

| CITY OF PORT ORFORD

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2022
WITH
INDEPENDENT AUDITOR'S REPORT



CITY OF PORT ORFORD, OREGON

Fiscal Year Ended June 30, 2022

ELECTED OFFICIALS OF THE CITY OF PORT ORFORD, OREGON

Pat Cox (Elected 11/3/2020) P.O. Box 1031 Port Orford, Oregon 97465	Mayor
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Lorin Kessler (Appointed 09/17/2020) P.O. Box 89 Port Orford, Oregon 97465	Councilor
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Tim Pogwizd (Elected 11/3/2020) P.O. Box 697 Port Orford, Oregon 97465	Councilor
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Carolyn La Roche (Elected 11/6/18) P.O. Box 1087 Port Orford, Oregon 97465	Councilor
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James Garratt (Elected 11/6/18) P.O. Box 1287 Port Orford, Oregon 97465	Councilor
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Gregory Tidey (Elected 11/3/2020) 820 Jackson Street Port Orford, Oregon 97465	Councilor
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Gary Burns (Elected 11/3/2020) P.O. Box 21 Port Orford, Oregon 97465	Councilor
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ADMINISTRATION

Jessica Ginsburg P.O. Box 310 Port Orford, Oregon 97465	City Administrator
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Shala McKenzie Kudlac Frederick J. Carleton Law Offices P.O. Box 38 Bandon, Oregon 97411	City Attorney
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Independent Auditor's Report

Honorable Mayor and Council
City of Port Orford
Port Orford, Oregon

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Port Orford, Oregon (the City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, General Fund and major Special Revenue Fund budgetary comparison information, certain pension schedules, and certain other post-employment benefit schedules as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis, certain pension schedules and certain other post-employment benefit schedule in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The General Fund and major Special Revenue Fund budgetary comparison information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 General fund and major Special revenue fund budgetary comparison information and the combing schedule noted under the required supplementary information in the Table of Contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Supplementary Information

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

Other Reporting Required by Oregon State Regulations

In accordance with Oregon State Regulation, we have also issued our report dated February 2, 2024 on our consideration of the City of Port Orford's compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules 162-010-0000 through 162-010-3200 of the Minimum Standards for Audits of Oregon Municipal Corporations. The purpose of that report is to describe the scope of our testing necessary to address the required provisions of ORS, and not to provide an opinion on compliance with such provisions.

A handwritten signature in black ink, reading "Aria Bettinger". The signature is fluid and cursive, with the first name "Aria" and last name "Bettinger" clearly distinguishable.

Aria Bettinger, CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
February 2, 2024

**CITY OF PORT ORFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2022**

As management of the City of Port Orford (the City), we offer readers of the City financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with the City's financial statements. It should also be noted that all amounts included in the text below are rounded for ease of reading.

FINANCIAL HIGHLIGHTS

- In the **government-wide statements**, the City's assets and deferred outflows totaled \$19.2 million at June 30, 2022 consisting of \$15.9 million in capital assets, \$1.4 million in unrestricted cash and investments, \$213 thousand in receivables, \$1.1 million in restricted cash, and \$523 thousand in deferred outflows. The City's assets and deferred outflows increased by \$93 thousand, or 0.5 percent from the prior year.
- In the **government-wide statements**, the City's liabilities and deferred inflows totaled \$4.0 million at June 30, 2022 consisting of \$2.4 million in long-term debt, \$777 thousand in net pension liability, \$635 thousand in deferred inflows, and about \$154 thousand in accounts payable and other current liabilities. Long-term debt decreased by the required payments in the current year.
- In the **government-wide statements**, the City's net position (assets/deferred outflows minus liabilities/deferred inflows) totaled \$15.2 million at June 30, 2022, of which \$13.5 million was net investment in capital assets, \$1.2 million was considered restricted, and \$476 thousand was considered unrestricted. In the prior year, net position totaled \$15.1 million.
- The City's net position increased \$131 thousand during the fiscal year ended June 30, 2022 from the prior year net position.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Basic Financial Statements and supplementary information are presented using the integrated approach as prescribed by GASB Statement No. 34. The Basic Financial Statements are comprised of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

The Basic Financial Statements present financial information about the City as a whole and about its activities. Following the Basic Financial Statements is the Required and Other Supplementary Information which provides budgetary comparisons for the governmental and proprietary funds, and other combining fund schedules. Finally, completing the document is a series of other financial schedules, and reports by the independent certified public accountants, as required by statute.

1. Government-wide Financial Statements

The government-wide financial statements are designed to present the financial picture of the City in a manner similar to a private-sector business, i.e. from the economic resources measurement focus using the accrual basis of accounting.

The statement of net position includes all assets and deferred outflows of the City (including infrastructure) as well as all liabilities and deferred inflows (including long-term debt). Net position is the difference between assets/deferred outflows and liabilities/deferred inflows, which is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position may be an indicator of whether its financial health is improving or deteriorating.

CITY OF PORT ORFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2022

The statement of activities reports all revenues when earned and expenses when incurred regardless of the timing of related cash flows. The focus of the statement of activities is to present the major program costs, matching major resources with each. To the extent a program's costs are not recovered by grants and direct charges, it is paid from general taxes and other general revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

The government-wide financial statements distinguish programs/functions of the City that are governmental (principally supported by taxes and intergovernmental revenues) to those that are business-type (intended to recover all or a significant portion of their costs through user fees and charges).

Governmental activities of the City are categorized as follows:

- Administrative – includes centralized services such as information technology, administration and financial services and other general functions not separately identified as a program.
- Police and court department – includes police department and operation of the City's courts
- Parks department – includes maintenance of the City's parks and playgrounds.
- Planning department – includes the City's community development and building inspection functions.
- Highways and streets – includes the City's street maintenance operations, street and local improvement construction and the City's engineering activities.
- Non-departmental – includes those activities that are not specifically included in another department.

Business-type activities include the following:

- Water
- Sewer

2. Fund Financial Statements

Following the government-wide statements is a section containing fund financial statements. The fund financial statements include statements for governmental funds and proprietary funds. Funds are used to segregate resources for specific activities or objectives.

Governmental Funds. The governmental fund statements emphasize available financial resources rather than net income. They are prepared using the current financial resources measurement focus and modified accrual basis of accounting. A reconciliation of the fund balance reported in the governmental funds balance sheet to the net position reported on the government-wide statement of net position, and a reconciliation of the change in fund balances reported in the governmental funds statement of revenues, expenditures and changes in fund balances to the change in net position reported in the government-wide statement of activities are provided to facilitate a comparison between governmental funds and governmental activities.

The City has four governmental funds, all of which are considered major funds and presented separately in the governmental funds financial statements. These funds are the General Fund, the Public Safety Fund, the Parks Fund, and the Street Fund.

CITY OF PORT ORFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2022

Proprietary Funds. Proprietary funds are used to account for activities supported by user charges and where the emphasis is on net income. The City uses enterprise funds to account for its water and sewer operations. The Water and Sewer Funds are presented separately as the major funds in the proprietary fund financial statements. Five non-major funds are combined and presented in a single column as other proprietary funds.

3. Notes to the Basic Financial Statements

The notes provide information that is essential for a full understanding of the data presented in the government-wide and fund financial statements (the basic financial statements). Information such as significant accounting policies and detail of certain assets/deferred outflows and liabilities/deferred inflows are included in the notes which should be read in conjunction with the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Position

The City's assets/deferred outflows exceeded liabilities/deferred inflows by \$15.2 million at June 30, 2022. Net position for governmental activities totaled \$11.4 million while net position for business-type activities totaled \$3.8 million.

	June 30, 2022		June 30, 2021	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Current & other assets	\$ 805	\$ 1,942	\$ 672	\$ 1,720
Capital assets, net	11,108	4,815	11,148	5,056
Total assets	<u>11,913</u>	<u>6,757</u>	<u>11,820</u>	<u>6,776</u>
Deferred outflows of resources	<u>264</u>	<u>258</u>	<u>254</u>	<u>249</u>
Other liabilities	89	97	73	90
Pension liabilities	393	384	669	655
Long-term debt	-	2,405	-	2,480
Total liabilities	<u>482</u>	<u>2,886</u>	<u>742</u>	<u>3,225</u>
Deferred inflows of resources	<u>321</u>	<u>313</u>	<u>36</u>	<u>35</u>
Invested in capital assets net of related debt	11,108	2,411	11,148	2,576
Restricted	120	1,077	203	1,005
Unrestricted	147	329	(55)	184
Total net position	<u>\$ 11,374</u>	<u>\$ 3,817</u>	<u>\$ 11,296</u>	<u>\$ 3,765</u>

(Table is Presented in Thousands)

As mentioned earlier, net position may be an indicator of the City's financial position. At the end of the current year, the City has a positive net position balance. Net position increased by \$131 thousand from the prior year. The largest portion of the City's net position is its net investment in capital assets, which consists of 89.0 percent of the total net position, followed by the restricted/unrestricted net position representing 11.0 percent of total net position. In the prior year, 91.1 percent of the City's net position was net investments in capital assets, and 8.9 percent was restricted/unrestricted.

CITY OF PORT ORFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2022

Analysis of Changes in Net Position

The City's Statement of Activities for fiscal year's ended June 30 follows:

	June 30, 2022		June 30, 2021	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Revenues:				
Program revenues:				
Charges for services	\$ 264	\$ 1,201	\$ 286	\$ 1,242
Operating grants	28	1	4	-
Capital grants	75	-		
General revenues:				
Property taxes	585	-	498	-
Lodging tax	130	-	142	-
State and local revenues	139	-	117	-
Franchise fees	18	-	19	-
Earnings on investments	4	9	5	12
Intergovernmental revenue	128	-	-	-
Other	5	-	12	-
Total revenues	<u>1,376</u>	<u>1,211</u>	<u>1,081</u>	<u>1,255</u>
Expenses:				
Administrative	61	-	102	-
Police	627	-	572	-
Parks	140	-	130	-
Planning	35	-	129	-
Highways and streets	231	-	215	-
Non-departmental	203	-	211	-
Interest on long-term debt	-	106	-	109
Water	-	599	-	608
Sewer	-	446	-	501
Other programs	-	8	-	11
Gain (loss) on disposal	-	-	-	-
Total expenses	<u>1,297</u>	<u>1,159</u>	<u>1,359</u>	<u>1,229</u>
Transfers	<u>-</u>	<u>-</u>	<u>(60)</u>	<u>60</u>
(Decrease) Increase in net position	<u>\$ 79</u>	<u>\$ 52</u>	<u>\$ (338)</u>	<u>\$ 86</u>

(Table is Presented in Thousands)

Governmental Activities

Governmental activities revenue totaled \$1.4 million in the current year, and consisted primarily of property taxes and charges for services. Property taxes were 42.5 percent of total governmental activities revenue in the current year, in comparison to 46.1 percent in the prior year. Charges for services represent 19.2 percent of current year revenue, whereas in the prior year, that percentage was 26.4 percent.

As discussed earlier, the City's governmental activities are categorized into the following programs: administrative; police and court department; parks department; planning department; highways and streets; and non-departmental.

CITY OF PORT ORFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2022

Business-Type Activities

Business-type activities net position increased by \$52 thousand. In the prior year, business-type activities net position increased by \$86 thousand. In the prior year, business-type revenues totaled \$1.3 million and consisted primarily of fees for water and sewer services. In the current year, the City's business-type revenues totaled \$1.2 million, a decrease of \$44 thousand over the prior year. Business-type activities are self-supporting where revenues are expected to cover expenses.

FUND ANALYSIS

The City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

The focus of the governmental funds is to provide information on near-term inflows, outflows and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, the Public Safety Fund, the Parks Fund, and the Street Fund

At the end of the current year, the City's governmental funds had combined ending fund balances of \$698 thousand, an increase of \$133 thousand from the restated prior year fund balance.

The General Fund is a primary operating fund of the City and is automatically considered a major governmental fund. At the end of the fiscal year, the unassigned fund balance of the General Fund was \$399 thousand, an increase of \$180 thousand from the prior year fund balance. Unassigned fund balance represents 94.8 percent of total annual General Fund expenditures (before considering transfers), which may be a useful measure of the General Fund's liquidity. In the prior year, unassigned fund balance in the General Fund was about 49.9 percent of total expenditures (before considering transfers) of the fund.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but more in detail.

The net position of the Water and Sewer Funds at the end of the year amounted to \$1.1 million and \$1.3 million, respectively. The changes in net position of these major proprietary funds were a decrease of \$150 thousand for the Water Fund and an increase of \$35 thousand for the Sewer Fund. The Water, Sewer, and the Equipment Replacement funds are the only proprietary funds which report capital assets. Additionally, a portion of the payroll and related expenses for administrative and maintenance staff were charged to these funds in an effort to properly allocate the costs in the other funds during the year.

Other factors concerning the finances of the proprietary funds can be found in the previous discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were various changes to the General Fund budget during the 2021-22 fiscal year. There were transfers of budget authority between expenditure functions to meet the needs of the City's major operating fund.

CITY OF PORT ORFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2022

CAPITAL ASSETS

As of June 30, 2022, the City had invested \$15.9 million in capital assets, net of depreciation as reflected in the following table, which represents a net decrease (additions, deductions and depreciation) of \$281 thousand from the prior year's capital assets.

