



CITY OF BAY CITY
Tillamook County, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2023



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

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

CITY OFFICIALS

June 30, 2023

MAYOR

David McCall
5470 High Street
Bay City, Oregon 97107

CITY COUNCIL

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

Tim Josi
6740 Baseline Road
Tillamook, Oregon 97107

Anthony Boatman (elected 1/1/2023)
6865 Baseline Road
Bay City, Oregon 97107

Wendy Krostag (resigned 8/9/2022)
5515 Pacific Avenue
Bay City, Oregon 97107

Jason Hovey (appointed 3/14/2023)
5550 Ocean Street
Bay City, Oregon 97107

Melissa Rondeau
5545 Main Street
Bay City, Oregon 97107

Tom Imhoff
PO Box 3572
Bay City, Oregon 97107

Helen Wright (term ended 12/31/2022)
PO Box 3087
Bay City, Oregon 97107

CITY RECORDER

Lindsey Gann

CITY ADDRESS

5525 B Street
Bay City, Oregon 97107

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

TABLE OF CONTENTS

June 30, 2023

Page
Number

INTRODUCTORY SECTION

Title Page
City Officials
Table of Contents

FINANCIAL SECTION

Independent Auditor's Report	1-3
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position – Modified Cash Basis	4
Statement of Activities – Modified Cash Basis	5-6
Fund Financial Statements	
Balance Sheet – Cash Basis – Governmental Funds	7
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	8
Statement of Revenues, Expenditures, and Changes in Fund Balances – Cash Basis – Governmental Funds.....	9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	10
Statement of Net Position – Modified Cash Basis – Proprietary Funds.....	11
Statement of Revenues, Expenses, and Changes in Fund Net Position – Modified Cash Basis – Proprietary Funds	12
Statement of Cash Flows – Modified Cash Basis – Proprietary Funds	13-14
Notes to Basic Financial Statements.....	15-45
Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual –	
General Fund.....	46
Streets and Roads Fund	47
Housing Rehabilitation Loan Fund	48
Street Reserve Fund.....	49
Combining and Individual Fund Statements and Schedules	
Combining Balance Sheet – Cash Basis – Nonmajor Governmental Funds.....	50
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Cash Basis – Nonmajor Governmental Funds.....	51

	<u>Page Number</u>
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual -	
Kilchis Water Bond Fund	52
Sewer Bond Fund.....	53
DEQ Loan Repayment Fund	54
Bay City Equipment Reserve Fund	55
Fire Apparatus & Relocation Reserve Fund	56
Parks and Recreation Fund	57
Footpaths and Bicycle Trails Fund	58
Schedule of Revenues, Expenses, and Changes in Fund Net Position - Budget and Actual -	
Bay City Water Operating Fund	59
Bay City Water System Fund	60
Sewer Operating Fund	61

OTHER FINANCIAL SCHEDULES

Comparative Statement of Net Position - Modified Cash Basis - Sewer Operating Fund.....	62
Comparative Statement of Revenues, Expenses, and Changes in Fund Net Position - Modified Cash Basis - Sewer Operating Fund	63

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

Independent Auditor's Report Required by Oregon State Regulations	64-66
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	67-69
Schedule of Findings and Management's Response	70-74

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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Bay City, Tillamook County, Oregon as of June 30, 2023, and the respective changes in modified cash basis financial position, and where applicable, cashflows, 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, 2023, the City adopted new accounting guidance: GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Arrangements*, Statement No. 96, *Subscription-Based Information Technology Arrangements*, Statement No. 99, *Omnibus 202*, and Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of 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 and budgetary comparison information, if applicable, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and budgetary comparison information, if applicable, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.


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 December 12, 2023 on our tests of the City's compliance with certain provisions of laws and regulations specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2023, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Bay City's internal control over financial reporting and compliance.

Accuity, LLC

By: 

Glen O. Kearns, CPA

Albany, Oregon
December 12, 2023

BASIC FINANCIAL STATEMENTS

CITY OF BAY CITY
Tillamook County, Oregon

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

June 30, 2023

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 913,829	\$ 4,092,232	\$ 5,006,061
Restricted assets			
Cash and cash equivalents	474,672	-	474,672
Housing rehabilitation loans receivable	92,724	-	92,724
Capital assets not being depreciated	1,271,503	657,385	1,928,888
Capital assets being depreciated, net	3,288,112	7,385,377	10,673,489
Total assets	6,040,840	12,134,994	18,175,834
LIABILITIES			
Current liabilities			
Accrued payroll	420	3,646	4,066
Customer deposits	4,436	3,131	7,567
Long-term debt, current portion	5,135	52,520	57,655
Total current liabilities	9,991	59,297	69,288
Noncurrent liabilities			
Long-term debt, less current portion	23,783	327,945	351,728
Total liabilities	33,774	387,242	421,016
DEFERRED INFLOWS OF RESOURCES - USER FEES	35,911	-	35,911
NET POSITION			
Net investment in capital assets	4,530,697	7,662,297	12,192,994
Restricted for various purposes	474,672	-	474,672
Unrestricted	1,440,458	4,085,455	5,525,913
Total net position	\$ 5,971,155	\$ 11,747,752	\$ 17,718,907

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, 2023

<u>Functions/Programs</u>	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
Governmental activities							
General government	\$ 338,188	\$ 296	\$ -	\$ -	\$ (337,892)	\$ -	\$ (337,892)
Public safety	408,056	-	-	-	(408,056)	-	(408,056)
Planning and development	8,936	18,485	40,000	-	49,549	-	49,549
Culture and recreation	108,616	7,231	-	-	(101,385)	-	(101,385)
Highways and streets	428,276	175,860	-	100,000	(152,416)	-	(152,416)
Unallocated depreciation	121,938	-	-	-	(121,938)	-	(121,938)
Interest on long-term debt	16,075	-	-	-	(16,075)	-	(16,075)
Total governmental activities	<u>\$ 1,430,085</u>	<u>\$ 201,872</u>	<u>\$ 40,000</u>	<u>\$ 100,000</u>	<u>(1,088,213)</u>	<u>-</u>	<u>(1,088,213)</u>
Business-type activities							
Water operations	\$ 817,230	\$ 802,920	\$ -	\$ -	-	(14,310)	(14,310)
Sewer operations	666,862	548,756	-	-	-	(118,106)	(118,106)
Total business-type activities	<u>\$ 1,484,092</u>	<u>\$ 1,351,676</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>(132,416)</u>	<u>(132,416)</u>

(continued)

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, 2023

	Net (Expense) Revenue and Changes in Net Position		
(continued)	General revenues		
	Property taxes levied for general purposes	239,977	-
	Property taxes levied for debt service	31,969	-
	Property taxes levied for public safety	147,615	-
	Franchise taxes	61,733	-
	Transient room taxes	110,083	-
	Motor fuel taxes	114,922	-
	Alcohol and cigarette taxes	30,042	-
	Intergovernmental	20,022	-
	Investment earnings	36,492	114,611
	Miscellaneous	163,682	181,217
		<u>956,537</u>	<u>295,828</u>
	Total general revenues		<u>1,252,365</u>
	Transfers	(24,555)	24,555
		<u>(24,555)</u>	<u>-</u>
	Change in net position	(156,231)	187,967
	Net position - beginning	6,127,386	11,559,785
		<u>6,127,386</u>	<u>11,559,785</u>
	Net position - ending	\$ 5,971,155	\$ 11,747,752
		<u>\$ 5,971,155</u>	<u>\$ 11,747,752</u>
			<u>\$ 17,718,907</u>

