



CITY OF BAY CITY
Tillamook County, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2021



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

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

CITY OFFICIALS

June 30, 2021

MAYOR

David McCall
9633 1st Street
Bay City, Oregon 97107

CITY COUNCIL

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

Tom Imhoff
PO Box 3572
Bay City, Oregon 97107

Wendy Krostag
5515 Pacific Avenue,
Bay City, Oregon 97107

Melissa Rondeau
5545 Main Street
Bay City, Oregon 97107

Liane Welch
10030 Second Street
Bay City, Oregon 97107

Helen Wright
9920 5th Street
Bay City, Oregon 97107

CITY RECORDER

Kristin Rawson (former)
Lindsey Gann (as of 10/25/2021)

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

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, Oregon as of June 30, 2021, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended on the basis of accounting described in Note I.

Emphasis of Matter - Change in Accounting Principle

As described in the notes to the financial statements, in the year ended June 30, 2021, the City adopted new accounting guidance: GASB Statement NO. 84, *Fiduciary Activities*, and Statement No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Our opinions are not modified with respect to that 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 prepares its financial statements on the modified cash basis of accounting, which is a basis of accounting other than principles generally accepted in the United States of America. Our opinions are not modified with respect to that matter.

Disclaimer of Opinion on Supplementary Information and Other Financial Schedules

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bay City's basic financial statements. The other financial schedules, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Matters

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bay City's financial statements. The budgetary comparison information, combining and individual fund statements and schedules are the responsibility of management and were 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2022, on our consideration of the City’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Bay City’s internal control over financial reporting and compliance.

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 March 30, 2022 on our tests of the City’s compliance with certain provisions of laws and regulations specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Accuity, LLC

By:  _____

Glen O. Kearns, CPA

Albany, Oregon

March 30, 2022

BASIC FINANCIAL STATEMENTS

CITY OF BAY CITY
Tillamook County, Oregon

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

June 30, 2021

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,069,056	\$ 3,254,603	\$ 4,323,659
Restricted assets			
Cash and cash equivalents	447,591	-	447,591
Housing rehabilitation loans receivable	120,416	-	120,416
Capital assets not being depreciated	1,211,124	317,947	1,529,071
Capital assets being depreciated, net	<u>3,436,598</u>	<u>7,391,314</u>	<u>10,827,912</u>
Total assets	<u>6,284,785</u>	<u>10,963,864</u>	<u>17,248,649</u>
LIABILITIES			
Current liabilities			
Customer deposits	1,463	3,367	4,830
Long-term debt, current portion	<u>22,375</u>	<u>31,036</u>	<u>53,411</u>
Total current liabilities	23,838	34,403	58,241
Noncurrent liabilities			
Long-term debt, less current portion	<u>69,885</u>	<u>433,508</u>	<u>503,393</u>
Total liabilities	<u>93,723</u>	<u>467,911</u>	<u>561,634</u>
DEFERRED INFLOWS OF RESOURCES - USER FEES	<u>22,663</u>	<u>-</u>	<u>22,663</u>
NET POSITION			
Net investment in capital assets	4,555,462	7,244,717	11,800,179
Restricted for various purposes	472,207	-	472,207
Unrestricted	<u>1,612,937</u>	<u>3,251,236</u>	<u>4,864,173</u>
Total net position	<u>\$ 6,168,399</u>	<u>\$ 10,495,953</u>	<u>\$ 16,664,352</u>

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, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
General government	\$ 242,570	\$ 76,059	\$ -	\$ -	\$ (166,511)	\$ -	\$ (166,511)
Public safety	143,188	-	-	-	(143,188)	-	(143,188)
Planning and development	35,404	16,466	160	-	(18,778)	-	(18,778)
Culture and recreation	68,800	-	-	-	(68,800)	-	(68,800)
Highways and streets	111,251	152,826	-	100,000	141,575	-	141,575
Unallocated depreciation	115,502	-	-	-	(115,502)	-	(115,502)
Interest on long-term debt	22,919	-	-	-	(22,919)	-	(22,919)
Total governmental activities	<u>\$ 739,634</u>	<u>\$ 245,351</u>	<u>\$ 160</u>	<u>\$ 100,000</u>	<u>\$ (394,123)</u>	<u>-</u>	<u>(394,123)</u>
Business-type activities							
Water operations	\$ 781,056	906,938	\$ -	\$ -	-	125,882	125,882
Sewer operations	<u>643,095</u>	<u>496,942</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(146,153)</u>	<u>(146,153)</u>
Total business-type activities	<u>\$ 1,424,151</u>	<u>\$ 1,403,880</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>(20,271)</u>	<u>(20,271)</u>
General revenues							
Property taxes levied for general purposes					219,884	-	219,884
Property taxes levied for debt service					29,782	-	29,782
Property taxes levied for public safety					134,690	-	134,690
Franchise taxes					23,805	-	23,805
Transient room taxes					66,337	-	66,337
Motor fuel taxes					97,319	-	97,319
Alcohol and cigarette taxes					27,616	-	27,616
Intergovernmental					23,851	-	23,851
Investment earnings					10,330	24,067	34,397
Miscellaneous					<u>56,084</u>	<u>2,551</u>	<u>58,635</u>
Total general revenues					<u>689,698</u>	<u>26,618</u>	<u>716,316</u>
Transfers					<u>(299,352)</u>	<u>299,352</u>	<u>-</u>
Change in net position					(3,777)	305,699	301,922
Net position - beginning					<u>6,172,175</u>	<u>10,190,254</u>	<u>16,362,429</u>
Net position - ending					<u>\$ 6,168,398</u>	<u>\$10,495,953</u>	<u>\$16,664,351</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, 2021

	General Fund	Streets and Roads Fund	Housing Rehabilitation Loan Fund	DEQ Repayment Fund	Street Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$537,824	\$ 116,075	\$ 110,354	\$ 84,584	\$371,509	\$ 296,300	\$ 1,516,647
Housing rehabilitation loans receivable	-	-	120,416	-	-	-	120,416
Total assets	<u>\$ 537,824</u>	<u>\$ 116,075</u>	<u>\$ 230,770</u>	<u>\$ 84,584</u>	<u>\$ 371,509</u>	<u>\$ 296,300</u>	<u>\$ 1,637,063</u>
LIABILITIES							
Customer deposits	\$ 1,464	-	-	-	-	-	\$ 1,464
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue -							
Housing rehabilitation loans	-	-	120,416	-	-	-	120,416
User fees	22,663	-	-	-	-	-	22,663
Total deferred inflows of resources	<u>22,663</u>	<u>-</u>	<u>120,416</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>143,079</u>
FUND BALANCES							
Fund balances							
Restricted	24,620	116,075	110,354	84,584	-	136,573	472,206
Committed	-	-	-	-	371,509	159,728	531,237
Unassigned	489,077	-	-	-	-	-	489,077
Total fund balances	<u>513,697</u>	<u>116,075</u>	<u>110,354</u>	<u>84,584</u>	<u>371,509</u>	<u>296,301</u>	<u>1,492,520</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 537,824</u>	<u>\$ 116,075</u>	<u>\$ 230,770</u>	<u>\$ 84,584</u>	<u>\$ 371,509</u>	<u>\$ 296,301</u>	<u>\$ 1,637,063</u>