	Governmental Activities	Business-type Activities	Total
Land	\$ 8,104	\$ 221	\$ 8,325
Buildings & improvements	150	20	170
Machinery & equipment	145	438	583
Infrastructure	2,708	4,137	6,845
	<u>\$ 11,107</u>	<u>\$ 4,816</u>	<u>\$ 15,923</u>

(Table is Presented in Thousands)

DEBT ADMINISTRATION

As of year-end, the City had \$2.4 million in debt outstanding, a decrease of \$76 thousand from the previous year. The decrease is a result of the City's paying all scheduled principal payments on long-term debt. The City did not issue any new debt for the 2021-22 fiscal year. Debt outstanding by type at year-end is comprised of the following:

	Business-type Activities
Sewer Revenue Bond	\$ 473
Sewer Revenue Installment Bond	1,931
	<u>\$ 2,404</u>

(Table is Presented in Thousands)

Debt Limitation and Ratings

Oregon Revised Statutes provides a limit on non-self-supporting general obligation debt of 3 percent of the real market value of all taxable property within the City. Based on the fiscal year 2022 value, the City is within its debt limitation.

Please refer to the notes to the basic financial statements for further detailed information.

CITY OF PORT ORFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2022

ECONOMIC FACTORS, NEXT YEAR'S BUDGET AND RATES

Port Orford is the oldest and most westerly town site on the Oregon Coast and the third largest city in Curry County with a population of 1,146 as of April 1, 2020. Port Orford's primary industries are commercial fishing and tourism with the City quickly becoming a destination because of the City's historic and artistic atmosphere, as well as its close proximity to world class golf resorts. Because of this proximity, another world class golf course, Pacific Gales, is planned for the Port Orford area. Pacific Gales is currently working with the State of Oregon to get all the necessary permits and construction is to begin once all the permits have been approved. In order to accommodate an anticipated vibrant growth period, the City has recently completed a \$4.23 M Effluent Outfall and Wastewater Treatment Plant upgrade. This will enable the City to meet the anticipated growth for the near and future needs as the City expands. To ensure the City's infrastructure is sufficient for near and future development, the City has updated its Water Master Plan and Sewer Facilities Plan. Also to improve the livability of Port Orford, the City has updated its Parks Master Plan and is now in the process of implementing the recommended improvements to the City's parks. Additionally, the City has adopted a downtown comprehensive refinement plan so that a better balance can be made to match the needs of commercial, residential, and transportation needs while highlighting the advantages of Port Orford's natural harbor. This is the deepest port on the Oregon, Northern California, and Southern Washington coast without a bar to cross.

The City's General Fund is dependent on property taxes, franchise and licensing fees, grants, and contributions to fund its operations. In Oregon, county assessors use permanent tax rates that were set for all taxing districts in fiscal year 1997-98, when taxes were significantly reduced with a statewide average 17 percent cut in tax levies. At that time county assessors rolled back property assessed values to 90 percent of their 1995-96 values, and established permanent tax rates and limited assessed value growth for individual properties to 3 percent per year plus new construction. The current permanent tax rate for the City of Port Orford is \$2.2688 per \$1,000 of assessed value, and the City also has a local optional tax rate of \$1.80 per \$1,000 to fund Public Safety. The Public Safety Local option was reauthorized by the voters November 7, 2023 for an additional five years with the same rate of \$1.80 per \$1000. Property taxes make up approximately 46% of the General funds revenues and 72% of the Public Safety revenues, but are only 36% of the City's total revenue sources.

In contrast, the proprietary funds, which include the Water Enterprise and Sewer Enterprise funds, are funded with charges for services. Since these charges for services must be enough to meet operating expenses, debt services, and capital improvements in each fund, the Common Council of Port Orford passed a resolution in FY 2008 that allows the rates for both the Water and Sewer Enterprise funds to be indexed annually to the Consumer Price Index (CPI) and the Construction Cost Index (CCI). By indexing the rates to the CPI and CCI, management can adjust the rates annually to insure that the needs are met for near and future operating costs. This last rate increase has allowed the proprietary funds to meet the expenses for operating, debt service, and capital outlay. Additionally, the Water Enterprise fund also implemented a new rate structure in FY 2008 in order to meet the near and future needs of that fund. Because of Port Orford's limited supply of water, an increasing block rate was adopted for the new water rate structure. This increasing block rate structure will promote water conservation since the cost for water increases for each customer as they use more water ensuring that the City can meet the short term demand for water.

For the long-term demand, the City has applied for a \$25M grant to replace and enlarge its entire water system. Additionally, the City has agreed to purchase 160 acres of forested land within our watershed that was scheduled to be logged. This purchase, added to our current watershed property ensuring that our water source is protected far into the future. Additionally, the City Council approved Resolution 2013-24 establishing funding for the replacement of its aged infrastructure. The funding comes as an additional charge on the monthly utility bills. This charge has been implemented and is structured to be increased annually over the next five years to reach a level that will generate the resources needed to replace the infrastructure for both the Water and Sewer systems.

CITY OF PORT ORFORD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2022

The City has implemented cost constraints at all levels of the organization in order to decrease nonessential expenditures thereby increasing resources available for core priority programs such as public safety, streets, and improving the City's infrastructure. These efforts have maintained the current budget at previous year's levels net of grants. The City utilizes grants to improve its infrastructure as much as possible to keep the tax rate and fees of the City's as low as possible. For example, this year the City received a \$1.5M CDBG grant from Oregon Business to renovate its community building with matching funds from the Rotary Club and contributions from its citizens. Additionally, the City received a grant from the State of Oregon Department of Environmental Quality for half of the purchase price of the watershed property it recently agreed to purchase. These efforts have allowed the City to keep its rates and fees as low as possible and the City will be reviewing its fees in the near future to ensure that those fees are paying for those service requested.

REQUEST FOR INFORMATION

The City's financial statements are designed to present users with a general overview of the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to City Hall at P.O. Box 310, Port Orford, Oregon 97465. The City's telephone number is 541-332-3681.



| BASIC FINANCIAL STATEMENTS



| GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF PORT ORFORD
STATEMENT OF NET POSITION
JUNE 30, 2022**

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS:			
Cash and investments	\$ 703,831	\$ 725,060	\$ 1,428,891
Receivables, net	94,923	118,175	213,098
Restricted cash and investments	-	1,092,559	1,092,559
Net OPEB asset	6,487	6,345	12,832
Capital assets, net:			
Land	8,104,172	220,716	8,324,888
Buildings and improvements	150,353	19,755	170,108
Machinery and equipment	144,701	437,685	582,386
Infrastructure	2,708,441	4,137,047	6,845,488
TOTAL ASSETS	11,912,908	6,757,342	18,670,250
Deferred outflows of resources:			
Deferred amounts related to other post employment benefits (OPEB)	723	706	1,429
Deferred amounts related to pensions	263,556	257,779	521,335
TOTAL DEFERRED OUTFLOWS OF RESOURCES	264,279	258,485	522,764
TOTAL ASSETS AND DEFERRED OUTFLOWS	12,177,187	7,015,827	19,193,014
LIABILITIES AND DEFERRED INFLOWS:			
Accounts payable	37,643	31,877	69,520
Accrued salaries and benefits	24,318	18,388	42,706
Accrued interest	-	20,779	20,779
Unearned revenue	5,520	-	5,520
Deposits	-	15,654	15,654
Accrued compensated absences	21,812	10,110	31,922
Net pension liability			
Due in more than one year	392,612	384,007	776,619
Long-term debt			
Due within one year	-	78,788	78,788
Due in more than one year	-	2,325,845	2,325,845
TOTAL LIABILITIES	481,905	2,885,448	3,367,353
Deferred inflows of resources:			
Deferred amounts related to other post employment benefits (OPEB)	2,042	1,997	4,039
Deferred amounts related to pensions	318,852	311,865	630,717
TOTAL DEFERRED INFLOWS OF RESOURCES	320,894	313,862	634,756
TOTAL LIABILITIES AND DEFERRED INFLOWS	802,799	3,199,310	4,002,109
NET POSITION:			
Net Investment in capital assets	11,107,667	2,410,570	13,518,237
Restricted for:			
Net OPEB asset	6,487	6,345	12,832
Streets	110,528	-	110,528
Debt service	-	183,068	183,068
System development costs	-	893,837	893,837
Unrestricted	149,706	322,697	472,403
TOTAL NET POSITION	\$ 11,374,388	\$ 3,816,517	\$ 15,190,905

CITY OF PORT ORFORD
STATEMENT OF ACTIVITIES
FISCAL YEAR END JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fines, Fees, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government							
Administrative	60,969	\$ 34,536	\$ -	\$ -	\$ (26,433)	\$ -	\$ (26,433)
Police & court department	627,176	223,800	716	-	(402,660)	-	(402,660)
Parks department	139,500	615	27,713	-	(111,172)	-	(111,172)
Planning department	35,047	4,800	-	-	(30,247)	-	(30,247)
Highways and streets	230,617	-	-	75,048	(155,569)	-	(155,569)
Non-departmental	203,304	-	-	-	(203,304)	-	(203,304)
Total government activities	1,296,613	263,751	28,429	75,048	(929,385)	-	(929,385)
Business-type activities:							
Water	599,003	497,832	1,429	-	-	(99,742)	(99,742)
Sewer	445,922	635,933	-	-	-	190,011	190,011
Other programs	8,241	66,744	-	-	-	58,503	58,503
Interest on long-term debt	105,912	-	-	-	-	(105,912)	(105,912)
Total business-type activities	1,159,078	1,200,509	1,429	-	-	42,860	42,860
Total common city	<u>\$ 2,455,691</u>	<u>\$ 1,464,260</u>	<u>\$ 29,858</u>	<u>\$ 75,048</u>	<u>(929,385)</u>	<u>42,860</u>	<u>(886,525)</u>
General revenues:							
Property taxes levied for general purposes					332,884	-	332,884
Property taxes levied for public safety					252,398	-	252,398
Lodging tax					129,692	-	129,692
State Highway Tax					98,185	-	98,185
State revenue sharing					12,123	-	12,123
State cigarette and alcohol taxes					28,517	-	28,517
Franchise fees					17,704	-	17,704
Interest on investments					4,078	9,187	13,265
Intergovernmental revenue					127,977	-	127,977
Other					5,014	-	5,014
Total general revenues					1,008,572	9,187	1,017,759
CHANGE IN NET POSITION					79,187	52,047	131,234
BEGINNING NET POSITION - JULY 1, 2021					11,295,201	3,764,470	15,059,671
ENDING NET POSITION - JUNE 30, 2022					<u>\$ 11,374,388</u>	<u>\$ 3,816,517</u>	<u>\$ 15,190,905</u>



FUND FINANCIAL STATEMENTS

**CITY OF PORT ORFORD
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022**

	General Fund	Public Safety Fund	Parks Fund	Street Fund	Total
ASSETS:					
Equity in pooled cash and investments	\$ 383,438	\$ 20,213	\$ 199,941	\$ 100,239	\$ 703,831
Receivables	53,808	-	-	13,738	67,546
Taxes receivable	15,057	12,320	-	-	27,377
TOTAL ASSETS	\$ 452,303	\$ 32,533	\$ 199,941	\$ 113,977	\$ 798,754
LIABILITIES:					
Accounts payable	\$ 19,959	\$ 11,553	\$ 5,173	\$ 958	\$ 37,643
Accrued salaries and benefits	4,313	16,080	1,434	2,491	24,318
Unearned revenue	5,520	-	-	-	5,520
TOTAL LIABILITIES	29,792	27,633	6,607	3,449	67,481
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue-property taxes	11,776	9,635	-	-	21,411
Unavailable revenue-citations	11,714	-	-	-	11,714
TOTAL DEFERRED INFLOWS OF RESOURCES	23,490	9,635	-	-	33,125
FUND BALANCE:					
Restricted for:					
Streets - operations, maintenance and capital improvements	-	-	-	110,528	110,528
Committed - capital improvements	-	-	193,334	-	193,334
Unassigned	399,021	(4,735)	-	-	394,286
TOTAL FUND BALANCES	399,021	(4,735)	193,334	110,528	698,148
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 452,303	\$ 32,533	\$ 199,941	\$ 113,977	\$ 798,754

**CITY OF PORT ORFORD
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2022**

TOTAL FUND BALANCES		\$ 698,148
Amounts reported by governmental activities in the Statement of Net Position are different because:		
Capital assets are not financial resources and, therefore, are not reported in the governmental funds:		
Cost	\$ 14,719,559	
Accumulated depreciation	<u>(3,611,892)</u>	11,107,667
The other post employment benefit asset (OPEB) and associated deferred outflows and inflows are not reported with the governmental funds as they are not available nor payable.		
		5,168
A portion of the City's receivables are collected after year-end but are not available soon enough to pay for the current year's operations, and therefore, are not reported as revenue in the governmental funds.		
Property tax	21,411	
Citations	<u>11,714</u>	33,125
The net deferred outflow/(inflow) associated with the City's pension (OPERS) is not recorded in the governmental funds as it is not available nor payable currently.		
		(55,296)
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 recognized as an expenditure when due.		
Long-term liabilities consist of:		
Accrued vacation payable	(21,812)	
Net pension liability	<u>(392,612)</u>	<u>(414,424)</u>
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 11,374,388</u>

