to ensure proper financial procedures are followed by all personnel.