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

CITY OF BAY CITY
Tillamook County, Oregon

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

June 30, 2021

Total fund balances		\$ 1,492,520
Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds:		
Cost	8,049,716	
Accumulated depreciation	<u>(3,401,994)</u>	4,647,722
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.		
		120,416
Long-term liabilities accounted for in governmental funds are not financial expenses and are therefore not reported in governmental funds.		
		<u>(92,260)</u>
Net position of governmental activities		<u><u>\$ 6,168,398</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, 2021

	General Fund	Streets and Roads Fund	Housing Rehabilitation Loan Fund	DEQ Repayment Fund	Street Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Property taxes	\$448,527	\$ -	\$ -	\$ -	\$ -	\$ 29,782	\$ 478,309
Licenses	1,283	-	-	-	-	-	1,283
Intergovernmental	24,011	196,346	-	-	-	973	221,330
Charges for services	16,617	-	-	51,358	101,694	21,130	190,799
Franchise fees	73,105	-	-	-	60,030	-	133,135
Investment earnings	4,024	171	915	-	2,297	2,923	10,330
Miscellaneous	54,801	-	-	-	-	-	54,801
Total revenues	<u>622,368</u>	<u>196,517</u>	<u>915</u>	<u>51,358</u>	<u>164,021</u>	<u>54,808</u>	<u>1,089,987</u>
EXPENDITURES							
Current							
Administration	199,588	-	-	-	-	-	199,588
Police	-	-	-	-	-	-	-
Fire	173,783	-	-	-	-	-	173,783
Recreation	25,614	-	-	-	-	-	25,614
Planning and development	30,279	-	2,249	-	-	-	32,528
General services	45,858	-	-	-	-	-	45,858
Tourism	35,416	-	-	-	-	-	35,416
Highways and streets	-	110,344	-	-	72,720	-	183,064
Debt service	54,778	-	-	194,826	-	97,514	347,118
Capital outlay	-	-	-	-	-	76,075	76,075
Total expenditures	<u>565,316</u>	<u>110,344</u>	<u>2,249</u>	<u>194,826</u>	<u>72,720</u>	<u>173,589</u>	<u>1,119,044</u>
Excess (deficiency) of revenues over (under) expenditures	<u>57,052</u>	<u>86,173</u>	<u>(1,334)</u>	<u>(143,468)</u>	<u>91,301</u>	<u>(118,781)</u>	<u>(29,057)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	105,100	-	-	-	-	63,400	168,500
Transfers out	(143,500)	-	-	-	-	(5,000)	(148,500)
Total other financing sources (uses)	<u>(38,400)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,400</u>	<u>20,000</u>
Net change in fund balances	18,652	86,173	(1,334)	(143,468)	91,301	(60,381)	(9,057)
Fund balances - beginning	<u>495,045</u>	<u>29,902</u>	<u>111,688</u>	<u>228,052</u>	<u>280,208</u>	<u>356,682</u>	<u>1,501,577</u>
Fund balances - ending	<u>\$513,697</u>	<u>\$116,075</u>	<u>\$ 110,354</u>	<u>\$ 84,584</u>	<u>\$371,509</u>	<u>\$ 296,301</u>	<u>\$ 1,492,520</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, 2021

Net change in fund balances		\$ (9,057)
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital asset additions	98,900	
Less current year depreciation	<u>(115,502)</u>	(16,602)

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>21,882</u>
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Change in net position		<u>\$ (3,777)</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF BAY CITY
Tillamook County, Oregon

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

PROPRIETARY FUNDS

June 30, 2021

	Business-Type Activities - Enterprise Funds			
	Bay City Water Operating	Bay City Water System	Sewer Operating	Totals
ASSETS				
Current assets				
Cash and cash equivalents	\$ 466,435	\$ 897,154	\$ 1,891,014	\$ 3,254,603
Noncurrent assets				
Capital assets, net	<u>934,620</u>	<u>4,817,117</u>	<u>1,957,524</u>	<u>7,709,261</u>
Total assets	<u>1,401,055</u>	<u>5,714,271</u>	<u>3,848,538</u>	<u>10,963,864</u>
LIABILITIES				
Current liabilities				
Customer deposits	720	-	2,647	3,367
Long-term debt, current portion	<u>-</u>	<u>-</u>	<u>31,036</u>	<u>31,036</u>
Total current liabilities	<u>720</u>	<u>-</u>	<u>33,683</u>	<u>34,403</u>
Noncurrent liabilities				
Long-term debt, less current portion	<u>-</u>	<u>-</u>	<u>433,508</u>	<u>433,508</u>
Total liabilities	<u>720</u>	<u>-</u>	<u>467,191</u>	<u>467,911</u>
NET POSITION				
Net investment in capital assets	934,620	4,817,117	1,492,980	7,244,717
Unrestricted	<u>465,715</u>	<u>897,154</u>	<u>1,888,367</u>	<u>3,251,236</u>
Total net position	<u>\$ 1,400,335</u>	<u>\$ 5,714,271</u>	<u>\$ 3,381,347</u>	<u>\$ 10,495,953</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, 2021

	Business-Type Activities - Enterprise Funds			Totals
	Bay City Water Operating	Bay City Water System	Sewer Operating	
Operating revenues				
Charges for services	\$ 353,062	\$ 261,747	\$ 605,110	\$ 1,219,919
Other fees	856	59	1,636	2,551
Total operating revenues	<u>353,918</u>	<u>261,806</u>	<u>606,746</u>	<u>1,222,470</u>
Operating expenses				
Personnel services	257,406	77,800	281,578	616,784
Materials and services	125,772	104,815	293,743	524,330
Small equipment	-	6,981	-	6,981
Depreciation	24,253	184,029	67,774	276,056
Total operating expenses	<u>407,431</u>	<u>373,625</u>	<u>643,095</u>	<u>1,424,151</u>
Operating income (loss)	<u>(53,513)</u>	<u>(111,819)</u>	<u>(36,349)</u>	<u>(201,681)</u>
Nonoperating revenues (expenses)				
System development charges	113,628	-	70,333	183,961
Investment earnings	3,840	5,635	14,592	24,067
Total nonoperating revenues (expenses)	<u>117,468</u>	<u>5,635</u>	<u>84,925</u>	<u>208,028</u>
Income (loss) before contributions and transfers	63,955	(106,184)	48,576	6,347
Transfers in	67,800	212,773	297,318	577,891
Transfers out	<u>(213,539)</u>	<u>(35,000)</u>	<u>(30,000)</u>	<u>(278,539)</u>
Change in net position	(81,784)	71,589	315,894	305,699
Net position - beginning	<u>1,482,119</u>	<u>5,642,682</u>	<u>3,065,453</u>	<u>10,190,254</u>
Net position - ending	<u>\$ 1,400,335</u>	<u>\$ 5,714,271</u>	<u>\$ 3,381,347</u>	<u>\$ 10,495,953</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, 2021