CITY OF PORT ORFORD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2022

	General Fund	Public Safety Fund	Parks Funds	Street Fund	Total
REVENUES:					
Taxes	\$ 333,520	\$ 252,515	\$ -	\$ -	\$ 586,035
Interest on investments	2,928	(419)	1,107	462	4,078
Intergovernmental	168,617	-	-	98,185	266,802
Franchise fee revenues	17,704	-	-	-	17,704
Licenses and permits	21,890	-	-	-	21,890
Administrative charges	58,210	-	-	-	58,210
Grants	100	216	35	75,048	75,399
Rents	-	-	615	-	615
Transient lodging tax	-	-	129,692	-	129,692
Fees	7,710	-	-	-	7,710
Citations	226,257	-	-	-	226,257
Reimbursements	12,646	-	-	-	12,646
Miscellaneous	3,441	1,312	261	-	5,014
Contributions	-	500	27,578	-	28,078
TOTAL REVENUES	853,023	254,124	159,288	173,695	1,440,130
EXPENDITURES:					
Current:					
Administrative	87,497	-	-	-	87,497
Court	94,807	-	-	-	94,807
Police department	-	528,443	-	-	528,443
Parks department	-	-	115,336	-	115,336
Streets department	-	-	-	189,959	189,959
Planning department	35,136	-	-	-	35,136
Non-departmental	203,304	-	-	-	203,304
Capital outlay	-	48,969	3,575	-	52,544
TOTAL EXPENDITURES	420,744	577,412	118,911	189,959	1,307,026
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	432,279	(323,288)	40,377	(16,264)	133,104
OTHER FINANCING SOURCES (USES):					
Transfers in	-	230,000	-	22,343	252,343
Transfers out	(252,343)	-	-	-	(252,343)
TOTAL OTHER FINANCING SOURCES (USES)	(252,343)	230,000	-	22,343	-
NET CHANGES IN FUND BALANCE	179,936	(93,288)	40,377	6,079	133,104
FUND BALANCE, July 1, 2021	219,085	88,553	152,957	104,449	565,044
FUND BALANCE, June 30, 2022	\$ 399,021	\$ (4,735)	\$ 193,334	\$ 110,528	\$ 698,148

**CITY OF PORT ORFORD
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR END JUNE 30, 2022**

NET CHANGE IN FUND BALANCE		\$ 133,104
Amounts reported for governmental activities in the Statement of Activities are different because:		
Government funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Expenditures for capital assets	124,017	
Less current year depreciation	<u>(164,131)</u>	(40,114)
Government funds report pension and OPEB contributions as expenditures. However, in the Statement of Activities, the cost of pension and OPEB benefits earned net of employee contributions is reported as pension/OPEB expenses.		
		5,739
Receivables that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the Statement of Activities, the following are recognized as revenue when levied.		
Property taxes	(753)	
Citations	<u>(23,086)</u>	(23,839)
Change in compensated absences		<u>4,297</u>
CHANGE IN NET POSITION		<u>\$ 79,187</u>

**CITY OF PORT ORFORD
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022**

	Water Fund	Sewer Fund	Other Proprietary Funds	Total
ASSETS:				
Current assets:				
Equity in pooled cash and investments	\$ 52,213	\$ 244,033	\$ 428,814	\$ 725,060
Receivables, net	56,120	62,055	-	118,175
Restricted cash and investments	12,504	186,218	893,837	1,092,559
Total current assets	120,837	492,306	1,322,651	1,935,794
Noncurrent assets:				
Net OPEB asset	3,673	2,672	-	6,345
Land	219,326	1,390	-	220,716
Buildings and improvements, net	19,755	-	-	19,755
Equipment, net	390,758	19,181	27,746	437,685
Infrastructure, net	665,063	3,471,984	-	4,137,047
Total noncurrent assets	1,298,575	3,495,227	27,746	4,821,548
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred amounts related to other post employment benefits (OPEB)	409	297	-	706
Deferred amounts related to pensions	149,223	108,556	-	257,779
TOTAL DEFERRED OUTFLOWS OF RESOURCES	149,632	108,853	-	258,485
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 1,569,044	\$ 4,096,386	\$ 1,350,397	\$ 7,015,827
LIABILITIES:				
Current liabilities:				
Accounts payable	\$ 9,337	\$ 22,540	\$ -	\$ 31,877
Accrued salaries and benefits	10,974	7,414	-	18,388
Accrued compensated absences	7,644	2,466	-	10,110
Accrued interest	-	20,779	-	20,779
Deposits	12,504	3,150	-	15,654
Bonds and notes payable	-	78,788	-	78,788
Total current liabilities	40,459	135,137	-	175,596
Noncurrent liabilities:				
Net pension	222,294	161,713	-	384,007
Bonds and notes payable	-	2,325,845	-	2,325,845
TOTAL LIABILITIES	262,753	2,622,695	-	2,885,448
DEFERRED INFLOWS OF RESOURCES:				
Deferred amounts related to other post employment benefits (OPEB)	1,156	841	-	1,997
Deferred amounts related to pensions	180,532	131,333	-	311,865
TOTAL DEFERRED INFLOWS OF RESOURCES	181,688	132,174	-	313,862
Net position:				
Net investment in capital assets	1,294,902	1,087,922	27,746	2,410,570
Restricted:				
Net OPEB asset	3,673	2,672	-	6,345
Debt service	-	183,068	-	183,068
System development costs	-	-	893,837	893,837
Unrestricted	(173,972)	67,855	428,814	322,697
TOTAL NET POSITION	1,124,603	1,341,517	1,350,397	3,816,517
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 1,569,044	\$ 4,096,386	\$ 1,350,397	\$ 7,015,827

**CITY OF PORT ORFORD
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FISCAL YEAR END JUNE 30, 2022**

	Water Fund	Sewer Fund	Other Proprietary Funds	Total
OPERATING REVENUES:				
Charges for services	\$ 496,698	\$ 635,653	\$ -	\$ 1,132,351
System development charges	-	-	66,744	66,744
Miscellaneous	2,563	280	-	2,843
TOTAL OPERATING REVENUES	499,261	635,933	66,744	1,201,938
OPERATING EXPENSES:				
Personal services	283,416	174,383	-	457,799
Materials and services	204,401	135,960	-	340,361
Depreciation	111,186	135,579	8,241	255,006
TOTAL OPERATING EXPENSES	599,003	445,922	8,241	1,053,166
OPERATING INCOME (LOSS)	(99,742)	190,011	58,503	148,772
NONOPERATING REVENUES (EXPENSES):				
Interest on investments	695	1,636	6,856	9,187
Interest expense	-	(105,912)	-	(105,912)
TOTAL NONOPERATING REVENUES (EXPENSES)	695	(104,276)	6,856	(96,725)
INCOME BEFORE OPERATING TRANSFERS	(99,047)	85,735	65,359	52,047
TRANSFERS				
Transfer in	-	-	101,857	101,857
Transfer out	(51,003)	(50,854)	-	(101,857)
CHANGES IN NET POSITION	(150,050)	34,881	167,216	52,047
NET POSITION, July 1, 2021	1,274,653	1,306,636	1,183,181	3,764,470
NET POSITION, June 30, 2022	\$ 1,124,603	\$ 1,341,517	\$ 1,350,397	\$ 3,816,517

**CITY OF PORT ORFORD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR END JUNE 30, 2022**

	Water Fund	Sewer Fund	Other Proprietary Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 490,113	\$ 635,911	\$ 66,744	\$ 1,192,768
Payments to suppliers	(217,377)	(118,007)	-	(335,384)
Payments to employees	(286,661)	(176,745)	-	(463,406)
Other receipts	5,314	280	-	5,594
Net cash provided (used) by operating activities	(8,611)	341,439	66,744	399,572
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Transfers in	-	-	101,857	101,857
Transfers out	(51,003)	(50,854)	-	(101,857)
Net cash provided (used) by non-capital and related financing activities	(51,003)	(50,854)	101,857	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal paid on capital debt	-	(75,513)	-	(75,513)
Interest paid on capital debt	-	(106,655)	-	(106,655)
Purchase and construction of capital assets	-	(13,735)	-	(13,735)
Net cash provided (used) by capital and related financing activities	-	(195,903)	-	(195,903)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and dividends	695	1,636	6,856	9,187
Net increase (decrease) in cash and cash equivalents	(58,919)	96,318	175,457	212,856
Total unrestricted/restricted pooled cash and investments investments - beginning of the year	123,636	333,933	1,147,194	1,604,763
Total unrestricted/restricted pooled cash and investments investments - end of the year	\$ 64,717	\$ 430,251	\$ 1,322,651	\$ 1,817,619
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (99,742)	\$ 190,011	\$ 58,503	\$ 148,772
Adjustments to reconcile operating income to cash provided by operating activities:				
Depreciation expense	111,186	135,579	8,241	255,006
Change in assets, deferred outflows/inflows, and liabilities:				
Receivables, net	(6,585)	258	-	(6,327)
Pension/OPEB	(3,245)	(2,362)	-	(5,607)
Deposits	2,751	-	-	2,751
Accounts payable and other accruals	(12,976)	17,953	-	4,977
Net cash provided (used) by operating activities	\$ (8,611)	\$ 341,439	\$ 66,744	\$ 399,572



| NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF PORT ORFORD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

Note 1 - Summary of Significant Accounting Policies

Organization

The City of Port Orford (the City) is a municipal corporation governed by a Council comprised of six members and a Mayor who are elected at large. The City Administrator is directly responsible to this governing body. The City continues to operate under a council/manager form of government and provides the following services as authorized by its charter: police, fire, parks, municipal court, planning, public works, and water and sewer utilities.

The financial statements of the City of Port Orford, Oregon have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting standards. The more significant of the City's accounting policies are described below.

The Financial Reporting Entity

As required by GAAP, the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable or a legally separate organization that raises and holds economic resources for the direct benefit of the primary government. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. For financial reporting purposes the City is classified as a primary government and there are no outside organizations or governmental units that are considered to be component units under criteria set forth in GAAP.

Financial Statement Presentation, Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities report information on all activities of the primary government. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees charged to external parties for services.

The Statement of Activities presents the direct expenses of a given function/program or business-type activity and the related program revenues categorized into charges for services, operating grants and contributions and capital grants and contributions. Direct expenses are those that are clearly identifiable with a specific function or program. Indirect expenses are those costs, usually administrative in nature, that support all City functions and enable direct services to be provided. Program revenues include 1) fees, fines and charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, investment income and other items not included among program revenues are reported as general revenues.

**CITY OF PORT ORFORD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

Note 1 - Summary of Significant Accounting Policies (continued)

Government-Wide Financial Statements (continued)

The government-wide financial statements are accounted for using an economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Non-exchange transactions, in which the City receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the year for which the taxes are levied. Revenues from grants, entitlements and donations are recognized when all eligibility requirements have been satisfied. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transfers, charges, advances, and loans between governmental and business-type activities are not eliminated.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

Fund Financial Statements

The City uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance, and to aid financial management by segregating transactions related to certain functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into two categories: governmental and proprietary. Each category, in turn, is divided into separate funds. Fund financial statements are provided for governmental and proprietary fund types.

Governmental Funds

Governmental funds are used to account for most of the City's general activities, including the collection and disbursement of earmarked monies (general revenue and special revenue funds).

The governmental fund financial statements are presented on a modified accrual basis of accounting with a current financial resources measurement focus whereby only current assets (deferred outflows) and current liabilities (deferred inflows) generally are included in the Balance Sheet, and the Statement of Revenues, Expenditures and Changes in Fund Balance present increases and decreases in those current net fund balances. Governmental funds use the modified accrual basis of accounting where revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount can be determined and "available" means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

The City considers property taxes available and susceptible to accrual if they are collected within sixty days after year-end.

Intergovernmental revenues are recognized when all eligibility requirements are met. Eligibility requirements for intergovernmental revenues received on a reimbursement basis (i.e. where monies must be expended on specific projects or for a specific purpose before any amounts are paid to the City) are determined to be met when the underlying expenditures are recorded. Eligibility requirements for intergovernmental revenues, which are unrestricted as to purpose of the expenditure and are usually revocable only for failure to comply with prescribed requirements, are considered to be met at the time of receipt or when susceptible to accrual.

**CITY OF PORT ORFORD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

Note 1 - Summary of Significant Accounting Policies (continued)

Governmental Funds (continued)

Property taxes and citations are reflected as revenues in the fiscal period for which they were levied, provided they are due, or past due, and receivable within the current period, and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days). Otherwise, they are reported as a deferred inflow of resources (unavailable revenue).

Licenses and permits and miscellaneous revenues that are associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Investment earnings are recorded as earned since they are measurable and available. All other revenues are considered to be measurable and available only when cash is received by the City.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliation is provided to explain the differences between the governmental fund statements and the governmental column of the government-wide presentation. This reconciliation is part of the financial statements.

There are stated minimum criteria for the determination of major funds: percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category, or the governmental and enterprise funds combined. In addition, standards permit the presentation of major funds based on management judgement.

The following are the City's major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. Principal sources of revenue are property taxes, charges for services, and intergovernmental revenues. Primary expenditures of the General Fund are made for the court department, and general administration. Effectively, all line and staff departments within the City, except those related to activity in Special Revenue Funds, are financed by the General Fund.

Public Safety Fund – The Public Safety Fund, a special revenue fund, accounts for the City's Police activities. Principal sources of revenue are local option taxes, grants, and a transfer from the General Fund.

Parks Fund – The Parks Fund, a special revenue fund, accounts for the maintenance of the City's parks and tourist destinations. Principal sources of revenue are lodging taxes, grants, and contributions.

Street Fund – The Street Fund, a special revenue fund, accounts for the maintenance and construction of the City's streets. Principal sources of revenue are highway taxes. The Street Fund includes the Street Capital Reserve Fund which is combined for financial reporting purposes.

Proprietary Funds - Enterprise Funds

Proprietary funds account for the acquisition, operation and maintenance of the City facilities and services which are entirely self-supporting through service charges of customers. Services accounted for through enterprise funds are water and sewer operations. Funds included in this category are the Water Fund, Sewer Fund, Water System Development Fund, Sewer System Development Fund, Water Capital Reserve Fund, Sewer Capital Reserve Fund, and the Equipment Replacement Fund.

**CITY OF PORT ORFORD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

Note 1 - Summary of Significant Accounting Policies (continued)

Proprietary Funds – Enterprise Funds (continued)

The principal operating revenues are charges to customers, grants, and earnings on investments.

Operating expenses include cost of sales, debt service, capital outlay, administration expenses, and depreciation.

All proprietary funds are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the Statement of Net Position. The accrual basis of accounting is utilized by proprietary fund types where revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The following are the City's major enterprise funds:

Water Fund – This fund accounts for the maintenance, operation and construction of the City's water intake, purification and delivery systems. The principal source of revenue is user fees.