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, 2023

	General Fund	Streets and Roads Fund	Housing Rehabilitation Loan Fund	Street Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 348,733	\$ 110,952	\$ 143,099	\$ 343,479	\$ 442,238	\$ 1,388,501
Housing rehabilitation loans receivable	-	-	92,724	-	-	92,724
Total assets	\$ 348,733	\$ 110,952	\$ 235,823	\$ 343,479	\$ 442,238	\$ 1,481,225
LIABILITIES						
Accrued expenses	\$ 3,333	\$ (2,913)	-	-	-	\$ 420
Customer deposits	4,436	-	-	-	-	4,436
Total liabilities	7,769	(2,913)	-	-	-	4,856
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - Housing rehabilitation loans	-	-	92,724	-	-	92,724
User fees	35,911	-	-	-	-	35,911
Total deferred inflows of resources	35,911	-	92,724	-	-	128,635
FUND BALANCES						
Fund balances						
Restricted	126,876	-	143,099	-	204,697	474,672
Committed	-	-	-	343,479	237,541	581,020
Assigned	53,926	113,865	-	-	-	167,791
Unassigned	124,251	-	-	-	-	292,042
Total fund balances	305,053	113,865	143,099	343,479	442,238	1,347,734
Total liabilities, deferred inflows and fund balances	\$ 348,733	\$ 110,952	\$ 235,823	\$ 343,479	\$ 442,238	\$ 1,481,225

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, 2023

Total fund balances		\$ 1,347,734
Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds:		
Cost	8,202,759	
Accumulated depreciation	<u>(3,643,144)</u>	4,559,615
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.		
		92,724
Long-term liabilities accounted for in governmental funds are not financial expenses and are therefore not reported in governmental funds.		
		<u>(28,918)</u>
Net position of governmental activities		<u><u>\$ 5,971,155</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, 2023

	General Fund	Streets and Roads Fund	Housing Rehabilitation Loan Fund	Street Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$527,717	\$ -	\$ -	\$ -	\$ 31,969	\$ 559,686
Licenses	3,286	-	-	-	-	3,286
Intergovernmental	60,022	213,773	-	-	1,149	274,944
Charges for services	25,716	-	-	120,262	55,894	201,872
Franchise fees	55,464	-	-	6,269	-	61,733
Investment earnings	10,060	2,617	3,499	12,989	7,327	36,492
Miscellaneous	122,834	41	11,735	-	37,521	172,131
Total revenues	<u>805,099</u>	<u>216,431</u>	<u>15,234</u>	<u>139,520</u>	<u>133,860</u>	<u>1,310,144</u>
EXPENDITURES						
Current						
Administration	312,183	-	-	-	-	312,183
Fire	475,745	-	-	-	-	475,745
Recreation	119,179	-	-	-	-	119,179
Planning and development	8,936	-	-	-	-	8,936
General services	26,005	-	-	-	-	26,005
Tourism	49,816	-	-	-	-	49,816
Highways and streets	-	153,671	-	55,751	-	209,422
Debt service	-	-	-	-	119,732	119,732
Capital outlay	-	218,854	-	-	-	218,854
Total expenditures	<u>991,864</u>	<u>372,525</u>	<u>-</u>	<u>55,751</u>	<u>119,732</u>	<u>1,539,872</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(186,765)</u>	<u>(156,094)</u>	<u>15,234</u>	<u>83,769</u>	<u>14,128</u>	<u>(229,728)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	177,611	165,000	-	-	49,500	392,111
Transfers out	<u>(149,111)</u>	<u>-</u>	<u>-</u>	<u>(215,000)</u>	<u>-</u>	<u>(364,111)</u>
Total other financing sources (uses)	<u>28,500</u>	<u>165,000</u>	<u>-</u>	<u>(215,000)</u>	<u>49,500</u>	<u>28,000</u>
Net change in fund balances	(158,265)	8,906	15,234	(131,231)	63,628	(201,728)
Fund balances - beginning	463,318	104,959	127,865	474,710	378,610	1,549,462
Fund balances - ending	<u>\$305,053</u>	<u>\$ 113,865</u>	<u>\$ 143,099</u>	<u>\$343,479</u>	<u>\$ 442,238</u>	<u>\$ 1,347,734</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, 2023

Net change in fund balances \$ (201,728)

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	128,068	
Less current year depreciation	<u>(121,938)</u>	6,130

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.

Repayment of long-term debt	<u>51,102</u>	
-----------------------------	---------------	--

Change in net position \$ (156,231)

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, 2023

	Business-Type Activities - Enterprise Funds			Totals
	Bay City Water Operating	Bay City Water System	Sewer Operating	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 622,636	\$ 1,499,034	\$ 1,970,562	\$ 4,092,232
Noncurrent assets				
Capital assets not being depreciated	24,619	277,569	355,197	657,385
Capital assets, net	<u>862,778</u>	<u>4,400,394</u>	<u>2,122,205</u>	<u>7,385,377</u>
Total assets	<u>1,510,033</u>	<u>6,176,997</u>	<u>4,447,964</u>	<u>12,134,994</u>
LIABILITIES				
Current liabilities				
Accrued payroll	3,093	8	545	3,646
Customer deposits	484	-	2,647	3,131
Long-term debt, current portion	<u>-</u>	<u>-</u>	<u>52,520</u>	<u>52,520</u>
Total current liabilities	<u>3,577</u>	<u>8</u>	<u>55,712</u>	<u>59,297</u>
Noncurrent liabilities				
Long-term debt, less current portion	<u>-</u>	<u>-</u>	<u>327,945</u>	<u>327,945</u>
Total liabilities	<u>3,577</u>	<u>8</u>	<u>383,657</u>	<u>387,242</u>
NET POSITION				
Net investment in capital assets	887,397	4,677,963	2,096,937	7,662,297
Unrestricted	<u>619,059</u>	<u>1,499,026</u>	<u>1,967,370</u>	<u>4,085,455</u>
Total net position	<u>\$ 1,506,456</u>	<u>\$ 6,176,989</u>	<u>\$ 4,064,307</u>	<u>\$ 11,747,752</u>

