

**PACIFIC CITY JOINT
WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON**

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2016



**12700 SW 72nd Ave.
Tigard, OR 97223**

**PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON**

**2015 - 2016
FINANCIAL REPORT**

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PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON

| <u>BOARD OF DIRECTORS</u> | <u>TERM EXPIRES</u> |
|---------------------------|---------------------|
| Carolyn McVicker, Chair | June 30, 2019 |
| Anne Price, Vice Chair | June 30, 2017 |
| Sean Lambert, Secretary | June 30, 2019 |
| Kayla Long, Director | June 30, 2017 |
| Sean Carlton, Director | June 30, 2017 |

All Directors receive mail at the Authority Office address listed below

REGISTERED AGENT

Tony Owen, Manager
P.O. Box 520
34005 Cape Kiwanda Drive
Pacific City, Oregon 97135

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**PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON**

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(503) 620-2632 (503) 684-7523 FAX
www.paulyrogersandcocpas.com

October 24, 2016

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Pacific City Joint Water-Sanitary Authority
Pacific City, Tillamook County, Oregon

Report on the Financial Statements

We have audited the accompanying basic financial statements of Pacific City Joint Water-Sanitary Authority, Tillamook County, Oregon, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents. The prior year comparative information has been derived from the Pacific City Joint Water-Sanitary Authority's financial statements and, in our report dated October 5, 2015, we expressed an unmodified opinion on the respective basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these basic financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the basic financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of Pacific City Joint Water-Sanitary Authority, as of June 30, 2016 and 2015, and the respective changes in financial position and where applicable, cash flows thereof for the years ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The Authority adopted the provisions of GASB Statement No. 72, *Fair Value Measurement and Application* and GASB Statement No. 79 – *Certain External Investment Pools and Pool Participants*, for the year ended June 30, 2016. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, 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 required supplementary information 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 management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The supplementary information, as listed in the table of contents, 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. 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 supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The listing of board members containing their term expiration dates, located before the table of contents, and the other information, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated October 24, 2016, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



Roy R. Rogers, CPA
PAULY, ROGERS AND CO., P.C.

Pacific City Joint Water-Sanitary Authority

Management's Discussion and Analysis

FY 2016

As management of the Pacific City Joint Water-Sanitary Authority (Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our notes to the financial statements.

Financial Highlights

- Total assets of the Authority at June 30, 2016 were \$17,922,056 and include capital assets of \$15,599,290, current assets of \$372,240, and restricted assets of \$1,950,526. Overall, total assets for the Authority increased .04% from FY 2015.
- PCJWSA's assets exceeded its liabilities on June 30, 2016 by \$13,733,645 (net position). This amount reflects an increase of \$192,069 or .05% from FY 2015 and an increase of \$116,887 since FY 2014. For the fiscal year ended June 30, 2016, unrestricted net position in the amount of \$300,560 includes \$205,662 in cash and investments that may be used to meet the Authority's obligations. This represents a 35% decrease in year-end unrestricted net position of FY 2015.
- At June 30, 2016, capital assets less related debt were \$11,653,295, a decrease of 1.2% from FY 2015. Long-term debt total \$3,945,995 showing a decrease of 6.9% from FY 2015 and a decrease of 12.7% since FY 2014. The reduction is primarily due to the Authority's schedule debt payment service payments on the Authority's outstanding debt.
- Operating revenues for FY 2016 were \$1,173,974, an increase of 1.2% from FY 2015 or \$13,260.
- Total operating expenses for FY 2016 were \$1,951,836, reflecting an overall increase of 3.5%, \$65,919 from the previous year. Labor and benefits increased 1.6% due to a decrease in employees and an increase in wages and fringe benefit costs; materials and services costs increased 18.1%.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Pacific City Water-Sanitary Authority's basic financial statements. The Authority is a self-supporting entity and follows enterprise fund reporting; accordingly the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The Authority's annual report consists of the Statement of Net Position, the Statement of Revenues, Expenditures and Changes in Net Position and the Statement of Cash Flows.

The Statement of Net Position presents the current and long-term portions of assets and liabilities separately and may provide a useful indicator of whether the financial position of the Authority is improving or deteriorating. This statement includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Authority's creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

The Statements of Activities present information showing profitability and credit worthiness as well as how the Authority's net position changed during the most recent fiscal year. This statement shows income and expenses from operations, non-operating revenues and expenses and reconciles the change from one fiscal year to the next. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered its costs through its user fees and other charges.

The Statement of Cash Flows is prepared using the direct method and is concerned solely with input and outlay of cash from operating activities, capital and related financing activities and investing activities. This statement also includes reconciliation to the Statements of Activities. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. It answers questions such as; "where did the cash come from, what was the cash used for, and what was the change in cash balance during the reporting period?"

The notes to the financial statements provide additional information that is essential to a complete understanding of the data provided in the financial statements.

Financial Analysis

Net Position

Over time, net position may serve as a useful indicator of the Authority's financial position. As shown in the following table, the Authority's assets exceeded liabilities by \$13.7 million on June 30, 2016 and reflect an increase of approximately two hundred thousand dollars or 1.4% over the Authority's net position at the close of FY 2015.