Sewer Fund – This fund accounts for the maintenance and operation of the City's wastewater collection and treatment system. The principal source of revenue is user fees.

Additionally, the City also reports other proprietary funds that are not considered major funds.

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition on net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Additionally, the City has one type of deferred inflows which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the basic financial statements and reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

CITY OF PORT ORFORD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

Cash and Investments

The City maintains a common cash and investment pool for all City funds. All short-term, highly-liquid investments, including investments in the State Treasurer's Local Government Investment Pool (LGIP) where the remaining maturity at the time of purchase is one year or less are stated at amortized cost, which approximates fair value. Investments with a remaining maturity at the time of purchase of more than one year are stated at fair value. Fair value is determined as the quoted market price if available; otherwise the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties. Earnings on pooled cash and investments are credited to each fund monthly based on the average daily balance of each participating fund.

Pooled cash and investments have the general characteristics of a demand deposit account in that any participating fund may deposit additional cash at any time and may also withdraw cash at any time without prior notice or penalty.

For purposes of the statement of cash flows, the proprietary fund types consider all highly liquid investments with a maturity date of three months or less when purchased to be cash equivalents.

Deposits

Deposits are required of new utility customers prior to receiving City water and sewer services. Upon service termination, the individual's respective deposit of \$100, that is currently required, is applied to the amount owed with any remaining balance refunded to the customer.

Receivables

Recorded property taxes receivable that are collected within 60 days after year-end are considered measurable and available and, therefore, are recognized as revenue. The remaining balance is recorded as a deferred inflow of resource because it is not deemed available to finance operations of the current period. An allowance for doubtful accounts is not deemed necessary, as uncollectible taxes become a lien on the property. Property taxes are levied and become a lien on July 1. Collection dates are November 15, February 15, and May 15 following the lien date. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

Receivables of the enterprise funds are recognized as revenue when earned, including services provided but not billed. Receivables in governmental and enterprise funds are stated net of any allowance for uncollectible accounts.

Prepays

Governmental fund expenditures for services/benefits extending over more than one accounting period are recorded as expense in the period in which the cash is paid. In the government-wide financial statements these expenditures are recorded as a current asset (when applicable).

**CITY OF PORT ORFORD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

Note 1 - Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are stated at historical cost, or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the fair market value of such assets at the date of donation. As permitted by GASB Statement No. 34, the City has limited the capitalization of infrastructure to only those which were constructed or acquired after July 1, 2004. Capital assets include land, construction in progress, buildings, improvements, infrastructure and equipment costing over \$5,000 with an estimated life that extends beyond one reporting period. Infrastructure assets include streets, sidewalks, streetlights, water and sewer systems, etc. Maintenance and repairs that do not add to the value of the assets or extend the assets' lives are charged to expenditures as incurred and are not capitalized.

Depreciation is computed using the straight-line method over the estimated useful lives of the related capital assets, except for land and construction in progress which are not depreciated.

The estimated useful lives of the various categories of assets are as follows:

Buildings and improvements	20 to 50 years
Infrastructure	10 to 50 years
Vehicles and equipment	3 to 30 years

Upon disposal of capital assets, the accounts are relieved of the related historical costs and accumulated depreciation, and if appropriate, resulting gains or losses are recognized.

Compensated Absences

Liabilities for vacation pay are recorded in the Statement of Net Position and proprietary fund financial statements when vested or earned by employees. Vacation pay is accrued as an expenditure in the governmental fund financial statements when the amounts are expected to be liquidated with expendable available resources. Sick leave pay does not vest and is recorded as leave when taken.

Long-Term Debt and Debt Issuance Costs

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts (if applicable) are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issue costs are recognized as an expense in the period incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as bond issuance costs during the current period. The face amount of the debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Bond issue costs are recognized as expenses in the period incurred.

Pensions

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

**CITY OF PORT ORFORD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

Note 1 - Summary of Significant Accounting Policies (continued)

Operating Revenues and Expenses, Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for sales of water, sewer and related SDC charges. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. Non-operating revenues and expenses of the City are those revenues and expenses not directly related to the service provided by the fund. Non-operating revenues and expenses include interest, and gain or loss on disposition of capital assets.

Net Position and Fund Balances

In the government-wide financial statements, equity is classified as net position and displayed in three components:

Net investment in capital assets – consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers to the City's bonds. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the City.

In the fund financial statements, governmental fund equity is classified in the following categories:

Non-Spendable – Includes items not immediately converted to cash, such as prepaid items and inventory.

Restricted – Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.

Committed – Includes items committed by the City Council, by majority vote.

Assigned – Includes items assigned for specific uses, authorized by the City Administrator and/or Finance Director.

Unassigned – This is the residual classification used for those balances not assigned to another category.

It is the City's policy to first use restricted net position prior to the use of unrestricted net position when expenditure is incurred for purposes for which both restricted and unrestricted net position is available. In addition, it is the City's policy to use committed and then assigned fund balance when an expenditure is incurred for purposes for which committed, assigned, and unrestricted fund balance classifications could be used.

**CITY OF PORT ORFORD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

Note 1 - Summary of Significant Accounting Policies (continued)

Adoption of New GASB Pronouncements

During the fiscal year ended June 30, 2022, the City implemented the following GASB Pronouncements:

GASB Statement No. 87, *Leases*. Issued June 2017 to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments and increases the usefulness of governments' financial statements. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. There is no effect on the City's financial statements as a result of this statement.

GASB Statement No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*. This statement was issued June 2018 to establish accounting requirements for interest cost incurred before the end of a construction period. The objectives of the Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. There is no effect on the City's financial statements as a result of this statement.

GASB Statement No 92, *Omnibus 2020*. Issued January 2020, this statement establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, post-employment benefits, government acquisitions, risk financing, and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. There is no effect on the City's financial statements as a result of this statement.

Future GASB Pronouncements

The following GASB pronouncements have been issued, but are not effective as of June 30, 2022:

GASB Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. GASB Statement No. 91 will be effective for the City for fiscal year ending June 30, 2023.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement's objective is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. This statement will be effective for the City for fiscal year ending June 30, 2023.

GASB Statement No. 101, *Compensated Absences*. Issued in June 2022, this Statement updates recognition and measurement guidelines for compensated absences and is effective for the City for the fiscal year ending June 30, 2025.

The City is currently evaluating whether or not the above listed new GASB pronouncements will have a significant impact to the City's financial statements.

Note 2 - Appropriation and Budgetary Controls

The City is subject to provisions of the Oregon Revised Statutes which set forth local budget procedures. A resolution authorizing appropriation for each fund sets the level by which expenditures cannot legally exceed appropriations. Appropriations are established by organizational unit in the General Fund, and by program in other funds.

**CITY OF PORT ORFORD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

Note 2 - Appropriation and Budgetary Controls (continued)

The City Council may, however, approve additional appropriations for necessary expenditures which could not be reasonably estimated at the time the budget was adopted. Additionally, budgets may be modified during the fiscal year by the use of appropriation transfers between legal categories or appropriation transfers from one fund to another.

Such transfers must be authorized by official resolution or ordinance of the City Council. The resolution or ordinance must state the need for the transfer, the purpose of the authorized expenditures and the amount of the appropriation transferred.

Transfers of contingency appropriations which in aggregate during a fiscal year exceed 15% of the total appropriations of the fund may only be made after adoption of a supplemental budget prepared for that purpose. A supplemental budget less than 10% of the fund's original budget may be adopted at a regular meeting of the governing body. A supplemental budget greater than 10% of the fund's original budget requires public hearings, publication in newspapers and approval by the Council. Budget amounts shown in the financial statements include the original budget, supplemental budgets, and budget transfers. All appropriations terminate on June 30. Original and supplemental budgets may be modified by the use of appropriation transfers between levels of control. Such transfers require approval by passing a Council resolution authorizing the transfer. All budget amendments are subject to the limitations put forth in the Oregon Revised Statutes Chapters 294.305 through 394.565 (Oregon Budget Law). Budget amounts are originally budgeted, or as amended by the City Council.

During the fiscal year ending June 30, 2022, the City was not in compliance with the following relating to the adoption of the fiscal year 2023 budget:

Budgeted transfers out and transfers in must equal (294.361(2)). However, there was a \$102,032 difference between transfers out and transfers in for the 2023 budget fiscal year.

Budgeted resources must be equal to budgeted requirements (294.388). However, there was a \$13,776 difference between resources and requirements related to the Public Safety Fund for the 2023 budget fiscal year.

Negative budgeted fund balances are a violation of Local Budget Law. The City budgeted a negative prior year fund balance in the Public Safety Fund. Additionally, the City budgeted a negative fund ending balance in the Public Safety Fund and Water Fund.

The City is required to publish notice of hearing by governing body on budget document as approved by budget committee including notice of where a copy of the budget is available (ORS 294.438(1)).

The City is required to present the following on Form LB-1 (294.438): 1) items in the requirements by object classification should agree with the adopted amounts on the City's resolution, 2) items in the financial summary portion should agree to the amounts on the budget detailed sheet, 3) the FTE is reasonable and total requirements agree with the total requirements in the financial summary, 4) a summary of property tax levies is shown and the property tax levy rate agrees with the City's adopted rate, and 5) a statement of indebtedness is shown, if applicable.

The City did not provide evidence of publishing a notice about the budget hearing and did not publish Form LB-1 for the 2023 budget fiscal year, therefore, none of the requirements above were met.

The City exceeded its appropriation authority for expenditures in the Street Fund by \$12,026.

**CITY OF PORT ORFORD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

Note 3 - Equity in Pooled Cash and Investments

Pooled Deposits and Investments

The City maintains a cash management pool for its cash and investments in which each fund participates. Interest earnings are distributed based on average daily balances.

The City participates in the State of Oregon Local Investment Pool (LGIP or Pool) which is an open ended, no-load diversified portfolio created under ORS 294.805 to 294.895 and is not registered with the U.S. Securities and Exchange Commission as an investment company. The State Treasurer is the investment officer for the Pool and is responsible for all funds in the Pool.

These funds must be invested and managed like that of a prudent investor, exercising reasonable care, skill and caution. Investments in the fund are further governed by portfolio guidelines issued by the Oregon Short-term Funds Board, which establish diversification percentages and specify the types and maturities of investments. The Oregon Audits Division of the Secretary of State's Office audits the Pool annually. The State of Oregon Local Government Investment Pool is not rated. Same day wire redemptions cannot exceed \$1.5 million and withdrawals in excess of \$25 million may require 48 hours notice.

The City's position in the pool at June 30, 2022 is stated at amortized cost which approximates fair value.

Deposits

Deposits with financial institutions are comprised of bank demand deposits and certificates of deposit. For the fiscal year ended June 30, 2022, the carrying amounts of the City's deposits in various financial institutions were \$150,885 and the bank balances were \$174,021. For deposits in excess of federal depository insurance (currently limited to balances less than \$250,000), Oregon Revised Statute 295 requires a multiple financial institution collateral pool and eliminated Certificates of Participation. As a result, all balances over the \$250,000 FDIC limit are collateralized. As of June 30, 2022, the City's deposits with various financial institutions were covered by the federal depository insurance.

Investments and Credit Risk

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.

The State of Oregon statutes restrict the types of investments in which the City may invest. Authorized investments include obligations of the United States Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, time certificates of deposit, certain commercial paper, and the State of Oregon Treasurer's LGIP.

The City has invested funds in the State Treasurer's Oregon Short-term Fund Local Government Investment Pool during fiscal year 2021-2022. Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board. Investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool.

CITY OF PORT ORFORD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

Note 3 - Equity in Pooled Cash and Investments (continued)

Investments and Credit Risk (continued)

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.

As of June 30, 2022, and for the year then ended, the City was in compliance with the aforementioned State of Oregon statutes.

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, banker's 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.

Cash and investments are comprised of the following as of June 30, 2022:

Petty cash	\$ 400
Demand deposits	150,885
Investments - LGIP	2,370,165
	\$ 2,521,450

Cash and investments are shown on the Statement of Net Position as follows:

Cash and investments	\$ 1,428,891
Restricted cash and investments	1,092,559
Total cash and investments	\$ 2,521,450

Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 - Unadjusted inputs using quoted prices in active markets for identical investments.

Level 2 - Other significant observable inputs other than level 1 prices, including, but are not limited to, quoted prices for similar investments, inputs other than quoted prices that are observable for investments (such as interest rates, prepayment speeds, credit risk, etc.) or other market corroborated inputs.

Level 3 - Significant inputs based on the best information available in the circumstances, to the extent observable inputs are not available.

