



Financial Statements
June 30, 2021
City of Yachats

**CITY OF YACHATS
LINCOLN COUNTY, OREGON**

OFFICERS AND MEMBERS OF THE GOVERNING BOARD
June 30, 2021

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**CITY OF YACHATS
LINCOLN COUNTY, OREGON
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021**

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

**Honorable Mayor and Members of the City Council
City of Yachats
Yachats, Oregon 97498**

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the aggregate blended component unit, each major fund, and the aggregate remaining fund information of City of Yachats, Oregon, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City of Yachats' management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, aggregate blended component unit, each major fund, and the aggregate remaining fund information of the City of Yachats, Oregon, as of June 30, 2021, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describe the basis of accounting. The financial statements are prepared on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Report of Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Yachats' basis financial statements. The accompanying supplementary information is presented for purposes of additional analysis and are not a required part of the basic financial statements.

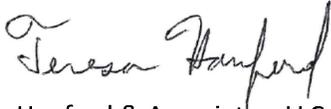
The budgetary comparison information presented on pages 52-59 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

The management' discussion and analysis on pages 11-18 and introductory information on pages 3-5 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.

Reports on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated March 31, 2022 on our consideration of the City's compliance with certain provisions of laws and regulations specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

A handwritten signature in black ink that reads "Teresa Hanford". The signature is written in a cursive style with a large initial "T" and "H".

Hanford & Associates, LLC
West Richland, Washington
March 31, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the financial report presents discussion and analysis of the financial performance of the City of Yachats during fiscal year ending June 30, 2021. Please read it in conjunction with the City's financial statements, which follow this section.

Financial Highlights

The City's Budget for the year ended June 30, 2021, was prepared during the initial months of the Covid-19 lockdowns and restrictions. Revenues for lodging taxes, food and beverage taxes and water and wastewater usage fees were budgeted conservatively. For Personnel expenses, the adopted budget anticipated significant overtime costs and additional employees. Materials and Services expenses were budgeted to increase significantly for vendor-provided Covid-19 related costs, supplies and services.

As the fiscal year unfolded, Covid-19 restrictions eased, and lodging taxes totaled 25% more than the last fiscal year before Covid. Food and Beverage taxes also exceeded the conservative budget and were 3% more than the last pre-Covid fiscal year. Restaurant dining recovered at a slower rate due to social distancing requirements, staffing issues, changing guidance and a general reluctance to gather in close proximity to others.

Personnel expenses and Materials and Services expenses were impacted by closed public facilities, departure of the City Manager, 2 Interim City Managers, office staff turnover and a virtual suspension of capital project activity during the fiscal year. City-wide Personnel costs were only 78% of budget and materials and Services expenses were approximately 70% of budget. New staff positions identified in the adopted budget were not filled, certain office positions were vacant for a number of months and the Covid-related expenses were not as severe as anticipated.

Capital Project expenditures were approximately 50% of budget.

As a direct result of the increased revenues and reduced expenditures, compared to the adopted budget, the City of Yachats was able to adopt a Supplemental Budget that transferred operating funds to reserves, repaid all interfund loans and provided funds for early repayment of a loan from the Oregon Infrastructure Finance Authority (IFA).

Other significant items:

The City's net position increased by \$1,839,433 – an increase of \$566,396 in governmental funds and an increase of \$1,273,037 in the enterprise funds.

All debt payments on our outstanding five debt obligations were paid timely.

The total cash outlay for expenses in all funds was \$2,969,870.

The General Fund (the primary operating fund) reports an increase in the fund balance of \$12,249.

Overview of the Financial Statements

This annual report consists of four components: 1) management's discussion and analysis (this section), 2) government-wide and fund financial statements, 3) notes to financial statements, and 4) supplementary information.

1. **Government-wide financial statements.** The Statement of Net Position and the Statement of Net Activities provide information about the activities of the City government-wide (or as a whole) and present a longer-term view of the City's finances.
2. **Fund financial statements.** Fund financial statements focus on the individual parts of the City government. Fund financial statements also report the City's operations in more detail than the government-side statements by providing information about the City's most significant (major) funds. For governmental activities, these statements tell how these services were financed in the short term, as well as what remains for future spending. For proprietary activities, these statements offer short-term and long-term financial information about the activities the City operates like businesses, like water and sewer services.
3. **Notes to the financial statements.** The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information provided in the statements.
4. **Supplementary information.** The annual report includes optional financial information, such as management's discussion and analysis, budgetary comparison schedules, and combining statements for non-major funds (that are added together and shown in the fund financial statements in a single column). This other supplemental financial information is provided to address certain specific needs of various users of the City's annual report.

Basis of Accounting

The City has elected to present its financial statements on a modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities.

Under the City's modified cash basis of accounting, revenues and expenses and certain related assets, liabilities and deferred inflows and outflows are recorded when they result from cash transactions or events, except for certain modifications, such as (1) the recording of depreciation expense on capital assets in the government-wide financial statements for all activities, (2) recognition of revenue for lodging taxes and food and beverages taxes which are recorded in the quarter when guests and visitors are actually here and (3) in the fund financial statements for proprietary fund activities including billings for water and wastewater services.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Government-Wide Financial Statements

The condensed government wide financial statements are presented on the next few pages. One of the most important questions asked about City finances is, “Is the City, as a whole, better or worse off as a result of this year’s activities?” The Statement of Net Position and Statement of Activities report information about the City as a whole and its activities in a way that helps answer this question. These statements include all of the City’s assets and liabilities resulting from the modified cash basis of account as further defined in the notes to the financial statements.

These two statements report the City’s net position and changes therein. Keeping in mind the limitations of the modified cash basis of accounting, you can think of the City’s net position – the difference between assets and liabilities – as one way to measure the City’s financial health or financial position. Over time, increases or decreases in the City’s net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as the condition of the City’s roads, to assess the overall health of the City.

In the Statement of Net Position and Statement of Activities, we divide the City into two kinds of activities:

1. **Governmental activities.** Most of the City’s base services are reported here. Property taxes, grants, and charges for services finance most of these activities.
2. **Business-type activities.** The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City’s water and sewer systems are reported here.

The following tables provide a summarized look at these two statements as of and for the year ending June 30, 2021.

Statement of Net Position - Modified Cash Basis				
30-Jun-21				30-Jun-20
Governmental	Business Type	Total	Total	
Assets				
Cash and Investments	\$ 4,596,370	\$ 2,411,597	\$ 7,007,967	\$ 5,965,251
Capital Assets, net	10,177,935	8,518,121	18,696,056	18,307,317
Total Assets	14,774,305	10,929,718	25,704,023	24,272,568
Liabilities				
Current Liabilities	442,030	30,884	472,914	459,709
Long-term Liabilities	4,387,279	366,575	4,753,854	5,323,401
Total Liabilities	4,829,309	397,459	5,226,768	5,783,110
Net Position:				
Invested in Capital Assets, net of related deb	5,348,626	8,120,662	13,469,288	12,524,207
Restricted	2,358,180	187,056	2,545,236	2,977,612
Unrestricted	2,238,190	2,224,541	4,462,731	3,136,003
Total Net Position	\$ 9,944,996	\$ 10,532,259	\$ 20,477,255	\$ 18,637,822

The City's combined Net Position resulting from modified cash basis transactions or events increased by \$1,839,433.

