

**CITY OF DEPOE BAY
OREGON**

AUDIT REPORT

JUNE 30, 2019

Prepared by
Signe Grimstad
Certified Public Accountant
530 NW 3rd, Suite E
PO Box 1930
Newport, OR 97365

CITY OF DEPOE BAY, OREGON

LIST OF OFFICERS

Title	Name	Address
Mayor	Robert Gambino	Depoe Bay, OR 97341
Council President- Position 5	Kathy Short	Depoe Bay, OR 97341
Council Position 1	Loren Goddard	Depoe Bay, OR 97341
Council Position 2	Jerome Grant	Depoe Bay, OR 97341
Council Position 3	Charles Bates	Depoe Bay, OR 97341
Council Position 4	Debbie Callendar	Depoe Bay, OR 97341
Council Position 6	Barbara Leff	Depoe Bay, OR 97341

CITY ADMINISTRATION

City Recorder	Carla Duering
City Superintendent	Brady Weidner
City Attorney	Pete Gintner

CITY OF DEPOE BAY, OREGON

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GRIMSTAD & ASSOCIATES

Certified Public Accountants

Newport Office:
P.O. Box 1930
530 N.W. 3rd St. Ste E
Newport, OR 97365
(541) 265-5411
Fax (541) 265-9255
info@grimstad-assoc.com

Lincoln City Office:
1349 N.W. 15th Street
Lincoln City, OR 97367
(541) 994-5252
Fax (541) 994-2105

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the City Council
City of Depoe Bay
Depoe Bay, Oregon

Report on the Financial Statements

I was engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Depoe Bay, Oregon, as of and for the year ended June 30, 2019, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matters described in the basis for disclaimer of opinion paragraph, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions.

Basis for Disclaimer of Opinions

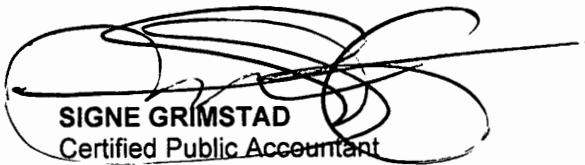
I was unable to provide opinions on the financial statements and supplementary information because information and documentation provided for the engagement was insufficient to serve as evidence supporting financial statement amounts and disclosures. Due to turnover of City employees, internal control was inadequate to safeguard assets and ensure the proper recording of transactions. The information and documentation provided was inadequate to permit the application of auditing procedures, or alternative procedures, to serve as a basis for expressing opinions on the financial statements referred to in the first paragraph and the supplementary information as listed in the table of contents.

Disclaimer of Opinions

Because of the significance of the matters described in the basis for disclaimer of opinions paragraph, I was unable to obtain sufficient appropriate evidence to provide the basis for my audit opinions, and, accordingly, I do not express opinions on the financial statements referred to in the first paragraph, including the required supplemental information as listed in the table of contents.

Other Reporting Required by Oregon State Regulations

In accordance with the Minimum Standards Audit of Oregon Municipal Corporations, I have issued my report dated June 28, 2021 on my consideration of City of Depoe Bay's compliance with certain laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of my testing of compliance and the results of that testing and not to provide an opinion on compliance.



SIGNE GRIMSTAD
Certified Public Accountant
Newport, Oregon
June 28, 2021

City of Depoe Bay, Oregon
STATEMENT OF NET POSITION
June 30, 2019

	Government Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,305,659	\$ 3,079,465	\$ 6,385,124
Receivables	9,796	322,521	332,317
Inventory	-	37,076	37,076
Restricted assets			
Cash and cash equivalents	462,278	1,137,645	1,599,923
Property taxes receivable	17,869	21,523	39,392
Capital assets, net	4,585,601	8,999,881	13,585,482
Total assets	8,381,203	13,598,111	21,979,314
DEFERRED OUTFLOWS OF RESOURCES	89,719	160,599	250,318
LIABILITIES:			
Accounts payable	10,454	36,688	47,142
Payroll and related liabilities	2,727	7,155	9,882
Unearned revenue	-	33,728	33,728
Deposits, payable from restricted	3,050	318	3,368
Long-term obligations			
Due within one year			
Compensated absences	1,073	2,191	3,264
Bonds payable	-	315,000	315,000
Due in more than one year			
Compensated absences	22,272	58,919	81,191
Bonds payable	-	2,232,336	2,232,336
Net pension liability	401,627	718,921	1,120,548
Total liabilities	441,203	3,405,256	3,846,459
DEFERRED INFLOW OF RESOURCES			
Pension related inflows	42,526	76,121	118,647
NET POSITION:			
Net investment in capital assets	4,585,601	6,452,545	11,038,146
Restricted for:			
Agate Beach closure	96,886	-	96,886
Debt service	874,132	226,908	1,101,040
SDC	462,278	873,722	1,336,000
Capital projects	-	37,015	37,015
Unrestricted	1,968,296	2,687,143	4,655,439
Total net position	\$ 7,987,193	\$ 10,277,333	\$ 18,264,526

City of Depoe Bay, Oregon
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

		Program Revenues			Net Revenue (Expense) and Change in Net Position		
ACTIVITIES	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
FUNCTIONS/PROGRAMS							
Governmental activities:							
General government	426,662	\$ 43,238	\$ 109,137	\$ -	\$ (274,287)	\$ -	\$ (274,287)
Streets	185,320	-	163,812	66,731	45,223	-	45,223
Community development	10,728	-	-	-	(10,728)	-	(10,728)
Culture and recreation	163,671	3,775	-	-	(159,896)	-	(159,896)
Depreciation, net of direct	85,261	-	-	-	(85,261)	-	(85,261)
				-			
Total governmental activities	871,642	47,013	272,949	66,731	(484,949)	-	(484,949)
Business-type activities:							
Water	666,443	661,371	-	79,357	-	74,285	74,285
Sewer	914,768	1,155,878	-	200,875	-	441,985	441,985
Harbor	611,072	386,388	4,865	-	-	(219,819)	(219,819)
Total business-type activities	2,192,283	2,203,637	4,865	280,232	-	296,451	296,451
Total	\$ 3,063,925	\$ 2,250,650	\$ 277,814	\$ 346,963	(484,949)	296,451	(188,498)
General Revenues							
Property taxes levied for:					225,209	230,066	455,275
Franchise taxes and fees					172,363	-	172,363
Transient room taxes					876,300	-	876,300
Miscellaneous income					56,678	11,421	68,099
Investment earnings					8,008	1,837	9,845
Transfers					(165,000)	165,000	-
Total general revenues and transfers					1,173,558	408,324	1,581,882
Change in net position					688,609	704,775	1,393,384
Net position - beginning					7,298,584	9,572,558	16,871,142
Net position - ending					\$ 7,987,193	\$ 10,277,333	\$ 18,264,526

City of Depoe Bay, Oregon

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019**

	Combined General Fund	State Tax Street Fund	URA Project Fund	URA Debt Service Fund	Nonmajor Fund	Total Governmental Funds
ASSETS						
Cash and equivalents	\$ 2,250,843	\$ 642,610	\$ 2,142	\$ 868,742	\$ 3,600	\$ 3,767,937
Receivables	9,796	-	-	17,869	-	27,665
Total assets	\$ 2,260,639	\$ 642,610	\$ 2,142	\$ 886,611	\$ 3,600	\$ 3,795,602
LIABILITIES						
Accounts payable	1,857	1,587	7,010	-	-	10,454
Compensated absences	16,824	6,521	-	-	-	23,345
Deposits	3,050	-	-	-	-	3,050
Payroll and payroll taxes	1,662	1,065	-	-	-	2,727
Total liabilities	23,393	9,173	7,010	-	-	39,576
DEFERRED INFLOW OF RESOURCES						
Property taxes	-	-	-	12,479	-	12,479
FUND BALANCES (DEFICITS)						
Restricted						
Agate Beach closure	96,886	-	-	-	-	96,886
Debt service	-	-	-	874,132	-	874,132
Capital projects	-	339,657	-	-	-	339,657
Committed						
Parks and buildings	36,292	-	-	-	-	36,292
Streets	-	293,780	-	-	-	293,780
Salmon enhancement	-	-	-	-	3,600	3,600
Unassigned	2,104,068	-	(4,868)	-	-	2,099,200
Total fund balances	2,237,246	633,437	(4,868)	874,132	3,600	3,743,547
Total liabilities, deferred inflows of resources	\$ 2,260,639	\$ 642,610	\$ 2,142	\$ 886,611	\$ 3,600	\$ 3,795,602

City of Depoe Bay, Oregon
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2019

TOTAL FUND BALANCE	\$ 3,743,547
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Total net assets shown in the Statement of Net Position are different because:

Capital assets are not financial resources for budgetary purposes and therefore are not reported in the governmental funds.	4,585,601
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Other long-term assets are not available to pay current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	12,479
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Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings and contributions subsequent to the measurement date for the postretirement benefits are recognized as deferred outflows of resources and deferred inflows of resources on the statement of net position.

Deferred outflows - pension related	\$ 89,719	
Deferred inflows - pension related	<u>(42,526)</u>	
-		47,193

Long term liabilities that are not due and payable in the current period, and therefore, are not reported in the funds.