	Business-Type Activities - Enterprise Funds			Totals
	Bay City Water Operating	Bay City Water System	Sewer Operating	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 353,062	\$ 261,747	\$ 605,110	\$ 1,219,919
Other operating revenues	856	59	1,636	2,551
Payments to employees	(257,406)	(77,800)	(281,578)	(616,784)
Payments to suppliers	(125,772)	(111,796)	(171,693)	(409,261)
Net cash provided (used) by operating activities	<u>(29,260)</u>	<u>72,210</u>	<u>153,475</u>	<u>196,425</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	67,800	165,739	25,000	258,539
Transfers to other funds	(213,539)	(35,000)	(30,000)	(278,539)
Net cash provided (used) by noncapital financing activities	<u>(145,739)</u>	<u>130,739</u>	<u>(5,000)</u>	<u>(20,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
System development charges received	113,628	-	70,333	183,961
Issuance of long-term debt	-	-	30,385	30,385
Purchase of capital assets	-	-	-	-
Net cash provided (used) by capital and related financing activities	<u>113,628</u>	<u>-</u>	<u>100,718</u>	<u>214,346</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	3,765	5,635	15,374	24,774
Net cash provided (used) by investing activities	<u>3,765</u>	<u>5,635</u>	<u>15,374</u>	<u>24,774</u>
Net increase (decrease) in cash and cash equivalents	(57,606)	208,584	264,567	415,545
Cash and cash equivalents - beginning	524,041	688,570	1,626,447	2,839,058
Cash and cash equivalents - ending	<u>\$ 466,435</u>	<u>\$ 897,154</u>	<u>\$ 1,891,014</u>	<u>\$ 3,254,603</u>

(Continued)

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

Tillamook County, Oregon

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS

PROPRIETARY FUNDS

For the Year Ended June 30, 2021

(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)	\$ (53,513)	\$ (111,819)	\$ (36,349)	\$ (201,681)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Disposal of capital assets	-	-	122,050	122,050
Depreciation expense	<u>24,253</u>	<u>184,029</u>	<u>67,774</u>	<u>276,056</u>
Net cash provided (used) by operating activities	<u>\$ (29,260)</u>	<u>\$ 72,210</u>	<u>\$ 153,475</u>	<u>\$ 196,425</u>

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, 2021

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, 2021

Special Revenue Funds

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.

Debt Service Funds

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 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.

CITY OF BAY CITY
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

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.

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, 2021

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, 2021

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 were no supplemental budgets. The City does not use encumbrances and appropriations lapse at year-end.

Budget amounts shown in the financial statements reflect the original budget amounts and five 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.

CITY OF BAY CITY
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

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.

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.

CITY OF BAY CITY
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

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.

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.

CITY OF BAY CITY
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

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. 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, 2021

H. Use of Estimates

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

I. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Property Taxes

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

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

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

CITY OF BAY CITY
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Cash Deposits with Financial Institutions

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

Investments, including amounts held in pooled cash and investments, are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value.

The City participates in an external investment pool (State of Oregon Local Government Investment Pool). The Pool is not registered with the U.S. Securities and Exchange Commission as an investment company.

The State's investment policies are governed by the Oregon Revised Statutes (ORC) and the Oregon Investment Council (OIC). The State Treasurer is the investment officer for the OIC and is responsible for all funds in the State Treasury. These funds are invested exercising reasonable care, skill, and caution. Investments in the Pool are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which established diversification percentages and specifies the types and maturities of investments.

The portion of the external investment pool which belongs to local government investment participants is reported in an Investment Trust Fund in the State's Comprehensive Annual Financial Report (CAFR). A copy of the State's CAFR 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, 2021

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, 2021.

Fair values of assets measured on a recurring basis at June 30, 2021 are as follows:

	Level 2
Investments	
Oregon Local Government Investment Pool	\$ 3,944,214

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, 2021, the City had the following investments:

	Credit Quality Rating	Maturities	Fair Value
Oregon Local Government Investment Pool	Unrated	-	\$ 3,944,214

Interest Rate Risk

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

Concentration of Credit Risk

The City does not have a formal policy that places a limit on the amount that may be invested in

CITY OF BAY CITY
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

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, 2021, the City had deposits of \$250,000 insured by the FDIC, \$5 insured by the NCUA and \$670,928 collateralized under the PFCP.

Deposits

The City's deposits and investments at June 30, 2021 are as follows:

Cash on hand	\$ 250
Checking account (bank overdraft)	826,786
Total investments	<u>3,944,214</u>
Total deposits and investments	<u>\$ 4,771,250</u>

CITY OF BAY CITY
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

Cash and investments by fund:

Governmental activities - unrestricted	
General Fund	\$ 537,819
Street Reserve Fund	371,509
Nonmajor governmental funds	<u>159,728</u>
Total governmental activities - unrestricted	<u>1,069,056</u>
Business-type activities - unrestricted	
Bay City Water Operating Fund	466,435
Bay City Water System Fund	897,154
Sewer Operating Fund	<u>1,891,014</u>
Total business-type activities - unrestricted	<u>3,254,603</u>
Subtotal unrestricted cash and investments	<u>4,323,659</u>
Governmental activities - restricted	
General Fund	5
Streets and Roads Fund	116,075
Housing Rehabilitation Loan Fund	110,354
DEQ Repayment Fund	84,584
Nonmajor governmental funds	<u>136,572</u>
Total governmental activities - restricted	<u>447,591</u>

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

CITY OF BAY CITY
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

B. Capital Assets

Capital asset activity resulting from modified cash basis transactions for the year ended June 30, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,211,124	\$ -	\$ -	\$ 1,211,124
Capital assets being depreciated				
Buildings and improvements	998,322	41,400	-	1,039,722
Infrastructure	4,556,053	-	-	4,556,053
Equipment	<u>1,185,317</u>	<u>57,500</u>	<u>-</u>	<u>1,242,817</u>
Total capital assets being depreciated	<u>6,352,893</u>	<u>98,900</u>	<u>-</u>	<u>6,838,592</u>
Less accumulated depreciation for				
Buildings and improvements	(905,184)	(10,033)	-	(915,217)
Infrastructure	(1,580,198)	(91,796)	-	(1,671,994)
Equipment	<u>(801,110)</u>	<u>(13,673)</u>	<u>-</u>	<u>(814,783)</u>
Total accumulated depreciation	<u>(3,089,888)</u>	<u>(115,502)</u>	<u>-</u>	<u>(3,401,994)</u>
Total capital assets being depreciated, net	<u>3,263,005</u>	<u>(16,602)</u>	<u>-</u>	<u>3,436,598</u>
Governmental activities capital assets, net	<u>\$ 4,474,129</u>	<u>\$ (16,602)</u>	<u>\$ -</u>	<u>\$ 4,647,722</u>

(Continued)