Statement of Activities - Modified Cash Basis				
30-Jun-21				30-Jun-20
Governmental	Business Type	Total	Total	
Revenues				
Program revenues				
Charges for services	\$ 167,108	\$ 1,431,607	\$ 1,598,715	\$ 1,819,712
Operating Grants and Contributions	-	-	-	-
Capital Grants and Contributions	8,997	70,000	78,997	146,943
General Revenues				
Taxes	2,341,032	-	2,341,032	2,007,419
Intergovernmental	313,825	-	313,825	291,798
Interest	30,967	-	30,967	89,685
Other	362,095	83,673	445,768	(123,511)
Total Revenues	3,224,024	1,585,280	4,809,304	4,232,046
Expense				
Governmental activities	1,681,025	-	1,681,025	1,509,912
Business-type Activities	-	1,288,845	1,288,845	1,387,730
Total Expenses	1,681,025	1,288,845	2,969,870	2,897,642
Excess (deficiency) of revenues over (under) expenditures	1,542,999	296,435	1,839,434	1,334,404
Transfers, net	(976,602)	976,602	-	-
Change in net position	566,397	1,273,037	1,839,434	1,334,404
Beginning net position, as adjusted	9,378,600	9,259,222	18,637,822	17,303,418
Ending net position	\$ 9,944,997	\$ 10,532,259	\$ 20,477,256	\$ 18,637,822

Fund Financial Statements

Our analysis of the City's funds begins on the following page. The fund financial statements provide detailed information about the City's funds, not on the City as a whole. Some funds are required to be established by State law. However, the City Council establishes certain other funds to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

Most of the City's basic services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year end that are available for spending.

These funds report the acquisition of capital assets and payments for debt principal as expenditures, not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund

information helps you determine (through a review of changes in fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation of the face of the fund financial statements.

When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Position and Statement of Activities. For example, the City's proprietary (enterprise) fund financial statements are essentially the same as the business-type activities we report in the government-wide financial statements, but the fund statements provide more detail and additional information, such as cash flows.

The City's Funds

Governmental Activities – Major Funds:

1. **General Fund** - This fund accounts for all revenues and expenditures except for those required to be accounted for in another fund. The principal revenue sources are transient room taxes and property taxes. Cash increased \$12,249 since last year.
2. **Capital Expenditure Reserve Fund**- This fund is a capital expenditure fund that accounts for resources to be used for purchase of capital assets to be used by governmental funds. Also, transfers out are utilized to service existing sewer debt. The primary revenue sources for this fund are food and beverage taxes, special assessment program revenue, earnings on investments, intergovernmental grants, and transfers from other funds. Reserves decreased by \$97,845 since last year.
3. **Debt Service Reserve Fund**- This is a debt service fund which accounts for money held in reserve for debt service as required by various loan covenants. Reserves increased \$87,014.
4. **System Development Charges Fund**- This is a special revenue fund which accounts for acquisition and construction of improvements and expansion of infrastructure assets. Cash decreased \$144,656 during the year.
5. **Urban Renewal District** - This fund is a component unit of the City that receives property taxes to pay for projects and programs to improve the Urban Renewal District. Cash decreased \$11,149.

The City does not report any non-major governmental funds.

Business Type Activities – Major Funds:

1. **Water Operating Fund**- This fund accounts for activities of the Water Department. In fiscal year 2021, capital expenditure reserves specific to the Water Fund were moved from the governmental funds to this fund, resulting in increased cash reserves. Cash increased \$671,687.
2. **Sewer Operating Fund**- This fund accounts for activities of the Sewer Department. In fiscal year 2021, capital expenditure reserves specific to the Sewer Fund were moved from the governmental funds to this fund, resulting in increased cash reserves. Cash increased \$377,053.

The City does not report any non-major proprietary funds.

Budgetary Analysis

The City's revenues mirrored original projections except for grant revenues. Anticipated grants revenues which were not received during the fiscal year have been included in the budget for the 2020-2021 fiscal year.

Expenses were generally in line with budgeted expectations except for capital projects budgets which often were not spent where anticipated grants were not received.

Capital Assets – Modified Cash Basis

Capital assets used by the City in its Governmental and Proprietary Funds are shown in the following table:

Capital Assets Used by Governmental and Proprietary Activities
For the Year Ended June 30, 2021

	Governmental Activities	Business-type Activities	Total Government
Land and improvements	\$ 3,539,249	\$ 113,035	\$ 3,652,284
Buildings and improvements	2,168,663	232,597	2,401,260
Streets/Hwy 101 improvement	3,457,651	-	3,457,651
Vehicles and equipment	666,003	649,955	1,315,957
Books and periodicals	93,222	-	93,222
Software	253,148	-	253,148
Water reservoir	-	399,205	399,205
Wastewater treatment plant	-	7,525,839	7,525,839
Water Plant & System	-	3,955,393	3,955,393
Total assets	10,177,935	12,876,024	23,053,959
Less: accumulated depreciation	-	(4,357,903)	(4,357,903)
Capital assets, net	\$ 10,177,935	\$ 8,518,121	\$ 18,696,057

Debt Administration – Modified Cash Basis

The City has one general obligation bond outstanding and one revenue bond outstanding. These bonds were issued to finance water system improvements. The City has three loans to repay related to water and wastewater system improvements. These obligations amount to \$5,226,768 outstanding as of June 30, 2021.

Component Unit

Included in the financial report is information for the Urban Renewal District. The District began activity during August of 2007. The District operates within a written agreement with the City that clearly defines District activities and establishes District support of the City. The District's audit report is available at the City of Yachats' City Hall.

Financial information for the component unit of the District is found in the financial statements blended with the City's financial activity. Summary information follows:

COMPONENT UNIT			
	<u>2021</u>		<u>2021</u>
Current Assets	<u>\$421,086</u>	Revenues	<u>\$ 419,665</u>
		Expenses	<u>\$(430,814)</u>
		Other Financing Sources (Uses)	<u>\$ -</u>
		Net Change in Fund Balance	<u>\$ (11,149)</u>
		Beginning Fund Balance	<u>\$ 432,235</u>
Fund Balance	<u>\$421,086</u>	Ending Fund Balance	<u>\$ 421,086</u>

Economic Factors and Next Year's Budget

The City is limited by State constitutional limits on property taxes which limits the ability of the City to increase property tax receipts. The impact of local economic conditions tends to limit increases in other revenues. These factors were considered in the preparation and adoption of the City's 2021-2022 fiscal year budget. The goals of that budget were to maintain the existing level of service to our citizens, continue investment in infrastructure assets, and maintain an appropriate level of resources needed to achieve these goals.

Requests for Information

The financial report is designed to present the user (citizens, taxpayers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. Current and previous audit reports are available on the City's document library (<https://yachatsoregon.org/documents>). Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City Manager, City of Yachats, PO Box 345, Yachats, Oregon 97498.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF YACHATS
MODIFIED CASH BASIS STATEMENT OF NET POSITION
JUNE 30, 2021

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 4,596,370	\$ 2,411,597	\$ 7,007,967
Capital assets, net	<u>10,177,935</u>	<u>8,518,121</u>	<u>18,696,056</u>
Total assets	<u>14,774,305</u>	<u>10,929,718</u>	<u>25,704,023</u>
LIABILITIES			
Loans Payable			
Due within one year	410,030	-	410,030
Due in more than one year	4,007,279	-	4,007,279
Bonds payable:			
Due within one year	32,000	30,884	62,884
Due in more than one year	<u>380,000</u>	<u>366,575</u>	<u>746,575</u>
Total liabilities	<u>4,829,309</u>	<u>397,459</u>	<u>5,226,768</u>
NET POSITION			
Invested in capital assets	5,348,626	8,120,662	13,469,288
Restricted	2,358,180	187,056	2,545,236
Unrestricted	<u>2,238,190</u>	<u>2,224,541</u>	<u>4,462,731</u>
Total net position	<u>\$ 9,944,996</u>	<u>\$ 10,532,259</u>	<u>\$ 20,477,255</u>

See notes to the financial statements.