Net pension liability	<u>(401,627)</u>
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TOTAL NET POSITION	<u>\$ 7,987,193</u>
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City of Depoe Bay, Oregon
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	Combined General Fund	State Tax Street Fund	URA Project Fund	URA Debt Service Fund	Nonmajor Fund	Total Governmental Funds
REVENUES						
Taxes	\$ 876,300	\$ -	\$ -	\$ 226,283	\$ -	\$ 1,102,583
Licenses, permits and fees	41,975	66,731	-	-	-	108,706
Franchises	172,363	-	-	-	-	172,363
Lease, rental	3,775	-	-	-	-	3,775
Intergovernmental	99,137	113,812	-	-	-	212,949
Interest earnings	7,518	198	10	280	2	8,008
Donations	5,000	-	-	-	-	5,000
Grants	5,000	50,000	-	-	-	55,000
Agate Beach Closure Fund	1,263	-	-	-	-	1,263
Other revenue	11,066	-	-	44,722	890	56,678
Total revenues	<u>1,223,397</u>	<u>230,741</u>	<u>10</u>	<u>271,285</u>	<u>892</u>	<u>1,726,325</u>
EXPENDITURES						
Current:						
General government	334,673	-	-	-	-	334,673
Streets	-	185,320	-	-	-	185,320
Community development	-	-	10,728	-	-	10,728
Culture and recreation	163,528	-	-	-	143	163,671
Capital outlay:						
General government	30,025	-	-	-	-	30,025
Street improvements and equipment	-	86,159	-	-	-	86,159
Total expenditures	<u>528,226</u>	<u>271,479</u>	<u>10,728</u>	<u>-</u>	<u>143</u>	<u>810,576</u>
Excess (deficiency) of revenue over expenditures	<u>695,171</u>	<u>(40,738)</u>	<u>(10,718)</u>	<u>271,285</u>	<u>749</u>	<u>915,749</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	150,000	-	-	-	150,000
Transfers out	<u>(315,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(315,000)</u>
Total other financing sources (uses)	<u>(315,000)</u>	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(165,000)</u>
Net change in fund balances	380,171	109,262	(10,718)	271,285	749	750,749
Fund balances - beginning of year	<u>1,857,075</u>	<u>524,175</u>	<u>5,850</u>	<u>602,847</u>	<u>2,851</u>	<u>2,992,798</u>
Fund balances - end of year	<u>\$ 2,237,246</u>	<u>\$ 633,437</u>	<u>\$ (4,868)</u>	<u>\$ 874,132</u>	<u>\$ 3,600</u>	<u>\$ 3,743,547</u>

City of Depoe Bay, Oregon
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	750,749
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Amounts reported for governmental activities in the
Statement of Activities are different because of the following:

Governmental funds report capital assets additions as expenditures while
governmental activities report depreciation expense to allocate those expenditures
over the life of the assets. The difference between these two amounts is:

Capital outlay	\$ 116,184	
Depreciation	<u>(85,261)</u>	30,923

Receivables that do not meet the measurable and available criteria are not recognized as revenue in the current year in governmental funds. In the Statement of Activities they are recognized as revenue when levied or earned.		(1,074)
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Pension Activity, Net		<u>(91,989)</u>
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CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>688,609</u>
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City of Depoe Bay, Oregon
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019

	Water Fund	Sewer Fund	Harbor Fund	Totals
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,328,293	\$ 1,545,449	\$ 205,723	\$ 3,079,465
Receivable	121,398	197,098	4,025	322,521
Inventory	32,924	4,152	-	37,076
Total current assets	<u>1,482,615</u>	<u>1,746,699</u>	<u>209,748</u>	<u>3,439,062</u>
Noncurrent assets				
Restricted				
Cash and cash equivalents	544,974	592,671	-	1,137,645
Property tax receivable	13,907	7,616	-	21,523
Capital assets, net	2,986,752	3,521,298	2,491,831	8,999,881
Total noncurrent assets	<u>3,545,633</u>	<u>4,121,585</u>	<u>2,491,831</u>	<u>10,159,049</u>
Total assets	<u>5,028,248</u>	<u>5,868,284</u>	<u>2,701,579</u>	<u>13,598,111</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension contributions	<u>62,540</u>	<u>65,522</u>	<u>32,537</u>	<u>160,599</u>
LIABILITIES				
Current liabilities				
Accounts payable	3,249	3,378	30,061	36,688
Payroll taxes	2,611	3,028	1,516	7,155
Unearned revenue	-	-	33,728	33,728
Deposits	318	-	-	318
Compensated absences - current	858	733	600	2,191
Bonds payable - current	115,000	200,000	-	315,000
Total current liabilities	<u>122,036</u>	<u>207,139</u>	<u>65,905</u>	<u>395,080</u>
Noncurrent liabilities				
Bonds payable	1,299,772	932,564	-	2,232,336
Compensated absences	22,968	27,467	8,484	58,919
Net pension liability	279,960	293,307	145,654	718,921
Total noncurrent liabilities	<u>1,602,700</u>	<u>1,253,338</u>	<u>154,138</u>	<u>3,010,176</u>
Total liabilities	<u>1,724,736</u>	<u>1,460,477</u>	<u>220,043</u>	<u>3,405,256</u>
DEFERRED INFLOW OF RESOURCES				
Pension related inflows	<u>29,643</u>	<u>31,056</u>	<u>15,422</u>	<u>76,121</u>
NET POSITION				
Net investment in capital assets	1,571,980	2,388,734	2,491,831	6,452,545
Restricted				
Debt service	134,270	92,638	-	226,908
SDC	373,689	500,033	-	873,722
Capital projects	37,015	-	-	37,015
Unrestricted	1,219,455	1,460,868	6,820	2,687,143
Total net position	<u>\$ 3,336,409</u>	<u>\$ 4,442,273</u>	<u>\$ 2,498,651</u>	<u>\$ 10,277,333</u>

City of Depoe Bay, Oregon
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2019

	Water Fund	Sewer Fund	Harbor Fund	Totals
OPERATING REVENUES				
User fees	\$ 661,371	\$ 1,291,439	\$ 386,388	\$ 2,339,198
SDC fees	79,357	65,314	-	144,671
Other revenue	10,029	1,221	171	11,421
Total operating revenues	<u>750,757</u>	<u>1,357,974</u>	<u>386,559</u>	<u>2,495,290</u>
OPERATING EXPENSES				
Cost of sales and services	464,520	674,627	490,937	1,630,084
Depreciation	158,878	213,317	120,135	492,330
Total operating expenses	<u>623,398</u>	<u>887,944</u>	<u>611,072</u>	<u>2,122,414</u>
Operating income (loss)	<u>127,359</u>	<u>470,030</u>	<u>(224,513)</u>	<u>372,876</u>
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	958	833	46	1,837
Property taxes	142,246	87,820	-	230,066
Grants	-	-	4,865	4,865
Contributions	-	-	-	-
Interest expense	(43,045)	(26,824)	-	(69,869)
Total nonoperating revenues (expenses)	<u>100,159</u>	<u>61,829</u>	<u>4,911</u>	<u>166,899</u>
Income before transfers	227,518	531,859	(219,602)	539,775
Transfers in/out	<u>6,200</u>	<u>3,000</u>	<u>155,800</u>	<u>165,000</u>
Change in net position	233,718	534,859	(63,802)	704,775
Net position - beginning of year	<u>3,102,691</u>	<u>3,907,414</u>	<u>2,562,453</u>	<u>9,572,558</u>
Net position - end of year	<u>\$ 3,336,409</u>	<u>\$ 4,442,273</u>	<u>\$ 2,498,651</u>	<u>\$ 10,277,333</u>

City of Depoe Bay, Oregon
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2019

	Water Fund	Sewer Fund	Harbor Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 740,728	\$ 1,356,753	\$ 386,388	\$ 2,483,869
Receipts from other revenues	10,029	1,221	171	11,421
Payments to suppliers	(402,337)	(389,342)	(312,935)	(1,104,614)
Payments to employees	(190,377)	(218,608)	(153,062)	(562,047)
Net cash provided by (used for) operating activities	<u>158,043</u>	<u>750,024</u>	<u>(79,438)</u>	<u>828,629</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Grants	-	-	4,865	4,865
Property taxes	142,246	87,820	-	230,066
Transfers in (out)	6,200	3,000	155,800	165,000
Net cash provided by (used for) noncapital financing activities	<u>148,446</u>	<u>90,820</u>	<u>160,665</u>	<u>399,931</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	(8,052)	(3,726)	(5,651)	(17,429)
Principal paid on long-term obligations	(110,000)	(195,000)	-	(305,000)
Premium on bonds issued	(4,195)	(11,901)	-	(16,096)
Interest paid on long-term obligations	(43,045)	(26,824)	-	(69,869)
Net cash provided by (used for) capital and related financing activities	<u>(165,292)</u>	<u>(237,451)</u>	<u>(5,651)</u>	<u>(408,394)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	958	833	46	1,837
Net increase (decrease) in cash and cash equivalents	142,155	604,226	75,622	822,003
Cash and cash equivalents - beginning of year (restricted cash \$1,547,066)	1,731,112	1,533,894	130,101	3,395,107
Cash and cash equivalents - end of year (restricted cash \$1,137,645)	<u>\$ 1,873,267</u>	<u>\$ 2,138,120</u>	<u>\$ 205,723</u>	<u>\$ 4,217,110</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 127,359	\$ 470,030	\$ (224,513)	372,876
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	158,878	213,317	120,135	492,330
Changes in assets, deferred outflows, liabilities and deferred inflows				
Due to other funds	(195,124)	-	-	(195,124)
Deferred outflow of resources	24,075	22,177	22,841	69,093
Compensated absences payable	(508)	(3,654)	1,252	(2,910)
Net pension liability	31,577	55,485	(6,516)	80,546
Deferred inflow of resources	11,786	(7,331)	7,363	11,818
Net cash provided by (used for) operating activities	<u>\$ 158,043</u>	<u>\$ 750,024</u>	<u>\$ (79,438)</u>	<u>\$ 828,629</u>

City of Depoe Bay, Oregon

Notes to the Basic Financial Statements Fiscal Year Ended June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Depoe Bay have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body establishing governmental financial reporting standards.

Reporting Entity – The City of Depoe Bay was incorporated May 22, 1973 and operates under the provisions of the City Charter established in 1976, which authorizes a mayor and council form of government. The mayor is elected for a two-year term with a limit of three consecutive terms. Six city council members are elected for four-year terms and three council members are elected every two years.

The basic financial statements present the City and its blended component unit, the Depoe Bay Urban Renewal Agency (Agency), an entity for which the City is financially accountable. The Agency, although a legally separate entity, is a part of the City's operations. It was organized to construct and administer capital improvements as outlined in the City's Urban Renewal Plan. The City Council and two "at large" members serve as the Agency's governing board. All activities of the Agency are recorded in a capital projects fund and a debt service fund and reported in the City's financial statements. Complete financial statements for the Agency can be obtained at City Hall, Depoe Bay, Oregon or on the City's website.

These financial statements include all funds, organizations, departments and offices that are not legally separate from the City of Depoe Bay. The Depoe Bay Urban Renewal Agency, a component unit of the City, is included for financial reporting purposes. There are no other organizations, due to either their nature or significance to the City, that would make these basic financial statements incomplete or misleading by their exclusion.