Investment in capital assets is by far the largest portion of the Authority's net position (\$11.7 million or 84.9% of total net position), and includes the Authority's investment in land, buildings, equipment, reservoirs, and pipelines. The Authority used these capital assets to provide water and wastewater services to customers; consequently, these assets are not available for future spending.

| | Net Position | | | | |
|------------------------------------|----------------------|----------------------|---------------------------------|---------------------------|----------------------|
| | <u>2016</u> | <u>2015</u> | <u>Difference 2015-2016</u> | <u>Percent Change</u> | <u>2014</u> |
| Assets: | | | | | |
| Current Assets | \$ 372,240 | \$ 501,977 | \$ (129,737) | -26% | \$ 369,669 |
| Current Restricted Assets | 1,950,526 | 1,323,076 | 627,450 | 47% | 1,285,768 |
| Capital Assets | <u>15,599,290</u> | <u>16,031,552</u> | <u>(432,262)</u> | -3% | <u>16,581,997</u> |
| Total Assets | <u>17,922,056</u> | <u>17,856,605</u> | <u>65,451</u> | | <u>18,237,434</u> |
| Liabilities: | | | | | |
| Current Liabilities | 189,918 | 24,747 | 165,171 | 667% | 47,865 |
| Non-Current Liabilities | 100,804 | 99,287 | 1,517 | 2% | 98,785 |
| Long Term Debt | <u>3,897,689</u> | <u>4,190,995</u> | <u>(293,306)</u> | -7% | <u>4,474,026</u> |
| Total Liabilities | <u>4,188,411</u> | <u>4,315,029</u> | <u>(126,618)</u> | | <u>4,620,676</u> |
| Net Position: | | | | | |
| Invested in Capital Asset | 11,653,295 | 11,793,110 | (139,815) | -1% | 12,061,997 |
| Reserved for Debt Service | 178,426 | 168,202 | 10,224 | 6% | 173,676 |
| Reserved for Capital Improvements | 1,601,364 | 1,119,256 | 482,108 | 43% | 1,048,334 |
| Unrestricted | <u>300,560</u> | <u>461,008</u> | <u>(160,448)</u> | -35% | <u>332,751</u> |
| Total Net Position | <u>13,733,645</u> | <u>13,541,576</u> | <u>192,069</u> | | <u>13,616,758</u> |
| Total Liabilities and Net Position | <u>\$ 17,922,056</u> | <u>\$ 17,856,605</u> | <u>\$ 65,451</u> | 0% | <u>\$ 18,237,434</u> |

Change in Net Position

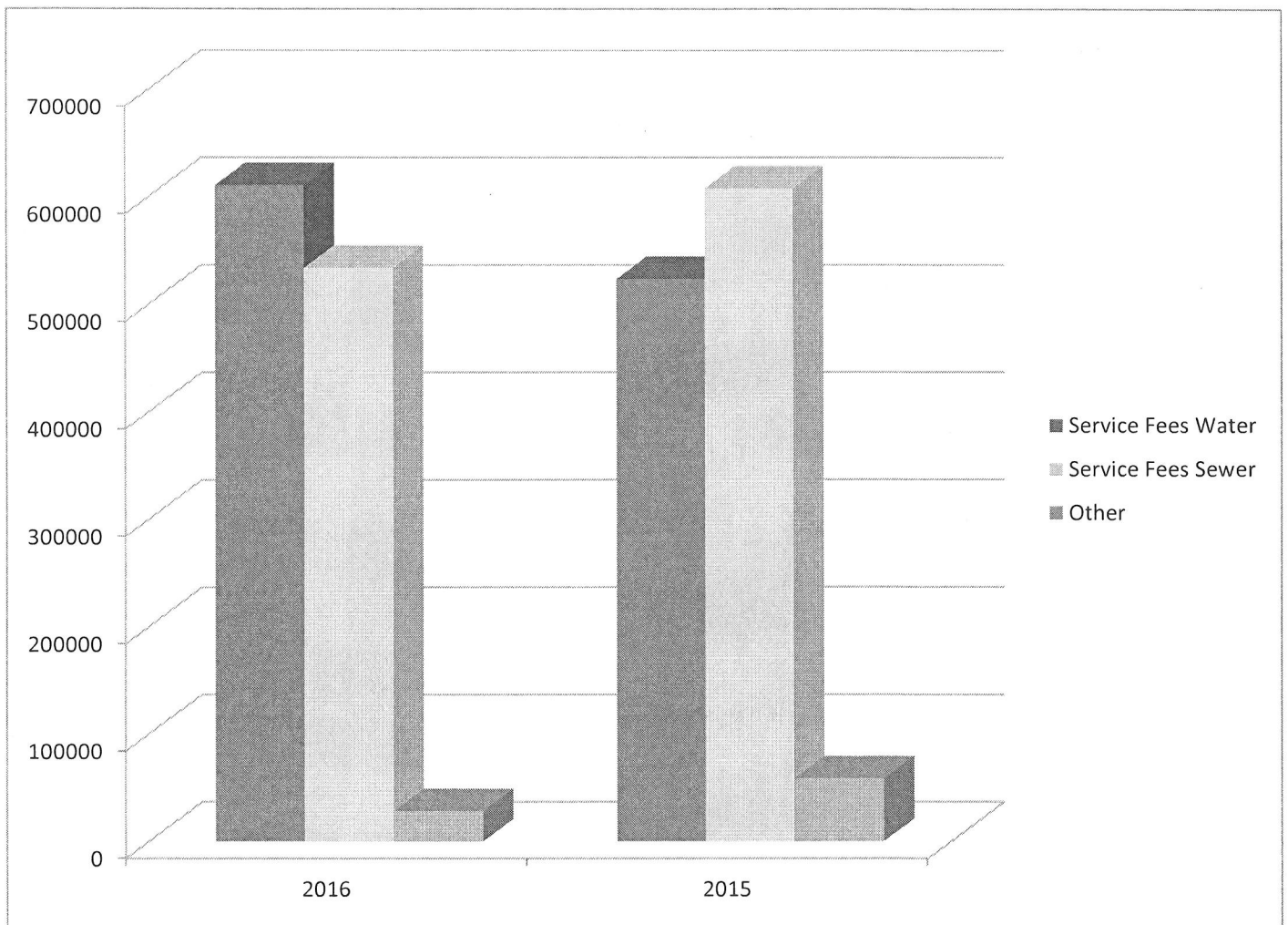
As shown in the next table the Authority's operating, non-operating and capital activities increased total net position by \$192,069, an increase of 1.4% from FY 2015 and .9%, or \$116,887, since FY 2014.