**CITY OF YACHATS
MODIFIED CASH BASIS STATEMENT OF ACTIVITIES
JUNE 30, 2021**

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Capital Grants & Contributions</u>
Governmental activities			
General government	\$ 693,831	\$ 41,128	\$ -
Public works	554,856	104,545	8,997
Public Safety	-	-	-
Culture and recreation	262,191	21,435	-
Interest expense	170,147	-	-
Total governmental activities	1,681,025	167,108	8,997
Business-type activities			
Water	546,653	738,051	70,000
Sewer	742,192	693,556	-
Total business-type activities	1,288,845	1,431,607	70,000
Total government	\$ 2,969,870	\$ 1,598,715	\$ 78,997

General revenues
Taxes
Property taxes, levied for general purposes
Property taxes, levied for debt service
Transient room taxes
Food & beverage taxes
Franchise and public service tax
Intergovernmental
Interest and investment earnings
Other revenues (Expenses)
Transfers, net

Total general revenues and transfers

Change in net position

NET POSITION - BEGINNING

ENDING NET POSITION

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (652,703)	\$ -	\$ (652,703)
(441,314)	-	(441,314)
-	-	-
(240,756)	-	(240,756)
(170,147)	-	(170,147)
<u>(1,504,920)</u>	<u>-</u>	<u>(1,504,920)</u>
-	261,398	261,398
<u>-</u>	<u>(48,636)</u>	<u>(48,636)</u>
-	212,762	212,762
<u>(1,504,920)</u>	<u>212,762</u>	<u>(1,292,158)</u>
461,740	-	461,740
45,618	-	45,618
1,320,827	-	1,320,827
423,226	-	423,226
89,621	-	89,621
313,825	-	313,825
30,967	-	30,967
362,095	83,673	445,768
(976,602)	976,602	-
<u>2,071,317</u>	<u>1,060,275</u>	<u>3,131,592</u>
<u>566,397</u>	<u>1,273,037</u>	<u>1,839,434</u>
<u>9,378,600</u>	<u>9,259,222</u>	<u>18,637,822</u>
<u>\$ 9,944,996</u>	<u>\$ 10,532,259</u>	<u>\$ 20,477,255</u>

See notes to the financial statements.

FUND FINANCIAL STATEMENTS

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CITY OF YACHATS
 MODIFIED CASH BASIS BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2021

	General Fund	Capital Expenditure Fund	Debt Service Reserve Fund
ASSETS			
Cash and Investments	\$ 1,424,548	\$ 1,136,369	\$ 1,026,231
Total Assets	1,424,548	1,136,369	1,026,231
 FUND BALANCES			
Restricted			
Debt Services	-	-	765,648
Urban renewal	-	-	-
Streets	10,181	-	-
Tourism/Visitor Amenities	605,269	-	-
Construction, improvements and equipment	-	-	-
Assigned	-	1,136,369	260,583
Unassigned	809,098	-	-
Total fund Balances	\$ 1,424,548	\$ 1,136,369	\$ 1,026,231

<u>SDC Fund</u>	<u>Urban Renewal District Component Unit</u>	<u>Total Governmental Funds</u>
\$ 588,136	\$ 421,086	\$ 4,596,370
<u>588,136</u>	<u>421,086</u>	<u>4,596,370</u>
-	-	765,648
-	421,086	421,086
-	-	10,181
-	-	605,269
555,996	-	555,996
32,140	-	1,429,092
-	-	809,098
<u>\$ 588,136</u>	<u>\$ 421,086</u>	<u>\$ 4,596,370</u>

See notes to the financial statements.

CITY OF YACHATS
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
STATEMENT OF NET POSITION
JUNE 30, 2021

TOTAL FUND BALANCES	\$ 4,596,370
 <i>Capital assets are not financial resources or obligations and therefore are not reported in the Governmental funds:</i>	
Cost of capital assets	\$ 10,177,935
 <i>Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. These liabilities consist of:</i>	
Bonds Payable	\$ (412,000)
Loans Payable	\$ (4,417,309)
 TOTAL NET POSITION	 <u>\$ 9,944,996</u>

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CITY OF YACHATS
MODIFIED CASH BASIS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
JUNE 30, 2021

	<u>General Fund</u>	<u>Capital Expenditure Reserve Fund</u>	<u>Debt Service Reserve Fund</u>
REVENUES			
Property Taxes	\$ 44,714	\$ -	\$ 45,618
Other Taxes and assessments	1,451,954	150,000	423,226
Intergovernmental	118,825	8,997	195,000
Licenses and permits	41,128	-	-
Charges for services	21,435	-	-
Investment revenue	10,903	9,005	4,392
Other local revenue	8,194	-	-
Miscellaneous	610	-	-
Total Revenues	<u>1,697,763</u>	<u>168,002</u>	<u>668,236</u>
EXPENDITURES			
Current			
General government	483,017	-	-
Public Works	108,215	-	-
Culture and recreation	262,191	-	-
Debt Services	-	-	-
Principle	-	-	559,075
Interest	-	-	170,147
Capital outlay	-	226,641	-
Total expenditures	<u>853,423</u>	<u>226,641</u>	<u>729,222</u>
Excess (deficiency) of revenues over (under) expenditure	<u>844,340</u>	<u>(58,639)</u>	<u>(60,986)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	110,794	148,000
Operating transfers out	(832,091)	(150,000)	-
Total Other financing sources (uses)	<u>(832,091)</u>	<u>(39,206)</u>	<u>148,000</u>
Net Change in fund balances	12,249	(97,845)	87,014
BEGINNING FUND BALANCES	<u>1,412,299</u>	<u>1,234,214</u>	<u>939,217</u>
ENDING FUND BALANCE	<u>\$ 1,424,548</u>	<u>\$ 1,136,369</u>	<u>\$ 1,026,231</u>

SDC Fund	Urban Renewal District Component Unit	Total
\$ -	\$ 417,026	\$ 507,358
-	-	2,025,180
-	-	322,822
-	-	41,128
104,545	-	125,980
4,104	2,563	30,967
-	76	8,270
-	-	610
108,649	419,665	3,062,315
-	210,814	693,831
-	220,000	328,215
-	-	262,191
-	-	-
-	-	559,075
-	-	170,147
-	-	226,641
-	430,814	2,240,100
108,649	(11,149)	822,215
-	-	258,794
(253,305)	-	(1,235,396)
(253,305)	-	(976,602)
(144,656)	(11,149)	(154,387)
732,792	432,235	4,750,757
\$ 588,136	\$ 421,086	\$ 4,596,370

See notes to the financial statements.

CITY OF YACHATS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2021

NET CHANGE IN FUND BALANCE	\$	(154,387)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlay as expenditures. However, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expenses in the Statement of Activities.

	\$	161,709
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Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. These liabilities consist of:

Change in long-term debt payable

	\$	559,075
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CHANGE IN NET POSITION

	\$	<u>566,397</u>
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PROPRIETARY FUNDS

**CITY OF YACHATS
MODIFIED CASH BASIS STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF JUNE 30, 2021**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary</u>
ASSETS			
Current assets			
Cash and investments	\$ 1,249,668	\$ 1,161,929	\$ 2,411,597
Total current assets	<u>1,249,668</u>	<u>1,161,929</u>	<u>2,411,597</u>
Noncurrent assets			
Capital assets, net	2,566,453	5,951,668	8,518,121
Total noncurrent liabilities	<u>2,566,453</u>	<u>5,951,668</u>	<u>8,518,121</u>
Total assets	<u>3,816,121</u>	<u>7,113,597</u>	<u>10,929,718</u>
LIABILITIES			
Current liabilities			
Revenue bonds payable - current portion	30,884	-	30,884
Total current liabilities	<u>30,884</u>	<u>-</u>	<u>30,884</u>
Noncurrent liabilities			
Revenue bonds payable	366,575	-	366,575
Total noncurrent liabilities	<u>366,575</u>	<u>-</u>	<u>366,575</u>
Total liabilities	<u>397,459</u>	<u>-</u>	<u>397,459</u>
NET POSITION			
Invested in capital assets, net of related debt	2,168,994	5,951,668	8,120,662
Restricted	65,996	121,060	187,056
Unrestricted	1,183,672	1,040,869	2,224,541
Total net position	<u>\$ 3,418,662</u>	<u>\$ 7,113,597</u>	<u>\$ 10,532,259</u>

See notes to the financial statements.