Government-wide and Fund Financial Statements – The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on the overall activities of the City. For the most part, the effect of interfund activity has been removed from these statements except where doing so would materially distort the presentation of activities for a fund. Governmental activities are financed primarily through franchise taxes and transient room taxes and are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities demonstrates the degree to which the direct expense of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 that are restricted to meeting the operational or capital requirements of a function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

City of Depoe Bay, Oregon

Notes to the Basic Financial Statements Fiscal Year Ended June 30, 2019

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Government-wide financial statements and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are reported when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method revenues are recognized when measurable and available. Revenues are considered available when they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred. Debt service expenditures as well as expenditures related to compensated absences and claims and judgments are recorded only when the payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered susceptible to accrual and recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City. When both restricted and unrestricted resources are available for use, it is the City's policy to first use restricted resources to the limits of the governing policies and statutes, then unrestricted resources as they are needed.

The City reports the following major governmental funds:

General Fund – the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

State Tax Street Fund – accounts for the maintenance, operation, and construction of the City's streets. The primary source of revenues is state shared highway funds.

Urban Renewal Project Fund (Component Unit) – accounts for the capital projects undertaken by the City's Urban Renewal Agency. Primary sources of revenue are loan proceeds.

Urban Renewal Debt Service Fund (Component Unit) – accounts for reserves and debt service payments related to carrying out the City's Urban Renewal Plan. Tax increment (property taxes) is the primary revenue to the fund.

The City reports the following major proprietary funds:

Water Fund – reports financial activity related to the supply, treatment, and distribution of water. User fees is the primary revenue source to the fund.

Sanitary Fund – accounts for the resources and expenses related to collection and treatment of wastewater. User fees is the primary revenue source to the fund.

Harbor Fund – reports financial activity related to port facilities. Primary revenues to the fund are moorage fees.

City of Depoe Bay, Oregon

Notes to the Basic Financial Statements Fiscal Year Ended June 30, 2019

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

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

Deferred Outflows/Inflows of Resources – In addition to assets, the Statement of Financial Position and the proprietary fund statements report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an expenditure/expense until then. The City reports deferred outflows of resources related to pensions which consist of City contributions to OPERS after the measurement date, experience differences, and changes in proportion.

In addition to liabilities, the Statement of Financial Position and the proprietary fund statements report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as revenue until then. The City reports deferred inflows of resources related to pensions which consist of differences between projected and actual investment earnings, changes in the City's proportion, and differences between the City's contribution and the proportionate share of contributions. The City also reports a deferred inflow of resources for unavailable revenue from property taxes in the Governmental Funds Balance Sheet. This amount is deferred and recognized as revenue in the period in which it becomes available.

Deposits and Investments – The City's cash and cash equivalents are comprised of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the Statement of Cash Flows, the proprietary funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The City's investment policies are governed by Oregon statutes. The statutes authorize the City to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, high-grade commercial paper and the State Treasurer's Government Investment Pool (LGIP). Short-term investments have a term of one year or less at the time of purchase.

Receivables – Uncollected receivables are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible accounts has been established.

City of Depoe Bay, Oregon

Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019

Inventory – Inventories are valued at cost, which approximates fair value using the first-in-first-out (FIFO) method. The cost of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

Restricted Assets – Assets that may be refunded or are committed to be used for the payment of bonded debt or capital projects are classified as restricted assets on the balance sheet. Restricted resources are expended first to fund appropriations for which those restrictions are to be utilized.

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure (e.g. streets, roads, sidewalks and similar public domain items) are reported in the applicable governmental activities and business-type activities columns in the government-wide financial statements, and in the proprietary fund financial statements. Capital assets are defined in the City's capitalization policy as having a historic cost or market value in excess of \$1,000 and a life beyond one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are valued at their estimated fair value at the date of the donation.

Additions, improvements and other capital outlays that significantly improve the useful life or increase the capacity of an asset are capitalized. Other costs incurred for maintenance and repairs are expensed. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives.

	<u>Years</u>
Buildings and Structures	25-40
Equipment	5-20
Vehicles	5
Infrastructure	40

Long Term Obligations – In the government-wide financial statements, and in the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the debt. Debt issuance costs are treated as period costs in the year of issue.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued and related premiums are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, even if withheld from net proceeds received, are reported as debt service expenditures.

Compensated Absences – It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government.

All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

City of Depoe Bay, Oregon

**Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019**

Interfund Transactions – Transactions that constitute reimbursements to another fund for services provided are recorded as expenses in the reimbursing fund and revenue in the fund that is reimbursed. All other interfund transactions are reported as transfers and generally are eliminated from the financial statements.

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Net Position/Fund Balance – In the government-wide statement of net position, fund equity is referred to as net position and is segregated into the following three components: 1) net invested in capital assets, 2) restricted, and 3) unrestricted.

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. Fund balance is categorized as follows:

Nonspendable fund balance -represents amounts that are not in a spendable form. The nonspendable fund balance typically represents inventories and prepaid items.

Restricted fund balance -represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or by other governments) or are restricted by law (constitutionally or by enabling legislation).

Committed fund balance -represents funds formally set aside by the City for a particular purpose. The Council may commit a fund balance by resolution. The Council may also modify or rescind commitments by resolution.

Assigned fund balance -represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the Council or by an official to whom that authority has been given by the Council.

Unassigned fund balance -is the residual classification of the General Fund. Other governmental funds would report any deficit residual fund balance as unassigned.

The Council has approved the following order of spending regarding fund balance categories: Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and lastly, unassigned fund balance.

Use of Estimates – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

City of Depoe Bay, Oregon

**Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019**

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Governmental Funds Balance Sheet includes a reconciliation between total fund balances and total net position of governmental activities in the government-wide Statement of Net Position. The elements of that reconciliation are as follows:

Capital assets are not financial resources in the governmental funds but are reported in the Statement of Net Position at their net depreciable value.

Property tax revenues not considered to be available are reported as deferred revenue in the governmental funds but are reported as revenue in the government-wide financial statements.

Net pension liability, deferred outflows and inflows of pension activity are not considered to be current financial sources or uses and are not reported in the governmental funds but are reported in the Statement of Net Position.

The Statement of Revenues, Expenditures, and Changes in Fund Balance for governmental funds includes a reconciliation between total net change in fund balances and changes in net position of governmental activities in the government-wide Statement of Activities. The elements of that reconciliation are as follows:

Acquisition of capital assets is recorded as an expenditure in governmental funds, but the Statement of Activities allocates the cost of capital outlays over their estimated useful lives as depreciation expense.

Gains and losses arising from the disposal of existing capital assets are not recorded in governmental funds but are reported in the Statement of Activities.

Property tax revenues reported as deferred revenue in governmental funds are reported as revenue in the Statement of Activities.

Pension income and expense are not considered current resources or uses and not reported in the governmental funds but are reported in the Statement of Activities.

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget Law and Practice - The City legally adopts an annual budget for each governmental and proprietary fund type prior to July 1 through passage of a resolution in accordance with the legal requirements set forth in the Oregon Local Budget Law.

The resolution authorizes fund appropriations at the following control levels: personnel services, materials and services, capital outlay, debt service, interfund transactions, operating contingency, and all other requirement levels. Expenditures cannot legally exceed appropriations at these control levels.

City of Depoe Bay, Oregon

**Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019**

Budgets are prepared using a modified accrual basis of accounting. The legally adopted budget may be amended when unexpected modifications are required in estimated revenues and appropriations. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

Unexpected additional resources may be added to the budget through a supplemental budget. The supplemental budget process requires hearings before the public, publications in newspapers, and approval by the City Council. Only City Council may modify original and supplemental budgets through appropriation transfers between the levels of control. Such transfers and increases require approval by the City Council by adoption of a resolution. Budget appropriation amounts shown in the financial statements include the original and revised budget appropriations as approved by the City Council. Appropriations are limited to a single fiscal year; therefore, all spending authority of the City lapse at year end.

Excess Expenditures Over Appropriations – The Parks and Building Fund over expended in Personnel Services by \$34,209, the URA Project Fund in Materials and Services over expended by \$975, the Harbor Fund in Personnel Services over expended by \$6,290 and in Materials and Services over expended by \$64,475.

Deficit Fund Balance – The Urban Renewal Area Project Fund at year end has a deficit fund balance of \$4,868.

NOTE 4 – DETAILED NOTES ON ALL FUNDS

Deposits and Investments -- Cash and investments as of June 30, 2019 are classified in the accompanying Statement of Net Position as follows:

	Balance
Cash and cash equivalents	\$ 6,385,124
Restricted	
Cash and cash equivalents	1,599,923
Total cash and cash equivalents	<u>\$ 7,985,047</u>

Cash, cash equivalents and investments as of June 30, 2019 consist of the following:

	Balance
Cash on hand	\$ 29,691
Deposits with financial institutions	7,657,666
Investments - external investment pool	297,690
Total cash and investments	<u>\$ 7,985,047</u>

Deposits – At the end of the fiscal year, the City's total deposits with financial institutions have a bank value of \$7,413,573.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. For deposits in excess of federal depository insurance, the Oregon

City of Depoe Bay, Oregon

**Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019**

Legislature Assembly passed House Bill 2901 effective July 1, 2008 eliminating the requirement of certificates of participation and created a shared liability structure of qualified depositories. At year end, \$250,000 of the City's deposits were insured by the FDIC and the remaining balance was in a qualified depository bank, Columbia Bank. The City does not have a formally adopted deposit policy for custodial credit risk.

Investments -- As of June 30, the City held the following investment valued at fair value:

Local Government Investment Pool	\$297,690
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The Oregon State Treasurer maintains the Oregon Short Term Fund (OSTF), of which the Local Government Investment Pool (LGIP) is a part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon statutes, funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. LGIP was created to offer a short-term investment alternative to Oregon local governments and it is not registered with the U.S. Securities and Exchange Commission. The investments are regulated by the OSTF and approved by the Oregon Investment Council. At the end of the fiscal year, the fair value of the City's deposits with the LGIP approximately equals the value of the pool shares. The OSTF financial statements are available at <http://www.ost.state.or.us>.

Interest rate risk -- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has a formal investment policy that limits investment maturities to no more than one year as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk -- Oregon Statutes limit investments to general obligations of U.S. government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, high-grade commercial paper and the State Treasurer's Local Government Investment Pool. The LGIP is unrated for credit risk. The City has an investment policy that would further limit its investment choices to LGIP, bank savings accounts, money market accounts, certificate of deposit, and the Lincoln County Treasurer.