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, 2023

	Business-Type Activities - Enterprise Funds			Totals
	Bay City Water Operating	Bay City Water System	Sewer Operating	
Operating revenues				
Charges for services	\$ 413,323	\$ 286,189	\$ 462,356	\$ 1,161,868
Other fees	25,571	50,371	105,275	181,217
Total operating revenues	<u>438,894</u>	<u>336,560</u>	<u>567,631</u>	<u>1,343,085</u>
Operating expenses				
Personnel services	287,804	141,011	374,137	802,952
Materials and services	77,975	103,758	207,721	389,454
Small equipment	-	248	36	284
Depreciation	23,712	182,685	85,005	291,402
Total operating expenses	<u>389,491</u>	<u>427,702</u>	<u>666,899</u>	<u>1,484,092</u>
Operating income (loss)	<u>49,403</u>	<u>(91,142)</u>	<u>(99,268)</u>	<u>(141,007)</u>
Nonoperating revenues (expenses)				
System development charges	103,408	-	86,400	189,808
Investment earnings	14,764	39,277	60,570	114,611
Total nonoperating revenues (expenses)	<u>118,172</u>	<u>39,277</u>	<u>146,970</u>	<u>304,419</u>
Income (loss) before contributions and transfers	167,575	(51,865)	47,702	163,412
Transfers in	-	410,239	77,555	487,794
Transfers out	(168,239)	(260,000)	(35,000)	(463,239)
Change in net position	(664)	98,374	90,257	187,967
Net position - beginning	<u>1,507,120</u>	<u>6,078,615</u>	<u>3,974,050</u>	<u>11,559,785</u>
Net position - ending	<u>\$ 1,506,456</u>	<u>\$ 6,176,989</u>	<u>\$ 4,064,307</u>	<u>\$ 11,747,752</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, 2023

	Business-Type Activities - Enterprise Funds			Totals
	Bay City Water Operating	Bay City Water System	Sewer Operating	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 413,323	\$ 286,189	\$ 462,356	\$ 1,161,868
Other operating revenues	25,571	50,371	105,275	181,217
Payments to employees	(284,563)	(141,011)	(374,075)	(799,649)
Payments to suppliers	(77,975)	(104,169)	(207,757)	(389,901)
Net cash provided (used) by operating activities	<u>76,356</u>	<u>91,380</u>	<u>(14,201)</u>	<u>153,535</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	160,239	25,000	185,239
Transfers to other funds	(168,239)	(10,000)	(35,000)	(213,239)
Net cash provided (used) by noncapital financing activities	<u>(168,239)</u>	<u>150,239</u>	<u>(10,000)</u>	<u>(28,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
System development charges received	103,408	-	86,400	189,808
Purchase of capital assets	-	(218,429)	(441,513)	(659,942)
Net cash provided (used) by capital and related financing activities	<u>103,408</u>	<u>(218,429)</u>	<u>(355,113)</u>	<u>(470,134)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	14,764	39,277	60,570	114,611
Net cash provided (used) by investing activities	<u>14,764</u>	<u>39,277</u>	<u>60,570</u>	<u>114,611</u>
Net increase (decrease) in cash and cash equivalents	26,289	62,467	(318,744)	(229,988)
Cash and cash equivalents - beginning	596,347	1,436,567	2,289,306	4,322,220
Cash and cash equivalents - ending	<u>\$ 622,636</u>	<u>\$ 1,499,034</u>	<u>\$ 1,970,562</u>	<u>\$ 4,092,232</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, 2023

(Continued)

	Business-Type Activities - Enterprise Funds			Totals
	Bay City Water Operating	Bay City Water System	Sewer Operating	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 49,403	\$ (91,142)	\$ (99,268)	\$ (141,007)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	23,712	182,685	85,005	291,402
Increase (decrease) in liabilities				
Accrued liabilities	3,241	(163)	62	3,140
Net cash provided (used) by operating activities	\$ 76,356	\$ 91,380	\$ (14,201)	\$ 153,535

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, 2023

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, 2023

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.

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:

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, 2023

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, 2023

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, 2023

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, 2023

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, 2023

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, 2023

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, 2023

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

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.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Excess of Expenditures Over Appropriations

During the year, the City expended funds in excess of appropriations as follows:

Fund	Function	Appropriations	Expenditures	Excess
General Fund	General Services	\$ 158,258	\$ 175,116	\$ 16,858
Fire Apparatus and Station Relocation Fund	Debt Service	\$ 29,300	\$ 53,440	\$ 24,140

CITY OF BAY CITY
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

III. 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.

CITY OF BAY CITY
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

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

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

There were no transfers of assets or liabilities among the three levels of the fair value hierarchy for the year ended June 30, 2023.

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

	Level 2
Investments	
Oregon Local Government Investment Pool	\$ 5,003,729

Credit Risk

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

Investments

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

	Credit Quality Rating	Maturities	Fair Value
Oregon Local Government Investment Pool	Unrated	-	\$ 5,003,729

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, 2023

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, 2023, the City had deposits of \$250,000 insured by the FDIC, \$5 insured by the NCUA and \$265,931 collateralized under the PFCP.

Deposits

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

Cash on hand	\$ 250
Checking account	476,754
Total investments	<u>5,003,729</u>
Total deposits and investments	<u><u>\$ 5,480,733</u></u>

CITY OF BAY CITY
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

Cash and investments by fund:

Governmental activities - unrestricted	
General Fund	\$ 221,857
Streets and Roads Fund	110,952
Street Reserve Fund	343,479
Nonmajor governmental funds	<u>237,541</u>
Total governmental activities - unrestricted	<u>913,829</u>
Business-type activities - unrestricted	
Bay City Water Operating Fund	\$ 622,636
Bay City Water System Fund	1,499,034
Sewer Operating Fund	<u>1,970,562</u>
Total business-type activities - unrestricted	<u>4,092,232</u>
Subtotal unrestricted cash and investments	<u>5,006,061</u>
Governmental activities - restricted	
General Fund	\$ 126,876
Housing Rehabilitation Loan Fund	143,099
Nonmajor governmental funds	<u>204,697</u>
Total governmental activities - restricted	<u>474,672</u>
Total cash and investments	<u><u>\$ 5,480,733</u></u>

Restricted cash is for TRT tourism, 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
Construction in progress	60,379	-	60,379
Buildings and improvements	1,039,722	(935,213)	104,509
Infrastructure	4,556,053	(1,855,592)	2,700,461
Equipment	<u>1,335,481</u>	<u>(852,339)</u>	<u>483,142</u>
Total governmental capital assets	<u>\$ 8,202,759</u>	<u>\$ (3,643,144)</u>	<u>\$ 4,559,615</u>

(continued)

CITY OF BAY CITY
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

(continued)	Capital Assets	Accumulated Depreciation	Net Capital Assets
Business-type activities			
Land	\$ 262,792	\$ -	\$ 262,792
Construction in progress	394,593	-	394,593
Buildings and improvements	4,377,747	(1,998,270)	2,379,477
Infrastructure	9,526,568	(4,692,342)	4,834,226
Equipment	748,019	(576,345)	171,674
Total business-type capital assets	\$ 15,309,719	\$ (7,266,957)	\$ 8,042,762
Total capital assets	\$ 23,512,478	\$ (10,910,101)	\$ 12,602,377

Capital asset activity resulting from modified cash basis transactions for the year ended June 30, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,211,124	\$ -	\$ -	\$ 1,211,124
Construction in progress	-	60,379	-	60,379
Total capital assets not being depreciated	1,211,124	60,379	-	1,271,503
Capital assets being depreciated				
Buildings and improvements	1,039,722	-	-	1,039,722
Infrastructure	4,556,053	-	-	4,556,053
Equipment	1,267,792	67,689	-	1,335,481
Total capital assets being depreciated	6,863,567	67,689	-	6,931,256
Less accumulated depreciation for				
Buildings and improvements	(925,215)	(9,998)	-	(935,213)
Infrastructure	(1,763,794)	(91,798)	-	(1,855,592)
Equipment	(832,197)	(20,142)	-	(852,339)
Total accumulated depreciation	(3,521,206)	(121,938)	-	(3,643,144)
Total capital assets being depreciated, net	3,342,361	(54,249)	-	3,288,112
Governmental activities capital assets, net	\$ 4,553,485	\$ 6,130	\$ -	\$ 4,559,615