CITY OF YACHATS
MODIFIED CASH BASIS STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Water Fund	Sewer Fund	Total Proprietary
OPERATING REVENUES			
Charges for services	\$ 738,053	\$ 693,556	\$ 1,431,609
Intergovernmental	70,000	-	70,000
Other revenues	31,996	51,677	83,673
Total operating revenues	840,049	745,233	1,585,282
OPERATING EXPENSES			
Public works			
Personnel services	307,752	317,707	625,459
Materials and services	132,350	268,579	400,929
Depreciation	106,551	155,906	262,457
Total operating expenses	546,653	742,192	1,288,845
Operating income (loss)	293,396	3,041	296,437
NON-OPERATING REVENUES (EXPENSES)			
Operating transfers in	644,602	450,000	1,094,602
Operating transfers out	(53,000)	(65,000)	(118,000)
Total non-operating revenues (expenses)	591,602	385,000	976,602
Change in net position	884,998	388,041	1,273,039
BEGINNING NET POSITION	2,533,664	6,725,556	9,259,220
ENDING NET POSITION	\$ 3,418,662	\$ 7,113,597	\$ 10,532,259

See notes to the financial statements.

**CITY OF YACHATS
MODIFIED CASH BASIS STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 840,049	\$ 745,233	\$ 1,585,282
Cash payments for goods and services	(132,350)	(268,579)	(400,929)
Cash payments to employees	(307,752)	(317,707)	(625,459)
Net cash provided by (used by) operating activities	<u>399,947</u>	<u>158,947</u>	<u>558,894</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating transfers in	644,602	450,000	1,094,602
Operating transfers (out)	(53,000)	(65,000)	(118,000)
Net cash provided by (used by) noncapital financing activities	<u>591,602</u>	<u>385,000</u>	<u>976,602</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(319,862)	(225,852)	(545,714)
Net cash provided by (used by) noncapital financing activities	<u>(319,862)</u>	<u>(225,852)</u>	<u>(545,714)</u>
Increase (decrease) in cash and investments	671,687	318,095	989,782
CASH AND INVESTMENTS, BEGINNING OF YEAR	<u>577,981</u>	<u>784,876</u>	<u>1,362,857</u>
CASH AND INVESTMENTS, END OF YEAR	<u>1,249,668</u>	<u>1,102,971</u>	<u>2,352,639</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (loss)	<u>293,396</u>	<u>3,041</u>	<u>296,437</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities			
Depreciation	106,551	155,906	262,457
Total adjustments	<u>106,551</u>	<u>155,906</u>	<u>262,457</u>
Net cash provided by operating activities	<u>\$ 399,947</u>	<u>\$ 158,947</u>	<u>\$ 558,894</u>

See notes to the financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Notes to the basic financial statement consist of a summary of significant accounting policies and all additional information necessary for a fair presentation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America.

**CITY OF YACHATS
LINCOLN COUNTY, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity and Nature of Operations

The City of Yachats (City) was organized under the general laws of the State of Oregon. Control of the City is vested in its Mayor and Council Members who are elected to office by voters within the City. Administrative functions are delegated to individuals who report to and are responsible to the Mayor and Council. The chief administrative officer is the City Manager.

The accompanying financial statements present all activities, funds, and the component unit for which the City is financially accountable. The criteria used in making this determination includes appointment of a voting majority, imposition of will, financial benefit or burden on the primary government, and fiscal dependency on the primary government.

The City Council serves as the governing board of the Yachats Urban Renewal District. Therefore, the accounts of the district are included in the financial statements of the City.

Complete financial statements for the Yachats Urban Renewal District may be obtained from the City's finance department.

B. Government-Wide and Fund Financial Statements

The City's financial statements include both government-wide (reporting the City as a whole) and fund financial statements.

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about all the City's non-fiduciary activities as a whole within the limitations of the modified cash basis of accounting. These statements distinguish between activities that are governmental and those that are considered businesslike. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. The primary effects of internal activity have been eliminated from the government-wide financial statements.

C. Fund Accounting

The accounts of the City are organized on the basis of funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise the fund's assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type.

Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The major funds used in these financial statements by the City are as follows:

Governmental Funds

All governmental funds are accounted for using the modified cash basis of accounting and the current financial resources measurement focus. Revenues are recognized when cash is received, and expenditures are recorded when paid.

Proprietary Funds

All proprietary funds are also accounted for using the modified cash basis of accounting and they include fixed assets and debt. These funds account for operations that are primarily financed by user charges.

Funds

The City reports the following *major governmental funds*:

- **General Fund** - This fund accounts for all revenues and expenditures except for those required to be accounted for in another fund. The principal revenue sources are transient room taxes and property taxes.
- **Capital Expenditure Reserve Fund**- This fund is a capital expenditure fund that accounts for resources to be used for purchase of capital assets to be used by governmental funds. Also, transfers out are utilized to service existing sewer debt. The primary revenue sources for this fund are special assessment program revenue, earnings on investments, intergovernmental grants, transfers from other funds, and Federal and State grants.
- **Debt Service Reserve Fund**- This is a debt service fund which accounts for money held in reserve for debt service as required by various loan covenants. The primary revenue sources for this fund are property taxes, food and beverage taxes, Urban Renewal District payments, and transfers from other funds.
- **System Development Charges Fund**- This is a special revenue fund which accounts for acquisition and construction of improvements and expansion of infrastructure assets.
- **Urban Renewal District** - This fund is a blended component unit of the City that receives property taxes to pay for projects and programs to improve the Urban Renewal District.

The City reports the following *major proprietary funds*:

- **Water Operating Fund**- This fund accounts for activities of the Water Department. The City also maintains capital reserve funds in the Water Fund. The primary revenue sources for the capital reserves are grants and transfers from Water Operations and other funds.
- **Sewer Operating Fund**- This fund accounts for activities of the Sewer Department. The City also maintains capital reserve funds in the Sewer Fund. The primary revenue sources for the capital reserves are grants, transfers from Sewer Operations and other funds, and payments from the Urban Renewal District.

The City does not report any non-major governmental or proprietary funds.

D. Budgets

A budget is prepared and legally adopted for each governmental fund type in accordance with legal requirements set forth in the Oregon Local Budget Law. The resolutions authorizing appropriations for each fund sets the maximum legal level of expenditure. Appropriations are adopted in the categories of personnel services, materials and services, capital outlay, debt service, interfund transfers, and contingencies by fund. Appropriations lapse at year end.

Unexpected additional revenues may be added to the budget through the adoption of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers, and approval by the City Council. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the City Council. Budget amounts shown in the financial statements include the original budget amounts plus any approved appropriation transfers and supplemental budgets. All funds are budgeted using the cash basis of accounting.

The budget comparison schedules prepared for individual accounts are presented on the cash basis method of accounting. Under this method revenue is recorded when received and disbursements are recorded when obligations are paid. The cash basis method of accounting is not consistent with generally accepted accounting principles (GAAP) but is in compliance with Oregon Local Budget Law.

The City does not expect next year's operating budget to be substantially different from the current 2020-2021 budget other than Food & Beverage Taxes and Transient Lodging Taxes, which were reduced in the 2020-2021 budget in anticipation of lost revenues due to the COVID-19 Pandemic.

Oregon Local Budget Law establishes standard procedures relating to the preparation, adoption, and execution of the annual budget. The budgetary fiscal period coincides with the annual reporting period (July 1 through June 30). Appropriated budgets are adopted by the executive body and, accordingly, used as a management control device for all funds. The City follows these procedures in establishing the budgetary data reflected in the budgetary comparison schedules:

1. The budget officer submits to the budget committee a proposed operating budget for the fiscal year commencing the following July 1. The operating budget included proposed expenses and the means of financing them, along with estimates for the current year, and actual data for the two preceding years. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year. The resolution authorizing appropriations for each fund sets the level by which disbursements cannot legally exceed appropriations. The City has appropriated by personnel services, materials and services, capital outlay, special payments, debt service, transfers, and operating contingency.

The original budget document contains more specific, detailed information for these disbursement categories.

2. The Budget Committee submits to the City Council an approved operating budget for the ensuing fiscal year.
3. Public hearings are conducted to obtain taxpayer and other interested parties' comments.