CITY OF BAY CITY
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

	Beginning Balance	Increases	Decreases	Ending Balance
(Continued)				
Business-type activities				
Capital assets not being depreciated				
Land	\$ 262,792	\$ -	\$ -	\$ 262,792
Construction in progress	286,464	-	(231,309)	55,155
Total capital assets not being depreciated	403,131	-	(231,309)	317,947
Capital assets being depreciated				
Buildings and improvements	4,377,747	-	-	4,377,747
Infrastructure	8,898,613	181,072	-	9,079,685
Equipment	630,547	-	-	630,547
Total capital assets being depreciated	13,805,622	181,072	-	14,087,979
Less accumulated depreciation for				
Buildings and improvements	(1,732,338)	(89,090)	-	(1,821,428)
Infrastructure	(4,142,811)	(181,174)	-	(4,323,985)
Equipment	(545,460)	(5,792)	-	(551,252)
Total accumulated depreciation	(5,907,845)	(276,056)	-	(6,696,665)
Total capital assets being depreciated, net	7,897,777	(94,984)	-	7,391,314
Business-type activities capital assets, net	\$ 8,300,908	\$ (94,984)	\$ (231,309)	\$ 7,709,261

CITY OF BAY CITY
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

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

	<u>Capital Assets</u>	<u>Accumulated Depreciation</u>	<u>Net Capital Assets</u>
Governmental activities			
Land	\$ 1,211,124	\$ -	\$ 1,211,124
Buildings and improvements	1,039,722	(915,217)	124,505
Infrastructure	4,556,053	(1,671,994)	2,884,059
Equipment	<u>1,242,817</u>	<u>(814,783)</u>	<u>428,034</u>
Total governmental capital assets	<u>8,049,716</u>	<u>(3,401,994)</u>	<u>4,647,722</u>
Business-type activities			
Land	262,792	-	262,792
Construction in progress	55,155	-	55,155
Buildings and improvements	4,377,747	(1,821,428)	2,556,319
Infrastructure	9,079,685	(4,323,985)	4,755,700
Equipment	<u>630,547</u>	<u>(551,252)</u>	<u>79,295</u>
Total business-type capital assets	<u>14,405,926</u>	<u>(6,696,665)</u>	<u>7,709,261</u>
Total capital assets	<u>\$ 22,455,642</u>	<u>\$ (10,098,659)</u>	<u>\$ 12,356,983</u>

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

Governmental activities	
Unallocated depreciation expense	<u>\$ 115,502</u>
Business-type activities	
Water operations	\$ 208,282
Sewer operations	<u>67,774</u>
Total business-type activities	<u>\$ 276,056</u>

CITY OF BAY CITY
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

C. Interfund Transfers

Interfund transfers during the year consisted of:

	Transfers In:				Total
	General Fund	Nonmajor Governmental Funds	Bay City Water System	Sewer Operating Fund	
Transfers out:					
Governmental activities					
General Fund	\$ -	\$ 43,400	\$ -	\$ -	\$ 43,400
Nonmajor governmental funds	5,000	-	-	-	5,000
Total governmental activities	<u>5,000</u>	<u>43,400</u>	<u>-</u>	<u>-</u>	<u>48,400</u>
Business-type activities					
Bay City Water Operating Fund	-	10,000	135,739	-	145,739
Bay City Water System Fund	-	-	-	5,000	5,000
Sewer Operating Fund	-	10,000	-	-	10,000
Total business-type activities	<u>-</u>	<u>20,000</u>	<u>135,739</u>	<u>5,000</u>	<u>160,739</u>
Total	<u>\$ 5,000</u>	<u>\$ 63,400</u>	<u>\$ 135,739</u>	<u>\$ 5,000</u>	<u>\$ 209,139</u>

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

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

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							
Note payable							
Fire truck loan	2.0%	\$ 218,070	\$ 114,142	\$ -	\$ 21,882	\$ 92,260	\$ 22,375
Business-type activities							
General obligation bond 92-04	4.5%	\$ 111,500	\$ 73,368	\$ -	\$ 2,760	\$ 70,608	\$ 2,744
General obligation bond 92-06	4.5%	328,700	216,376	-	8,130	208,246	8,093
Total bonds		<u>440,200</u>	<u>289,744</u>	<u>-</u>	<u>10,890</u>	<u>278,854</u>	<u>10,837</u>
Notes/Loans payable							
GMAC 1981 note payable	5%	900,000	47,034	-	47,034	-	-
DEQ clean water revolving loan	1.06%	225,000	155,305	30,385	-	185,690	20,199
DEQ clean water revolving loan	0.88%	190,000	189,615	-	189,615	-	-
Total notes/loans		<u>1,315,000</u>	<u>391,954</u>	<u>30,385</u>	<u>236,649</u>	<u>185,690</u>	<u>20,199</u>
Total business-type		<u>\$1,755,200</u>	<u>\$ 681,698</u>	<u>\$ 30,385</u>	<u>\$ 247,539</u>	<u>\$ 464,544</u>	<u>\$ 31,036</u>

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

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 Interest

Interest expense for governmental funds for the year ended June 30, 2021 was reported as follows:

Governmental activities	
Interest on long-term debt	<u>\$ 22,919</u>

4. Governmental Activity Future Maturities of Long-Term Debt

Year Ending June 30	Loan	
	Principal	Interest
2022	\$ 22,375	\$ 1,844
2023	22,823	1,397
2024	23,279	940
2025	23,783	320
Totals	\$ 92,260	\$ 4,501

5. 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.

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.

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

6. 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.

7. 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, 2021, the project was complete and the loan had been liquidated.

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

The DEQ Loan Repayment Fund will be used to liquidate the debt related to this loan. As of June 30, 2021, the project was complete.

8. Legal Debt Limit

The City's legal annual debt service limit (as defined by Oregon Revised Statute 478.410) as of June 30, 2021, was approximately \$6,226,886. The City's legal debt service limit is 3.00% of the real market value of property within the City.

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NOTES TO BASIC FINANCIAL STATEMENTS

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9. 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.

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

Year Ending June 30	Bonds		Notes/Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 11,325	\$ 12,600	\$ 20,199	\$ 4,788	\$ 31,524	\$ 17,388
2023	11,835	12,090	40,720	1,646	52,555	13,736
2024	11,368	12,557	41,152	1,214	52,520	13,771
2025	12,924	11,001	41,590	776	54,514	11,777
2026	13,506	10,419	42,029	335	55,535	10,754
2027-2031	77,209	42,416	-	-	77,209	42,416
2032-2036	96,218	23,407	-	-	96,218	23,407
2037-2038	44,469	3,263	-	-	44,469	3,263
Totals	<u>\$ 278,854</u>	<u>\$ 127,753</u>	<u>\$ 185,690</u>	<u>\$ 8,759</u>	<u>\$ 464,544</u>	<u>\$ 136,512</u>

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NOTES TO BASIC FINANCIAL STATEMENTS

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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	DEQ Repayment Fund	Street Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund balances:							
Restricted for:							
Housing rehabilitation loan program	\$ -	\$ -	\$ 110,354	\$ -	\$ -	\$ -	\$ 110,354
Street improvements and repairs	-	116,075	-	-	-	-	116,075
Park improvements	-	-	-	-	-	7,987	7,987
Debt service	-	-	-	84,584	-	119,598	204,182
Footpaths and bicycle trails	-	-	-	-	-	8,988	8,988
TRT tourism	24,620	-	-	-	-	-	24,620
Committed to:							
Street system improvements	-	-	-	-	371,509	-	371,509
Equipment purchases	-	-	-	-	-	5,235	5,235
Fire apparatus purchases	-	-	-	-	-	154,493	154,493
Unassigned	<u>489,077</u>	-	-	-	-	-	<u>489,077</u>
 Total fund balances	 <u>\$513,697</u>	 <u>\$ 116,075</u>	 <u>\$ 110,354</u>	 <u>\$ 84,584</u>	 <u>\$371,509</u>	 <u>\$ 296,301</u>	 <u>\$ 1,492,520</u>

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

III. OTHER INFORMATION

A. Risk Management

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

B. Retirement Plans

1. Oregon Public Employees Retirement System

General Information about the Pension Plan

The Oregon Public Employees Retirement System (OPERS) consists of a cost-sharing, multiple-employer defined benefit plan for units of state governmental, 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, 2020, there were 901 participating employers.