(Continued)

CITY OF BAY CITY
Tillamook County, Oregon

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	181,534	270,503	(57,444)	394,593
Total capital assets not being depreciated	444,326	270,503	(57,444)	657,385
Capital assets being depreciated				
Buildings and improvements	4,377,747	-	-	4,377,747
Infrastructure	9,079,685	446,883	-	9,526,568
Equipment	748,019	-	-	748,019
Total capital assets being depreciated	14,205,451	446,883	-	14,652,334
Less accumulated depreciation for				
Buildings and improvements	(1,910,523)	(87,747)	-	(1,998,270)
Infrastructure	(4,505,583)	(186,759)	-	(4,692,342)
Equipment	(559,449)	(16,896)	-	(576,345)
Total accumulated depreciation	(6,975,555)	(291,402)	-	(7,266,957)
Total capital assets being depreciated, net	7,229,896	155,481	-	7,385,377
Business-type activities capital assets, net	\$ 7,674,222	\$ 425,984	\$ (57,444)	\$ 8,042,762

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	\$ 121,938
Business-type activities	
Water operations	\$ 206,397
Sewer operations	85,005
Total business-type activities	\$ 291,402

CITY OF BAY CITY
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

C. Interfund Transfers

Interfund transfers during the year consisted of:

	Transfers In:				Total
	General Fund	Streets and Roads Fund	Nonmajor Governmental Funds	Bay City Water System	
Transfers out:					
Governmental activities					
General Fund	\$ -	\$ -	\$ 21,500	\$ -	\$ 21,500
Street Reserve Fund	50,000	165,000	-	-	215,000
Total governmental activities	<u>50,000</u>	<u>165,000</u>	<u>21,500</u>	<u>-</u>	<u>236,500</u>
Business-type activities					
Bay City Water Operating Fund	-	-	8,000	160,239	168,239
Bay City Water System Fund	-	-	10,000	-	10,000
Sewer Operating Fund	-	-	10,000	-	10,000
Total business-type activities	<u>-</u>	<u>-</u>	<u>28,000</u>	<u>160,239</u>	<u>188,239</u>
Total	<u>\$ 50,000</u>	<u>\$ 165,000</u>	<u>\$ 49,500</u>	<u>\$ 160,239</u>	<u>\$ 374,739</u>

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

CITY OF BAY CITY
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

D. Long-Term Liabilities

1. Changes in Long-Term Liabilities

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

	Interest Rate	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities							
Notes/Loans payable							
Fire truck loan	2.0%	\$ 218,070	\$ 69,885	\$ -	\$ 46,102	\$ 23,783	\$ -
Stryker equipment loan	0.0%	10,135	10,135	-	5,000	5,135	5,135
Total governmental activities		<u>\$ 228,205</u>	<u>\$ 80,020</u>	<u>\$ -</u>	<u>\$ 51,102</u>	<u>\$ 28,918</u>	<u>\$ 5,135</u>
Business-type activities							
General obligation bond 92-04	4.5%	\$ 111,500	\$ 67,740	\$ -	\$ 2,997	\$ 64,743	\$ 3,132
General obligation bond 92-06	4.5%	328,700	199,789	-	8,838	190,951	8,236
Total bonds		<u>440,200</u>	<u>267,529</u>	<u>-</u>	<u>11,835</u>	<u>255,694</u>	<u>11,368</u>
Notes/Loans payable							
DEQ clean water revolving loan	1.06%	225,000	165,491	-	40,720	124,771	41,152
Total business-type		<u>\$ 665,200</u>	<u>\$ 433,020</u>	<u>\$ -</u>	<u>\$ 52,555</u>	<u>\$ 380,465</u>	<u>\$ 52,520</u>

CITY OF BAY CITY
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

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 Future Maturities of Long-Term Debt

Year Ending	Notes/Loans		
June 30	Principal	Interest	Total
2024	\$ 5,135	\$ -	\$ 5,135
2025	23,783	478	24,261
Totals	\$ 28,918	\$ 478	\$ 29,396

5. Governmental Activity Interest Expense

Interest expense for the year ended June 30, 2023 was reported as follows:

Governmental activities	
Interest on long-term debt	\$ <u>16,075</u>

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
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

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, 2023, the project was completed, 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 is used to liquidate the debt related to this loan. As of June 30, 2023, the project was completed.

9. Legal Debt Limit

The City's legal annual debt service limit (as defined by Oregon Revised Statute 478.410) as of June 30, 2023, was approximately \$8,538,165. 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
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

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

Year Ending June 30	Bonds			Notes/Loans		
	Principal	Interest	Total	Principal	Interest	Total
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	14,749	9,176	23,925	-	-	-
2029-2033	84,314	35,311	119,625	-	-	-
2034-2038	<u>104,720</u>	<u>14,787</u>	<u>119,507</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 255,694</u>	<u>\$ 103,063</u>	<u>\$ 358,757</u>	<u>\$ 124,771</u>	<u>\$ 2,325</u>	<u>\$ 127,096</u>

Year Ending June 30	Total		
	Principal	Interest	Total
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	14,749	9,176	23,925
2029-2033	84,314	35,311	119,625
2034-2038	<u>104,720</u>	<u>14,787</u>	<u>119,507</u>
Totals	<u>\$ 380,465</u>	<u>\$ 105,388</u>	<u>\$ 485,853</u>

CITY OF BAY CITY
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

E. Constraints on Fund Balances

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

	General Fund	Streets and Roads Fund	Housing Rehabilitation Loan Fund	Street Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund balances:						
Restricted for:						
Housing rehabilitation loan program	\$ -	\$ -	\$ 143,099	\$ -	\$ -	\$ 143,099
Park improvements	-	-	-	-	8,254	8,254
Debt service	-	-	-	-	184,838	184,838
Footpaths and bicycle trails	-	-	-	-	11,605	11,605
TRT tourism	126,876	-	-	-	-	126,876
Committed to:						
Street system improvements	-	113,865	-	343,479	-	457,344
Equipment purchases	-	-	-	-	38,343	38,343
Fire apparatus purchases	-	-	-	-	199,198	199,198
Assigned to:						
Fire department operations	53,926	-	-	-	-	53,926
Unassigned	124,251	-	-	-	-	124,251
Total fund balances	\$ 305,053	\$ 113,865	\$ 143,099	\$ 343,479	\$ 442,238	\$ 1,347,734

CITY OF BAY CITY
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

IV. OTHER INFORMATION

A. Risk Management

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

B. Retirement Plans

1. Oregon Public Employees Retirement System

General Information about the Pension Plan

The Oregon Public Employees Retirement System (OPERS) consists of a cost-sharing, multiple-employer defined benefit plan (Plan) for units of state government, political subdivisions, community colleges, and school districts, containing multiple actuarial pools. Plan assets may be used to pay the benefits of the employees of any employer that provides pensions through the Plan. As of June 30, 2022, there were 939 participating employers.