4. Prior to July 1, the budget is legally adopted, and expenditures are appropriated through the passage of a resolution. The City Council does have the authority to make certain limited changes in the budget figures approved by the Budget Committee when it adopts the budget.
5. Any revisions of appropriations, whether within a fund or between funds, require Board approval in the form of a resolution or ordinance by the Board. Supplemental budgets are prepared and adopted in the same manner as the regular budget in order to have the budget authority to make disbursements from unanticipated receipts. The presented budgetary information has been amended by resolutions and supplemental budget.
6. Budgets are adopted for each fund on the cash basis in compliance with Oregon Local Budget Law, under which revenues and related assets are recognized when received rather than when earned, and expenses are recognized when paid, rather than when the obligation is incurred, which is not intended to be in accordance with generally accepted accounting principles.
7. Formal budget integration is employed for all the funds. All annual appropriations lapse at fiscal year-end.

We reviewed the preparation, adoption, and execution of the budget for the current year and the preparation and adoption of the ensuing year's budget.

Based on the results of our tests, the City has complied with statutory requirements for the current and ensuing year's budgets.

The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations.

E. Cash and Investments

Investments, included in cash and investments, are carried at cost which approximates fair value. For purposes of the statement of cash flows, the proprietary funds consider cash and cash equivalents to include the cash and investment common pool. These amounts have the general characteristics of demand deposit accounts in that all funds may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty.

State statutes authorize the City to invest in banker's acceptances, time certificates of deposit, repurchase agreements, obligations of the U. S. Treasury and its agencies, the Oregon State Treasury's Local Government Investment Pool (LGIP), and demand deposits. The City's investments are entirely with the LGIP. The LGIP is stated at cost, which approximates fair value. Fair value of the LGIP is the same as the City's value in the pool shares.

The Oregon State Treasury administers the LGIP. It is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the State that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment options of the LGIP.

F. Capital Assets

Capital assets are recorded at original or estimated original historical cost. Donated capital assets are recorded at their estimated fair market value at the time received. The City defines capital assets as assets with an initial cost of at least \$5,000 and an estimated initial useful life extending beyond a single reporting period. Interest incurred during construction is not capitalized. Maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets used in the proprietary funds are depreciated using the straight-line method over the following useful lives:

Vehicles, furniture, and equipment	10 years
Buildings	20 years
Water plant and systems	30 years
Sewer plant and systems	50 years

Upon disposal of such assets, the accounts are relieved of the related costs and accumulated depreciation and resulting gains or losses are reflected in income.

Capital assets used by governmental activities are not supported by a detailed capital asset depreciation schedule and no depreciation has been recorded on these assets (NOTE 4). While the City does not depreciate general governmental capital assets, they set aside financial reserves for City major capital improvements and replacements to ensure fiscal responsibility such as reflected in the Capital Expenditure Reserve Fund's \$1,136,369 cash balance at June 30, 2021. In lieu of governmental capital asset depreciation, the City is intending to ensure there are sufficient resources to replace or repair the asset at the end of its useful life.

Since the depreciated value is based on historical cost at acquisition, ultimate replacement or repair costs could end up costing considerably more than the resources set aside attempting to fund assets' depreciation of value.

The City of Yachats uses an approach based on estimated replacement costs. The replacement cost is periodically revised to reflect the effect of inflation. The City's approach to adequately eventually accumulate funds to replace capital assets at current fair value costs, rather than historical acquisition amounts, is conceptually more so reflective of actual future obligations the City is likely to incur when it is necessary to replace the respective capital assets. Along with this process and approach, the City maintains a Finance Committee with the objective of continually monitoring long-term financing needs of the City, identifying potential financial problems, and preparing recommendations in order for the City Council to address and appropriately act on them.

G. Long-term Debt

In the government-wide financial statements long-term debt is reported as a liability in the Statement of Net Position.

H. Net Position

Net position comprises the various net earnings from operations, non-operating revenues, expenses and contributions of capital. Net position is classified in the following categories:

1. **Invested In capital assets** - Consists of net assets that are invested in buildings, equipment, and other capital assets of the City.
2. **Restricted** - Consists of external constraints placed on net position use by creditors, grantors, contributors, laws or regulations of other governments, constraints imposed by law through constitutional provisions, or enabling legislation.
3. **Unrestricted net position** - Consists of all other net assets that are not included in the other categories previously mentioned.

I. Fund Equity

In March 2009, the GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund-type Definitions. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds.

Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications – non-spendable, restricted, committed, assigned, and unassigned.

- Non-spendable fund balance represents amounts that are not in a spendable form or because they are legally or contractually required to be maintained intact.
- 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 other governments) or are restricted by law (constitutionally or by enabling legislation). Also, these are amounts that can be spent only for specific purposes because of the City Charter, City Code, state or federal laws, or externally imposed conditions by granters or creditors.
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed.
- 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 governing body or by an official to whom that authority has been given by the governing body.
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

The details of the fund balances are included in the Balance Sheet of Governmental Funds. Restricted

funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by Council or the Assignment has been changed by an authorized City official. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned becomes zero, then Assigned and Committed Fund Balances are used in that order, as applicable.

J. Interfund Transactions

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. This includes interfund transfers occurring within governmental activities and interfund receivables and payables.

NOTE 2- CASH AND CASH EQUIVALENTS

Cash and investments at June 30, 2021 consisted of the following:

Petty Cash	\$ 100
Cash in checking accounts (book balances)	2,259,017
Cash in Local Government Investment Pool	4,748,850
Total Cash and investments	<u>7,007,967</u>

Cash and investments by funds at June 30, 2020:

Governmental Funds

General Fund	1,424,548
Capital Expenditure Fund	1,136,369
Debt Service Reserve	1,026,231
System Development Charges	588,136
Urban Renewal City (component unit)	421,086

Total Governmental Funds	<u>4,596,370</u>
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Proprietary Funds

Water Fund	1,249,668
Sewer Fund	1,161,929

Total Proprietary Funds	<u>2,411,597</u>
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Total	<u>\$ 7,007,967</u>
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NOTE 3 - DEPOSITS AND INVESTMENTS

A. Deposits

Deposits with financial Institutions

The Governmental Accounting Standards Board has adopted accounting principles generally accepted in the United States of America (GAAP), which include standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the City at June 30, 2021. If bank deposits at year end are not entirely insured or collateralized with securities held by the City or by its agent in the City's name, the City must disclose the custodial credit risk (below) that exists.

Deposits with financial institutions are comprised of bank demand deposits. For the fiscal year ended

June 30, 2021, the carrying amounts of the City deposits in various financial institutions were \$2,257,017. All deposits are held in the name of the City. At June 30, 2021, the City's deposits were covered by federal depository insurance and certifications of participation.

Custodial Credit Risk. Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk.

Effective July 1, 2008, House Bill 2901 created a shared liability structure for participating bank depositories in Oregon. Barring any exceptions, a qualifying bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of the quarter-end public fund deposits if they are adequately capitalized, or 110% of the quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public bank depositories is available to repay the deposits of public funds of governmental entities.

B. Investments

The City has invested funds in the State Treasurer's Oregon Short-term Fund Local Government Investment Pool during fiscal year 2020-2021. The Oregon Short-term Fund is the local government investment pool for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). Local Government Investment Pool (LGIP) is an external investment pool managed by the State Treasurer's office, which allows governments within the state to pool their funds for investment purposes. The amounts invested in the pool are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry form as defined by GASB Statement No. 40.

In addition, the Oregon State Treasury LGIP distributes investment income on an amortized cost basis and participants' equity in the pool is determined by the amount of participant deposits, adjusted for withdrawals and distributed income. Accordingly, the adjustment to fair value would not represent an expendable increase in the City's cash position.

Investments in the Oregon State Treasury LGIP are made under the provisions of ORS 194.180. These funds are held in the City's name and are not subject to collateralization requirements or ORS 295.015. Investments are stated at amortized cost, which approximated fair value.

Credit Risk. State 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, certain commercial papers, and the State Treasurer's Investment Pool, among others. The City has no formal investment policy that further restricts its investment choices.