| | Change in Net Position | | | | |
|------------------------------------|-------------------------------|----------------------|---------------------------------|---------------------------|----------------------|
| | <u>2016</u> | <u>2015</u> | <u>Difference 2015-2016</u> | <u>Percent Change</u> | <u>2014</u> |
| Operating Revenue: | | | | | |
| Service Fees | \$ 1,145,516 | \$ 1,131,841 | \$ 13,675 | 1% | \$ 1,074,028 |
| Other Operating Revenues | <u>28,458</u> | <u>28,873</u> | <u>(415)</u> | -1% | <u>42,236</u> |
| Total Operating Revenues | <u>1,173,974</u> | <u>1,160,714</u> | <u>13,260</u> | 1% | <u>1,116,264</u> |
| Operating Expenses: | | | | | |
| Personal Services | 657,167 | 646,778 | 10,389 | 2% | 587,792 |
| Materials and Services | 448,587 | 385,415 | 63,172 | 16% | 447,467 |
| Depreciation and Amortization | <u>846,082</u> | <u>853,724</u> | <u>(7,642)</u> | -1% | <u>847,636</u> |
| Total Operating Expenses | <u>1,951,836</u> | <u>1,885,917</u> | <u>65,919</u> | 3% | <u>1,882,895</u> |
| Net Income, (Loss) From Operations | (777,862) | (725,203) | (52,659) | 7% | (766,631) |
| Non-Operating Revenue, (Expenses) | <u>969,931</u> | <u>650,021</u> | <u>319,910</u> | 49% | <u>526,886</u> |
| Change in Net Position | 192,069 | (75,182) | 267,251 | -355% | (239,745) |
| Beginning Net Position | <u>13,541,576</u> | <u>13,616,758</u> | <u>(75,182)</u> | -1% | <u>13,856,503</u> |
| Ending Net Position | <u>\$ 13,733,645</u> | <u>\$ 13,541,576</u> | <u>\$ 192,069</u> | 1% | <u>\$ 13,616,758</u> |