Plan Membership

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

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

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

Plan Benefits

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

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

CITY OF BAY CITY
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

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.

CITY OF BAY CITY
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining monthly benefit.

Benefit Changes after Retirement

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

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.

CITY OF BAY CITY
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

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, 2020 actuarial valuation, which became effective July 20, 2021. The State of Oregon and certain schools, community colleges, and political subdivisions have made unfunded actuarial liability payments, and their rates have been reduced. Member contributions are set by statute at six percent of salary and are remitted by participating employers. The contributions are either deducted from member salaries or paid by the employers on the members' behalf. As permitted, the City has opted to pick-up the contributions on behalf of its employees.

CITY OF BAY CITY
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

Employer contributions for the year ended June 30, 2023 were \$159,788.

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/2022-ACFR.pdf>

Actuarial Valuations

The employer contribution rates effective June 30, 2022 were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

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

Actuarial Methods and Assumptions:

Valuation Date	December 31, 2020
Measurement Date	June 30, 2022
Experience Study	2020, published July 20, 2021
<i>Actuarial Assumptions:</i>	
Actuarial Cost Method	Entry age normal
Inflation Rate	2.40 percent
Long-term Expected Rate of Return	6.90 percent
Discount Rate	6.90 percent
Projected Salary Increases	3.40 percent

CITY OF BAY CITY
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

Cost of living adjustment (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/.15%) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	<p>Health retirees and beneficiaries: Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Active members: Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are on the 2020 Experience Study, which reviewed experience for the four-year period ended December 31, 2020. There were no differences between the assumptions and plan provisions used for June 30, 2022 measurement date calculations compared to those shown above.

Actuarial Methods and Assumptions

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

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

CITY OF BAY CITY
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

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.

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

CITY OF BAY CITY
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

Long-Term Expected Rate of Return

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

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

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

<u>Asset Class/Strategy</u>	<u>OIC Policy Low Range</u>	<u>OIC Policy High Range</u>	<u>OIC Target Allocation</u>	<u>Actual Allocation²</u>
Debt Securities	15.0%	25.0%	20.0%	19.8%
Public Equity	25.0%	35.0%	30.0%	21.2%
Real Estate	7.5%	17.5%	12.5%	13.6%
Private Equity	15.0%	27.5%	20.0%	28.0%
Risk Parity	0.0%	3.5%	2.5%	2.0%
Real Assets	2.5%	10.0%	7.5%	7.9%
Diversifying Strategies	2.5%	10.0%	7.5%	4.9%
Opportunity Portfolio ¹	0.0%	5.0%	0.0%	2.6%
Total			100.0%	100.0%

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

² Based on the actual investment value at 6/30/2022.

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

CITY OF BAY CITY
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

C. Commitments

1. Construction Commitments

During the year, the City entered into contracts for construction and other capital items which were not completed as of June 30, 2023. The total contract price for these unfinished contracts totaled \$1,726,470, of which \$1,661,482 remained unspent at year end.

D. New Pronouncements

For the fiscal year ended June 30, 2023, the City implemented the following new accounting standards:

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

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

GASB Statement No. 99, *Omnibus 2022*. This statement was issued April 2022 and enhances comparability in accounting and financial reporting to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to lease implementation, public-private and public-public partnerships and availability payment arrangements, and subscription-based information technology arrangements.

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

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

GASB Statement No. 99, *Omnibus 2022*. This statement was issued April 2022 and enhances comparability in accounting and financial reporting to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to financial guarantees and classification of derivatives.

CITY OF BAY CITY
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

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

E. Subsequent Events

Management has evaluated subsequent events through December 12, 2023 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, 2023

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		
				Budget Basis	Adjustments	Cash Basis
REVENUES						
Property and other taxes	\$ 432,154	\$ 464,034	\$ 63,683	\$ 527,717	\$ -	\$ 527,717
Licenses	1,150	3,000	286	3,286	-	3,286
Intergovernmental	47,200	51,004	9,018	60,022	-	60,022
Charges for services	16,500	23,710	2,006	25,716	-	25,716
Franchise fees	30,000	52,544	2,920	55,464	-	55,464
Grants and contributions	90,100	358,001	(358,001)	-	-	-
Investment earnings	3,200	7,686	2,374	10,060	-	10,060
Miscellaneous	157,937	121,530	1,304	122,834	-	122,834
Total revenues	<u>778,241</u>	<u>1,081,509</u>	<u>(276,410)</u>	<u>805,099</u>	<u>-</u>	<u>805,099</u>
EXPENDITURES						
Current						
Administration	334,277	355,793	(43,610)	312,183	-	312,183
Fire	391,448	537,657	(61,912)	475,745	-	475,745
Recreation	164,572	439,173	(319,994)	119,179	-	119,179
Planning & development	22,500	14,500	(5,564)	8,936	-	8,936
Tourism	120,000	120,000	(70,184)	49,816	-	49,816
General services	178,258	158,258	16,858	175,116	(149,111)	26,005
Contingencies	213,671	21,756	(21,756)	-	-	-
Total expenditures	<u>1,424,726</u>	<u>1,647,137</u>	<u>(506,162)</u>	<u>1,140,975</u>	<u>(149,111)</u>	<u>991,864</u>
Excess (deficiency) of revenues over (under) expenditures	(646,485)	(565,628)	229,752	(335,876)	149,111	(186,765)
OTHER FINANCING SOURCES (USES)						
Transfers in	128,258	178,258	(647)	177,611	-	177,611
Transfers out	-	-	-	-	(149,111)	(149,111)
Total other financing sources (uses)	<u>128,258</u>	<u>178,258</u>	<u>(647)</u>	<u>177,611</u>	<u>(149,111)</u>	<u>28,500</u>
Net change in fund balance	(518,227)	(387,370)	229,105	(158,265)	-	(158,265)
Fund balance - beginning	<u>553,227</u>	<u>422,370</u>	<u>40,948</u>	<u>463,318</u>	<u>-</u>	<u>463,318</u>
Fund balance - ending	<u>\$ 35,000</u>	<u>\$ 35,000</u>	<u>\$ 270,053</u>	<u>\$ 305,053</u>	<u>\$ -</u>	<u>\$ 305,053</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, 2023