Concentration of Credit Risk. The City is required to provide information about the concentration of credit risk associated with its investments in one issuer that represents 5 percent or more of the total investments, excluding investments in external investment pools or those issued and explicitly guaranteed by the U.S. Government. The city has no such investments.

Interest Rate Risk. The City has no formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for governmental activities of the City for the year ended June 30, 2021 was as follows:

Description	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITY CAPITAL ASSETS				
Land and improvements	\$ 3,539,249	\$ -	\$ -	\$ 3,539,249
Building and improvements	1,974,264	194,399	-	2,168,663
Streets/HWY 101 Improvement	3,457,651	-	-	3,457,651
Vehicles and Equipment	666,003	-	-	666,003
Software	93,222	-	-	93,222
Books and Periodicals	253,148	-	-	253,148
Total Governmental Capital Assets	9,983,536	194,399	-	10,177,935
BUSINESS TYPE ACTIVITY CAPITAL ASSETS				
Capital assets not depreciated				
Land	113,035	-	-	113,035
Capital assets being depreciated				
Building and improvements	232,597	-	-	232,597
Vehicles and equipment	472,059	177,896	-	649,955
Water plant and system	3,807,609	147,784	-	3,955,393
Water reservoir	399,205	-	-	399,205
Wastewater treatment plant/system	7,393,107	132,732	-	7,525,839
Total capital assets being depreciated	12,304,578	458,412	-	12,762,989
Less accumulated depreciation				
Buildings and improvements	80,101	9,559	-	89,660
Vehicles and equipment	336,837	16,413	-	353,250
Water plant and system	1,853,393	77,582	-	1,930,975
Water reservoir	198,055	7,984	-	206,039
Wastewater treatment plant/system	1,627,060	150,919	-	1,777,979
Total Accumulated Depreciation	4,095,446	262,457	-	4,357,903
Total Business-Type Capital Assets, Net	8,322,167	195,954	-	8,518,121
Total Net Capital Assets	\$ 18,305,703	\$ 390,353	\$ -	\$ 18,696,057

Acquisitions of capital assets during 2020-2021 totaled \$194,399 in governmental activities.

As discussed in NOTE 1, the City does not maintain a detailed capital asset depreciation schedule for the governmental activities. Therefore, no depreciation has been charged to governmental activities. Depreciation expense in the amount of \$262,457 was charged to the business-type activities for the fiscal year.

NOTE 5 - LONG-TERM DEBT

In the following table, long-term debt information is presented separately with respect to governmental and business type activities. The table presents current year changes in those obligations and the current portion due for each.

	Issue Amount	Maturity Date	Interest Rate	Beginning Balance 6/30/2019	Issued	Refinanced	Reductions	Ending Balance 6/30/2020	Due in One Year
Governmental Activities									
General Obligations Bonds									
3/17/2017 Water Refunding Bond	\$ 533,000	2031	3.00%	\$ 443,000	\$ -	\$ -	\$ 31,000	\$ 412,000	\$ 32,000
Loans									
6/17/05 DEQ	6,671,721	2029	2.90%	3,545,001	-	-	350,074	3,194,927	360,301
5/27/09 IFA Loans	519,343	2033	3.0-4.75%	365,562	-	-	118,822	246,740	19,575
3/9/16 Safe Drinking Water Fund	1,030,000	2048	1.00%	1,005,498	-	-	29,856	975,642	30,154
Total Governmental activities				5,359,061	-	-	529,752	4,829,309	442,030
Business-type activities									
Revenue Bonds									
3/17/2017 Water Revenue Refunding Bond	\$ 512,000	2032	3.07%	427,416	-	-	29,957	397,459	30,884
Total Business-type activities				\$ 427,416	\$ -	\$ -	\$ 29,957	\$ 397,459	\$ 30,884

General obligation bonds are direct obligations and pledge the full faith and credit of the city. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

Revenue bonds are obligations that will be paid from revenue generated by the respective water or sewer business type activities of the city.

Annual debt service requirements to maturity are as follows:

Year Ending June 30,	General Obligation		Revenue Bonds		Loans	
	Principal	Interest	Principal	Interest	Principal	Fees
2022	\$ 32,000	\$ 11,880	\$ 30,884	\$ 11,967	\$ 410,030	\$ 117,152
2023	33,000	10,905	31,839	11,011	421,835	105,348
2024	34,000	9,900	32,824	10,026	433,999	93,184
2025	36,000	8,850	33,839	9,011	446,534	80,649
2026	36,000	7,770	34,886	7,964	459,453	67,730
2027-2031	198,000	21,690	191,303	22,949	1,584,774	150,399
2032-2036	43,000	645	41,884	967	270,431	39,859
2037-2041	-	-	-	-	178,576	20,977
2042-2046	-	-	-	-	187,685	11,868
Thereafter	-	-	-	-	23,993	2,556
Total	\$ 412,000	\$ 71,640	\$ 397,459	\$ 73,895	\$ 4,417,310	\$ 689,723

NOTE 6 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2021 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds		
General Fund	\$ -	\$ 832,091
Capital Expenditure Fund	110,794	150,000
Debt Service Reserve	148,000	-
System Development Charges	-	253,305
Urban Renewal City (component unit)	-	-
Total Governmental Funds	<u>258,794</u>	<u>1,235,396</u>
Proprietary Funds		
Water Fund	644,602	53,000
Sewer Fund	450,000	65,000
Total Proprietary Funds	<u>1,094,602</u>	<u>118,000</u>
Total	<u>\$ 1,353,396</u>	<u>\$ 1,353,396</u>

Transfers are routinely made for the following purposes:

- To move revenues from the fund in which statute or budget requires them to be collected to the fund from which statute or budget requires them to be expended;
- To move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due;
- To move unrestricted revenues collected in the General Fund to finance various programs and activities accounted for in other funds in accordance with budgetary authorizations;
- To move revenues collected from restricted sources to other funds to pay for direct expenses
- To move monies to start a new fund.

During fiscal year 2021 all transfers reported above were made for one of these purposes.

NOTE 7 - RISK MANAGEMENT AND CONCENTRATIONS

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance to defray these and other risks of loss including excess liability, workers' compensation, boiler and machinery, public official bond and employee dishonesty and contractor's license bond coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

The City's transient room and food and beverage tax revenues are the largest sources of income for both the General Fund and Capital Expenditures Reserve Fund.

The City has experienced continued increases in Transient Rental Tax from licensed vacation rental properties, along with increased taxable revenue generated by the 8 hotel/motel businesses subject to

the Transient Rental Tax. The transient rental tax revenue, net of the amount required to be attributed to visitor amenities by Oregon Budget Law, provides more than 70% of the City's General Fund.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

On March 8, 2005 voters in the City approved a bond measure. This measure authorizes the City to issue up to \$5.9 million to construct, expand and improve the City's sewer system. As of the audit report date, the City has not issued these bonds.

Bonds issued by a city for water; sanitary or storm sewers; sewage disposal plants; hospitals; infirmaries; gas, power, or lighting purposes; the acquisition, establishment, construction, or reconstruction of any off-street motor vehicle parking facility; or bonds issued pursuant to applications to pay assessments for improvements in installments under statutory or city charter authority are not subject to the debt limitation imposed by Oregon Revised Statutes 287.004.

The City researched past System Development Charges (SDC's) apportionments and interfund transfers and/or loans to ensure viability and compliance with all applicable requirements, including State Revised Statutes. The City determined that LID Improvements funded from SDC's were to be returned to the SDC fund as collected from LID assessments.

NOTE 9- INTERFUND LOANS

In November 2015, per Resolution 2015-11-02, the City borrowed \$254,481 from the Water System Reserve Fund for the purchase of a building. Total payments to date are \$20,232. Per the Resolution, the General Fund shall repay the loan over a period not to exceed ten (10) years at an interest rate of 0.54%. Excluding interest accrued to date, the General Fund owed the Water Fund \$234,249 to be repaid on or prior to November 2025. The City repaid this loan in fiscal year 2021.