Operating Revenues

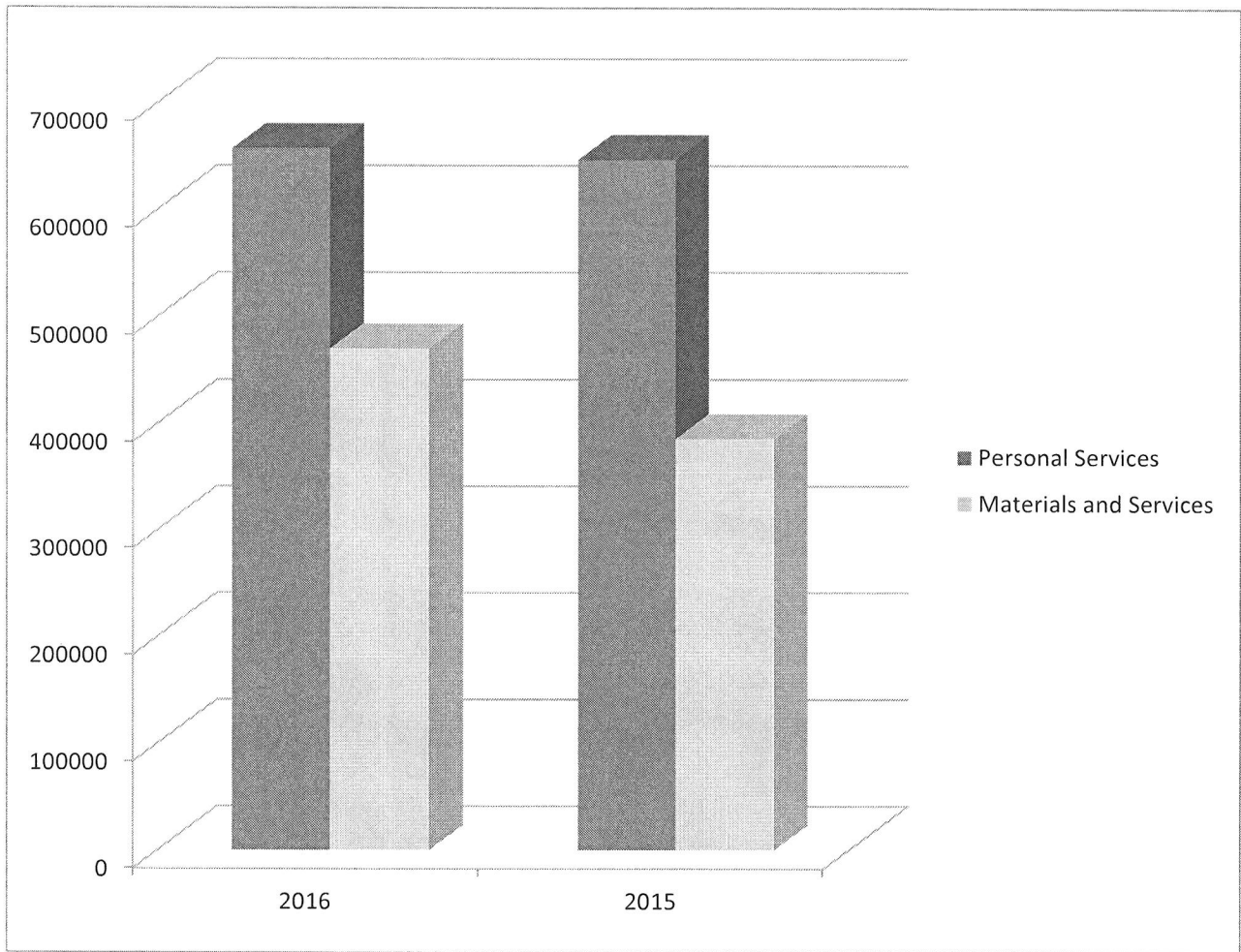
FY 2016 operating revenues increased \$13,260 or about 1% from FY 2015. The Authority sets rates annually and increases are based on cost of service and requirements needed to fund operations and capital improvements.

Other operating revenues are comprised of various miscellaneous fees and charges, including the monthly charge assessed for streetlights electricity, contracts for sludge hauling and laboratory testing, and sewer inspections.



Operating Expenses

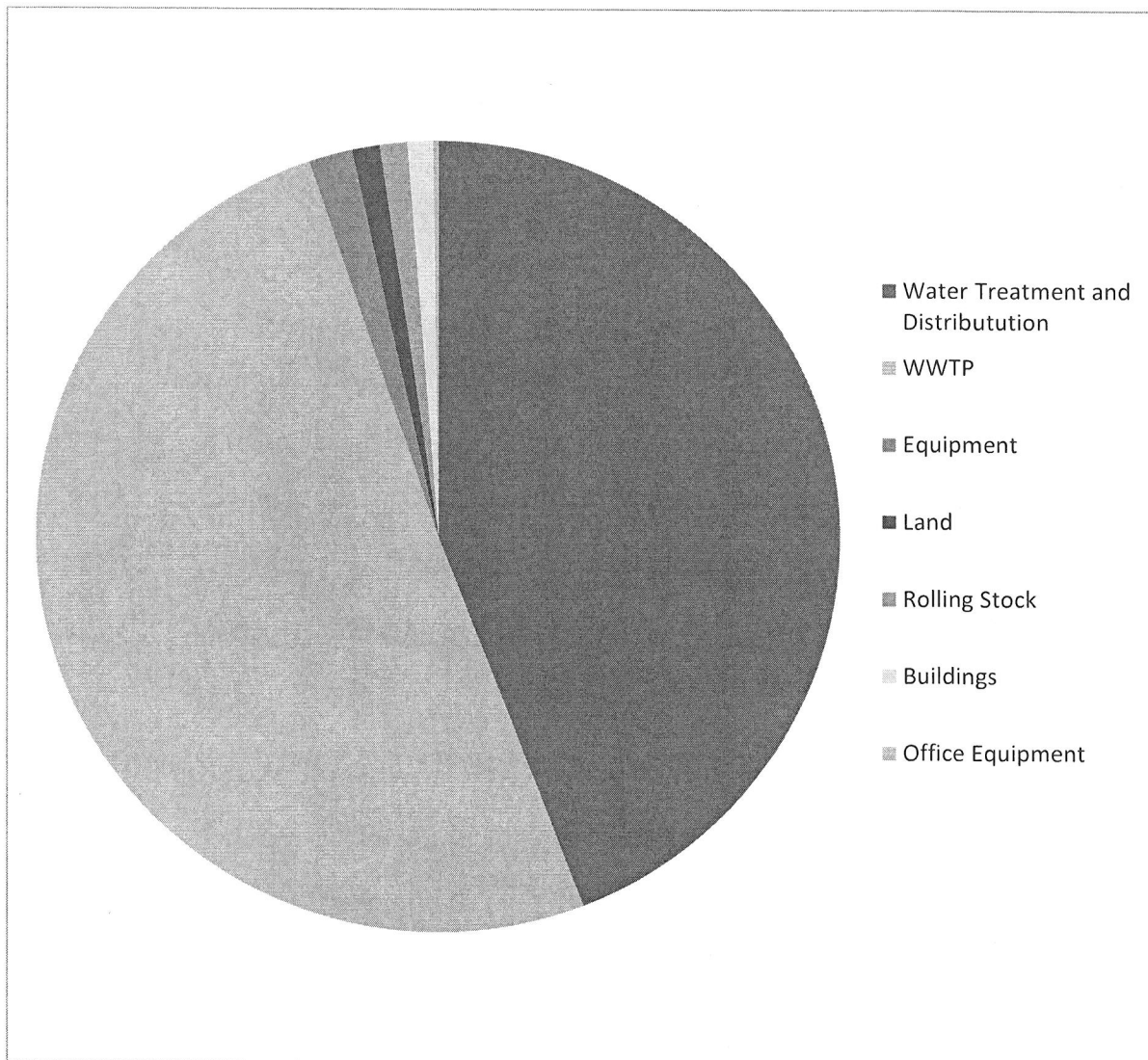
In the materials and supplies expenses portion of the budget, the cost of dues and subscriptions, employee training, liability insurance, legal fees, and expected equipment maintenance was less than projected. Expenditures were less than budgeted by 26.5% in 2016.