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		Cash Basis
				Budget Basis	Adjustments	
REVENUES						
Intergovernmental	\$ 100,000	\$ 100,000	\$ 113,773	\$ 213,773	\$ -	\$ 213,773
Investment earnings	270	270	2,347	2,617	-	2,617
Grants and contributions	100,000	100,000	(100,000)	-	-	-
Miscellaneous	-	-	41	41	-	41
Total revenues	<u>200,270</u>	<u>200,270</u>	<u>16,161</u>	<u>216,431</u>	<u>-</u>	<u>216,431</u>
EXPENDITURES						
Current						
Personnel services	120,470	150,470	(21,621)	128,849	-	128,849
Materials and services	77,600	77,600	(52,778)	24,822	-	24,822
Capital outlay	<u>214,000</u>	<u>232,821</u>	<u>(13,967)</u>	<u>218,854</u>	<u>-</u>	<u>218,854</u>
Total expenditures	<u>412,070</u>	<u>460,891</u>	<u>(88,366)</u>	<u>372,525</u>	<u>-</u>	<u>372,525</u>
Excess (deficiency) of revenues over (under) expenditures	(211,800)	(260,621)	104,527	(156,094)	-	(156,094)
OTHER FINANCING SOURCES (USES)						
Transfers in	<u>165,000</u>	<u>165,000</u>	<u>-</u>	<u>165,000</u>	<u>-</u>	<u>165,000</u>
Net change in fund balance	(46,800)	(95,621)	104,527	8,906	-	8,906
Fund balance - beginning	<u>46,800</u>	<u>95,621</u>	<u>9,338</u>	<u>104,959</u>	<u>-</u>	<u>104,959</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 113,865</u>	<u>\$ 113,865</u>	<u>\$ -</u>	<u>\$ 113,865</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, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
Investment earnings	\$ 500	\$ 2,999	\$ 3,499
Loan repayment	-	11,735	11,735
Total revenues	500	14,734	15,234
EXPENDITURES			
Current			
Materials & services	111,200	(111,200)	-
Excess (deficiency) of revenues over (under) expenditures	(110,700)	125,934	15,234
Fund balance - beginning	110,700	17,165	127,865
Fund balance - ending	\$ -	\$ 143,099	\$ 143,099

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, 2023

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES				
Charges for services	\$ 95,000	\$ 95,000	\$ 25,262	\$ 120,262
Franchise fees	5,000	5,000	1,269	6,269
Investment earnings	1,650	1,650	11,339	12,989
Total revenues	<u>101,650</u>	<u>101,650</u>	<u>37,870</u>	<u>139,520</u>
EXPENDITURES				
Current				
Materials and services	126,500	126,500	(70,749)	55,751
Contingency	254,000	204,000	(204,000)	-
Total expenditures	<u>380,500</u>	<u>330,500</u>	<u>(274,749)</u>	<u>55,751</u>
Excess (deficiency) of revenues over (under) expenditures	(278,850)	(228,850)	312,619	83,769
OTHER FINANCING SOURCES (USES)				
Transfers in	165,000	165,000	-	165,000
Transfers out	(330,000)	(380,000)	-	(380,000)
Total other financing sources (uses)	<u>(165,000)</u>	<u>(215,000)</u>	<u>-</u>	<u>(215,000)</u>
Net change in fund balance	(443,850)	(443,850)	312,619	(131,231)
Fund balance - beginning	<u>443,900</u>	<u>443,900</u>	<u>30,810</u>	<u>474,710</u>
Fund balance - ending	<u>\$ 50</u>	<u>\$ 50</u>	<u>\$ 343,429</u>	<u>\$ 343,479</u>

**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, 2023

	Debt Service Funds			Capital Projects Funds			Total Nonmajor Governmental Funds	
	Kilchis Water Bond	Sewer Bond	DEQ Loan Repayment Bond	Bay City Equipment Reserve	Fire Apparatus Reserve	Parks and Recreation		Footpaths and Bicycle Trails
ASSETS								
Cash and cash equivalents	\$ 1,957	\$ 59,860	\$ 123,021	\$ 38,343	\$ 199,198	\$ 8,254	\$ 11,605	\$ 442,238
FUND BALANCES								
Restricted for:								
Debt service	1,957	59,860	123,021	-	-	-	-	184,838
Park improvements	-	-	-	-	-	8,254	-	8,254
Footpath and bicycle trail upgrades	-	-	-	-	-	-	11,605	11,605
Committed to:								
Equipment purchases	-	-	-	38,343	199,198	-	-	237,541
Total fund balances	\$ 1,957	\$ 59,860	\$ 123,021	\$ 38,343	\$ 199,198	\$ 8,254	\$ 11,605	\$ 442,238

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, 2023

	Debt Service Funds			Capital Projects Funds			Total Nonmajor Governmental Funds	
	Kilchis Water Bond	Sewer Bond	DEQ Loan Repayment Bond	Bay City Equipment Reserve	Fire Apparatus Reserve	Parks and Recreation		Footpaths and Bicycle Trails
REVENUES								
Property taxes	\$ 559	\$ 31,410	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,969
Intergovernmental	-	-	-	-	-	-	1,149	1,149
Charges for services	296	-	55,598	-	-	-	-	55,894
Investment earnings	-	1,395	-	276	5,157	220	279	7,327
Miscellaneous	-	-	-	-	37,521	-	-	37,521
Total revenues	<u>855</u>	<u>32,805</u>	<u>55,598</u>	<u>276</u>	<u>42,678</u>	<u>220</u>	<u>1,428</u>	<u>133,860</u>
EXPENDITURES								
Debt service	-	23,926	42,366	-	53,440	-	-	119,732
Excess (deficiency) of revenues over (under) expenditures	855	8,879	13,232	276	(10,762)	220	1,428	14,128
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	28,000	21,500	-	-	49,500
Net change in fund balances	855	8,879	13,232	28,276	10,738	220	1,428	63,628
Fund balances - beginning	<u>1,102</u>	<u>50,981</u>	<u>109,789</u>	<u>10,067</u>	<u>188,460</u>	<u>8,034</u>	<u>10,177</u>	<u>378,610</u>
Fund balances - ending	<u>\$ 1,957</u>	<u>\$ 59,860</u>	<u>\$ 123,021</u>	<u>\$ 38,343</u>	<u>\$ 199,198</u>	<u>\$ 8,254</u>	<u>\$ 11,605</u>	<u>\$ 442,238</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, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
Property taxes	\$ -	\$ 559	\$ 559
Charges for services	-	296	296
Total revenues	-	855	855
EXPENDITURES			
	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	855	855
Fund balance - beginning	-	1,102	1,102
Fund balance - ending	\$ -	\$ 1,957	\$ 1,957

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, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
Property taxes	\$ 19,650	\$ 11,760	\$ 31,410
Investment earnings	200	1,195	1,395
Total revenues	19,850	12,955	32,805
EXPENDITURES			
Debt service	33,940	(10,014)	23,926
Excess (deficiency) of revenues over (under) expenditures	(14,090)	22,969	8,879
Fund balance - beginning	48,000	2,981	50,981
Fund balance - ending	\$ 33,910	\$ 25,950	\$ 59,860

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, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Cash Adjustments Basis	
REVENUES					
Charges for service	\$ 50,000	\$ 5,598	\$ 55,598	\$ -	\$ 55,598
EXPENDITURES					
Debt service	<u>44,586</u>	<u>(2,220)</u>	<u>42,366</u>	<u>-</u>	<u>42,366</u>
Excess (deficiency) of revenues over (under) expenditures	5,414	7,818	13,232	-	13,232
Fund balance - beginning	<u>118,000</u>	<u>(8,211)</u>	<u>109,789</u>	<u>-</u>	<u>109,789</u>
Fund balance - ending	<u>\$ 123,414</u>	<u>\$ (393)</u>	<u>\$ 123,021</u>	<u>\$ -</u>	<u>\$ 123,021</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, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
Investment earnings	\$ 25	\$ 251	\$ 276
EXPENDITURES			
Capital outlay	38,101	(38,101)	-
Excess (deficiency) of revenues over (under) expenditures	(38,076)	38,352	276
OTHER FINANCING SOURCES (USES)			
Transfers in	28,000	-	28,000
Net change in fund balance	(10,076)	38,352	28,276
Fund balance - beginning	10,076	(9)	10,067
Fund balance - ending	\$ -	\$ 38,343	\$ 38,343