CITY OF PORT ORFORD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

Note 3 - Equity in Pooled Cash and Investments (continued)

Fair Value of Assets (continued)

Investments Measured at Fair Value:	Totals as of 6/30/2022	Level One	Level Two	Level Three	Amortized Cost Not Measured at Fair Value
Local Government Investment Pool	\$ 2,370,165	\$ -	\$ -	\$ -	\$ 2,370,165
Total:	<u>\$ 2,370,165</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,370,165</u>

Note 4 - Receivables

Receivables are comprised of the following as of June 30, 2022:

	On Account	Property Taxes	Utility	Total
General	\$ 53,808	\$ 15,057	\$ -	\$ 68,865
Public Safety	-	12,320	-	12,320
Street	13,738	-	-	13,738
Total Governmental	<u>\$ 67,546</u>	<u>\$ 27,377</u>	<u>\$ -</u>	<u>\$ 94,923</u>
Water	\$ -	\$ -	\$ 56,120	\$ 56,120
Sewer	-	-	62,055	62,055
Total Business Type	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 118,175</u>	<u>\$ 118,175</u>

CITY OF PORT ORFORD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

Note 5 - Capital Assets

The changes in governmental activities capital assets for the year ended June 30, 2022 are as follows:

	<u>Balance June 30, 2021</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance June 30, 2022</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 8,104,172	\$ -	\$ -	\$ 8,104,172
Construction in progress	102,735	-	(102,735)	-
Total capital assets not being depreciated	8,206,907	-	(102,735)	8,104,172
Capital assets being depreciated:				
Buildings and improvements	417,975	-	-	417,975
Machinery and equipment	307,412	48,969	-	356,381
Infrastructure	5,663,248	75,048	102,735	5,841,031
Total capital assets being depreciated	6,388,635	124,017	102,735	6,615,387
Less accumulated depreciation for				
Buildings and improvements	(256,512)	(11,110)	-	(267,622)
Machinery and equipment	(187,041)	(24,639)	-	(211,680)
Infrastructure	(3,004,208)	(128,382)	-	(3,132,590)
Total accumulated depreciation	(3,447,761)	(164,131)	-	(3,611,892)
Total capital assets being depreciated, net	2,940,874	(40,114)	102,735	3,003,495
Total capital assets, governmental activities, net	<u>\$ 11,147,781</u>	<u>\$ (40,114)</u>	<u>\$ -</u>	<u>\$ 11,107,667</u>

Depreciation expense for the year ended June 30, 2022 was charged to the following programs:

Governmental activities:

<u>Program</u>	
Administrative	\$ 15,111
Police department	12,604
Parks department	20,853
Highways and Street	115,563
Total	<u>\$ 164,131</u>

CITY OF PORT ORFORD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

Note 5 - Capital Assets (continued)

The changes in business-type activities capital assets for the year ended June 30, 2022 are as follows:

	Balance June 30, 2021	Additions	Transfers/ Deletions	Balance June 30, 2022
Business-type Activities				
Capital assets not being depreciated				
Land	\$ 220,716	\$ -	\$ -	\$ 220,716
Construction in progress	248,798	-	(248,798)	-
	<u>469,514</u>	<u>-</u>	<u>(248,798)</u>	<u>220,716</u>
Total capital assets not being depreciated	469,514	-	(248,798)	220,716
Capital assets being depreciated:				
Buildings and improvements	152,028	-	-	152,028
Machinery and equipment	588,936	13,735	248,798	851,469
Infrastructure	9,020,577	-	-	9,020,577
	<u>9,761,541</u>	<u>13,735</u>	<u>248,798</u>	<u>10,024,074</u>
Total capital assets being depreciated	9,761,541	13,735	248,798	10,024,074
Less accumulated depreciation for				
Buildings and improvements	(129,232)	(3,041)	-	(132,273)
Machinery and equipment	(378,501)	(35,283)	-	(413,784)
Infrastructure	(4,666,848)	(216,682)	-	(4,883,530)
	<u>(5,174,581)</u>	<u>(255,006)</u>	<u>-</u>	<u>(5,429,587)</u>
Total accumulated depreciation	(5,174,581)	(255,006)	-	(5,429,587)
Total capital assets being depreciated, net	4,586,960	(241,271)	248,798	4,594,487
Total capital assets, business-type, net	<u>\$ 5,056,474</u>	<u>\$ (241,271)</u>	<u>\$ -</u>	<u>\$ 4,815,203</u>

Depreciation expense for the year was charged to the following programs:

Business-type activities:

Program	
Water	\$ 111,186
Sewer	135,579
Other programs	<u>8,241</u>
Total	<u>\$ 255,006</u>

**CITY OF PORT ORFORD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

Note 6 - Interfund Transactions

Interfund Transfers

Interfund transfers during the year ended June 30, 2022 were as follows:

	Transfer In	Transfer Out
Sewer Fund	\$ -	\$ 50,854
Sewer Capital Reserves Fund	50,854	-
Water Fund	-	51,003
Water Capital Reserves Fund	51,003	-
Public Safety Fund	230,000	-
Street Capital Reserve Fund	22,343	-
General Fund	-	252,343
Total Transfers	<u>\$ 354,200</u>	<u>\$ 354,200</u>

The City made transfers from the General Fund to the Public Safety Fund and the Street Capital Reserve Fund to supplement current operations. The City made transfers from the Water fund to the Water Capital Reserve fund for future infrastructure improvements and/or replacement. The City made transfers from the Sewer Fund to the Sewer Capital Reserves fund for future infrastructure improvements and/or replacement. All transfers were included in the original budget document.

Administrative Charges

Administrative charges during the year ended June 30, 2022 were as follows:

	Charge From	Charge To
General Fund	\$ 58,210	\$ -
Parks Fund	-	14,023
Public Safety Fund	-	27,717
Street Fund	-	16,470
Total Charges	<u>\$ 58,210</u>	<u>\$ 58,210</u>

Payroll costs for finance personnel are initially recorded in the General Fund. A portion of these costs are allocated to other City funds at a predetermined percentage to approximate time spent by the finance staff performing duties for these other funds. Similarly, payroll costs for water, sewer, and maintenance personnel are recorded in the water, sewer, parks, and street funds based on a predetermined percentage to approximate time spent by the City's personnel.

**CITY OF PORT ORFORD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

Note 7 - Long-term Debt

Sewer Revenue Bond Phase 1 & 2

On March 3, 1995, the City entered into two loan agreements with the United States of America (the Government), acting through USDA Rural Utilities Service. The Series 1995 Bonds were issued in two series: 1995 Phase 1 in the amount of \$741,000 will be referred to as Sewer Revenue Bond Phase 1, and 1995 Phase 2 in the amount of \$159,000 will be referred to as Sewer Revenue Bond Phase 2. The Sewer Revenue Bond Phase 1 & 2 was issued to finance the acquisition and construction, extension, and improvement of the City's sewer system. The City's payment obligations are to be secured by unobligated net revenues of the Sewer Utility system. The agreement contains a provision that in the event of a default and default under any other such instrument shall constitute default hereafter upon default and the Government in its option may declare all or any part of said indebtedness immediately due and payable. The Sewer Revenue Bond Phase 1 & 2 have combined annual payments of \$48,916, including interest of 4.50%, due March 3rd each year through 2035. Principal and interest payments are made from the Sewer Fund. As part of the transaction, the City has established a reserve in the amount of \$40,274 and \$8,642 for the Sewer Revenue Bond Phase 1 & 2 respectively. The reserve accounts shall be used and disbursed only for the purpose of paying the cost of repairing or replacing any damage to the City's sewer system and when necessary for the purpose of making payments of principal and interest on the Sewer Revenue Bonds in the event the amount in the Sewer Fund is insufficient to meet such payments.

Annual debt service requirements associated with the Sewer Revenue Bond Phase 1 & 2 are as follows:

Fiscal Year Ending June 30	Interest	Principal	Total
2023	\$ 21,295	\$ 27,621	\$ 48,916
2024	20,052	28,864	48,916
2025	18,753	30,163	48,916
2026	17,395	31,521	48,916
2027	15,977	32,939	48,916
2028-2032	56,272	188,308	244,580
2033-2035	12,185	133,797	145,982
	<u>\$ 161,929</u>	<u>\$ 473,213</u>	<u>\$ 635,142</u>

Sewer Revenue Bond Phase 3

On April 27, 2005, the City entered into a loan agreement for \$2,542,000 with the United States of America (the Government), acting through USDA Rural Utilities Service. Sewer Revenue Bond Phase 3 bonds was used to pay off previous interim financing. The City's payment obligations are to be secured by unobligated net revenues of the Sewer Utility system. The agreement contains a provision that in the event of a default and default under any other such instrument shall constitute default hereafter upon default and the Government in its option may declare all or any part of said indebtedness immediately due and payable. Annual payments of \$133,252, including interest of 4.25%, are due April 27th each year through 2045. Principle and interest payments are made from the Sewer Fund. As part of the transaction, the City has established a reserve in the amount of \$133,252. The reserve account shall be used and disbursed only for the purpose of paying the cost of repairing or replacing any damage to the City's sewer system and when necessary for the purpose of making payments of principal and interest on the Sewer Revenue Bonds in the event the amount in the Sewer Fund is insufficient to meet such payments.

CITY OF PORT ORFORD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

Note 7 - Long-term Debt (continued)

Sewer Revenue Bond Phase 3 (continued)

Annual debt service requirements associated with the Sewer Revenue Bond Phase 3 are as follows:

Fiscal Year Ending June 30	Interest	Principal	Total
2023	\$ 82,085	\$ 51,167	\$ 133,252
2024	79,911	53,341	133,252
2025	77,644	55,608	133,252
2026	75,280	57,972	133,252
2027	72,817	60,435	133,252
2028-2032	323,301	342,959	666,260
2033-2037	243,958	422,302	666,260
2038-2042	146,260	520,001	666,261
2043-2045	31,662	367,635	399,297
	<u>\$ 1,132,918</u>	<u>\$ 1,931,420</u>	<u>\$ 3,064,338</u>

The following is a summary of changes in long-term liabilities during the fiscal year ended June 30, 2022.

	Balance at 06/30/21	Additions	Reductions	Balance at 06/30/22
Governmental Activities:				
Compensated Absences	\$ 26,109	\$ 22,771	\$ (27,068)	\$ 21,812
Total Governmental Activities	26,109	22,771	(27,068)	21,812
Business-type Activities:				
Compensated absences	9,096	8,770	(10,222)	7,644
Total Water Fund	9,096	8,770	(10,222)	7,644
Sewer Revenue Bond - Phase 1 & 2 (Direct Borrowing)	499,645	-	(26,432)	473,213
Sewer Revenue Installment				
Bond - Phase 3 (Direct Borrowing)	1,980,501	-	(49,081)	1,931,420
Compensated absences	3,842	3,912	(5,288)	2,466
Total Sewer Fund	2,483,988	3,912	(80,801)	2,407,099
Total Long-term liabilities	<u>\$2,519,193</u>	<u>\$ 35,453</u>	<u>\$ (118,091)</u>	<u>\$2,436,555</u>

**CITY OF PORT ORFORD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

Note 8 – Postemployment Benefits Other Than Pensions (OPEB)

Retirement Health Insurance Account (RHIA)

Plan Description - As a member of Oregon Public Employees Retirement System (OPERS), the City contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other post-employment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan was closed to new entrants hired on or after August 29, 2003.

OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO box 23700, Tigard, OR 97281-3700.

Funding Policy - Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 dollars or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 dollars shall be paid by the eligible retired member in the manner provided in ORS 238.410.

To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in OPERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in OPERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a OPERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from OPERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating employers are contractually required to contribute to RHIA at a rate assessed each year by OPERS. The contribution rates in effect for the fiscal year ended June 30, 2022 for the OPEB program were: Tier1/Tier 2 – 0.05%, and OPSRP general service – 0.00%. The City contributed \$73 for the year ended June 30, 2022.

Pension Plan Annual Comprehensive Financial Report (AFCR)

Oregon PERS produces an independently audited AFCR which can be found at:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2021-ACFR.pdf>

Actuarial Valuation

The actuarial valuation used for RHIA is identical to the actuarial valuation details related to the OPERS Plan disclosed in Note 9 Defined Benefit Pension Plan (excluding the healthcare cost trend rate and a retiree healthcare participation assumption of 32% for healthy retirees and 20% for disabled retirees has been used). The actuarial valuation details are the Actuarial Methods and Assumptions, Discount Rate, Assumed Asset Allocation, and the Investment Rate of Return.

CITY OF PORT ORFORD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

Note 8 – Postemployment Benefits Other Than Pensions (OPEB) (continued)

Retirement Health Insurance Account (RHIA) (continued)

OPEB Liabilities/Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2022, the City reported \$12,832 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2021, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2019. The City's proportion of the net OPEB asset was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021, (measurement date), the City's proportion was 0.00373664 percent.

For the year ended June 30, 2022, the City recognized a reduction of OPEB expense of \$667.

At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 357
Changes in assumptions	252	191
Net difference between projected and actual earnings on investments	-	3,049
Changes in proportionate share	1,104	442
City's contributions subsequent to the measurement date:	73	-
Total	<u>\$ 1,429</u>	<u>\$ 4,039</u>

\$73 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as an increase to the net OPEB asset in the year ended June 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources (prior to post-measurement date contributions) related to OPEB will be recognized in pension expense (or expense reduction) as follows:

Year Ended June 30	Deferred Outflow/Inflow of Resources (prior to post- measurement date)
2023	\$ (229)
2024	(794)
2025	(696)
2026	(964)
2027	-
Thereafter	-
Total	<u>\$ (2,683)</u>

**CITY OF PORT ORFORD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

Note 8 – Postemployment Benefits Other Than Pensions (OPEB) (continued)

Retirement Health Insurance Account (RHIA) (continued)

Sensitivity for the City's Proportionate Share of the Net OPEB Asset to Changes in Discount Rate

The following presents the City's proportionate share of the net OPEB asset calculated using the discount rate of 6.90 percent, as well as what the City's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1-percentage point lower (5.90 percent) or 1-percentage point higher (7.90 percent) than the current rate:

City's Net OPEB Asset/(Liability)	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Retirement Health Insurance Account	\$ 11,348	\$ 12,832	\$ 14,099

The RHIA OPEB is unaffected by healthcare cost trends due to the benefit being limited to \$60 monthly payments toward Medicare companion insurance premiums.

Changes in Assumptions

The changes in assumptions used for RHIA are identical to the changes in assumptions related to the OPERS Plan disclosed in *Note 9 – Defined Benefit Pension Plan*.

Note 9 – Defined Pension Benefit Plan

Plan description

Employees are provided pensions as participants under one or more plans currently available through Oregon Public Employees Retirement System (OPERS), a cost-sharing multiple-employer defined benefit plan in accordance with Oregon Revised Statutes Chapter 238, Chapter 238A, and Internal Revenue Service Code Section 401(a).