Capital Assets

As of June 30, 2016, the Authority had \$15,599,290 invested in a broad range of capital assets, including land, buildings, water treatment and water distribution systems, wastewater treatment and collection systems, and equipment. These amounts are net of depreciation. See the notes to the financial statements for additional information on capital assets.

There were no major capital events during the current fiscal year.



Debt Administration

As of June 30, 2016, the Authority owed \$3,540,000 for a General Obligation Bond approved by voters in November 2007 and \$405,995 for a line of credit approved in 2014.

Economic Factors and Next Year's Budget and Rates

The total amount of appropriations in the 2016-2017 Fiscal Year's budget is as follows:

| | |
|---------------------------------------|-------------------|
| Master Plan Appropriations: | \$12,106,000 |
| Debt Service Fund Appropriations: | \$ 545,000 |
| Water SDC/CIC Fund Appropriations: | \$ 2,408,612 |
| Sewer SDC/CIC Fund Appropriations: | \$ 1,450,500 |
| Water Enterprise Fund Appropriations: | \$ 657,000 |
| Sewer Enterprise Fund Appropriations: | <u>\$ 712,926</u> |
| For a total of | \$ 17,880,038 |

Requests for Information

This financial report is designed to provide a general overview of the Pacific City Joint Water-Sanitary Authority's finances for parties interested in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Tony Owen, Authority Manager at P.O. Box 520, Pacific City, OR 97135.

**PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON**

BASIC FINANCIAL STATEMENTS

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**PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON**

**STATEMENTS OF NET POSITION
June 30, 2016 and 2015**

| | 2016 | 2015 |
|---|---------------|---------------|
| ASSETS: | | |
| Current | | |
| Cash and Equivalents | \$ 205,662 | \$ 325,204 |
| Utility Billing Accounts Receivable | 107,478 | 103,022 |
| Prepaid Expenses | - | 8,853 |
| Materials Inventory | 59,100 | 64,898 |
| | 372,240 | 501,977 |
| Restricted Assets | | |
| Debt Service Fund | | |
| Cash and Investments | 145,729 | 160,453 |
| Taxes Receivable | 39,571 | 39,571 |
| Master Plans Fund | | |
| Cash and Investments | 149,522 | - |
| Utility Billing Accounts Receivable | 8 | - |
| Water SDC/CIC Reserve Fund | | |
| Cash and Investments | 1,129,873 | 801,974 |
| Utility Billing Accounts Receivable | 7,992 | 7,715 |
| Sewer SDC/CIC Reserve Fund | | |
| Cash and Investments | 450,194 | 299,810 |
| Utility Billing Accounts Receivable | 27,637 | 13,553 |
| | 1,950,526 | 1,323,076 |
| Capital Assets | | |
| Non-Depreciable | 304,404 | 304,404 |
| Depreciable | 27,542,953 | 27,129,133 |
| Less: Accumulated Depreciation | (12,248,067) | (11,401,985) |
| Net Capital Assets | 15,599,290 | 16,031,552 |
| | \$ 17,922,056 | \$ 17,856,605 |
| LIABILITIES AND NET POSITION: | | |
| Current Liabilities | | |
| Accounts Payable | \$ 189,918 | \$ 24,747 |
| Accrued Compensated Absences | 52,498 | 51,840 |
| Bonds Payable - Current Portion | 48,306 | 47,447 |
| | 290,722 | 124,034 |
| Noncurrent Liabilities | | |
| Note, Bonds Payable, Less Current Portion | 3,897,689 | 4,190,995 |
| | 3,897,689 | 4,190,995 |
| | 4,188,411 | 4,315,029 |
| Net Position | | |
| Net Investment in Capital Assets | 11,653,295 | 11,793,110 |
| Restricted for Debt Service | 178,426 | 168,202 |
| Restricted for Capital Improvements | 1,601,364 | 1,119,256 |
| Unrestricted | 300,560 | 461,008 |
| | 13,733,645 | 13,541,576 |
| | \$ 17,922,056 | \$ 17,856,605 |

See accompanying notes to basic financial statements.

**PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON**

**STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2016 and 2015**

| | 2016 | 2015 |
|---|---------------|---------------|
| OPERATING REVENUES: | | |
| Service Fees - Sewer | \$ 611,140 | \$ 607,966 |
| Service Fees - Water | 534,376 | 523,875 |
| Streetlight Assessments | 9,615 | 9,637 |
| Miscellaneous Charges | 4,684 | 6,044 |
| Tap Fees/Inspections | 8,009 | 4,051 |
| Reimbursements | 6,150 | 9,141 |
| | <hr/> | <hr/> |
| Total Operating Revenues | 1,173,974 | 1,160,714 |
| OPERATING EXPENDITURES: | | |
| Personnel Services | 657,167 | 646,778 |
| Materials and Services | 448,587 | 385,415 |
| Depreciation | 846,082 | 853,724 |
| | <hr/> | <hr/> |
| Total Operating Expenses | 1,951,836 | 1,885,917 |
| | <hr/> | <hr/> |
| Operating Income (Loss) | (777,862) | (725,203) |
| NON-OPERATING INCOME (EXPENDITURES): | | |
| Property Taxes | 404,861 | 414,333 |
| Earnings on Investments | 13,312 | 8,125 |
| Grants | - | 30,000 |
| System Development Charges | 268,378 | 141,973 |
| Capital Improvements Charges | 410,024 | 250,453 |
| Interest Expense on Bonds and Leases | (126,644) | (194,863) |
| | <hr/> | <hr/> |
| Total Non-Operating Income | 969,931 | 650,021 |
| | <hr/> | <hr/> |
| Change in Net Position | 192,069 | (75,182) |
| Beginning Net Position | 13,541,576 | 13,616,758 |
| | <hr/> | <hr/> |
| Ending Net Position | \$ 13,733,645 | \$ 13,541,576 |
| | <hr/> <hr/> | <hr/> <hr/> |

See accompanying notes to basic financial statements.

**PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON**

**STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2016 and 2015**

| | 2016 | 2015 |
|---|---------------------|---------------------|
| Cash Flows from Operating Activities | | |
| Cash Received from Customers | \$ 1,164,002 | \$ 1,145,385 |
| Cash Paid to Suppliers | (277,618) | (421,032) |
| Cash Paid to Employees | (656,501) | (647,749) |
| Net Cash Provided (Used) by Operating Activities | <u>229,883</u> | <u>76,604</u> |
| Cash Flows From Investing Activities | | |
| Earnings on Investment | 13,312 | 8,125 |
| Net Cash Provided By Investing Activities | <u>13,312</u> | <u>8,125</u> |
| Cash Flows from Capital and Related Financing Activities | | |
| Purchase of Capital Assets | (413,828) | (303,279) |
| Principal Payments on Long-term Debt (Net) | (292,447) | (281,558) |
| Interest Payments on Long-term Debt | (126,644) | (194,863) |
| Net Cash Used by Capital and Related Financing Activities | <u>(832,919)</u> | <u>(779,700)</u> |
| Cash Flows From Non-Capital Financing Activities | | |
| Property Tax Contributions/Sale of Assets | 404,861 | 414,333 |
| Grants | - | 30,000 |
| Capital Improvements Charges | 410,024 | 250,453 |
| System Development Fees | 268,378 | 141,973 |
| Net Cash Provided By Non-Capital Financing Activities | <u>1,083,263</u> | <u>836,759</u> |
| Net Increase (Decrease) in Cash | 493,539 | 141,788 |
| Cash and Cash Equivalents, Beginning of Year | 1,587,441 | 1,445,653 |
| Cash and Cash Equivalents, End of Year | <u>\$ 2,080,980</u> | <u>\$ 1,587,441</u> |
| Detail of Cash: | | |
| Unrestricted | \$ 205,662 | \$ 325,204 |
| Debt Service Fund | 145,729 | 160,453 |
| Water SDC/CIC Reserve Fund | 1,129,873 | 801,974 |
| Sewer SDC/CIC Reserve Fund | 450,194 | 299,810 |
| | <u>\$ 2,080,980</u> | <u>\$ 1,587,441</u> |
| Cash Paid for Interest | <u>\$ 126,644</u> | <u>\$ 194,863</u> |
| Operating Loss | \$ (777,862) | \$ (725,203) |
| Noncash Items included in Income | | |
| Depreciation Expense & Amortization | 846,082 | 853,724 |
| Decrease (Increase) In: | | |
| Accounts Receivable | (18,817) | (13,828) |
| Prepays | 8,853 | (1,501) |
| Materials Inventory | 5,798 | (12,499) |
| Increase (Decrease) In: | | |
| Accounts Payable | 165,171 | (23,118) |
| Accrued Compensated Absences | 658 | (971) |
| Net Cash Provided By Operation | <u>\$ 229,883</u> | <u>\$ 76,604</u> |

See accompanying notes to basic financial statements.