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, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
Investment earnings	\$ 750	\$ 4,407	\$ 5,157
Miscellaneous	24,000	13,521	37,521
Total revenues	24,750	17,928	42,678
EXPENDITURES			
Debt service	29,300	24,140	53,440
Excess (deficiency) of revenues over (under) expenditures	(4,550)	(6,212)	(10,762)
OTHER FINANCING SOURCES (USES)			
Transfers in	21,500	-	21,500
Net change in fund balance	16,950	(6,212)	10,738
Fund balance - beginning	177,500	10,960	188,460
Fund balance - ending	\$ 194,450	\$ 4,748	\$ 199,198

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, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
Investment earnings	\$ 20	\$ 200	\$ 220
EXPENDITURES	-	-	-
Excess (deficiency) of revenues over (under) expenditures	20	200	220
Fund balance - beginning	7,900	134	8,034
Fund balance - ending	\$ 7,920	\$ 334	\$ 8,254

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, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
Intergovernmental	\$ 900	\$ 249	\$ 1,149
Investment earnings	50	229	279
Total revenues	950	478	1,428
EXPENDITURES	-	-	-
Excess (deficiency) of revenues over (under) expenditures	950	478	1,428
Fund balance - beginning	8,900	1,277	10,177
Fund balance - ending	\$ 9,850	\$ 1,755	\$ 11,605

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, 2023

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		
				Budget Basis	Adjustments	Modified Cash Basis
REVENUES						
Charges for services	\$ 376,000	\$ 376,000	\$ 37,323	\$ 413,323	\$ -	\$ 413,323
SDC charges	55,000	55,000	48,408	103,408	-	103,408
Investment earnings	1,780	1,780	12,984	14,764	-	14,764
Miscellaneous income	-	7,903	17,668	25,571	-	25,571
Total revenues	<u>432,780</u>	<u>440,683</u>	<u>116,383</u>	<u>557,066</u>	<u>-</u>	<u>557,066</u>
EXPENSES						
Current						
Personnel services	281,600	341,600	(53,796)	287,804	-	287,804
Materials and services	146,897	172,851	(94,876)	77,975	-	77,975
Capital outlay	280,237	255,481	(255,481)	-	-	-
Depreciation	-	-	-	-	23,712	23,712
Total expenses	<u>708,734</u>	<u>769,932</u>	<u>(404,153)</u>	<u>365,779</u>	<u>23,712</u>	<u>389,491</u>
Excess (deficiency) of revenues over (under) expenses	<u>(275,954)</u>	<u>(329,249)</u>	<u>520,536</u>	<u>191,287</u>	<u>(23,712)</u>	<u>167,575</u>
OTHER FINANCING SOURCES (USES)						
Transfers out	<u>(143,483)</u>	<u>(168,239)</u>	<u>-</u>	<u>(168,239)</u>	<u>-</u>	<u>(168,239)</u>
Change in net position	(419,437)	(497,488)	520,536	23,048	(23,712)	(664)
Net position - beginning	<u>419,437</u>	<u>497,488</u>	<u>98,523</u>	<u>596,011</u>	<u>911,109</u>	<u>1,507,120</u>
Net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 619,059</u>	<u>\$ 619,059</u>	<u>\$ 887,397</u>	<u>\$ 1,506,456</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, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	Modified Cash Basis
REVENUES					
Charges for services	\$ 302,317	\$ (16,128)	\$ 286,189	\$ -	\$ 286,189
Investment earnings	4,300	34,977	39,277	-	39,277
Miscellaneous	80,000	(29,629)	50,371	-	50,371
Total revenues	<u>386,617</u>	<u>(10,780)</u>	<u>375,837</u>	<u>-</u>	<u>375,837</u>
EXPENSES					
Current					
Personnel services	157,300	(16,289)	141,011	-	141,011
Materials and services	280,300	(176,542)	103,758	-	103,758
Capital outlay	855,000	(636,323)	218,677	(218,429)	248
Contingency	50,000	(50,000)	-	-	-
Depreciation	-	-	-	182,685	182,685
Total expenses	<u>1,342,600</u>	<u>(879,154)</u>	<u>463,446</u>	<u>(35,744)</u>	<u>427,702</u>
Excess (deficiency) of revenues over (under) expenses	<u>(955,983)</u>	<u>868,374</u>	<u>(87,609)</u>	<u>35,744</u>	<u>(51,865)</u>
OTHER FINANCING					
SOURCES (USES)					
Transfers in	285,483	(125,244)	160,239	(250,000)	410,239
Transfers out	(10,000)	-	(10,000)	250,000	(260,000)
Total other financing sources (uses)	<u>275,483</u>	<u>(125,244)</u>	<u>150,239</u>	<u>-</u>	<u>150,239</u>
Change in net position	(680,500)	743,130	62,630	35,744	98,374
Net position - beginning	<u>1,394,000</u>	<u>42,396</u>	<u>1,436,396</u>	<u>4,642,219</u>	<u>6,078,615</u>
Net position - ending	<u>\$ 713,500</u>	<u>\$ 785,526</u>	<u>\$ 1,499,026</u>	<u>\$ 4,677,963</u>	<u>\$ 6,176,989</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, 2023

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		
				Budget Basis	Adjustments	Modified Cash Basis
REVENUES						
Charges for services	\$ 366,000	\$ 379,000	\$ 83,356	\$ 462,356	\$ -	\$ 462,356
SDC charges	51,500	51,500	34,900	86,400	-	86,400
Investment earnings	6,200	20,770	39,800	60,570	-	60,570
Miscellaneous income	1,500	105,265	10	105,275	-	105,275
Total revenues	<u>425,200</u>	<u>556,535</u>	<u>158,066</u>	<u>714,601</u>	<u>-</u>	<u>714,601</u>
EXPENSES						
Current						
Sewer						
Personnel services	387,500	387,500	(13,363)	374,137	-	374,137
Materials and services	393,600	444,898	(223,717)	221,181	(13,460)	207,721
Capital outlay	1,026,400	1,026,400	(598,311)	428,089	(428,053)	36
Depreciation	-	-	-	-	85,005	85,005
Total expenses	<u>1,807,500</u>	<u>1,858,798</u>	<u>(835,391)</u>	<u>1,023,407</u>	<u>(356,508)</u>	<u>666,899</u>
Excess (deficiency) of revenues over (under) expenses	<u>(1,382,300)</u>	<u>(1,302,263)</u>	<u>993,457</u>	<u>(308,806)</u>	<u>356,508</u>	<u>47,702</u>
OTHER FINANCING SOURCES (USES)						
Loan proceeds	275,000	275,000	(275,000)	-	-	-
Transfers in	25,000	25,000	-	25,000	52,555	77,555
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>265,000</u>	<u>265,000</u>	<u>(275,000)</u>	<u>(10,000)</u>	<u>52,555</u>	<u>42,555</u>
Change in net position	(1,117,300)	(1,037,263)	718,457	(318,806)	409,063	90,257
Net position - beginning	<u>2,258,800</u>	<u>2,178,763</u>	<u>107,413</u>	<u>2,286,176</u>	<u>1,687,874</u>	<u>3,974,050</u>
Net position - ending	<u>\$ 1,141,500</u>	<u>\$ 1,141,500</u>	<u>\$ 825,870</u>	<u>\$ 1,967,370</u>	<u>\$ 2,096,937</u>	<u>\$ 4,064,307</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, 2023 and 2022