Concentration of credit risk -- At June 30 the City had 100% of investments in the Oregon State Treasury's Local Government Investment Pool. The City places no limit on the amount the City may invest in any one issuer.

Receivables -- Receivables at June 30, 2019 consist of the following:

	URA Debt					
	General	Service	Water	Sewer	Harbor	Total
Property taxes	\$ -	\$ 17,869	\$ 13,907	\$ 7,616	\$ -	\$ 39,392
Accounts receivable	9,796	-	121,398	197,098	4,025	332,317
	<u>\$ 9,796</u>	<u>\$ 17,869</u>	<u>\$ 135,305</u>	<u>\$ 204,714</u>	<u>\$ 4,025</u>	<u>\$ 371,709</u>

City of Depoe Bay, Oregon

**Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019**

Property Taxes -- Property taxes are levied and become a lien on all taxable property as of July 1. Taxes are levied on November 15 with collection dates: November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

Uncollected property taxes are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. Taxes collected within approximately sixty days of the fiscal year end are recognized as revenue, and the remaining balance of property taxes receivable is recorded as deferred revenue as it is not considered available to finance operations of the current period.

Capital Assets -- The following is a summary of changes in capital assets:

	<u>7/1/2018</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/2019</u> <u>Balance</u>
Governmental Activities				
Capital assets not being depreciated				
Land and improvements	\$ 2,441,712	\$ -	\$ -	\$ 2,441,712
Capital assets being depreciated				
Buildings and structures	1,080,994	20,603	-	1,101,597
Equipment and vehicles	326,726	14,426	-	341,152
Infrastructure	1,663,417	81,155	-	1,744,572
Total depreciable at historical cost	3,071,137	116,184	-	3,187,321
Accumulated depreciation				
Buildings and structures	(238,463)	(27,231)	-	(265,694)
Equipment and vehicles	(247,959)	(16,941)	-	(264,900)
Infrastructure	(471,749)	(41,089)	-	(512,838)
Total accumulated depreciation	(958,171)	(85,261)	-	(1,043,432)
Total depreciable, net	2,112,966	30,923	-	2,143,889
Governmental activities capital assets, net	<u>\$ 4,554,678</u>	<u>\$ 30,923</u>	<u>\$ -</u>	<u>\$ 4,585,601</u>

City of Depoe Bay, Oregon

**Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019**

	<u>7/1/2018</u> Balance	<u>Increases</u>	<u>Decreases</u>	<u>6/30/2019</u> Balance
Business-type Activities				
Capital assets not being depreciated				
Land and improvements	\$ 83,649	\$ -	\$ -	\$ 83,649
Construction in process	45,169	-	-	45,169
Total assets not being depreciated	<u>128,818</u>	<u>-</u>	<u>-</u>	<u>128,818</u>
Capital assets being depreciated				
Buildings and structures	18,106,081	1,926	-	18,108,007
Equipment and vehicles	490,515	15,503	-	506,018
Infrastructure	187,898	-	-	187,898
Total depreciable at historical cost	<u>18,784,494</u>	<u>17,429</u>	<u>-</u>	<u>18,801,923</u>
Accumulated depreciation				
Buildings and structures	(8,899,886)	(461,117)	-	(9,361,003)
Equipment and vehicles	(382,069)	(18,923)	-	(400,992)
Infrastructure	(156,575)	(12,290)	-	(168,865)
Total accumulated depreciation	<u>(9,438,530)</u>	<u>(492,330)</u>	<u>-</u>	<u>(9,930,860)</u>
Total depreciable, net	<u>9,345,964</u>	<u>(474,901)</u>	<u>-</u>	<u>8,871,063</u>
Business-type activities capital assets, net	<u><u>\$ 9,474,782</u></u>	<u><u>\$ (474,901)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,999,881</u></u>

Depreciation expense was charged to functions/program as follows:

	<u>Balance</u>
Governmental activities:	
General government	<u><u>\$ 85,261</u></u>
Business-type activities:	
Water	158,878
Sewer	213,317
Harbor	<u>120,135</u>
total depreciation expense	
for business-type activities	<u><u>\$ 492,330</u></u>

City of Depoe Bay, Oregon

**Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019**

Interfund Transfers and Balances – The following table presents the City’s interfund transfer activity for the year ended June 30, 2019:

	Total Transfers Out	Transfers In			
		State Street Tax Fund	Water Fund	Sewer Fund	Harbor Fund
General Fund	\$ (315,000)	\$ 150,000	\$ -	\$ -	\$ 165,000
Harbor Fund	(9,200)	-	6,200	3,000	-
Total Transfers	<u>\$ (324,200)</u>	<u>\$ 150,000</u>	<u>\$ 6,200</u>	<u>\$ 3,000</u>	<u>\$ 165,000</u>

Inter-fund transfers in the governmental funds are primarily to provide resources to funds which are not self-supporting.

Long Term Liabilities – During the year ended June 30, 2019 the following changes occurred in long-term liabilities:

Compensated absences		\$ 25,293	\$ -	\$ (1,948)	\$ 23,345	\$ 1,073
Business-type Activities:						
2012 GO Refunding	805,000	650,000	-	(30,000)	620,000	35,000
2012 GO Refunding	1,310,000	840,000	-	(80,000)	760,000	80,000
2012 GO Refunding	2,365,000	<u>1,275,000</u>	-	<u>(195,000)</u>	<u>1,080,000</u>	<u>200,000</u>
Total bonds payable		2,765,000	-	(305,000)	2,460,000	315,000
Premium - Water Fund		38,967	-	(4,195)	34,772	
Premium - Sewer Fund		64,465	-	(11,901)	52,564	
Total bonds payable, net					<u>2,547,336</u>	
Compensated absenses		<u>64,020</u>	-	<u>(2,910)</u>	<u>61,110</u>	<u>2,191</u>
Total busienss-type		<u>2,932,452</u>	-	<u>(324,006)</u>	<u>2,608,446</u>	<u>317,191</u>
Total long-term liabilities		<u>\$ 2,957,745</u>	<u>\$ -</u>	<u>\$ (325,954)</u>	<u>\$ 2,631,791</u>	<u>\$ 318,264</u>

Total interest expense for the year was \$69,869.

Compensated Absences - Compensated absences are liquidated primarily by the General, State Tax Street, Parks and Building, Water, Sewer, and Harbor funds.

City of Depoe Bay, Oregon

**Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019**

Bonds Payable

Water Fund

The City issued general obligation refunding bonds to retire previous bonds and loans for the acquisition and construction of major capital water improvements. General obligation bonds are direct obligations and pledge the full faith and credit of the City. The bonds have terms as follows:

	Year of Maturity	Annual Rate	Annual Principal Payment	6/30 Balance
2012 GO Refunding	2036	2-3.6%	\$25-45,000	\$ 620,000
2012 GO Refunding	2027	2-3.6%	75-105,0000	760,000
				1,380,000
			Bond premium	34,772
			Bonds, net	<u>\$ 1,414,772</u>

Sewer Fund

In 2012, the City issued general obligation refunding bonds to retire a loan from the Economic Development Dept. of the State of Oregon for \$2,365,000 to upgrade its wastewater treatment plant. The bond is payable in annual installments of \$170 - 230,000 with interest at 2-3.6%. The loan matures in 2024, with the current balance of \$1,080,000.

Unamortized bond premium at June 30, 2019 was \$52,564.

Annual debt service requirements to maturity are as follows:

Fiscal Year Ending 6/30	GO Bonds		
	Principal	Interest	Total
2020	\$ 315,000	\$ 76,665	\$ 391,665
2021	325,000	67,065	392,065
2022-26	1,315,000	171,925	1,486,925
2027-31	295,000	56,910	351,910
2032-36	210,000	18,540	228,540
Total	<u>\$ 2,460,000</u>	<u>\$ 391,105</u>	<u>\$ 2,851,105</u>

City of Depoe Bay, Oregon

Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019

NOTE 5 – RETIREMENT BENEFITS

PENSION PLAN – Defined Benefit

Oregon Public Employees Retirement System (PERS)

Plan Description - Employees of the City are provided with pensions through the Oregon Public Employees Retirement System (OPE RS) a cost-sharing multiple-employer defined benefit pension plan, the Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPE RS issues a publicly available Comprehensive Annual Financial Report (CAFR) and Actuarial Valuation that can be obtained by writing to: Oregon PERS, PO Box 23700, Tigard OR 97281-3700 or at:

http://www.oregon.gov/PERS/EMP/Pages/section/er_general_information/gasb-68.aspx.

PERS Tier One/Tier Two Pension (Chapter 238)

Pension Benefits - The OPERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options including survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. 1.67 is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contribution 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 had reached at least 50 years of age before ceasing employment with a participating employer (age 55 general service members). Participants are eligible for retirement after reaching age 55. Tier One general service member benefits are reduced if retirement occurs prior to age 58 with fewer than 25 years of service, Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

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

1. The member was employed by a OPERS employer at the time of death,
2. The member died within 120 days of after termination of OPERS-covered employment,
3. The member died as a result of injury sustained while employed in a OPERS-covered job, or
4. The member was on an official leave of absence from an OPERS-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

City of Depoe Bay, Oregon

**Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019**

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

Benefit Changes After Retirement - Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360, monthly benefits are adjusted annually through cost-of-living adjustments (COLAs). The cap on the COLA in fiscal year 2018 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits over \$60,000.

OPSRP Defined Benefit Pension Program (238A)

Pension Benefits - The ORS 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age. 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 pension program becomes vested on the earliest of the following dates: the date the member completes at least 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 credit before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit Changes After Retirement - Under ORS 238A.210, monthly benefits are adjusted annually through COLAs. The cap on the COLA in fiscal year 2018 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits over \$60,000.

OPSRP Individual Account Program (238A)

Pension Benefits -An OPSRP Individual Account Program (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 IAP may receive amounts in his or her employee, rollover, and vested employer accounts as a lump-sum

City of Depoe Bay, Oregon

**Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019**

payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated lifespan 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, rollover account, and vested employer optional contribution account balances. If a retired member dies before the instalment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump sum payment.

Recordkeeping -PERS contracts with Voya Financial to maintain IAP participant records.