There are currently two programs within OPERS, with eligibility determined by the date of employment. Those employed prior to August 29, 2003 are OPERS Program members, and benefits are provided based on whether a member qualifies for Tier One or Tier Two described below. Those employed on or after August 29, 2003 are Oregon Public Service Retirement Plan (OPSRP) Program members. OPSRP is a hybrid retirement plan with two components: 1) the Pension Program (defined benefit; established and maintained as a tax-qualified governmental defined benefit plan), and 2) the Individual Account Program (IAP) (defined contribution; established and maintained as a tax-qualified governmental defined contribution plan).

The ORS Chapter 238 Defined Benefit Plan was closed to new members hired on or after August 29, 2003. In 1995, the Oregon Legislature created a second tier of benefits for those who became OPERS Program members after 1995 but before August 29, 2003. The second tier does not have the Tier One assumed earnings rate guarantee.

Beginning January 1, 2004, PERS active Tier One or Tier Two members became members of the OPSRP IAP Program. OPERS plan member contributions (the employee contribution, whether made by the employee or "picked-up" by the employer) go into the IAP portion of OPSRP. OPERS plan members retain their existing OPERS accounts; however, member contributions after January 1, 2004 are deposited in the member's IAP, not into the member's OPERS account.

**CITY OF PORT ORFORD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

Note 9 – Defined Pension Benefit Plan (continued)

Tier One/Tier Two Retirement Benefit (Chapter 238)

Pension Benefits - The OPERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.00 percent for Police and Fire employees and 1.67 percent for General Service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results. Monthly payments must be a minimum of \$200 per month or the member will receive a lump-sum payment of the actuarial equivalent of benefits to which he or she is entitled.

Under Senate Bill 1049, passed during 2019 legislative session, the salary included in the determination of final average salary will be limited for all members beginning in 2021. The limit will be equal to \$197,730 in 2021, and will be indexed with inflation in later years.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer. General Service employees may retire after reaching age 55. Tier One General Service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan was closed to new members hired on or after August 29, 2003.

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

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

Disability Benefits - A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member for disability benefits regardless of the length of OPERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

Benefit Changes After Retirement - Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of the underlying global equity investments of that account.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes (COLA). The COLA is capped at 2.0 percent.

**CITY OF PORT ORFORD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

Note 9 – Defined Pension Benefit Plan (continued)

OPSRP Pension Program (Chapter 238A)

Pension Benefits - The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

General Service - 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for General Service members is age 65, or age 58 with 30 years of retirement credit.

Police and Fire - 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for a police and fire member is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

Under Senate Bill 1049, passed during 2019 legislative session, the salary included in the determination of final average salary will be limited for all members beginning in 2021. The limit will be equal to \$197,730 in 2021, and will be indexed with inflation each year.

A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

Death Benefits - Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse receives for life 50 percent of the pension that would otherwise have been paid to the deceased member. The surviving spouse or other person may elect to delay payment of the death benefit, but payment must commence no later than December 31 of the calendar year in which the member would have reached 70 ½ years.

Disability Benefits - A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit Changes After Retirement - Under ORS 238A.210, monthly benefits are adjusted annually through cost-of-living changes. The COLA is capped at 2.0 percent.

Contributions

OPERS funding policy provides for periodic member and employer contributions at rates established by the OPERS Board, subject to limits set by statute. The rates established for member and employer contributions were approved based on the recommendation of the OPERS third-party actuary.

Employer Contributions - OPERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the OPERS Defined Benefit Plan and OPEB plans.

**CITY OF PORT ORFORD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

Note 9 – Defined Pension Benefit Plan (continued)

Contributions (continued)

Employer contributions during the period July 1, 2021 through June 30, 2023, were based on the December 31, 2019 actuarial valuation, which became effective July 1, 2021. For the period July 1, 2021 through June 30, 2022, net employer contribution rates were 26.46% for Tier 1/Tier 2 employees and 20.06% for OPSRP General Employees and 24.42% for OPSRP Police and Fire Employees. Employer contributions for the year ended June 30, 2022 were \$139,732.

Pension Plan Annual Comprehensive Financial Report (ACFR)

OPERS prepares their financial statements in accordance with generally accepted accounting principles in the United States of America as set forth in Governmental Accounting Standards Board (GASB) pronouncements that apply to governmental accounting for fiduciary funds and enterprise funds. The accrual basis of accounting is used for all funds. Contributions are recognized when due, pursuant to legal (or statutory) requirements. Benefits and withdrawals are recognized when they are currently due and payable in accordance with the terms of the plan. Investments are recognized at fair value, the amount that could be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Oregon PERS produces an independently audited ACFR which can be found at:

<https://www.oregon.gov/pers/EMP/Pages/Actuarial-Financial-Information.aspx>

Actuarial Valuation

The employer contribution rates effective July 1, 2021 through June 30, 2023, were set using the entry age normal actuarial cost method. Under this cost method, each active member's entry age present value of projected benefits is allocated over the member's service from the member's date of entry until their assumed date of exit, taking into consideration expected future compensation increases.

**CITY OF PORT ORFORD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

Note 9 – Defined Pension Benefit Plan (continued)

Actuarial Methods and Assumptions Used in Developing Total Pension Liability

Valuation date	December 31, 2019
Measurement date	June 30, 2021
Experience study	2018, published July 24, 2019
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Inflation rate	2.40 percent
Long-term expected rate of return ¹	6.9 percent
Discount rate	6.9 percent
Projected salary increases	3.40 percent
Cost of living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	<i>Healthy retirees and beneficiaries:</i> Pub-2010 Healthy Retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. <i>Active members:</i> Pub-2010 Employee, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. <i>Disabled retirees:</i> Pub-2010 Disabled Retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2018 Experience Study, which reviewed experience for the four-year period ending on December 31, 2018.

Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent for the Defined Benefit Pension Plan, a reduction approved by the Board from 7.20 percent in the prior fiscal year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF PORT ORFORD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

Note 9 – Defined Pension Benefit Plan (continued)

Assumed Asset Allocation

Asset Class	Target Allocation
Cash	0.00%
Debt Securities	20.00%
Public equity	30.00%
Private equity	20.00%
Real estate	12.50%
Alternative equity	15.00%
Opportunity portfolio	2.50%
Total	100.00%

Investment Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in June, 2021 the OPERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at the time based on the OIC long-term target asset allocation. The OIC's description of each asset was used to map the target allocation to the asset classes shown below:

Asset Class	Target Allocation	20-Year Annualized Geometric Mean
Global equity	30.62%	5.85%
Private equity	25.50%	7.71%
Core fixed income	23.75%	2.73%
Real estate	12.25%	5.66%
Master limited partnerships	0.75%	5.71%
Infrastructure	1.50%	6.26%
Commodities	0.63%	3.10%
Hedge fund of funds - multistrategy	1.25%	5.11%
Hedge fund equity - hedge	0.63%	5.31%
Hedge fund - macro	5.62%	5.06%
US cash	-2.50%	1.76%
Total	100.00%	

Assumed inflation - mean

2.40%

*Negative allocation to cash represents levered exposure from allocation to Risk Parity strategy.

CITY OF PORT ORFORD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

Note 9 – Defined Pension Benefit Plan (continued)

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

At June 30, 2022, the City reported a liability of \$776,619 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021, (measurement date), the City's proportion was approximately .00648995 percent.

For the year ended June 30, 2022, the City recognized a reduction in pension expense of \$5,071.

At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 72,697	\$ -
Changes in assumptions	194,411	2,044
Net difference between projected and actual earnings on investments	-	574,925
Changes in proportionate share	110,441	33,876
Differences between employer contributions and employer's proportionate share of system contributions	4,054	19,872
Total (prior to post-MD contributions)	139,732	-
City's contributions subsequent to the measurement date		
Total	\$ 521,335	\$ 630,717

\$139,732 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources (prior to post-measurement date contributions) related to pensions will be recognized in pension expense or (expense reduction) as follows:

Year Ended June 30	Deferred Outflow/Inflow of Resources (prior to post- measurement date)
2023	\$ (35,416)
2024	(33,445)
2025	(72,479)
2026	(129,739)
2027	21,965
Thereafter	-
Total	\$ (249,114)

**CITY OF PORT ORFORD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

Note 9 – Defined Pension Benefit Plan (continued)

Sensitivity for the City's Proportionate Share of the Net Pension Liability to Changes in Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percent lower (5.90 percent) or one percent higher (7.90 percent) than the current rate:

City's Net Pension Asset/(Liability)	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Defined Benefit Pension	\$ (1,525,093)	\$ (776,619)	\$ (150,417)

Changes in Assumptions

A summary of key changes implemented since the December 31, 2019 valuation are noted below. Additional detail and list of changes can be found in the 2020 Experience Study for the System, which can be found at:

<https://www.oregon.gov/pers/Documents/Financials/Actuarial/2021/2020-Experience-Study.pdf>

- Reduce the long-term inflation assumption from the current 2.50% to 2.40% or lower
- Reduce the system payroll growth assumption from the current 3.50% to 3.40% or lower, paralleling the change in inflation
- The current investment return assumption of 7.20% per year should be lowered at 0.20%, based on PERS' current target allocation
- Update the assumption for future administrative expenses and use a combined assumption amount for the Tier 1/Tier 2 and OPSRP programs
- Update the RHIPA health cost trend assumption
- Adjust the base mortality table assumption and make a routine update to the mortality improvement scale for all groups
- Adjust retirement rates for certain member categories and service bands to more closely align with recent and expected future experience
- Increase the merit component of the individual member salary increase assumption for all member categories
- Update pre-retirement termination of employment assumptions for one member category
- Lower assumed rates of ordinary (non-duty) disability and general service duty disability incidence
- Increase the Tier 1 unused vacation cash out assumption for three member categories
- Increase the Tier 1/Tier 2 unused sick leave assumption for all member categories
- Decrease the healthy and disabled likelihood of program participation assumptions for the RHIA retiree healthcare program
- Decrease the RHIPA likelihood of program participation assumption for most service bands
- Revise the parameters of the rate collar methodology to only restrict changes in the Unfunded Actuarial Liability (UAL) Rate contribution rate component and to narrow the width of allowable changes
- Introduce a methodology for UAL Rate amortization in the RHIA or RHIPA programs when one or both are in an actuarial surplus position (over 100% funded)
- Update the assumed system-average level of member redirect contributions to Tier 1/Tier 2 and OPSRP reflecting the projected effects of HB 2906, which passed in June 2021

**CITY OF PORT ORFORD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

Note 9 – Defined Pension Benefit Plan (continued)

Defined Contribution Plan – Individual Account Program (IAP)

Pension Benefits. Participants in OPERS defined benefit pension plans also participate in their defined contribution plan. The IAP is an individual account-based program under the OPERS tax-qualified governmental plan as defined under ORS 238A.400. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. All covered employees are required by State statute to contribute 6% of their salary to the plan. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

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

Death Benefits. Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Member Contributions - Beginning January 1, 2004, all the member contributions, except for contributions by judge members, were placed in the OPSRP Individual Account Program (IAP). Prior to that date, all member contributions were credited to the Defined Benefit Pension Plan. Member contributions are set by statute at 6.0 or 7.0 percent of salary and are remitted by participating employers. The contributions are either deducted from member salaries or paid by the employers on the members behalf.

Starting July 1, 2020, Senate Bill 1049 required a portion of member contributions to their IAP accounts to be redirected to the Defined Benefit fund. If the member earns more than \$2,500 per month (increased to \$2,535 per month on January 2021) 0.75 percent (if OPSRP member) or 2.5 percent (if Tier One/Tier Two member) of the member's contributions that were previously contributed to the member's IAP now fund the new Employee Pension Stability Accounts (EPSA). The EPSA accounts will be used to fund the cost of future pension benefits without changing those benefits, which means reduced contributions to the member's IAP account. Members may elect to make voluntary IAP contributions equal to the amount redirected.

EPSA redirect is only triggered when the member's gross pay in a month exceeds the monthly salary threshold, tied to the annual Consumer Price Index (All Urban Consumers, West Region).

During 2022, the City, as an employee benefit, paid the employee portion of the contribution. Employer contributions for the year ended June 30, 2022 were \$30,870, of which \$26,772 was deposited into the individual members' accounts.

Note 10 - Risk Management

The City of Port Orford is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. Worker's compensation insurance is also provided through a commercial carrier. There has been no significant reduction in insurance coverage from the prior year and the City has not been required to pay any settlements in excess of insurance coverage during the past three fiscal years.

**CITY OF PORT ORFORD, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

Note 11 - Concentrations of Risk

In the normal course of operations, the City receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Note 12 - Current Vulnerability Due to Certain Concentrations

The City's operations are concentrated within Curry County. In addition, substantially all the City's revenues for continuing operations are from federal, state, local government agencies, utilities and charges for services.

Note 13 – Deficit Fund Equity

The Public Safety Fund reported a deficit unassigned fund balance of \$4,735. This is expected to resolve in fiscal 2023.

Note 14 - Subsequent Events

Management of the City has evaluated events and transactions occurring after June 30, 2022 through the date the financial statements were available for issuance, for recognition and/or disclosure in the financial statements.

On December 15, 2023, the City entered into an agreement with the State of Oregon for the Clean Water State Revolving Fund Loan in the amount of \$826,015, with up to \$413,008 being forgivable. The purpose of this loan is to purchase an 160 acre parcel that is in the City's drinking water source area. The interest rate on the loan is 1.42% with an estimated maturity date of June, 2056, depending on completion date.