Plan Membership

As of June 30, 2020, there were 16,323 active plan members, 129,520 retired plan members or their beneficiaries currently receiving benefits, 9,930 inactive plan members entitled to but not yet receiving benefits, for a total of 155,773 Tier One members.

For Tier Two members, as of June 30, 2020, there were 31,548 active plan members, 17,162 retired plan members or their beneficiaries currently receiving benefits, 13,880 inactive plan members entitled to but not yet receiving benefits, for a total of 62,590.

As of June 30, 2020, there were 130,806 active plan members, 6,940 retired plan members or their beneficiaries currently receiving benefits, 6,281 inactive plan members entitled to but not yet receiving benefits, and 16,439 inactive plan members not eligible for refund or retirements, for a total of 160,466 OPSRP Pension Program members.

Plan Benefits

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

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

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Pension Benefits

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

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

Death Benefits

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

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

Disability Benefits

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for a either a non-

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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

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benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit Changes After Retirement

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

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

Pension Benefits

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

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

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, 2018 actuarial valuation, which became effective July 1, 2019. The State of Oregon and certain schools,

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NOTES TO BASIC FINANCIAL STATEMENTS

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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.

Employer contributions for the year ended June 30, 2021 were \$82,505.

Pension Plan Comprehensive Annual Financial Report (CAFR)

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/2020-CAFR.pdf>.

Actuarial Valuations

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

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

Actuarial Methods and Assumptions:

Valuation Date	December 31, 2018
Measurement Date	June 30, 2020
Experience Study	2018, published July 24, 2019
<i>Actuarial Assumptions:</i>	

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Actuarial Cost Method	Entry age normal
Inflation Rate	2.50 percent
Long-term Expected Rate of Return	7.20 percent
Discount Rate	7.20 percent
Projected Salary Increases	3.50 percent
Cost of living adjustment (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/.15%) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	<p>Health retirees and beneficiaries: Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Active members: Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are on the 2018 Experience Study, which reviewed experience for the four-year period ended December 31, 2018. There were no differences between the assumptions and plan provisions used for June 30, 2020 measurement date calculations compared to those shown above.

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Actuarial Methods and Assumptions

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.20 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 67 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 67 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 67 (paragraph 43) 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.

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- 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 67 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 67 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in May 2019 the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors.

Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

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

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2020-CAFR.pdf>

OIC Target and Actual Investment Allocation as of June 30, 2020

<u>Asset Class/Strategy</u>	<u>OIC Policy Low Range</u>	<u>OIC Policy High Range</u>	<u>OIC Target Allocation</u>	<u>Actual Allocation³</u>
Debt Securities	15.0%	25.0%	20.0%	20.0%
Public Equity	27.5%	37.5%	32.5%	31.8%
Real Estate	9.5%	15.5%	12.5%	11.4%
Private Equity	14.0%	21.0%	17.5%	22.9%

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Alternatives Portfolio	7.5%	17.5%	15.0%	10.5%
Opportunity Portfolio ¹	0.0%	3.0%	0.0%	2.1%
Risk Parity ²	0.0%	2.5%	2.5%	1.3%
Total			100.0%	100.0%

¹Opportunity Portfolio is an investment strategy, and it may be invested up to 3% of total plan net position.

²Risk Parity is a new investment strategy added to the asset allocation mix in 2019.

³ Based on the actual investment value at 6/30/2020.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

C. Commitments

1. Lease Commitments

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

2. Financing Agreement - GIS System

The City entered into an agreement for project financing for a GIS system. The agreement calls for a \$20,000 forgivable loan once the conditions of the agreement have been met. As of June 30, 2021, no drawdowns had occurred.

3. Financing Agreement - Well Project

The City entered into an agreement for project financing for a well project in the Kilches area. The agreement calls for a \$20,000 forgivable loan once the conditions of the agreement have been met. As of June 30, 2021, no drawdowns had occurred.

D. New Pronouncements

For the fiscal year ended June 30, 2021, the City implemented the following new accounting standards:

GASB Statement No. 84, Fiduciary Activities - This statement established criteria and guidance for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes, as well as the reporting requirements for these fiduciary funds.

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GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.

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. 83, Certain Asset Retirement Obligations – This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The statement is effective for fiscal years beginning after June 15, 2020 (as amended by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*).

GASB Statement No. 87, Leases – This statement addresses the accounting and financial reporting for leases by governments, requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. The statement is effective for fiscal years beginning after June 15, 2022 (as amended by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*).

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

E. Subsequent Events

Management has evaluated subsequent events through March 30, 2022, which was the date that the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

CITY OF BAY CITY
Tillamook County, Oregon

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

GENERAL FUND

For the Year Ended June 30, 2021

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		
				Budget Basis	Adjustments	Cash Basis
REVENUES						
Property and other taxes	\$ 354,000	\$ 349,500	\$ 99,027	\$ 448,527	\$ -	\$ 448,527
Licenses	500	600	683	1,283	-	1,283
Intergovernmental	40,000	78,400	(54,389)	24,011	-	24,011
Charges for services	92,000	10,100	6,517	16,617	-	16,617
Franchise fees	-	82,400	(9,295)	73,105	-	73,105
Investment earnings	10,000	3,200	824	4,024	-	4,024
Miscellaneous	1,600	51,500	3,301	54,801	-	54,801
Total revenues	<u>498,100</u>	<u>575,700</u>	<u>46,668</u>	<u>622,368</u>	<u>-</u>	<u>622,368</u>
EXPENDITURES						
Current						
Administration	251,000	247,000	(47,412)	199,588	-	199,588
Fire	264,200	332,491	(109,119)	223,372	(49,589)	173,783
Recreation	-	105,375	(79,761)	25,614	-	25,614
Planning & development	-	42,500	(12,221)	30,279	-	30,279
Tourism	-	95,000	(59,584)	35,416	-	35,416
General services	-	163,100	(17,142)	145,958	(100,100)	45,858
Materials and services	143,500	-	-	-	-	-
Debt service	24,300	69,400	(14,622)	54,778	-	54,778
Contingency	16,000	29,625	(29,625)	-	-	-
Total expenditures	<u>699,000</u>	<u>1,084,491</u>	<u>(369,486)</u>	<u>715,005</u>	<u>(149,689)</u>	<u>565,316</u>
Excess (deficiency) of revenues over (under) expenditures	(200,900)	(508,791)	416,154	(92,637)	149,689	57,052
OTHER FINANCING						
SOURCES (USES)						
Transfers in	-	105,100	-	105,100	-	105,100
Transfers out	(40,000)	-	-	-	(143,500)	(143,500)
Total other financing sources (uses)	<u>(40,000)</u>	<u>105,100</u>	<u>-</u>	<u>105,100</u>	<u>(143,500)</u>	<u>(38,400)</u>
Net change in fund balance	(240,900)	(403,691)	416,154	12,463	6,189	18,652
Fund balance - beginning	<u>550,000</u>	<u>428,691</u>	<u>66,354</u>	<u>495,045</u>	<u>-</u>	<u>495,045</u>
Fund balance - ending	<u>\$ 309,100</u>	<u>\$ 25,000</u>	<u>\$ 482,508</u>	<u>\$ 507,508</u>	<u>\$ 6,189</u>	<u>\$ 513,697</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, 2021