Contributions: The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature. OPE RS 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. The funding policy applies to the OPE RS defined benefit plan and the other Post-Employment Benefit Plans. In some circumstances, payments are made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements. This was not the case for the City for the fiscal year ending June 30, 2019 or for any other periods reflected in these Financial Statements, the Notes to the Financial Statements, or the Supplementary Information section. Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation as subsequently modified by 2015 legislated changes in benefit provisions. The rates, expressed as a percentage of payroll, first became effective July 1, 2015. City contributions for the year ending June 30, 2019 were \$(57,406), excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2019 were 14.69 percent for Tier One/Tier Two General Service and Fire Members, 8.49 percent of OPSRP General Service Members, 13.22 percent for OPSRP Fire Members, and 6 percent for OPSRP Individual Account Members.

Net Pension Liability - At June 30, 2019, the City reported a net pension liability of \$1,120,548 for its proportionate share of the system-wide pension liability. The net pension liability was measured as of June 30, 2018, and the system-wide pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016 rolled forward to June 30, 2018. The City's proportionate share of the system-wide net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected long-term contributions of all participating employers, actuarially determined. These proportion percentages for the City were 0.00739699 and 0.00755606 for the fiscal years ending June 30, 2018 and 2017 respectively. For the year ended June 30, 2019, the City recognized pension expense (income) of \$91,988. At June 30, 2019, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

City of Depoe Bay, Oregon

**Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 38,118	\$ -
Changes of assumptions	260,525	-
Net difference between projected and actual earnings on investments	-	49,759
Changes in proportion	-	63,284
Differences between employer contributions and proportionate share of contributions	9,081	5,605
Total	307,724	118,648
Contributions subsequent to measurement date	(57,406)	-
Total	\$ 250,318	\$ 118,648

Deferred outflows of resources of \$(57,406) relates to pensions resulting from City contributions subsequent to the measurement date to be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other pension amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expenses as follows:

Year Ended June 30	Deferred Outflow(Inflow) of resources (prior to post- measurement date contributions)
2020	\$ 119,060
2021	81,570
2022	(25,253)
2023	7,700
2024	5,999
	\$ 189,076

Actuarial Valuations --The employer contribution rates effective July 1, 2017, through June 30, 2019, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by employees during the current service year) and (2), an amount for the amortization of unfunded accrued actuarial liabilities, which are being amortized over a fixed period with new unfunded accrued actuarial liabilities being amortized over 20 years. For the OPSRP Pension Program component of the OPERS 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 employees during the current service year) and (b) an amount for the amortization of unfunded accrued actuarial liabilities, which are being amortized over a fixed period with new unfunded accrued actuarial liabilities being amortized over 16

City of Depoe Bay, Oregon

**Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019**

years. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probabilities 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 future results. Experience studies were performed as of December 31 on even numbered years. The methods and assumptions shown above are based on the 2017 experience study, which reviewed experience for the four-year period ending December 31, 2017.

Valuation Date	December 31, 2016
Measurement Date	June 30, 2018
Experience Study Report	2016, published July 26, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
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 overall payroll growth
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and grade COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision, blend based on service.
Mortality	Health retirees and beneficiaries: RP-2014 healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. Active Members: RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. Disabled retirees: RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.

Long-Term Expected Rate of Return – To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in

City of Depoe Bay, Oregon

Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019

which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. 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.

Asset Class/Strategy	Assumed Asset Allocation		
	Low Range	High Range	Target
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	13.5%	21.5%	17.5%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	12.5%	12.5%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100.0%

City of Depoe Bay, Oregon

**Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Compounded Annual Return (Geometric)</u>
Core Fixed Income	8.00%	3.49%
Short-Term Bonds	8.00%	3.42%
Bank/Leveraged Loans	3.00%	5.09%
High Yield Bonds	1.00%	6.45%
Large/Mid Cap US Equities	15.75%	6.30%
Small Cap US Equities	1.30%	6.69%
Micro Cap US Equities	1.30%	6.80%
Developed Foreign Equities	13.13%	6.71%
Emerging Foreign Equities	4.12%	7.45%
Non-US Small Cap Equities	1.88%	7.01%
Private Equities	17.50%	7.82%
Real Estate (Property)	10.00%	5.51%
Real Estate (REITS)	2.50%	6.37%
Hedge Fund of Funds - Diversified	2.50%	4.09%
Hedge Fund - Event-Driven	0.63%	5.86%
Timber	1.88%	5.62%
Farmland	1.88%	6.15%
Infrastructure	3.75%	6.60%
Commodities	1.88%	3.84%
Total	<u>100.00%</u>	
Assumed Inflation - Mean		2.50%

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

Sensitivity to Discount Rate – The following presents the City's net pension liability calculated using the discount rate of 7.50 percent, as well as what the City's net pension liability would be if it were calculated

City of Depoe Bay, Oregon

**Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019**

using a discount rate that is one percentage point lower (6.50 percent) and one percentage point higher (8.50 percent) than the current rate:

	<u>1% Decrease (6.20%)</u>	<u>Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
Net Pension Liability (Asset)	<u>\$ 1,872,645</u>	<u>\$ 1,120,547</u>	<u>\$ 499,751</u>

Changes in Plan Provisions Subsequent to Measurement Date – At its July 28, 2017 meeting, the PERS Board lowered the assumed rate to 7.2 percent. For member transactions, this rate will take effect January 1, 2018. The current assumed rate is 7.5 percent and has been in effect for member transactions since January 1, 2016.

Retirement Health Insurance Account (RHIA)

Plan Description -- As a member of OPERS, the City contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing, multiple-employer defined benefit other post-employment benefit plan (OPEB) administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. OPERS issues a publicly available financial report that may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, Oregon 97281-3700.

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

Participating municipal corporations are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.50 and 0.43 percent of annual covered payroll for OPERS members and OPSRP respectively. The OPERS Board of sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The City's contributions to RHIA for the years ended June 30, 2019, 2018, and 2017 were paid and equaled the required contributions for each year.

City of Depoe Bay, Oregon

**Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019**

Postemployment Benefits Other Than Pensions –

GASB Statement No. 75 provides guidance for accounting for liabilities/(assets) related to retiree healthcare and other non-pension postemployment benefits (OPEB). The other postemployment benefits for the City combines two separate plans. The City provides an implicit rate subsidy for retiree health insurance premiums and a contribution to the State of Oregon's PERS cost-sharing multiple employer defined health insurance benefit plan. The total OPEB liability is based on a valuation provided by an independent actuarial firm based on assumptions including inflation rate, projected salary increases, discount rate, medical, dental and vision increases, and mortality rates and other inputs. The total OPEB liability was estimated at June 30, 2018 by Milliman Actuarial Services for both plans. At June 30, 2019, the City's net OPEB liability/(asset) and deferred inflows and outflows were determined by management not to be material to the financial statements.

NOTE 6 - OTHER INFORMATION

Commitments – The City of Depoe Bay and Gleneden Sanitary District (a sanitary district in Lincoln County) entered into an agreement whereby the District shares in the annual total cost for shared wastewater facilities. Costs include annual cost of administration, construction not paid from bond or grant proceeds, operations, maintenance, and debt service for the shared facility. In November of 1999, the City and Miroco Water District signed an agreement whereby Miroco transferred its assets and obligations of \$44,925 to a separate reserve fund (an enterprise fund) in the City. In return, the City services the inhabitants of the former District for twenty-five years. The agreement spells out obligations the City has agreed to abide by, including arrangements for funding, if needed, to fulfill any obligations in the event the reserve fund is inadequate.

In 1994 a landfill in Agate Beach was closed. The City and other governmental units in Lincoln County now share the costs of clean-up and closure of the site. The City collects fees for the closure through North Lincoln Sanitary Services and pays its share of costs to the Lincoln County Solid Waste Consortium. Restricted cash is \$96,886. Activity for the year is as follows:

	Balance
Fees Collected	\$ 1,263
Expenditures	(2,710)
Excess (deficit) of revenues over expenditures	<u>\$ (1,447)</u>

Tax Abatement – GASB Statement No. 77, Tax Abatement Disclosures, requires governments that enter into tax abatement agreements to disclose information about those agreements. The City has not entered into any tax abatement agreements as of the end of the fiscal year; therefore, there are no amounts to disclose.

Risk Management – The City is exposed to various risks of loss related to theft of, damage to and destruction of assets; tort; errors and omissions; injuries to employees; and natural disasters. The City

City of Depoe Bay, Oregon

**Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2019**

purchases commercial insurance for such risks. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 7 - EVALUATION OF SUBSEQUENT EVENTS

In the beginning of March 2020, the COVID-19 virus was declared a global pandemic and later in the same month the Oregon governor issued Executive Order No. 20-12 which directed Oregonians to "Stay Home, Save Lives". It is anticipated communities will be severely impacted with the temporarily closing of businesses. The City anticipates an increase of expenses and is monitoring possible impact on revenue sources.

Management has evaluated subsequent events through June 28, 2021, the date on which the financial statements were available to be issued.