	Sewer Operating Fund	
	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,970,562	\$ 2,289,306
Capital assets, net of accumulated depreciation		
Land	188,173	188,173
Construction in progress	167,024	172,394
Buildings and improvements	18,258	19,163
Infrastructure	1,981,556	1,604,008
Equipment	122,391	137,156
Total capital assets	2,477,402	2,120,894
Total assets	4,447,964	4,410,200
LIABILITIES		
Current liabilities		
Customer deposits and accrued payroll	3,192	3,130
Long-term liabilities, current portion	52,520	52,555
Total current liabilities	55,712	55,685
Noncurrent liabilities		
Long-term liabilities, less current portion	327,945	380,465
Total liabilities	383,657	436,150
NET POSITION		
Net investment in capital assets	2,096,937	1,687,874
Unrestricted	1,967,370	2,286,176
Total net position	\$ 4,064,307	\$ 3,974,050

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, 2023 and 2022

	Sewer Operating Fund	
	2023	2022
Operating revenues		
Charges for services	\$ 462,356	\$ 464,120
Miscellaneous income	105,275	63,993
Total operating revenues	567,631	528,113
Operating expenses		
Personnel services	374,137	306,656
Materials and services	207,721	132,683
Repairs and maintenance	36	47,093
Depreciation	85,005	71,341
Total operating expenses	666,899	557,773
Operating income (loss)	(99,268)	(29,660)
Nonoperating revenues (expenses)		
Grants and contributions	-	474,389
System development charges	86,400	102,609
Investment earnings	60,570	10,774
Total nonoperating revenues (expenses)	146,970	587,772
Income (loss) before contributions and transfers	47,702	558,112
Transfers in	42,555	34,602
Change in net position	90,257	592,714
Net position - beginning	3,974,050	3,381,336
Net position - ending	\$ 4,064,307	\$ 3,974,050

**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, 2023 and have issued our report thereon dated December 12, 2023. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*.

Compliance

As part of obtaining reasonable assurance about whether the City of 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, except as follows:

A. Excess of Expenditures Over Appropriations

During the year, the City expended funds in excess of appropriations as follows:

Fund	Function	Appropriations	Expenditures	Excess
General Fund	General Services	\$ 158,258	\$ 175,116	\$ 16,858
Fire Apparatus and Station Relocation Fund	Debt Service	\$ 29,300	\$ 53,440	\$ 24,140

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.

We identified certain deficiencies in internal control over financial reporting, as described in the accompanying schedule of findings and management’s response as items 2023-003 and 2023-004, that we consider to be material weaknesses.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We identified certain deficiencies in internal control over financial reporting, as described in the accompanying schedule of findings and management’s response as items 2023-001, 2023-002, and 2023-005, that we consider to be significant deficiencies in internal control over financial reporting.

This report is intended solely for the information and use of the city council and management of the City of 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
December 12, 2023



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

The Honorable 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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 12, 2023.

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.

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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We identified certain deficiencies in internal control over financial reporting, as described in the accompanying schedule of findings and management's response as items 2023-003 and 2023-004, that we consider to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified certain deficiencies in internal control over financial reporting, as described in the accompanying schedule of findings and management’s response as items 2023-001, 2023-002, and 2023-005, that we consider to be significant deficiencies in internal control over financial reporting.

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 two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*:

A. Excess of Expenditures Over Appropriations

During the year, the City expended funds in excess of appropriations as follows:

Fund	Function	Appropriations	Expenditures	Excess
General Fund	General Services	\$ 158,258	\$ 175,116	\$ 16,858
Fire Apparatus and Station Relocation Fund	Debt Service	\$ 29,300	\$ 53,440	\$ 24,140

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.

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

Accuity, LLC

Albany, Oregon
December 12, 2023

CITY OF BAY CITY
Tillamook County, Oregon

June 30, 2023

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

CITY OF BAY CITY
Tillamook County, Oregon

June 30, 2023

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

CITY OF BAY CITY
Tillamook County, Oregon

June 30, 2023

Finding Number	2023-003 (Repeat finding)
Finding Title	Unapplied cash collected was not applied to the correct accounts, nor reconciled to the general ledger causing financial data to be incorrect prior to audit adjustments
Type of Finding	Material Weakness
Criteria	Cash applications of prepayments should be reconciled to the general ledger accounts each month to ensure accuracy
Condition	Due to limited staffing, the procedures were not performed
Cause of Condition	Finance staff is competent, and capable. Due to the size of the City, at times some procedures are not able to be completed.
Potential Effect of Condition	There is a greater opportunity for misstatements in financial records, whether from fraud or error, to occur.
Prevalence	Systemic
Recommendation	We recommend that the reconciliations become a party of month end close, and are treated as a priority
Management's response	Management generally agrees with this determination and will treat it as a priority; The City will be implementing a new software system to help remedy the issue.

CITY OF BAY CITY
Tillamook County, Oregon

June 30, 2023

Finding Number	2023-004 (Repeat Finding)
Finding Title	Cash accounts are being reconciled within the bank reconciliation module, however they are not being balanced to the general ledger each month.
Type of Finding	Material Weakness
Criteria	General ledger cash accounts should balance to reconciled bank balances in total
Condition	The accounting system the City uses does not balance the cash accounts to the general ledger as a part of the bank reconciliation process. There are additional steps required to balance to the general ledger.
Cause of Condition	Lack of understanding of the necessary process.
Potential Effect of Condition	Cash balances incorrect in the financial statements
Prevalence	Systemic
Recommendation	We recommend that the City implement a process to balance cash to the general ledger each month, and make it a priority process
Management's response	Management generally agrees with this determination and will treat it as a priority; The City will be implementing a new software system to help remedy the issue.

CITY OF BAY CITY
Tillamook County, Oregon

June 30, 2023

Finding Number	2023-005
Finding Title	Lack of adequate review and approval of journal entries, in current year led to significant error in financial data prior to audit adjustments
Type of Finding	Significant Deficiency
Criteria	Adjusting journal entries entered into the accounting system should be reviewed and approved by someone other than the staff entering them.
Condition	Lack of review and approval of journal entries
Cause of Condition	Lack of knowledge of internal control best practices.
Potential Effect of Condition	Financial misstatement due to fraud or error.
Prevalence	Systemic
Recommendation	We recommend that the City develop a process to have review of journal entries.
Management's response	Management generally agrees with this determination and will implement additional review and approval processes for journal entries.