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		Cash Basis
				Budget Basis	Adjustments	
REVENUES						
Intergovernmental	\$ 185,000	\$ 185,000	\$ 11,346	\$ 196,346	\$ -	\$ 196,346
Investment earnings	10,000	200	(29)	171	-	171
Miscellaneous	49,000	-	-	-	-	-
Total revenues	<u>244,000</u>	<u>185,200</u>	<u>11,317</u>	<u>196,517</u>	<u>-</u>	<u>196,517</u>
EXPENDITURES						
Current						
Street	424,500	-	-	-	-	-
Personnel services	-	89,800	(30,869)	58,931	30	58,961
Materials and services	-	110,000	(58,617)	51,383	-	51,383
Contingency	-	5,900	(5,900)	-	-	-
Total expenditures	<u>424,500</u>	<u>205,700</u>	<u>(95,386)</u>	<u>110,314</u>	<u>30</u>	<u>110,344</u>
Excess (deficiency) of revenues over (under) expenditures	(180,500)	(20,500)	106,703	86,203	(30)	86,173
Fund balance - beginning	<u>350,000</u>	<u>20,500</u>	<u>9,402</u>	<u>29,902</u>	<u>-</u>	<u>29,902</u>
Fund balance - ending	<u>\$ 169,500</u>	<u>\$ -</u>	<u>\$ 116,105</u>	<u>\$ 116,105</u>	<u>\$ (30)</u>	<u>\$ 116,075</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, 2021

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES				
Investment earnings	\$ -	\$ 1,000	\$ (85)	\$ 915
Loan repayment	-	-	-	-
Total revenues	-	1,000	(85)	915
EXPENDITURES				
Current				
Materials and services	101,000	112,500	(110,251)	2,249
Excess (deficiency) of revenues over (under) expenditures	(101,000)	(111,500)	110,166	(1,334)
Fund balance - beginning	101,000	111,500	188	111,688
Fund balance - ending	\$ -	\$ -	\$ 110,354	\$ 110,354

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, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance with Final Budget Over (Under)</u>	<u>Actual Cash - Basis</u>
REVENUES				
Charges for service	\$ -	\$ 45,000	\$ 6,358	\$ 51,358
EXPENDITURES				
Debt service	<u>-</u>	<u>195,000</u>	<u>(174)</u>	<u>194,826</u>
Excess (deficiency) of revenues over (under) expenditures	-	(150,000)	6,532	(143,468)
Fund balance - beginning	<u>-</u>	<u>227,500</u>	<u>552</u>	<u>228,052</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 77,500</u>	<u>\$ 7,084</u>	<u>\$ 84,584</u>

CITY OF BAY CITY
Tillamook County, Oregon

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

STREET RESERVE FUND

For the Year Ended June 30, 2021

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES				
Charges for services	\$ -	\$ 90,000	\$ 11,694	\$ 101,694
Franchise fees	-	3,500	56,530	60,030
Investment earnings	-	700	1,597	2,297
	-	94,200	69,821	164,021
EXPENDITURES				
Current				
Materials and services	-	95,500	(22,780)	72,720
Contingency	-	47,200	(47,200)	-
	-	142,700	(69,980)	72,720
Excess (deficiency) of revenues over (under) expenditures	-	(48,500)	139,801	91,301
Fund balance - beginning	-	114,500	165,708	280,208
Fund balance - ending	\$ -	\$ 66,000	\$ 305,509	\$ 371,509

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

CITY OF BAY CITY
Tillamook County, Oregon

COMBINING BALANCE SHEET - MODIFIED CASH BASIS

NONMAJOR GOVERNMENTAL FUNDS

06/30/2021

	Debt Service Funds		Capital Projects Funds			Footpaths and Bicycle Trails	Total Nonmajor Governmental Funds
	Kilchis Water Bond	Sewer Bond	Bay City Equipment Reserve	Fire Apparatus Reserve	Parks and Recreation		
ASSETS							
Cash and cash equivalents	\$ 74,596	\$ 45,002	\$ 5,235	\$ 154,493	\$ 7,987	\$ 8,987	\$ 296,300
FUND BALANCES							
Restricted for:							
Debt service	\$ 74,596	\$ 45,002	\$ -	\$ -	\$ -	\$ -	\$ 119,598
Park improvements	-	-	-	-	7,987	-	7,987
Footpath and bicycle trail upgrades	-	-	-	-	-	8,988	8,988
Committed to:							
Equipment purchases	-	-	5,235	154,493	-	-	159,728
Total fund balances	<u>74,596</u>	<u>45,002</u>	<u>5,235</u>	<u>154,493</u>	<u>7,987</u>	<u>8,988</u>	<u>296,301</u>
Total liabilities and fund balances	<u>\$ 74,596</u>	<u>\$ 45,002</u>	<u>\$ 5,235</u>	<u>\$ 154,493</u>	<u>\$ 7,987</u>	<u>\$ 8,988</u>	<u>\$ 296,301</u>

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, 2021

	Debt Service Funds		Capital Projects Funds				Total Nonmajor Governmental Funds
	Kilchis Water Bond	Sewer Bond	Bay City Equipment Reserve	Fire Apparatus Reserve	Parks and Recreation	Footpaths and Bicycle Trails	
REVENUES							
Property taxes	\$ 1,108	\$ 28,674	\$ -	\$ -	\$ -	\$ -	\$ 29,782
Intergovernmental	-	-	-	-	-	973	973
Charges for services	21,130	-	-	-	-	-	21,130
Investment earnings	826	327	344	1,255	106	65	2,923
Miscellaneous	-	-	-	-	-	-	-
Total revenues	<u>23,064</u>	<u>29,001</u>	<u>344</u>	<u>1,255</u>	<u>106</u>	<u>1,038</u>	<u>54,808</u>
EXPENDITURES							
Debt service	49,368	23,926	-	24,220	-	-	97,514
Capital outlay	-	-	57,000	19,075	-	-	76,075
Total expenditures	<u>49,368</u>	<u>23,926</u>	<u>57,000</u>	<u>43,295</u>	<u>-</u>	<u>-</u>	<u>173,589</u>
Excess (deficiency) of revenues over (under) expenditures	(26,304)	5,075	(56,656)	(42,040)	106	1,038	(118,781)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	20,000	43,400	-	-	63,400
Transfers out	-	-	-	-	(5,000)	-	(5,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>43,400</u>	<u>(5,000)</u>	<u>-</u>	<u>58,400</u>
Net change in fund balances	(26,304)	5,075	(36,656)	1,360	(4,894)	1,038	(60,381)
Fund balances - beginning	<u>100,900</u>	<u>39,927</u>	<u>41,891</u>	<u>153,133</u>	<u>12,881</u>	<u>7,950</u>	<u>356,682</u>
Fund balances - ending	<u>\$ 74,596</u>	<u>\$ 45,002</u>	<u>\$ 5,235</u>	<u>\$ 154,493</u>	<u>\$ 7,987</u>	<u>\$ 8,988</u>	<u>\$ 296,301</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, 2021