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**PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements 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 principles. The more significant of the accounting policies are described below.

A. THE FINANCIAL REPORTING ENTITY

The Authority is a Municipal Corporation formed by the Tillamook County Board of Commissioners on July 1, 1998, under Oregon Revised Statutes Chapters 450 and 198. The Authority thereupon assumed the fixed assets, liabilities and fund balances of the Pacific City Water District and the Pacific City Sanitary District, both of which were legally and permanently dissolved at midnight on June 30, 1998.

The water system is comprised of approximately 30 miles of waterlines, three reservoirs with a total capacity of one million gallons of storage, six wells, and a surface water source for emergency needs. The sewer system is comprised of a wastewater treatment plant that consists of: headworks; blowers; generator; tertiary filtration; and eight concrete holding tanks for flow equalizing, aerating, digesting, clarifying and ultra violet disinfecting. The sewerage collection interceptor system includes approximately 20 miles of sewer line, and nine lift stations.

All of the organizations (a.k.a. component units) for which the Authority is financially accountable have been considered for inclusion in the basic financial statements. Component units as established by the Governmental Accounting Standards Board (GASB) Statement 61 are separate organizations that are included in the financial statements because of the significance of their operational financial relationships with the Authority. Financial accountability may be evidenced by an entity's ability to appoint the voting majority of the governing bodies of the organizations, and is either able to impose its will on those organizations, or there is a potential for the organizations to either provide specific financial benefits or impose specific burdens on the entity, or there is a fiscal dependency or intergovernmental relationship so close that exclusion of those organizations from the financial statements of the entity would render them incomplete or misleading. There are no component units.

B. BASIS OF PRESENTATION - FUND ACCOUNTING

The accounting records are maintained on a fund accounting basis for budgetary and legal purposes. For financial reporting purposes, the financial statements are presented as a single enterprise operation in the Basic financial statements. Financial operations are accounted for in the following budgetary funds:

Enterprise Funds – These funds account for general operating revenues and expenditures. The funds' principal source of revenue is water and sewer service user fees and other miscellaneous charges.

Master Plan Fund – This fund accounts for the resources and expenditures related to the Master Plans Fund. The principal source of revenue is Revenue Bonds.

Debt Service Fund – This fund accounts for the resources and expenditures related to payment of the Authority's General Obligation (GO) Bonds. The principal source of revenue is property taxes.

Water SDC/CIC Reserve Fund – This fund accounts for water system projects and capital asset purchases funded by system development charges (SDC) and capital improvement charges (CIC).

**PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. BASIS OF PRESENTATION - FUND ACCOUNTING (CONTINUED)

Sewer SDC/CIC Reserve Fund – This capital fund accounts for sewer system projects and capital asset purchases funded by system development charges (SDC) and capital improvement charges (CIC).

C. BASIS OF ACCOUNTING

The basic financial statements are prepared on the accrual basis of accounting using the “economic resources” measurement focus. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when liabilities are incurred, regardless of the timing of the related cash flow. Accordingly, all assets and liabilities are reflected within the Statements of Net Position with the equity section representing “net total position”.

The budgetary financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. All revenues reported in the governmental funds are considered to be available if they are collected within sixty days after year-end. Property taxes and interest are considered to be susceptible to accrual if received in the sixty day time period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims and judgments, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources. No depreciation expense is recorded in the fund statements.

D. BUDGET

A budget is prepared and legally adopted for each fund on the accrual basis of accounting in the main program categories required by Oregon Local Budget Law. The budgets for all funds are adopted on a basis consistent with generally accepted accounting principles (GAAP), except for the following:

- Depreciation is not a budgeted expense;
- Interest, principal and bond issue costs on long-term debt are recorded as an expense when paid;
- Vested compensated absences are recorded as expenses only to the extent they are expected to be liquidated with expendable available financial resources;
- Capital outlay is recorded as expenses;
- Uncollected Property Taxes (Taxes Receivable) are not accrued;
- Inventory and insurance are expensed when purchased;
- Prepaid expenses are expensed when paid rather than when used.

The budget process each fiscal year begins with the establishment of a budget committee. Generally, recommendations are developed through late winter with the budget committee approving the budget in early spring. Public notices of the budget hearing are usually published in early spring with a public hearing being held approximately three weeks later. The Board of Directors may amend the budget prior to adoption – however, budgeted expenditures for each fund may not be increased by more than ten percent (10%) without specific alternative procedures. The budget is adopted and appropriations are made for the new fiscal year no later than June 30th of the preceding fiscal year.

**PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. BUDGET (CONTINUED)

The expenditure budget for the Enterprise Funds (104 Sanitary Sewer) and (105 Water) are appropriated at the following levels:

- Personal Services
- Materials and Services
- Interfund Transfers
- Contingency

The expenditure for the Master Plans Fund (002) is appropriated at the following

- Material & Services
- Capital Outlay

The expenditure budget for the Bonded Debt Fund (003) is appropriated at the following level:

- Debt Service: principal; interest; fees

The expenditure budgets for the Capital Outlay Funds 004 (Sanitary Sewer) and 005 (Water) are appropriated at the following levels:

- Debt Service
- Materials & Services
- Capital Outlay

Expenditures of the various funds were within authorized appropriations.