CITY OF DEPOE BAY OREGON

REQUIRED SUPPLEMENTAL INFORMATION SECTION

City of Depoe Bay, Oregon
Schedule of Revenues, Expenditures and Changes in Fund
Balance- Budget and Actual
For the Year Ended June 30, 2019
General Fund

	Original and Final Budget	Actual	Variance
Revenues			
Franchises	\$ 136,096	\$ 172,363	\$ 36,267
Revenue sharing	22,360	30,990	8,630
Cigarette tax	1,742	2,087	345
Liquor tax	26,453	25,574	(879)
Marijuana tax	8,275	40,486	32,211
Permits - Building and other	7,500	5,482	(2,018)
Business licenses and fees	25,000	26,809	1,809
Grants	3,500	5,000	1,500
Interest earnings	1,400	5,516	4,116
Agate Beach Closure Fund	975	1,263	288
Miscellaneous	800	454	(346)
Total revenues	<u>234,101</u>	<u>316,024</u>	<u>81,923</u>
Expenditures			
Personnel services	165,485	141,923	23,562
Materials and services	284,842	185,912	98,930
Capital outlay	22,500	1,819	20,681
Contingency	24,604	-	24,604
Total expenditures	<u>497,431</u>	<u>329,654</u>	<u>167,777</u>
Excess (deficiency) of revenue over expenditures	(263,330)	(13,630)	249,700
Other financing sources and uses			
Transfer from Transient Room Tax Fund	600,000	600,000	-
Transfer from URA Project Fund	9,000	-	(9,000)
Transfer to Harbor Fund	(165,000)	(165,000)	-
Transfer to Street Fund	(150,000)	(150,000)	-
Transfer to Parks and Building Fund	(110,000)	(110,000)	-
Total other financing sources and uses	<u>184,000</u>	<u>175,000</u>	<u>(9,000)</u>
Change in fund balance	(79,330)	161,370	240,700
GAAP Adjustment			
Compensated Absences	-	(1,230)	(1,230)
Fund Balance - beginning of year	525,335	974,642	449,307
Fund Balance - end of year	<u>\$ 446,005</u>	<u>\$ 1,134,782</u>	<u>\$ 688,777</u>

City of Depoe Bay, Oregon
Schedule of Revenues, Expenditures and Changes in Fund
Balance- Budget and Actual
For the Year Ended June 30, 2019
State Tax Street Fund

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
State Highway Apportionment	\$ 102,931	\$ 113,812	\$ 10,881
SDC charges	39,984	66,731	26,747
Grants	50,000	50,000	-
Interest earnings	275	198	(77)
Miscellaneous	100	-	(100)
Total revenues	<u>193,290</u>	<u>230,741</u>	<u>37,451</u>
Expenditures			
Personnel services	139,426	101,054	38,372
Materials and services	133,519	86,066	47,453
Capital outlay	585,626	86,159	499,467
Contingency	25,000	-	25,000
Total expenditures	<u>883,571</u>	<u>273,279</u>	<u>610,292</u>
Excess (deficiency) of revenue over expenditures	(690,281)	(42,538)	647,743
Other financing sources and uses			
Transfer from General Fund	150,000	150,000	-
Transfer from Urban Renewal Project Fund	77,000	-	(77,000)
Total other financing sources and uses	<u>227,000</u>	<u>150,000</u>	<u>(77,000)</u>
Change in fund balance	(463,281)	107,462	570,743
GAAP Adjustment			
Compensated Absences	-	1,800	1,800
Fund Balance - beginning of year	<u>566,427</u>	<u>524,175</u>	<u>(42,252)</u>
Fund Balance - end of year	<u>\$ 103,146</u>	<u>\$ 633,437</u>	<u>\$ 530,291</u>

City of Depoe Bay, Oregon

SCHEDULES OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) Fiscal Year Ended June 30, 2019

OREGON PUBLIC EMPLOYEE RETIREMENT SYSTEM

Last Five Fiscal Years

Fiscal Year Ended	City's proportion of the net pension liability (asset)	City's proportionate share of the net pension liability (asset)	City's covered payroll	City's proportionate share of the net position (Asset)Liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2019	0.007397%	\$ 1,120,547	\$ 661,590	169.37%	82.10%
2018	0.007556%	1,018,560	648,213	157.13%	83.10%
2017	0.008371%	1,256,699	620,249	202.50%	80.50%
2016	0.008544%	490,595	639,024	76.80%	91.90%
2015	0.009050%	(205,188)	658,307	-31.20%	103.60%

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date for each year presented.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information

SCHEDULE OF THE CITY'S CONTRIBUTION

OREGON PUBLIC EMPLOYEE RETIREMENT SYSTEM

Last five fiscal years

Fiscal Year Ended	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	City's covered payroll	Contributions as a percent of covered payroll
2019	\$ (57,406)	\$ (57,406)	\$ -	\$ 661,590	-8.68%
2018	104,300	104,300	-	661,590	15.77%
2017	87,360	87,360	-	648,213	13.48%
2016	82,930	84,057	(1,127)	620,249	13.55%
2015	76,062	77,398	(1,336)	639,024	12.11%

City of Depoe Bay, Oregon

NOTES TO THE SCHEDULES OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AND CONTRACTUALLY REQUIRED CONTRIBUTIONS Fiscal Year Ended June 30, 2019

Changes in Benefit Terms

The 2013 Oregon Legislature made a series of changes to PERS that lowered projected future benefit payments from the System. These changes included reductions to future Cost of Living Adjustments (COLA) made through Senate Bills 822 and 861. Senate Bill 822 also required the contribution rates scheduled to be in effect from July 2013 to June 2015 to be reduced. The Oregon Supreme Court decision in *Moro v. State of Oregon*, issued on April 30, 2015, reversed a significant portion of the reductions the 2013 Oregon Legislature made to future System Cost of Living Adjustments (COLA) through Senate Bills 822 and 861. This reversal increased the total pension liability as of June 30, 2015 compared to June 30, 2014 total pension liability.

Changes in Assumptions

The PERS Board adopted assumption changes that were used to measure the June 30, 2016 total pension liability and June 30, 2018 total pension liability. For June 30, 2016, the changes included the lowering of the long-term expected rate of return to 7.50 percent and lowering of the assumed inflation to 2.50 percent. For June 30, 2018, the long-term expected rate of return was lowered to 7.20 percent. In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and assumptions were updated for merit increases, unused sick leave, and vacation pay were updated.

CITY OF DEPOE BAY OREGON

SUPPLEMENTAL INFORMATION SECTION

CITY OF DEPOE BAY, OREGON

GOVERNMENTAL-MAJOR FUNDS DESCRIPTION OF BUDGETARY FUNDS

Pursuant to the provisions of Oregon Revised Statute, an individual schedule of revenues, expenditures, and changes in fund balances requires budget and actual be displayed for each fund where legally adopted budgets are required.

Budgetary comparison schedules for the following major governmental funds:

General Fund - is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Transient Room Tax accounts for the collection of transient room tax.

Parks and Building Fund accounts for the funds accumulated for maintenance and acquisition of capital assets.

Reconciliation is for presentation purposes, these three funds are folded into one fund and presented as the Combined General Fund.

State Tax Street Fund - accounts for the maintenance, operation and construction of the City's streets. The primary source of revenues is state shared highway funds.

Urban Renewal Project Fund - accounts for the capital projects undertaken by the Agency The primary sources of revenue are loan proceeds and transfer from the Debt Service Fund.

Urban Renewal Debt Service Fund - accounts for reserves and debt service to carry out the City's urban renewal plan. The primary source of revenue is property taxes.

City of Depoe Bay, Oregon
Schedule of Revenues, Expenditures and Changes in Fund
Balance- Budget and Actual
For the Year Ended June 30, 2019
Combined General Fund

	Original and Final Budget	Actual	Variance
Revenues			
Franchises	\$ 136,096	\$ 172,363	\$ 36,267
Revenue sharing	22,360	30,990	8,630
Cigarette tax	1,742	2,087	345
Liquor tax	26,453	25,574	(879)
Marijuana tax	8,275	40,486	32,211
Permits - Building and other	7,500	5,482	(2,018)
Business licenses and fees	25,000	26,809	1,809
Grants	3,500	5,000	1,500
Interest earnings	1,400	5,516	4,116
Agate Beach Closure Fund	975	1,263	288
Transient Room Tax Fund	570,500	877,088	306,588
Parks and Building Fund	22,068	30,285	8,217
Miscellaneous	800	454	(346)
Total revenues	<u>826,669</u>	<u>1,223,397</u>	<u>396,728</u>
Expenditures			
General Government	497,431	329,654	167,777
Transient Room Tax Fund	690,750	5,608	685,142
Parks and Building Fund	482,571	193,112	289,459
Total expenditures	<u>1,670,752</u>	<u>528,374</u>	<u>1,142,378</u>
Excess (deficiency) of revenue over expenditures	(844,083)	695,023	1,539,106
Other financing sources and uses			
Transfer from URA Project Fund	9,000	-	(9,000)
Transfer to Harbor Fund	(165,000)	(165,000)	-
Transfer to Street Fund	(150,000)	(150,000)	-
Total other financing sources and uses	<u>(306,000)</u>	<u>(315,000)</u>	<u>(9,000)</u>
Change in fund balance	(1,150,083)	380,023	1,530,106
GAAP Adjustment			
Compensated Absences	-	148	148
Fund Balance - beginning of year	<u>1,632,273</u>	<u>1,857,074</u>	<u>224,801</u>
Fund Balance - end of year	<u>\$ 482,190</u>	<u>\$ 2,237,245</u>	<u>\$ 1,755,055</u>

City of Depoe Bay, Oregon
Reconciliation of Revenues and Expenditures - Budgetary Basis
to the Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2019
Combined General Fund

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Net</u>
Budgetary Basis:			
General Fund	\$ 916,024	\$ 754,654	\$ 161,370
Transient Room Tax Fund	877,088	605,608	271,480
Parks and Building Fund	140,285	193,112	(52,827)
Total Budgetary Basis	<u>\$ 1,933,397</u>	<u>\$ 1,553,374</u>	<u>380,023</u>
GAAP Adjustments			
Compensated absences			148
Fund Balance- beginning of year			1,857,074
Fund Balance - end of year			<u>\$ 2,237,245</u>

City of Depoe Bay, Oregon
Schedule of Revenues, Expenditures and Changes in Fund
Balance- Budget and Actual
For the Year Ended June 30, 2019
Transient Room Tax Fund

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Transient room tax	\$ 570,000	\$ 876,300	\$ 306,300
Interest earnings	500	788	288
Total revenues	<u>570,500</u>	<u>877,088</u>	<u>306,588</u>
Expenditures			
Public safety	673,000	5,608	667,392
Law Enforcement	12,000	-	12,000
Tsunami Sirens Maintenance	5,000	-	5,000
Speed Control Wagons Maintenance	750	-	750
Total expenditures	<u>690,750</u>	<u>5,608</u>	<u>685,142</u>
Excess (deficiency) of revenue over expenditures	(120,250)	871,480	991,730
Other financing sources and uses			
Transfer to General Fund	(600,000)	(600,000)	-
Change in fund balance	<u>(720,250)</u>	<u>271,480</u>	<u>991,730</u>
Fund Balance - beginning of year	<u>750,000</u>	<u>794,692</u>	<u>44,692</u>
Fund Balance - end of year	<u>\$ 29,750</u>	<u>\$ 1,066,172</u>	<u>\$ 1,036,422</u>

City of Depoe Bay, Oregon
Schedule of Revenues, Expenditures and Changes in Fund
Balance- Budget and Actual
For the Year Ended June 30, 2019
Parks and Building Fund