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES				
Property taxes	\$ -	\$ 1,000	\$ 108	\$ 1,108
Charges for services	-	13,000	8,130	21,130
Investment earnings	-	500	326	826
Total revenues	-	14,500	8,564	23,064
EXPENDITURES				
Debt service	-	50,000	(632)	49,368
Excess (deficiency) of revenues over (under) expenditures	-	(35,500)	9,196	(26,304)
Fund balance - beginning	-	100,000	900	100,900
Fund balance - ending	\$ -	\$ 64,500	\$ 10,096	\$ 74,596

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, 2021

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES				
Property taxes	\$ -	\$ 25,800	\$ 2,874	\$ 28,674
Investment earnings	-	300	27	327
Total revenues	-	26,100	2,901	29,001
EXPENDITURES				
Debt service	-	23,926	-	23,926
Excess (deficiency) of revenues over (under) expenditures	-	2,174	2,901	5,075
Fund balance - beginning	-	39,500	427	39,927
Fund balance - ending	\$ -	\$ 41,674	\$ 3,328	\$ 45,002

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, 2021

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES				
Investment earnings	\$ -	\$ 500	\$ (156)	\$ 344
EXPENDITURES				
Capital outlay	-	60,000	(3,000)	57,000
Total expenditures	-	60,000	(3,000)	57,000
Excess (deficiency) of revenues over (under) expenditures	-	(59,500)	2,844	(56,656)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	20,000	-	20,000
Net change in fund balance	-	(39,500)	2,844	(36,656)
Fund balance - beginning	-	41,500	391	41,891
Fund balance - ending	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 3,235</u>	<u>\$ 5,235</u>

CITY OF BAY CITY
Tillamook County, Oregon

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

PARKS AND RECREATION RESERVE FUND

For the Year Ended June 30, 2021

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES				
Investment earnings	\$ -	\$ 100	\$ 6	\$ 106
Total revenues	-	100	6	106
EXPENDITURES	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	100	6	106
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(5,000)	-	(5,000)
Net change in fund balance	-	(4,900)	6	(4,894)
Fund balance - beginning	-	12,500	381	12,881
Fund balance - ending	\$ -	\$ 7,600	\$ 387	\$ 7,987

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, 2021

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES				
Investment earnings	\$ -	\$ 900	\$ 355	\$ 1,255
EXPENDITURES				
Capital outlay	-	19,100	(25)	19,075
Debt service	-	24,300	(80)	24,220
Total expenditures	-	43,400	(105)	43,295
Excess (deficiency) of revenues over (under) expenditures	-	(42,500)	460	(42,040)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	43,400	-	43,400
Net change in fund balance	-	900	460	1,360
Fund balance - beginning	-	153,000	133	153,133
Fund balance - ending	\$ -	\$ 153,900	\$ 593	\$ 154,493

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, 2021

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES				
Intergovernmental	\$ -	\$ 800	\$ 173	\$ 973
Investment earnings	-	75	(10)	65
Total revenues	-	875	163	1,038
EXPENDITURES				
	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	875	163	1,038
Fund balance - beginning	-	7,900	50	7,950
Fund balance - ending	\$ -	\$ 8,775	\$ 213	\$ 8,988

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, 2021

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		
				Budget Basis	Adjustments	Modified Cash Basis
REVENUES						
Charges for services	\$ 643,000	\$ 354,000	\$ (938)	\$ 353,062	\$ -	\$ 353,062
SDC charges	29,000	40,000	73,628	113,628	-	113,628
Investment earnings	30,000	7,000	(3,160)	3,840	-	3,840
Miscellaneous income	21,000	1,000	(144)	856	-	856
Total revenues	<u>723,000</u>	<u>402,000</u>	<u>69,386</u>	<u>471,386</u>	<u>-</u>	<u>471,386</u>
EXPENSES						
Current						
Water	1,532,000	-	-	-	-	-
Personnel services	-	269,200	(11,780)	257,420	(14)	257,406
Materials and services	-	210,000	(84,228)	125,772	-	125,772
Capital outlay	-	215,000	(215,000)	-	-	-
Contingency	-	5,061	(5,061)	-	-	-
Depreciation	-	-	-	-	24,253	24,253
Total expenses	<u>1,532,000</u>	<u>699,261</u>	<u>(316,069)</u>	<u>383,192</u>	<u>24,239</u>	<u>407,431</u>
Excess (deficiency) of revenues over (under) expenses	<u>(809,000)</u>	<u>(297,261)</u>	<u>385,455</u>	<u>88,194</u>	<u>(24,239)</u>	<u>63,955</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	67,800	-	67,800	-	67,800
Transfers out	-	(213,539)	-	(213,539)	-	(213,539)
Total other financing source	<u>-</u>	<u>(145,739)</u>	<u>-</u>	<u>(145,739)</u>	<u>-</u>	<u>(145,739)</u>
Change in net position	(809,000)	(443,000)	385,455	(57,545)	(24,239)	(81,784)
Net position - beginning	<u>1,196,000</u>	<u>468,000</u>	<u>55,246</u>	<u>523,246</u>	<u>958,873</u>	<u>1,482,119</u>
Net position - ending	<u>\$ 387,000</u>	<u>\$ 25,000</u>	<u>\$ 440,701</u>	<u>\$ 465,701</u>	<u>\$ 934,634</u>	<u>\$1,400,335</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, 2021

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		
				Budget Basis	Adjustments	Modified Cash Basis
REVENUES						
Charges for services	\$ -	\$ 261,481	\$ 266	\$ 261,747	\$ -	\$ 261,747
Intergovernmental	-	20,000	(20,000)	-	-	-
Investment earnings	-	4,000	1,635	5,635	-	5,635
Miscellaneous	-	700	(641)	59	-	59
Total revenues	-	286,181	(18,740)	267,441	-	267,441
EXPENSES						
Current						
Personnel services	-	164,000	(86,137)	77,863	(63)	77,800
Materials and services	-	206,200	(101,385)	104,815	-	104,815
Capital outlay	-	225,000	(218,019)	6,981	-	6,981
Contingency	-	132,220	(132,220)	-	-	-
Depreciation	-	-	-	-	184,029	184,029
Total expenses	-	727,420	(537,761)	189,659	183,966	373,625
Excess (deficiency) of revenues over (under) expenses	-	(441,239)	519,021	77,782	(183,966)	(106,184)
OTHER FINANCING						
SOURCES (USES)						
Transfers in	-	165,739	-	165,739	47,034	212,773
Transfers out	-	(35,000)	-	(35,000)	-	(35,000)
Total other financing sources (uses)	-	130,739	-	130,739	47,034	177,773
Change in net position	-	(310,500)	519,021	208,521	(136,932)	71,589
Net position - beginning	-	687,500	1,070	688,570	4,954,112	5,642,682
Net position - ending	\$ -	\$ 377,000	\$ 520,091	\$ 897,091	\$ 4,817,180	\$ 5,714,271