In October 2016, per Council Motion, the City borrowed \$200,000 from the Water Capital Reserves and \$450,000 from the Wastewater Capital Reserves to finance the Highway 101 project. No payments have been made as of June 30, 2021. The City repaid both of these loans in fiscal year 2021.

NOTE 10 – VISITOR AMENITIES

Prior to fiscal year 2020, the City of Yachats presented the "Visitor Amenities Fund" as a separate fund. This fund was rolled into the General Fund in fiscal year 2020 and is tracked as a separate department within the General Fund. The purpose of the fund is to promote tourism and finance city functions dedicated wholly or in part to City of Yachats visitors. Current period expenditures included Visitor Center operations, marketing, Parks & Trails operations, Little Log Church Museum operations, and other similar activity. The City contributes 39% of the Transient Lodging taxes collected by the City to finance the Visitor Amenities fund. Following is a summary of the financial activity and position of this department for fiscal year 2021:

Financial Activity:

Beginning Cash Balance	\$	249,548
Transient Lodging Revenues - restricted		515,862
Other Revenues & Transfers In		61,073
Marketing Expenses		112,126
Transfers Out		43,505
Ending Cash Balance	<u>\$</u>	<u>670,852</u>

Classification of Ending Cash Balances:

Restricted Department Balance	\$	605,270
Unrestricted Department Balance		65,582
Total Ending Cash Balance	<u>\$</u>	<u>670,852</u>

NOTE 11- SUBSEQUENT EVENTS

Professional standards require evaluation and disclosure of significant events affecting the City that take place subsequent to the current fiscal year ended June 30, 2021. For the audit period ending June 30, 2021, no subsequent events were identified for disclosure.

NOTE 12 – CHANGE IN ACCOUNTING PRINCIPLE

In fiscal year 2019, the City changed to the modified cash basis system of accounting due to several significant changes during the past few years, which include changes in accounting personnel, fund structure, and accounting software systems. In fiscal year 2020, the City decided to continue reporting on the modified cash basis system of accounting.

In fiscal year 2020, the City implemented new software, which allows tracking of fund balance by department within each fund. Although the City budgeted in accordance with the fund structure that was in place in fiscal year 2019, the City implemented a new fund structure when the new software was implemented. The City combined several of its non-major funds into the City's General Fund, electing to track assigned, committed, or restricted balances in departments within the fund. The City also moved the Water and Sewer Capital Reserve funds from the Governmental Capital Reserve Fund into the Water and Sewer Fund, respectively. Again, the City tracks the Capital Reserve portion of these funds in departments within the funds. The City also eliminated Capital Projects funds that are no longer in use, moving the remaining fund balances to appropriate funds based on the restrictions on the monies.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF YACHATS, OREGON
MODIFIED CASH BASIS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET TO ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final
	Original	Final		
REVENUES				
Property taxes	\$ 46,000	\$ 46,000	\$ 44,714	\$ (1,286)
Other taxes	596,592	596,592	1,451,954	855,362
Intergovernmental	71,000	71,000	118,825	47,825
Licenses and permits	42,000	42,000	41,128	(872)
Charges for services	32,800	32,800	21,435	(11,365)
Investment revenue	14,358	14,358	10,903	(3,455)
Other local revenue	6,500	6,500	8,194	1,694
Miscellaneous	1,000	1,000	610	(390)
Total revenues	810,250	810,250	1,697,763	887,513
EXPENDITURES				
General government	544,400	544,400	483,017	(61,383)
Public works	134,699	134,699	108,215	(26,484)
Culture and recreation	432,268	432,268	262,191	(170,077)
Capital expenditures	-	-	-	-
Total expenditures	1,111,367	1,111,367	853,423	(257,944)
Contingency	26,000	26,000	-	(26,000)
Total expenditures	1,137,367	1,137,367	853,423	(283,944)
Excess (deficiency) of revenues over (under) expenditures	(327,117)	(327,117)	844,340	1,171,457
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	-	-
Operating transfers out	(829,248)	(829,248)	(832,091)	(2,843)
Total other financing sources (uses)	(829,248)	(829,248)	(832,091)	(2,843)
Net change in fund balance	(1,156,365)	(1,156,365)	12,249	1,168,614
BEGINNING FUND BALANCE	1,403,365	1,403,365	1,412,299	8,934
ENDING FUND BALANCE	\$ 247,000	\$ 247,000	\$1,424,548	\$1,177,548

See notes to the financial statements.

CITY OF YACHATS, OREGON
MODIFIED CASH BASIS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET TO ACTUAL
SYSTEM DEVELOPMENT CHARGES FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for Services	\$ 125,000	\$ 125,000	\$ 104,545	\$ (20,455)
Investment revenue	9,816	9,816	4,104	(5,712)
				-
Total revenues	<u>134,816</u>	<u>134,816</u>	<u>108,649</u>	<u>(26,167)</u>
EXPENDITURES				
Current				
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Debt service				-
Principal	-	-	-	-
Interest and fees	-	-	-	-
Capital outlay	-	-	-	-
				-
Total Expenditures	-	-	-	-
				-
Excess (deficiency) of revenues over (under) expenditures	134,816	134,816	108,649	(26,167)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	-	-
Operating transfers out	<u>(253,305)</u>	<u>(253,305)</u>	<u>(253,305)</u>	<u>-</u>
				-
Total other financing sources (uses)	<u>(253,305)</u>	<u>(253,305)</u>	<u>(253,305)</u>	<u>-</u>
Net change in fund balance	(118,489)	(118,489)	(144,656)	(26,167)
BEGINNING FUND BALANCE	<u>699,882</u>	<u>699,882</u>	<u>732,792</u>	<u>32,910</u>
ENDING FUND BALANCE	<u>\$ 581,393</u>	<u>\$ 581,393</u>	<u>\$ 588,136</u>	<u>\$ 6,743</u>

See notes to the financial statements.

CITY OF YACHATS, OREGON
MODIFIED CASH BASIS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET TO ACTUAL
BLENDED COMPONENT UNIT- URBAN RENEWAL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 364,000	\$ 364,000	\$ 417,026	\$ 53,026
Other local sources	-	-	76	76
Investment revenue	4,590	4,590	2,563	(2,027)
Total revenues	368,590	368,590	419,665	51,075
EXPENDITURES				
General government	17,000	17,000	15,814	(1,186)
Public works	220,000	220,000	220,000	-
Debt Services	195,000	195,000	195,000	-
Total expenditures	432,000	432,000	430,814	(1,186)
Excess (deficiency) of revenues over (under) expenditures	(63,410)	(63,410)	(11,149)	52,261
OTHER FINANCING SOURCES (USES)				
Operating transfers out	-	-	-	-
Net change in fund balance	(63,410)	(63,410)	(11,149)	52,261
BEGINNING FUND BALANCE	418,357	418,357	432,235	13,878
ENDING FUND BALANCE	\$ 354,947	\$ 354,947	\$ 421,086	\$ 66,139

See notes to the financial statements.

SUPPLEMENTARY INFORMATION

CITY OF YACHATS, OREGON
MODIFIED CASH BASIS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET TO ACTUAL
CAPITAL RESERVE EXPENDITURES FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 150,000	\$ 150,000
Anticipated Grants	191,300	191,300	8,997	(182,303)
Investment revenue	18,600	18,600	9,005	(9,595)
Total revenues	209,900	209,900	168,002	(41,898)
EXPENDITURES				
Capital outlay	726,550	726,550	226,641	(499,909)
Reserved for future expenditures	-	-	-	-
Total expenditures	726,550	726,550	226,641	(499,909)
Excess (deficiency) of revenues over (under) expenditures	(516,650)	(516,650)	(58,639)	458,011
OTHER FINANCING SOURCES (USES)				
Operating transfers in	107,951	107,951	110,794	2,843
Operating transfers out	-	-	(150,000)	(150,000)
Total other financing sources (uses)	107,951	107,951	(39,206)	(147,157)
Net change in fund balance	(408,699)	(408,699)	(97,845)	310,854
BEGINNING FUND BALANCE	1,193,499	1,193,499	1,234,214	40,715
ENDING FUND BALANCE	<u>\$ 784,800</u>	<u>\$ 784,800</u>	<u>\$1,136,369</u>	<u>\$ 351,569</u>

See notes to the financial statements.