On January 12, 2024, the City entered into a grant agreement with Oregon Business Development Department for \$1,500,000. The purpose of this grant is to perform design and construction activities to rehabilitate its Community Center Complex.



| REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PORT ORFORD
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION ASSET/(LIABILITY)
AND SCHEDULE OF THE CITY'S CONTRIBUTIONS
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)
LAST 10 FISCAL YEARS ENDING JUNE 30 (For Years Information is Available)

City of Port Orford Proportionate Share of Net Pension Asset/(Liability)

	2022	2021	2020	2019	2018	2017	2016	2015
City of proportion of the net pension asset/(liability)	0.00649%	0.00607%	0.00622%	0.00524%	0.00610%	0.00557%	0.00610%	0.00614%
City's proportion of the net pension asset/(liability)	(776,619)	(1,323,795)	(1,075,134)	(793,861)	(822,792)	\$ (836,296)	\$ (350,449)	\$ 139,207
City's covered payroll	\$ 655,846	\$ 661,111	\$ 643,368	\$ 568,051	\$ 497,109	\$ 516,695	\$ 472,562	\$ 460,356
City's proportionate share of the net pension as a percentage of its covered payroll	118.41%	200.24%	167.11%	139.75%	165.52%	161.85%	74.16%	30.24%
Plan fiduciary net position as a percentage of the total pension liability	87.57%	75.80%	80.23%	82.07%	83.10%	80.52%	91.88%	103.59%

City of Port Orford Contributions

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 139,732	\$ 124,990	\$ 132,040	\$ 99,240	\$ 90,214	\$ 63,716	\$ 66,037	\$ 50,957
Contribution in relation to the contractually required	(139,732)	(124,990)	(132,040)	(99,240)	(90,214)	(63,716)	(66,037)	(50,957)
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 618,202	\$ 655,846	\$ 661,111	\$ 643,368	\$ 568,051	\$ 497,109	\$ 516,695	\$ 472,562
Contributions as a percentage of covered payroll	22.60%	19.06%	19.97%	15.43%	15.88%	12.82%	12.78%	10.78%

Notes to Schedule -

A summary of assumption changes implemented since the December 31, 2019 valuation are outlined briefly in *Note 9* in Notes to the basic Financial Statements. A comprehensive list of changes in methods and assumptions can be found in the 2020 Experience Study for the system, which was published in July 2021, can be found at:

<https://www.oregon.gov/pers/Documents/Financials/Actuarial/2021/2020-Experience-Study.pdf>

Other Information -

This schedule is presented to illustrate required supplementary information for a 10-year period. The City adopted GASB 68 during the fiscal 2015, as a result only 8 years of information is presented.

CITY OF PORT ORFORD
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB (RHIA) ASSET/(LIABILITY)
AND SCHEDULE OF THE CITY'S CONTRIBUTIONS
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM (RHIA)
LAST 10 FISCAL YEARS ENDING JUNE 30 (For Years Information is Available)

City of Port Orford Proportionate Share of Net OPEB Asset/(Liability)

	2022	2021	2020	2019	2018
City of proportion of the net OPEB RHIA asset/(liability)	0.00374%	0.00338%	0.00567%	0.00530%	0.00476%
City's proportion of the net OPEB RHIA asset/(liability)	12,832	6,894	10,958	5,912	1,985
City's covered payroll	\$ 655,846	\$ 661,111	\$ 643,368	\$ 568,051	\$ 497,109
City's proportionate share of the net OPEB RHIA asset/(liability) as a percentage of its covered payroll	1.96%	1.04%	1.70%	1.04%	0.40%
Plan fiduciary net position as a percentage of the total OPEB RHIA asset	183.90%	150.10%	144.40%	123.90%	108.88%

City of Port Orford Contributions

	2022	2021	2020	2019	2018
Contractually required contributions	\$ 73	\$ 100	\$ 242	\$ 2,810	\$ 2,564
Contribution in relation to the contractually required	(73)	(100)	(242)	(2,810)	(2,564)
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 618,202	\$ 655,846	\$ 661,111	\$ 643,368	\$ 568,051
Contributions as a percentage of covered payroll	0.01%	0.02%	0.04%	0.44%	0.45%

Note to schedule:

A summary of assumption changes implemented since the December 31, 2019 valuation are outlined briefly in *Note 8* in Notes to the basic Financial Statements. A comprehensive list of changes in methods and assumptions can be found in the 2020 Experience Study for the system, which was published in July 2021, can be found at:

<https://www.oregon.gov/pers/Documents/Financials/Actuarial/2021/2020-Experience-Study.pdf>

Other Information -

This schedule is presented to illustrate required supplementary information for a 10 year period. The City adopted GASB 75 for RHIA during fiscal year 2018, as a result, only five years of information is presented.

CITY OF PORT ORFORD
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FISCAL YEAR END JUNE 30, 2022

	Budget			Variance with Final Budget Positive (Negative)
	Adopted	Final	Actual	
REVENUES				
Taxes	\$ 323,165	\$ 323,165	\$ 333,520	\$ 10,355
Interest on investments	2,000	2,000	2,928	928
Intergovernmental	39,424	39,424	168,617	129,193
Franchise fee revenues	19,770	19,770	17,704	(2,066)
Licenses and permits	6,500	6,500	21,890	15,390
Administrative charges (Interfund)	57,610	57,610	58,210	600
Grants	-	-	100	100
Fees	20,900	20,900	7,710	(13,190)
Citations	281,935	281,935	226,257	(55,678)
Reimbursements	2,000	2,000	12,646	10,646
Miscellaneous	1,000	1,000	3,441	2,441
TOTAL REVENUES	754,304	754,304	853,023	98,719
EXPENDITURES				
Current:				
Administrative	141,015	141,015	87,497	53,518
Court	118,928	118,928	94,807	24,121
Emergency Management	18,764	18,764	-	18,764
Planning department	40,525	40,525	35,136	5,389
Non-departmental	207,512	207,512	203,304	4,208
Contingency	81,845	81,845	-	81,845
TOTAL EXPENDITURES	608,589	608,589	420,744	187,845
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	145,715	145,715	432,279	286,564
OTHER FINANCING SOURCES (USES):				
Transfers out	(292,845)	(292,845)	(252,343)	40,502
TOTAL OTHER FINANCING SOURCES (USES)	(292,845)	(292,845)	(252,343)	40,502
NET CHANGE IN FUND BALANCE	(147,130)	(147,130)	179,936	327,066
FUND BALANCE, July 1, 2021	175,079	175,079	219,085	44,006
FUND BALANCE, June 30, 2022	\$ 27,949	\$ 27,949	\$ 399,021	\$ 371,072

CITY OF PORT ORFORD
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
PUBLIC SAFETY FUND
FISCAL YEAR END JUNE 30, 2022

	Budget			Variance with Final Budget Positive (Negative)
	Adopted	Final	Actual	
REVENUES				
Property taxes	\$ 256,059	\$ 256,059	\$ 252,515	\$ (3,544)
Interest on investments	1,000	1,000	(419)	(1,419)
Grants	-	-	216	216
Contributions	-	-	500	500
Miscellaneous	400	400	1,312	912
TOTAL REVENUES	257,459	257,459	254,124	(3,335)
EXPENDITURES				
Current:				
Personal services	425,697	425,697	473,779	
Materials & services	58,793	58,793	54,664	
Capital outlay	70,000	70,000	48,969	
Contingency	34,265	34,265	-	
TOTAL EXPENDITURES	588,755	588,755	577,412	11,343
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(331,296)	(331,296)	(323,288)	8,008
OTHER FINANCING SOURCES (USES):				
Transfers in	230,000	230,000	230,000	-
TOTAL OTHER FINANCING SOURCES (USES)	230,000	230,000	230,000	-
NET CHANGE IN FUND BALANCE	(101,296)	(101,296)	(93,288)	8,008
FUND BALANCE, July 1, 2021	101,296	101,296	88,553	(12,743)
FUND BALANCE, June 30, 2022	\$ -	\$ -	\$ (4,735)	\$ (4,735)

CITY OF PORT ORFORD
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
PARKS FUND
FISCAL YEAR END JUNE 30, 2022

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES				
Interest on investments	\$ 500	\$ 500	\$ 1,107	\$ 607
Grants	3,900	3,900	35	(3,865)
Rents	4,350	4,350	615	(3,735)
Transient lodging tax	100,000	100,000	129,692	29,692
Miscellaneous	800	800	261	(539)
Contributions	20,000	20,000	27,578	7,578
TOTAL REVENUES	129,550	129,550	159,288	29,738
EXPENDITURES				
Current:				
Personal services	62,795	62,795	61,310	
Materials and services	127,022	127,022	54,026	
Capital outlay	30,000	30,000	3,575	
Contingency	40,699	40,699	-	
TOTAL EXPENDITURES	260,516	260,516	118,911	141,605
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(130,966)	(130,966)	40,377	171,343
OTHER FINANCING SOURCES (USES):				
Transfers in	35,000	35,000	-	(35,000)
TOTAL OTHER FINANCING SOURCES (USES)	35,000	35,000	-	(35,000)
NET CHANGE IN FUND BALANCE	(95,966)	(95,966)	40,377	136,343
FUND BALANCE, July 1, 2021	95,966	95,966	152,957	56,991
FUND BALANCE, June 30, 2022	\$ -	\$ -	\$ 193,334	\$ 193,334

**CITY OF PORT ORFORD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - STREET FUND
FISCAL YEAR END JUNE 30, 2022**

	Street Fund	Street Capital Reserve Fund	Total Street Fund
REVENUES:			
Interest on investments	\$ 437	\$ 25	\$ 462
Intergovernmental	98,185	-	98,185
Grants	75,048	-	75,048
TOTAL REVENUES	173,670	25	173,695
EXPENDITURES:			
Current:			
Personal services	94,983	-	94,983
Materials and services	21,104	-	21,104
Capital outlay	73,872	-	73,872
TOTAL EXPENDITURES	189,959	-	189,959
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(16,289)	25	(16,264)
OTHER FINANCING SOURCES (USES):			
Transfers in	-	22,343	22,343
TOTAL OTHER FINANCING SOURCES (USES)	-	22,343	22,343
NET CHANGES IN FUND BALANCE	(16,289)	22,368	6,079
FUND BALANCE, July 1, 2021	100,104	4,345	104,449
FUND BALANCE, June 30, 2022	\$ 83,815	\$ 26,713	\$ 110,528

CITY OF PORT ORFORD
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
STREET FUND
FISCAL YEAR END JUNE 30, 2022

	Budget			Variance with Final Budget Positive (Negative)
	Adopted	Final	Actual	
REVENUES				
Intergovernmental	\$ 85,238	\$ 85,238	\$ 98,185	\$ 12,947
Grants	-	-	75,048	75,048
Street use fees	2,400	2,400	-	(2,400)
Interest on investments	500	500	437	(63)
TOTAL REVENUES	88,138	88,138	173,670	85,532
EXPENDITURES				
Current				
Highways and streets:				
Personal services	93,212	93,212	94,983	
Materials and services	23,019	23,019	21,104	
Capital Outlay	20,000	20,000	73,872	
Contingency	41,702	41,702	-	
TOTAL EXPENDITURES	177,933	177,933	189,959	(12,026)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(89,795)	(89,795)	(16,289)	73,506
NET CHANGE IN FUND BALANCE	(89,795)	(89,795)	(16,289)	73,506
FUND BALANCE, July 1, 2021	89,795	89,795	100,104	10,309
FUND BALANCE, June 30, 2022	\$ -	\$ -	\$ 83,815	\$ 83,815

CITY OF PORT ORFORD
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
STREET CAPITAL RESERVE FUND
FISCAL YEAR END JUNE 30, 2022

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES				
Interest on investments	\$ 200	\$ 200	\$ 25	\$ (175)
TOTAL REVENUES	200	200	25	(175)
OTHER FINANCING SOURCES (USES):				
Transfers in	27,845	27,845	22,343	(5,502)
TOTAL OTHER FINANCING SOURCES (USES)	27,845	27,845	22,343	(5,502)
NET CHANGE IN FUND BALANCE	28,045	28,045	22,368	(5,677)
FUND BALANCE, July 1, 2021	4,406	4,406	4,345	(61)
FUND BALANCE, June 30, 2022	<u>\$ 32,451</u>	<u>\$ 32,451</u>	<u>\$ 26,713</u>	<u>\$ (5,738)</u>



| OTHER SUPPLEMENTARY INFORMATION

CITY OF PORT ORFORD
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL
WATER FUND
FISCAL YEAR END JUNE 30, 2022

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES				
Charges for services	\$ 502,556	\$ 502,556	\$ 496,698	\$ (5,858)
Grants	256,000	256,000	-	(256,000)
Miscellaneous	1,500	1,500	2,563	1,063
Interest on investments	1,000	1,000	695	(305)
TOTAL REVENUES	<u>761,056</u>	<u>761,056</u>	<u>499,956</u>	<u>(261,100)</u>
EXPENDITURES				
Current:				
Personal services	365,746	365,746	288,113	
Materials and services	180,959	180,959	194,278	
Capital outlay	406,000	406,000	10,123	
Contingency	39,767	39,767	-	
TOTAL EXPENDITURES	<u>992,472</u>	<u>992,472</u>	<u>492,514</u>	<u>499,958</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(231,416)</u>	<u>(231,416)</u>	<u>7,442</u>	<u>238,858</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	150,000	150,000	-	(150,000)
Transfers out	(62,670)	(62,670)	(51,003)	11,667
TOTAL OTHER FINANCING SOURCES (USES)	<u>87,330</u>	<u>87,330</u>	<u>(51,003)</u>	<u>(138,333)</u>
NET CHANGE IN WORKING CAPITAL BALANCE	<u>(144,086)</u>	<u>(144,086)</u>	<u>(43,561)</u>	<u>100,525</u>
WORKING CAPITAL BALANCE, July 1, 2021	<u>164,086</u>	<u>164,086</u>	<u>131,583</u>	<u>(32,503)</u>
WORKING CAPITAL BALANCE, June 30, 2022	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>88,022</u>	<u>\$ 68,022</u>
Adjustments to generally accepted accounting principles basis:				
Property, plant and equipment			1,294,902	
Net OPEB asset (liability) - RHIA			3,673	
Deferred outflows - RHIA			409	
Deferred outflows - PERS			149,223	
Net pension asset (liability) - PERS			(222,294)	
Deferred inflows - RHIA			(1,156)	
Deferred inflows - PERS			(180,532)	
Compensated absences			(7,644)	
Total Net Position			<u>\$ 1,124,603</u>	