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, 2021

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		
				Budget Basis	Adjustments	Modified Cash Basis
REVENUES						
Charges for services	\$ 470,000	\$ 497,000	\$ 108,110	\$ 605,110	\$ -	\$ 605,110
SDC charges	33,000	27,500	42,833	70,333	-	70,333
Investment earnings	30,000	13,000	1,592	14,592	-	14,592
Miscellaneous income	25,000	1,500	136	1,636	-	1,636
Total revenues	<u>558,000</u>	<u>539,000</u>	<u>152,671</u>	<u>691,671</u>	<u>-</u>	<u>691,671</u>
EXPENSES						
Current						
Sewer	1,210,000	-	-	-	-	-
Personnel services	-	319,000	(37,411)	281,589	(11)	281,578
Materials and services	-	468,500	(296,807)	171,693	122,050	293,743
Capital outlay	-	355,000	(355,000)	-	-	-
Contingency	-	137,800	(137,800)	-	-	-
Depreciation	-	-	-	-	67,774	67,774
Total expenses	<u>1,210,000</u>	<u>1,280,300</u>	<u>(827,018)</u>	<u>453,282</u>	<u>189,813</u>	<u>643,095</u>
Excess (deficiency) of revenues over (under) expenses	<u>(652,000)</u>	<u>(741,300)</u>	<u>979,689</u>	<u>238,389</u>	<u>(189,813)</u>	<u>48,576</u>
OTHER FINANCING SOURCES (USES)						
Loan proceeds	70,000	70,000	(39,615)	30,385	(30,385)	-
Transfers in	-	25,000	-	25,000	272,318	297,318
Transfers out	-	(30,000)	-	(30,000)	-	(30,000)
Total other financing sources (uses)	<u>70,000</u>	<u>65,000</u>	<u>(39,615)</u>	<u>25,385</u>	<u>241,933</u>	<u>267,318</u>
Change in net position	(582,000)	(676,300)	940,074	263,774	52,120	315,894
Net position - beginning	<u>1,295,000</u>	<u>1,550,500</u>	<u>74,082</u>	<u>1,624,582</u>	<u>1,440,871</u>	<u>3,065,453</u>
Net position - ending	<u>\$ 713,000</u>	<u>\$ 874,200</u>	<u>\$ 1,014,156</u>	<u>\$ 1,888,356</u>	<u>\$ 1,492,991</u>	<u>\$ 3,381,347</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, 2021 and 2020

	Sewer Operating Fund	
	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,891,014	\$ 1,285,726
Capital assets, net of accumulated depreciation		
Land	188,173	188,173
Construction in progress	231,075	131,864
Buildings and improvements	20,975	8,320
Infrastructure	1,606,241	1,667,896
Equipment	29,071	27,621
Total capital assets	2,075,535	2,023,874
Total assets	3,966,549	3,309,600
LIABILITIES		
Current liabilities		
Customer deposits	2,648	2,647
Long-term liabilities, current portion	31,036	47,842
Total current liabilities	33,684	50,489
Noncurrent liabilities		
Long-term liabilities, less current portion	433,508	478,372
Total liabilities	467,192	528,861
NET POSITION		
Net investment in capital assets	1,610,991	1,497,660
Unrestricted	1,770,356	1,283,079
Total net position	\$ 3,381,347	\$ 2,780,739

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, 2021 and 2020

	Sewer Operating Fund	
	2021	2020
Operating revenues		
Charges for services	\$ 605,110	\$ 640,721
Miscellaneous income	1,636	3,156
Total operating revenues	606,746	643,877
Operating expenses		
Personnel services	281,578	283,606
Materials and services	293,743	109,693
Repairs and maintenance	-	1,225
Depreciation	67,774	64,668
Total operating expenses	643,095	459,192
Operating income (loss)	(36,349)	184,685
Nonoperating revenues (expenses)		
System development charges	70,333	67,650
Investment earnings	14,592	32,420
Total nonoperating revenues (expenses)	84,925	100,070
Income (loss) before contributions and transfers	48,576	284,755
Transfers in	267,318	4,924
Change in net position	315,894	289,679
Net position - beginning	3,065,453	2,775,774
Net position - ending	\$ 3,381,347	\$ 3,065,453

**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, 2021 and have issued our report thereon dated March 30, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*.

Compliance

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

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

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

Indebtedness limitations, restrictions, and repayment

Budgets legally required (ORS Chapter 294)

Insurance and fidelity bonds in force or required by law

Programs funded from outside sources

Highway revenues used for public highways, roads, and streets

Authorized investment of surplus funds (ORS Chapter 294)

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

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

OAR 162-010-0230 Internal Control

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

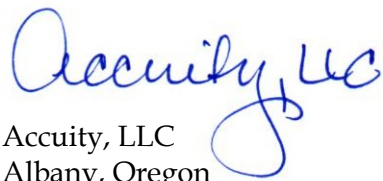
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We identified certain deficiencies in internal control over financial reporting, as described in the accompanying schedule of findings and management's response as items FS-01 through FS-02, that we consider to be material weaknesses or significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

1. Adequate segregation of duties in most areas was impractical due to the limited number of employees. The City has, however, developed alternative procedures which mitigate this condition to some extent.
2. The City lacks personnel with the ability to prepare financial statements in accordance with the accounting method selected by the City (modified cash).
3. Invoices paid during the year lacked evidence of review and approval, as well as defacing, which is in violation of the City's internal control procedures.

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 style with a large, looping "A" and "C".

Accuity, LLC
Albany, Oregon
March 30, 2022



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bay City, Oregon as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 30, 2022.

Internal Control over Financial Reporting

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

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

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

We did identify certain deficiencies in internal control over financial reporting, as described in the accompanying schedule of findings and responses, that we consider to be significant deficiencies in internal control over financial reporting.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Bay City's Response to Findings

The City of Bay City's response to the findings identified in our audit is described in the accompanying schedule of findings and management's response. 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 it.

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
March 30, 2022

CITY OF BAY CITY
Tillamook County, Oregon

SCHEDULE OF FINDINGS AND MANAGEMENT'S RESPONSE

For the Year Ended June 30, 2021

Finding Number	Finding
FS-01	Due to the limited number of available personnel, it is not always possible for the City to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records or to all phases of a transaction.
FS-02	The City lacks personnel with the ability to prepare financial statements in accordance with the basis of accounting deemed appropriate by management.
FS-03	During fieldwork, it was noted that the perscribed controls for paying invoices - specifically noting approvals and defacing invoices - did not occur in many instances during the year under audit. The City has replaced the staff that were performing these duties, and it appears the finding has been mitigated in the latest fiscal year.
Management's response:	Management concurs with the findings described above. Due to budgetary constraints, it is improbable that additional staff will be added to correct items 1 and 2.
FS-03	Staffing was changed and procedures are now being followed.