CITY OF YACHATS, OREGON
MODIFIED CASH BASIS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET TO ACTUAL
DEBT SERVICE RESERVE FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Property Taxes	\$ 41,000	\$ 41,000	\$ 45,618	\$ 4,618
Food and Beverage Taxes	175,000	175,000	423,226	248,226
Intergovernmental	195,000	195,000	195,000	-
Investment Revenue	2,898	2,898	4,392	1,494
Total Revenues	413,898	413,898	668,236	254,338
Expenditures				
Debt Service Principal	559,709	559,709	559,075	(634)
Debt Service Interest	154,149	154,149	153,291	(858)
Debt Service Fees	16,856	16,856	16,856	-
Total expenditures	730,714	730,714	729,222	(1,492)
Excess (deficiency) of revenues over (under) expenditures	(316,816)	(316,816)	(60,986)	255,830
Other financing sources (uses)				
Operating transfers in	148,000	148,000	148,000	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	148,000	148,000	148,000	-
Net change in Fund balance	(168,816)	(168,816)	87,014	255,830
Beginning fund balance	890,550	890,550	939,217	48,667
Ending fund balance	\$ 721,734	\$ 721,734	\$1,026,231	\$ 304,497

See notes to the financial statements.

CITY OF YACHATS, OREGON
MODIFIED CASH BASIS STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION-
BUDGET TO ACTUAL
WATER FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 553,000	\$ 553,000	\$ 738,053	\$ 185,053
Intergovernmental	70,000	70,000	70,000	-
Other revenues	37,850	37,850	31,996	(5,854)
Total Revenues	660,850	660,850	840,049	179,199
Expenditures				
Public Works				
Personnel services	345,000	345,000	307,752	(37,248)
Materials and services	253,220	253,220	225,321	(27,899)
Capital expenditures	402,500	402,500	226,891	(175,609)
Contingencies	93,125	93,125	-	(93,125)
Total expenditures	1,093,845	1,093,845	759,964	(333,881)
Excess(deficiency) of revenues over (under expenditures)	(432,995)	(432,995)	80,085	513,080
Other Financing Sources (Uses)				
Operating transfers in	644,602	644,602	644,602	-
Operating transfers out	(53,000)	(53,000)	(53,000)	-
Net change in net position	158,607	158,607	671,687	513,080
BEGINNING UNRESTRICTED NET POSITION	589,785	589,785	577,981	(11,804)
ENDING UNRESTRICTED NET POSITION	\$ 748,392	\$ 748,392	1,249,668	\$ 501,276
Net investment in capital assets			2,168,994	
ENDING NET POSITION			\$3,418,662	

See notes to the financial statements.

CITY OF YACHATS, OREGON
MODIFIED CASH BASIS STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION-
BUDGET TO ACTUAL
SEWER FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 527,500	\$ 527,500	\$ 693,556	\$ 166,056
Intergovernmental	-	-	-	-
Other local revenue	46,888	46,888	51,677	4,789
Total revenues	<u>574,388</u>	<u>574,388</u>	<u>745,233</u>	<u>170,845</u>
EXPENDITURES				
Public works				-
Personnel services	345,000	345,000	317,707	(27,293)
Materials and services	228,461	228,461	224,610	(3,851)
Capital expenditures	419,750	419,750	210,863	(208,887)
Contingencies	60,000	60,000	-	(60,000)
Total expenditures	<u>1,053,211</u>	<u>1,053,211</u>	<u>753,180</u>	<u>(300,031)</u>
Excess (deficiency) of revenues over (under) expenditures	(478,823)	(478,823)	(7,947)	470,876
OTHER FINANCING SOURCES (USES)				
Operating transfers in	450,000	450,000	450,000	-
Operating transfers out	<u>(65,000)</u>	<u>(65,000)</u>	<u>(65,000)</u>	<u>-</u>
Net change in net position	(93,823)	(93,823)	377,053	470,876
BEGINNING UNRESTRICTED NET POSITION	<u>877,536</u>	<u>877,536</u>	<u>784,876</u>	<u>(92,660)</u>
ENDING UNRESTRICTED NET POSITION	<u>\$ 783,713</u>	<u>\$ 783,713</u>	<u>\$1,161,929</u>	<u>\$ 378,216</u>
Net investment in capital assets			<u>5,951,668</u>	
ENDING NET POSITION			<u>\$7,113,597</u>	

See notes to the financial statements.

REPORTS ON LEGAL AND OTHER REGULATORY REQUIREMENTS



Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Honorable Mayor and City
Council Members City of Yachats
Yachats, Oregon 97498

We have audited, in accordance with auditing standards generally accepted by the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Yachats, Oregon (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 31, 2022. As reported in the auditors' opinion on the financial statements, the City prepares its financial statements on the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weakness or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of findings and responses, we identified certain deficiencies that we considered to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency 2021-01 described in the accompanying Schedule of Findings and Responses to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Yachats' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Responses to Findings

City of Yachats response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the City of Yachats' response and, accordingly, we express no opinion on them.

Purpose of this Report

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



Hanford & Associates, LLC
West Richland, Washington
March 31, 2022

Schedule of Findings and Responses

Findings – Financial Statement Audit

Significant Deficiency in Internal Control Over Financial Reporting

2021-01 Preparation of Financial Statements

Criteria:

Management is responsible for maintaining an adequate and complete system of internal control to ensure the financial statements are free from material misstatement and error. A complete system of internal control determines the systems adequacy for preparing the financial statements.

An adequate system of internal controls is the responsibility of the government's management. The preparation of the financial statements requires internal controls over both 1) recording, processing and summarizing accounting data (i.e. maintaining internal books and records) and 2) reporting government-wide and fund/accounting financial statements including the related footnotes and supplemental schedules for external reporting.

Condition:

The City of Yachats has elected not to have an internal control system designed to provide for the preparation of the financial statements and related footnotes being audited.

As is the case with many small to medium sized Oregon entities, the City of Yachats has relied on its independent external auditors to assist in the preparation of the financial statements and notes as a part of the external financial reporting process. The City's ability to prepare financial is based, in part, on its external auditors, who cannot be considered a part of the City's internal control structure.

As auditors, we were requested to draft the financial statements and the accompanying notes as well as assist to making the appropriate adjustments to convert the City's financial data into appropriate reporting.

Cause:

This condition was caused by the City's decision to outsource the preparation of the annual financial statements to the external auditors rather than to incur the time and expense of obtaining the necessary training and expertise required for the City to perform this task internally.

Effect:

The control deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

Recommendation:

This circumstance is not unusual. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management's Response:

The City has evaluated the cost v. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP and GASB and determined that it is in the best interests of the government to outsource this task to its qualified accountant and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation on a continuous timely basis.



Independent Auditor's Report Required by Oregon State Regulations

We have audited the basic financial statements of the City of Yachats as of and for the year ended June 30, 2021 and have issued our report thereon dated March 31, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the City of Yachats, Oregon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Highway revenues used for public highways, roads and streets.**
- **Programs funded from outside sources.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**
- **Accountability for collecting or receiving money by elected officials. The City does not have any elected officials collecting or receiving money.**

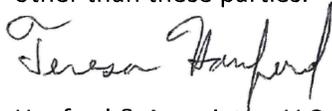
In connection with our testing nothing came to our attention that caused us to believe the City of Yachats was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-10-0230 Internal Control

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

We noted certain matters that we reported as finding 2021-01 in the Schedule of Findings and Responses.

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

A handwritten signature in black ink that reads "Teresa Hanford". The signature is written in a cursive style with a large initial "T".

Hanford & Associates, LLC
West Richland, Washington
March 31, 2022