	Original and Final Budget	Actual	Variance
Revenues			
Memorial plaque sales	\$ 8,470	\$ 10,612	\$ 2,142
SDC charges	7,788	9,684	1,896
Rental fee income	5,000	3,775	(1,225)
Miscellaneous	100	-	(100)
Donations	200	5,000	4,800
Interest earnings	510	1,214	704
Total revenues	<u>22,068</u>	<u>30,285</u>	<u>8,217</u>
Expenditures			
Personnel services	88,244	122,453	(34,209)
Materials and services	115,627	42,453	73,174
Capital outlay	273,700	28,206	245,494
Contingency	5,000	-	5,000
Total expenditures	<u>482,571</u>	<u>193,112</u>	<u>289,459</u>
Excess (deficiency) of revenue over expenditures	(460,503)	(162,827)	297,676
Other financing sources and uses			
Transfer from General Fund	110,000	110,000	-
Change in fund balance	<u>(350,503)</u>	<u>(52,827)</u>	<u>297,676</u>
GAAP Adjustment			
Compensated Absences	-	1,378	1,378
Fund Balance - beginning of year	<u>356,938</u>	<u>87,741</u>	<u>(269,197)</u>
Fund Balance - end of year	<u>\$ 6,435</u>	<u>\$ 36,292</u>	<u>\$ 29,857</u>

City of Depoe Bay, Oregon
Schedule of Revenues, Expenditures and Changes in Fund
Balance- Budget and Actual
For the Year Ended June 30, 2019
Urban Renewal Area Project Fund

	Original and Final Budget	Actual	Variance
Revenues			
Interest earnings	\$ 10	\$ 10	\$ -
Expenditures			
Personnel services	12,000	2,203	9,797
Materials and services	7,550	8,525	(975)
Total expenditures	<u>19,550</u>	<u>10,728</u>	<u>8,822</u>
Excess (deficiency) of revenues over expenditures	<u>(19,540)</u>	<u>(10,718)</u>	<u>8,822</u>
Other financing sources and uses			
Transfer from URA Debt Fund	444,000	-	(444,000)
Transfer to General Fund	(9,460)	-	9,460
Transfer to Harbor Fund	(75,000)	-	75,000
Transfer to Street Fund	(77,000)	-	77,000
Total other financing sources and uses	<u>282,540</u>	<u>-</u>	<u>(282,540)</u>
Change in fund balance	263,000	(10,718)	(273,718)
Fund Balance - beginning of year	<u>(263,000)</u>	<u>5,850</u>	<u>268,850</u>
Fund Balance - end of year	<u>\$ -</u>	<u>\$ (4,868)</u>	<u>\$ (4,868)</u>

City of Depoe Bay, Oregon
Schedule of Revenues, Expenditures and Changes in Fund
Balance- Budget and Actual
For the Year Ended June 30, 2019
URA Debt Service Fund

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Property Taxes	\$ 215,029	\$ 226,283	\$ 11,254
Interest earnings	298	280	(18)
Program reimbursement	-	44,722	44,722
Total revenues	<u>215,327</u>	<u>271,285</u>	<u>55,958</u>
Other Financing Sources and Uses			
Transfer to URA Project Fund	<u>(444,000)</u>	<u>-</u>	<u>444,000</u>
Change in fund balance	(228,673)	271,285	499,958
Fund Balance - beginning of year	<u>228,673</u>	<u>602,845</u>	<u>374,172</u>
Fund Balance - end of year	<u><u>\$ -</u></u>	<u><u>\$ 874,130</u></u>	<u><u>\$ 874,130</u></u>

CITY OF DEPOE BAY OREGON

NONMAJOR FUNDS

Special Revenue Fund

CITY OF DEPOE BAY, OREGON

SPECIAL REVENUE FUND DESCRIPTION OF BUDGETARY FUND

Pursuant to the provisions of Oregon Revised Statute, an individual schedule of revenues, expenditures, and changes in fund balances requires budget and actual be displayed for each fund where legally adopted budgets are required.

Budgetary comparison schedule for the following special revenue fund:

Salmon Enhancement Project Fund accounts for funds received for salmon enhancement
Principal sources of revenue are donations and interest income.

City of Depoe Bay, Oregon
Schedule of Revenues, Expenditures and Changes in Fund
Balance- Budget and Actual
For the Year Ended June 30, 2019
Salmon Enhancement Project Fund

	Original and Final Budget	Actual	Variance
Revenues			
Interest earnings	\$ 2	\$ 2	\$ -
Donations	100	-	(100)
Specialty items sales	50	890	840
Total revenues	<u>152</u>	<u>892</u>	<u>740</u>
Expenditures			
Materials and services	<u>3,302</u>	<u>143</u>	<u>3,159</u>
Change in fund balance	(3,150)	749	3,899
Fund Balance - beginning of year	<u>3,150</u>	<u>2,851</u>	<u>(299)</u>
Fund Balance - end of year	<u><u>\$ -</u></u>	<u><u>\$ 3,600</u></u>	<u><u>\$ 3,600</u></u>

CITY OF DEPOE BAY OREGON

Proprietary Funds – Major Funds

CITY OF DEPOE BAY, OREGON

PROPRIETARY FUNDS DESCRIPTION OF BUDGETARY FUNDS

Pursuant to the provisions of Oregon Revised Statute, an individual schedule of revenues, expenditures, and changes in fund balances requires budget and actual be displayed for each fund where legally adopted budgets are required.

Budgetary comparison schedules for the following major proprietary funds:

Water Fund reports financial activity related to supply, treatment and distribution of water, with the primary revenue coming from user fees.

Water Bond Fund recognizes the property taxes and transfers in to service debt obligations of the Water Fund.

Miroco Water Fund was formed to receipt in the funds from the closed water district.

Reconciliation is for presentation purposes. These three funds are folded in to one fund and presented as the Water Fund.

Sewer Fund accounts for the resources and expense related to collection and treatment of wastewater. The primary source of revenue is user fees.

Sanitary Bond Fund recognizes the property taxes and transfer in to service the debt obligation of the Sewer fund.

Reconciliation is for presentation purposes. These two funds are folded in to one fund and presented as the Sewer Fund.

Harbor Fund reports financial activity related to port facilities. Primary revenue is from moorage fees.

City of Depoe Bay, Oregon
Schedule of Revenues, Expenditures and Changes in Fund
Balance- Budget and Actual
For the Year Ended June 30, 2019
Water Service Fund

	Original and Final Budget	Actual	Variance
Revenues			
User charges	\$ 625,000	\$ 651,974	\$ 26,974
Connection fees	7,748	9,397	1,649
SDC charges	50,000	79,357	29,357
Miroco billing	5,350	-	(5,350)
Interest earnings	500	651	151
Miscellaneous	9,000	10,029	1,029
Total revenues	<u>697,598</u>	<u>751,408</u>	<u>53,810</u>
Expenditures			
Personnel services	314,498	257,307	57,191
Materials and services	173,925	140,283	33,642
Capital outlay	863,555	8,052	855,503
Contingency	50,000	-	50,000
Total expenditures	<u>1,401,978</u>	<u>405,642</u>	<u>996,336</u>
Excess (deficiency) of revenues over expenditures	<u>(704,380)</u>	<u>345,766</u>	<u>1,050,146</u>
Other Financing Sources and Uses			
Transfer from Harbor Fund	6,200	6,200	-
Transfer to Water Bond Fund	(17,685)	(17,685)	-
Total other financing sources and uses	<u>(11,485)</u>	<u>(11,485)</u>	<u>-</u>
Change in fund balance	(715,865)	334,281	1,050,146
Fund Balance - beginning of year	<u>1,252,922</u>	<u>1,511,409</u>	<u>258,487</u>
Fund Balance - end of year	<u>\$ 537,057</u>	<u>\$ 1,845,690</u>	<u>\$ 1,308,633</u>

City of Depoe Bay, Oregon
Schedule of Revenues, Expenditures and Changes in Fund
Balance- Budget and Actual
For the Year Ended June 30, 2019
Water Bond Fund

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Property Taxes	\$ 140,492	\$ 142,246	\$ 1,754
Interest earnings	115	291	176
Total revenues	<u>140,607</u>	<u>142,537</u>	<u>1,930</u>
Expenditures			
Debt service	<u>157,240</u>	<u>157,240</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(16,633)	(14,703)	1,930
Other Financing Sources and Uses			
Transfer from Water Service Fund	<u>17,685</u>	<u>17,685</u>	<u>-</u>
Change in fund balance	1,052	2,982	1,930
Fund Balance - beginning of year	<u>131,948</u>	<u>131,288</u>	<u>(660)</u>
Fund Balance - end of year	<u><u>\$ 133,000</u></u>	<u><u>\$ 134,270</u></u>	<u><u>\$ 1,270</u></u>

City of Depoe Bay, Oregon
Schedule of Revenues, Expenditures and Changes in Fund
Balance- Budget and Actual
For the Year Ended June 30, 2019
Miroco Water Fund

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Interest earnings	\$ 20	\$ 16	\$ (4)
Expenditures			
Reserve for future expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balance	20	16	(4)
Fund Balance - beginning of year	<u>40,912</u>	<u>36,999</u>	<u>(3,913)</u>
Fund Balance - end of year	<u>\$ 40,932</u>	<u>\$ 37,015</u>	<u>\$ (3,917)</u>

City of Depoe Bay, Oregon
Reconciliation of Revenues and Expenditures - Budgetary Basis
to the Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2019

Water Fund

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Net</u>
Budgetary Basis:			
Water Service Fund	\$ 757,608	\$ 423,327	\$ 334,281
Water Bond Fund	160,222	157,240	2,982
Miroco Water Fund	16	-	16
Total Budgetary Basis	<u>\$ 917,846</u>	<u>\$ 580,567</u>	<u>337,279</u>
Add (deduct) items to reconcile to Net			
Income on GAAP-basis			
Capital asset activity			
Additions			8,052
Depreciation			(158,878)
Pension activity - net			(67,438)
Compensated absences			508
Long-term debt activity			
Payment of principal on outstanding debt			110,000
Bond premium amortization			4,195
Change in net position			<u>233,718</u>
Net Position - beginning of year			3,102,691
Net Position - end of year			<u>\$ 3,336,409</u>

City of Depoe Bay, Oregon
Schedule of Revenues, Expenditures and Changes in Fund
Balance- Budget and Actual
For the Year Ended June 30, 2019
Sanitary Service Fund