CITY OF PORT ORFORD
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL
SEWER FUND
FISCAL YEAR END JUNE 30, 2022

	Budget			Variance with Final Budget Positive (Negative)
	Adopted	Final	Actual	
REVENUES				
Charges for services	\$ 638,784	\$ 638,784	\$ 635,653	\$ (3,131)
Miscellaneous	800	800	280	(520)
Interest on investments	2,500	2,500	1,636	(864)
TOTAL REVENUES	642,084	642,084	637,569	(4,515)
EXPENDITURES				
Current:				
Personal services	226,585	226,585	178,121	
Materials and services	138,125	138,125	144,048	
Capital outlay	440,000	440,000	5,647	
Debt service	182,168	182,168	182,168	
Contingency	68,443	68,443	-	
TOTAL EXPENDITURES	1,055,321	1,055,321	509,984	545,337
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(413,237)	(413,237)	127,585	540,822
OTHER FINANCING SOURCES (USES):				
Transfers in	290,000	290,000	-	(290,000)
Transfers out	(61,763)	(61,763)	(50,854)	10,909
TOTAL OTHER FINANCING SOURCES (USES)	228,237	228,237	(50,854)	(279,091)
NET CHANGE IN WORKING CAPITAL BALANCE	(185,000)	(185,000)	76,731	261,731
WORKING CAPITAL BALANCE, July 1, 2021	389,769	389,769	382,471	(7,298)
WORKING CAPITAL BALANCE, June 30, 2022	\$ 204,769	\$ 204,769	459,202	\$ 254,433
Adjustments to generally accepted accounting principles basis				
Property, plant and equipment			3,492,555	
Bonds and notes payable			(2,404,633)	
Net OPEB asset (liability) - RHIA			2,672	
Deferred outflows - RHIA			297	
Deferred outflows - PERS			108,556	
Net pension asset (liability) - PERS			(161,713)	
Deferred inflows - RHIA			(841)	
Deferred inflows - PERS			(131,333)	
Accrued interest			(20,779)	
Compensated absences			(2,466)	
Total net position			\$ 1,341,517	

CITY OF PORT ORFORD
COMBINING SCHEDULE OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2022

	Water System Development Fund	Sewer System Development Fund	Water Capital Reserve Fund	Sewer Capital Reserve Fund	Equipment Replacement Fund	Total Nonmajor Proprietary Funds
ASSETS						
Current assets:						
Equity in pooled cash and investments	\$ -	\$ -	\$ 81,543	\$ 253,634	\$ 93,637	\$ 428,814
Restricted cash and investments	534,366	359,471	-	-	-	893,837
Noncurrent assets:						
Capital assets (net)	-	-	-	-	27,746	27,746
TOTAL ASSETS	<u>\$ 534,366</u>	<u>\$ 359,471</u>	<u>\$ 81,543</u>	<u>\$ 253,634</u>	<u>\$ 121,383</u>	<u>\$ 1,350,397</u>
LIABILITIES AND NET POSITION						
Net position:						
Net investment in capital assets	\$ -	\$ -	\$ -	\$ -	\$ 27,746	\$ 27,746
Restricted	534,366	359,471	-	-	-	893,837
Committed	-	-	81,543	253,634	93,637	428,814
TOTAL LIABILITIES AND NET POSITION	<u>\$ 534,366</u>	<u>\$ 359,471</u>	<u>\$ 81,543</u>	<u>\$ 253,634</u>	<u>\$ 121,383</u>	<u>\$ 1,350,397</u>

CITY OF PORT ORFORD
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION
NONMAJOR PROPRIETARY FUNDS
FISCAL YEAR END JUNE 30, 2022

	Water System Development Fund	Sewer System Development Fund	Water Capital Reserve Fund	Sewer Capital Reserve Fund	Equipment Replacement Fund	Total Nonmajor Proprietary Funds
OPERATING REVENUES						
System development charges	\$ 36,384	\$ 30,360	\$ -	\$ -	\$ -	\$ 66,744
OPERATING EXPENSES						
Depreciation	-	-	-	-	8,241	8,241
TOTAL OPERATING EXPENSE	-	-	-	-	8,241	8,241
OPERATING INCOME (LOSS)	36,384	30,360	-	-	(8,241)	58,503
NONOPERATING REVENUES (EXPENSES)						
Transfers in	-	-	51,003	50,854	-	101,857
Interest on investments	2,988	1,995	175	1,162	536	6,856
TOTAL NONOPERATING REVENUES (EXPENSES)	2,988	1,995	51,178	52,016	536	108,713
CHANGES IN NET POSITION	39,372	32,355	51,178	52,016	(7,705)	167,216
NET POSITION, July 1, 2021	494,994	327,116	30,365	201,618	129,088	1,183,181
NET POSITION, June 30, 2022	\$ 534,366	\$ 359,471	\$ 81,543	\$ 253,634	\$ 121,383	\$ 1,350,397

CITY OF PORT ORFORD
COMBINING SCHEDULE OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
FISCAL YEAR END JUNE 30, 2022

	Water System Development Fund	Sewer System Development Fund	Water Capital Reserve Fund	Sewer Capital Reserve Fund	Equipment Replacement Fund	Total Nonmajor Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 36,384	\$ 30,360	\$ -	\$ -	\$ -	\$ 66,744
Net cash provided (used) by operating activities	<u>36,384</u>	<u>30,360</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,744</u>
CASH FLOWS FROM NON - CAPITAL FINANCING ACTIVITIES						
Transfers in	-	-	51,003	50,854	-	101,857
Net cash provided (used) by non-capital financing activities	<u>-</u>	<u>-</u>	<u>51,003</u>	<u>50,854</u>	<u>-</u>	<u>101,857</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest and dividends	2,988	1,995	175	1,162	536	6,856
Net increase (decrease) in cash and cash equivalents	<u>39,372</u>	<u>32,355</u>	<u>51,178</u>	<u>52,016</u>	<u>536</u>	<u>175,457</u>
Balances - beginning of the year	494,994	327,116	30,365	201,618	93,101	1,147,194
Balances - end of the year	<u>\$ 534,366</u>	<u>\$ 359,471</u>	<u>\$ 81,543</u>	<u>\$ 253,634</u>	<u>\$ 93,637</u>	<u>\$ 1,322,651</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 36,384	\$ 30,360	\$ -	\$ -	\$ (8,241)	\$ 58,503
Depreciation expense	-	-	-	-	8,241	8,241
Net cash provided (used) by operating activities	<u>\$ 36,384</u>	<u>\$ 30,360</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,744</u>

CITY OF PORT ORFORD
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL
WATER SYSTEM DEVELOPMENT FUND
FISCAL YEAR END JUNE 30, 2022

	Budget			Variance with Final Budget Positive (Negative)
	Adopted	Final	Actual	
REVENUES				
System development charges	\$ 26,757	\$ 26,757	\$ 36,384	\$ 9,627
Interest on investments	4,000	4,000	2,988	(1,012)
TOTAL REVENUES	30,757	30,757	39,372	8,615
NONOPERATING REVENUES (EXPENSES)				
Transfers out	(150,000)	(150,000)	-	150,000
TOTAL NONOPERATING REVENUES (EXPENSES)	(150,000)	(150,000)	-	150,000
NET CHANGE IN NET POSITION	(119,243)	(119,243)	39,372	158,615
NET POSITION, July 1, 2021	485,806	485,806	494,994	9,188
NET POSITION, June 30, 2022	\$ 366,563	\$ 366,563	\$ 534,366	\$ 167,803

CITY OF PORT ORFORD
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL
SEWER SYSTEM DEVELOPMENT FUND
FISCAL YEAR END JUNE 30, 2022

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES				
System development charges	\$ 14,886	\$ 14,886	\$ 30,360	\$ 15,474
Interest on investments	3,000	3,000	1,995	(1,005)
TOTAL REVENUES	<u>17,886</u>	<u>17,886</u>	<u>32,355</u>	<u>14,469</u>
NONOPERATING REVENUES (EXPENSES)				
Transfers out	(100,000)	(100,000)	-	100,000
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>	<u>100,000</u>
NET CHANGE IN NET POSITION	(82,114)	(82,114)	32,355	114,469
NET POSITION, July 1, 2021	<u>322,003</u>	<u>322,003</u>	<u>327,116</u>	<u>5,113</u>
NET POSITION, June 30, 2022	<u>\$ 239,889</u>	<u>\$ 239,889</u>	<u>\$ 359,471</u>	<u>\$ 119,582</u>

**CITY OF PORT ORFORD
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL
WATER CAPITAL RESERVE FUND
FISCAL YEAR END JUNE 30, 2022**

	Budget			Variance with Final Budget Positive (Negative)
	Adopted	Final	Actual	
REVENUES				
Interest on investments	\$ 400	\$ 400	\$ 175	\$ (225)
TOTAL REVENUES	<u>400</u>	<u>400</u>	<u>175</u>	<u>(225)</u>
NONOPERATING REVENUES (EXPENSES)				
Transfers in	<u>52,670</u>	<u>52,670</u>	<u>51,003</u>	<u>(1,667)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>52,670</u>	<u>52,670</u>	<u>51,003</u>	<u>(1,667)</u>
NET CHANGE IN NET POSITION	<u>53,070</u>	<u>53,070</u>	<u>51,178</u>	<u>(1,892)</u>
NET POSITION, July 1, 2021	<u>30,338</u>	<u>30,338</u>	<u>30,365</u>	<u>27</u>
NET POSITION, June 30, 2022	<u><u>\$ 83,408</u></u>	<u><u>\$ 83,408</u></u>	<u><u>\$ 81,543</u></u>	<u><u>\$ (1,865)</u></u>

CITY OF PORT ORFORD
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL
SEWER CAPITAL RESERVE FUND
FISCAL YEAR END JUNE 30, 2022

	Budget			Variance with Final Budget Positive (Negative)
	Adopted	Final	Actual	
REVENUES				
Interest on investments	\$ 2,000	\$ 2,000	\$ 1,162	\$ (838)
TOTAL REVENUES	<u>2,000</u>	<u>2,000</u>	<u>1,162</u>	<u>(838)</u>
NONOPERATING REVENUES (EXPENSES)				
Transfers in	51,763	51,763	50,854	(909)
Transfers out	<u>(190,000)</u>	<u>(190,000)</u>	<u>-</u>	<u>190,000</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(138,237)</u>	<u>(138,237)</u>	<u>50,854</u>	<u>189,091</u>
NET CHANGE IN NET POSITION	<u>(136,237)</u>	<u>(136,237)</u>	<u>52,016</u>	<u>188,253</u>
NET POSITION, July 1, 2021	<u>201,596</u>	<u>201,596</u>	<u>201,618</u>	<u>22</u>
NET POSITION, June 30, 2022	<u><u>\$ 65,359</u></u>	<u><u>\$ 65,359</u></u>	<u><u>\$ 253,634</u></u>	<u><u>\$ 188,275</u></u>

**CITY OF PORT ORFORD
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL
EQUIPMENT REPLACEMENT FUND
FISCAL YEAR END JUNE 30, 2022**

	Budget			Variance with Final Budget Positive (Negative)
	Adopted	Final	Actual	
REVENUES				
Interest on investments	\$ 800	\$ 800	\$ 536	\$ (264)
TOTAL REVENUES	<u>800</u>	<u>800</u>	<u>536</u>	<u>(264)</u>
EXPENDITURES				
Capital outlay	100,000	100,000	-	100,000
TOTAL EXPENDITURES	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(99,200)</u>	<u>(99,200)</u>	<u>536</u>	<u>99,736</u>
NONOPERATING REVENUES (EXPENSES)				
Transfers in	20,000	20,000	-	20,000
NET CHANGE IN WORKING CAPITAL BALANCE	<u>(79,200)</u>	<u>(79,200)</u>	<u>536</u>	<u>119,736</u>
WORKING CAPITAL BALANCE, July 1, 2021	<u>93,084</u>	<u>93,084</u>	<u>93,101</u>	<u>17</u>
WORKING CAPITAL BALANCE, June 30, 2022	<u>\$ 13,884</u>	<u>\$ 13,884</u>	<u>93,637</u>	<u>\$ 119,753</u>
Adjustments to generally accepted accounting principles basis				
Capital assets, net			<u>27,746</u>	
Total net position			<u>\$ 121,383</u>	



INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Honorable Mayor and Council
City of Port Orford
Port Orford, Oregon

We have audited the basic financial statements of the City of Port Orford (the City) as of and for the year ended June 30, 2022, and have issued our report thereon dated February 2, 2024. 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's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-010-0000 through 162-010-3200 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 the 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 under ORS Chapter 295.
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required under ORS Chapter 294.
- Insurance and fidelity under bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing under ORS Chapters 279A, 279B, 279C.

In connection with our audit, nothing came to our attention that caused us to believe the City 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 Administration Rules 162-010-0000 through 162-010-3200 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, except as reported in Note 2 (Appropriation and Budgetary Controls) of the financial statements.

In addition, the City did not submit the required audit report to the Oregon Secretary of State Audit Division in a timely manner as required by OAR 162-010-0330..

OAR 162-010-0230 Internal Control

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, we did identify a certain deficiency in internal control that we consider to be a material weakness. We described this material weakness in internal control in a separately issued Communication With Governance letter.

Restrictions on Use

This report is intended solely for the information and use of the City Council and management of the City of Port Orford 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, reading "Aria Bettinger". The signature is fluid and cursive, with the first name "Aria" and last name "Bettinger" clearly distinguishable.

Aria Bettinger, CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
February 2, 2024