	Original and Final Budget	Actual	Variance
Revenues			
User charges	\$ 462,913	\$ 481,876	\$ 18,963
User charges - Gleneden Sanitary	631,394	668,853	37,459
Connection fees	7,592	3,810	(3,782)
SDC charges	38,800	65,314	26,514
Interest earnings	635	649	14
Miscellaneous	1,000	1,221	221
Total revenues	<u>1,142,334</u>	<u>1,221,723</u>	<u>79,389</u>
Expenditures			
Personnel services	346,019	285,285	60,734
Materials and services	328,214	322,665	5,549
Capital outlay	1,482,353	3,726	1,478,627
Contingency	75,000	-	75,000
Total expenditures	<u>2,231,586</u>	<u>611,676</u>	<u>1,619,910</u>
Excess (deficiency) of revenues over expenditures	<u>(1,089,252)</u>	<u>610,047</u>	<u>1,699,299</u>
Other Financing Sources and Uses			
Transfer from Harbor Fund	3,000	3,000	-
Transfer to Sanitary Bond Fund	(9,880)	(9,880)	-
Total other financing sources and uses	<u>(6,880)</u>	<u>(6,880)</u>	<u>-</u>
Change in fund balance	(1,096,132)	603,167	1,699,299
Fund Balance - beginning of year	<u>1,419,585</u>	<u>1,626,239</u>	<u>206,654</u>
Fund Balance - end of year	<u>\$ 323,453</u>	<u>\$ 2,229,406</u>	<u>\$ 1,905,953</u>

City of Depoe Bay, Oregon
Schedule of Revenues, Expenditures and Changes in Fund
Balance- Budget and Actual
For the Year Ended June 30, 2019
Sanitary Bond Fund

	Original and Final Budget	Actual	Variance
Revenues			
Property Taxes	\$ 83,036	\$ 87,820	\$ 4,784
Interest earnings	65	184	119
Gleneden Sanitary debt	135,561	135,561	-
Nonresident contributions	1,150	1,339	189
Total revenues	<u>219,812</u>	<u>224,904</u>	<u>5,092</u>
Expenditures			
Debt service	<u>234,510</u>	<u>233,725</u>	<u>785</u>
Excess (deficiency) of revenues over expenditures	(14,698)	(8,821)	5,877
Other Financing Sources and Uses			
Transfer from Sanitary Service Fund	<u>9,880</u>	<u>9,880</u>	<u>-</u>
Change in fund balance	(4,818)	1,059	5,877
Fund Balance - beginning of year	<u>98,652</u>	<u>91,579</u>	<u>(7,073)</u>
Fund Balance - end of year	<u>\$ 93,834</u>	<u>\$ 92,638</u>	<u>\$ (1,196)</u>

City of Depoe Bay, Oregon
Reconciliation of Revenues and Expenditures - Budgetary Basis
to the Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2019

Sewer Fund

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Net</u>
Budgetary Basis:			
Sanitary Service Fund	\$ 1,224,723	\$ 621,556	\$ 603,167
Sanitary Bond Fund	234,784	233,725	1,059
Total Budgetary Basis	<u>\$ 1,459,507</u>	<u>\$ 855,281</u>	604,226
Add (deduct) items to reconcile to Net			
Income on GAAP-basis			
Capital asset activity			
Additions			3,726
Depreciation			(213,317)
Pension activity - net			(70,331)
Compensated absences			3,654
Long-term debt activity			
Payment of principal on outstanding debt			195,000
Bond premium amortization			11,901
Change in net position			534,859
Net Position - beginning of year			3,907,414
Net Position - end of year			<u>\$ 4,442,273</u>

City of Depoe Bay, Oregon
Schedule of Revenues, Expenditures and Changes in Fund
Balance- Budget and Actual
For the Year Ended June 30, 2019

Harbor Fund

	Original and Final Budget	Actual	Variance
Revenues			
Moorage - annual	\$ 83,750	\$ 92,134	\$ 8,384
Moorage - transient	5,500	7,004	1,504
Leases	26,400	26,992	592
Grants	6,300	4,865	(1,435)
Electricity surcharge	10,000	8,443	(1,557)
Fuel sales	175,000	248,223	73,223
Interest earnings	115	46	(69)
Launch fees	3,600	3,592	(8)
Miscellaneous	900	171	(729)
Total revenues	<u>311,565</u>	<u>391,470</u>	<u>79,905</u>
Expenditures			
Personnel services	171,712	178,002	(6,290)
Materials and services	223,250	287,995	(64,745)
Capital outlay	309,290	5,651	303,639
Contingency	60,000	-	60,000
Total expenditures	<u>764,252</u>	<u>471,648</u>	<u>292,604</u>
Excess (deficiency) of revenues over expenditures	<u>(452,687)</u>	<u>(80,178)</u>	<u>372,509</u>
Other Financing Sources and Uses			
Transfer from General Fund	165,000	165,000	-
Transfer from Urban Renewal Fund	75,000	-	(75,000)
Transfer to Sewer Fund	(3,000)	(3,000)	-
Transfer to Water Service Fund	(6,200)	(6,200)	-
Total other financing sources and uses	<u>230,800</u>	<u>155,800</u>	<u>(75,000)</u>
Change in fund balance	(221,887)	75,622	297,509
Fund Balance - beginning of year (Budget basis)	<u>247,373</u>	<u>56,823</u>	<u>(190,550)</u>
Fund Balance - end of year (Budget basis)	<u>\$ 25,486</u>	<u>132,445</u>	<u>\$ 106,959</u>
GAAP ADJUSTMENTS - Reconciled to June 30, 2018		2,505,630	
Capital asset activity			
Additions		5,651	
Depreciation		(120,135)	
Compensated absences		(1,252)	
Pension activity, net		(23,688)	
Net Position - end of year		<u>\$ 2,498,651</u>	

CITY OF DEPOE BAY OREGON

COMPLIANCE SECTION

GRIMSTAD & ASSOCIATES

Certified Public Accountants

Newport Office:
P.O. Box 1930
530 N.W. 3rd St. Ste E
Newport, OR 97365
(541) 265-5411
Fax (541) 265-9255
info@grimstad-assoc.com

Lincoln City Office:
1349 N.W. 15th Street
Lincoln City, OR 97367
(541) 994-5252
Fax (541) 994-2105

Audit Comments and Disclosures Required by State Regulations

June 28, 2021

Honorable Mayor and Members
of the City Council
City of Depoe Bay
Depoe Bay, Oregon

I was engaged to audit the financial statements of the governmental activities, the business-type activities each major fund and the aggregate remaining fund information of the City of Depoe Bay, Oregon (the City), as of and for the year ended June 30, 2019 which collectively comprise the City's basic financial statements and have issued my report dated June 28, 2021.

As the City was not able to provide certain evidence or corroborating evidence in the supporting of the basic financial statements or supplementary information and did not have adequate internal controls, I was not able to apply other auditing procedures to determine as to whether the financial statements and supplementary information was presented in accordance with accounting principles generally accepted in the United States of America. The scope of my work was not sufficient to enable me to express opinions on the basic financial statements and supplementary information.

Accounting Records and Internal Control Structure

In an effort to plan and perform my audit of the basic financial statements of the City as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, I considered the City's internal control over financial reporting (internal control) as a basis to attempt to design my auditing procedures for the purpose of expressing my opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I do not express an opinion on the effectiveness of the City's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weakness. However, as discussed below, I identified a certain deficiency in internal control that I consider to be a material weakness.

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 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. I consider the following deficiency in internal control to be material weaknesses:

Members:
AICPA OSCPA & OAlA

Accounting Records and Internal Control Structure (Continued)

The City transferred, during the year, its transactions over to software without adequate procedures, reconciliations, and supervisory review. As a result, I was not provided or able to corroborate evidence to support the records or basic financial statements.

Adequacy of Collateral Securing Depository Balances

My review of the adequacy of collateral securing depository balances indicated the collateral was sufficient during the year ending June 30, 2019. The City's funds are deposited with a qualified depository bank, Columbia Bank.

Investments

My review of deposit and investment balances indicated that, during the year ended June 30, 2019, the City was in compliance with ORS 294 as it pertains to investment of public funds.

Legal Requirements Relating to Debt

I noted the indebtedness of the City was in compliance with ORS 287.004 during the year ended June 30, 2019. I noted no defaults in principal and interest with respect to any of the City's bonded debt.

Budget Compliance

The City appears to have complied with Local Budget Law (ORS 294.305 to 294.520) in the preparation, adoption and execution of its budget and tax levy for the year ended June 30, 2019, and the preparation and adoption of its budget for the year ending June 30, 2020, except as noted below.

The City over expended its appropriations for the following funds:

Parks and Building

Personnel services \$36,209

URA

Materials & Services \$975

Harbor Fund

Personnel services \$6,290

Material and services \$64,745

Because the financial statements could not be audited, there could be other over expenditures and other deficit fund balance.

Insurance Policies and Fidelity Bond

I have reviewed the City's insurance and fidelity bond coverage at June 30, 2019. I ascertained that such policies appeared to be in force and in compliance with legal requirements relating to insurance and fidelity bond coverage. I am not competent by training to comment on the adequacy of the insurance policies covering City-owned property at June 30, 2019.

Public Contracts

Due to the state of the accounting records I was unable to review the City's procedures for awarding public contracts to determine compliance with ORS Chapter 279.

Highway Funds

Due to the state of the accounting records I was unable to review the City's procedures for the expenditure of gas tax funds to determine compliance with ORS Chapter 294.

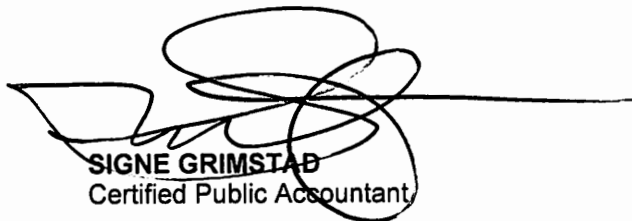
Programs Funded from Outside Sources

Due to the state of the accounting records, I was unable to review the City's procedures for the expenditures of the grants to determine compliance.

Financial Reporting Requirements

The City is late in its annual filing with Oregon Secretary of State Audits Division.

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



SIGNE GRIMSTAD
Certified Public Accountant