E. PROPERTY TAXES RECEIVABLE

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

Uncollected property taxes are shown in the balance sheets. Uncollected taxes are deemed by management to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established.

F. INVENTORIES

Inventories consisting of operating materials and supplies are reported at cost using the weighted average cost- pricing method, and increased when purchases are made and reduced when used for operations. In the budgetary statements inventory is expensed as purchased.

**PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. CAPITAL ASSETS

Purchased capital assets are stated at cost where historical records are available and at estimated historical cost where no historical records exist. Maintenance and repairs are expensed as incurred. Replacements that improve or extend the lives of property are capitalized. Donated capital assets are stated at estimated fair value at the date of donation. Gains or losses realized from the sale of fixed assets are reflected in the statement of operations. Capital assets are defined as all individually purchased items and rehabilitation projects with an initial cost of \$1,000 or more, and an estimated useful life greater than one year. Depreciation of fixed assets has been recognized and reflected in the basic financial statements and is calculated using the straight-line method based upon the following estimated useful lives of the assets:

| | |
|---------------------------|----------------|
| Utility Plant and Systems | 33 to 50 years |
| Operations Equipment | 5 to 10 years |
| Office Equipment | 3 to 5 years |

H. COMPENSATED ABSENCES

Accumulated employee vacation leave is recorded as a liability and as an expense as the benefits accrue. Sick pay benefits are not recorded in the basic financial statements since they are not paid upon termination (non-vesting).

I. RETIREMENT PLANS

Employees participate in an IRC section 457 deferred compensation plan. Contributions to the plan are made on a current basis as required by the plan and are charged to expense as incurred. This is more fully discussed in Note 5.

J. CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, all highly liquid investments with an original maturity of three months or less when purchased and all amounts in pooled accounts are considered to be cash equivalents.

The cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

K. ESTIMATES

The preparation of the basic 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. OPERATING REVENUES AND EXPENSES

Enterprise, or proprietary, funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are water and sewer service user fees and miscellaneous charges. Water and sewer service revenues are recorded when the monthly utility billings are generated.

Operating expenses for the enterprise fund, which includes the cost of sales and services and administrative expenses, are recorded when expenditures are made. Depreciation of capital assets is recorded at the end of each fiscal year as an operating expense. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

M. RESTRICTED ASSETS

Certain assets have been restricted for specified purposes as required by Oregon Revised Statutes or bond indentures.

N. FAIR VALUE INPUTS AND METHODOLOGIES AND HIERARCHY

Fair value is defined as 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. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based upon the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

Level 1 – unadjusted price quotations in active markets/exchanges for identical assets or liabilities that each Fund has the ability to access

Level 2 – other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market-corroborated inputs)

Level 3 – unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including each Fund's own assumptions used in determining the fair value of investments)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

2. CASH AND INVESTMENTS

The cash management policies are governed by state statutes. Statutes authorized investments in bankers acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

**PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

Cash and Investments (at fair value) at June 30, 2016 and 2015 consisted of:

| | 2016 | 2015 |
|---|--------------|--------------|
| Deposits with Financial Institutions | | |
| Petty Cash | \$ 300 | \$ 300 |
| Demand Deposits | 374,078 | 398,664 |
| Investments | 1,706,602 | 1,188,477 |
| Total Cash & Investments | \$ 2,080,980 | \$ 1,587,441 |
| Reported on Statement of Net Position as: | | |
| Current Cash and Equivalents | \$ 205,662 | \$ 325,204 |
| Restricted Master Plan Fund | 149,522 | |
| Restricted Debt Service Cash | 145,729 | 160,453 |
| Restricted Water SDC/CIC Cash | 1,129,873 | 801,974 |
| Restricted Sewer SDC/CIC Cash | 450,194 | 299,810 |
| Total Cash & Investments | \$ 2,080,980 | \$ 1,587,441 |

DEPOSITS:

Deposits with financial institutions are comprised of bank demand deposits and certificates of deposit. The total bank balance per the bank statements as of June 30, 2016 is \$423,390 of which \$250,000 was covered by federal depository insurance and the remainder was collateralized by the Oregon Public Funds Collateralization Program (PFCP). Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury.

INVESTMENTS:

Investments are categorized as follows: (1) Insured or for which securities are held by us or our agent, (2) Uninsured for which the securities are held by the bank's trust department or agent in our name or (3) Uninsured for which securities are held by the bank in the bank or by its agent.

The investments at year-end could not be placed in one of the three categories. The carrying amount of investments approximates market value at June 30, 2016 and 2015 as follows:

| | 2016 | 2015 |
|--|--------------|--------------|
| Oregon State Treasurer's Local Government Investment Pool, Variable Interest Rate | \$ 1,706,602 | \$ 1,188,477 |

**PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

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, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund appears to be in compliance with all portfolio guidelines at June 30, 2016 and 2015. The LGIP seeks to exchange shares at \$1.00 per share; an 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. We intend to measure these investments at book value since it approximates fair value. The pool is comprised of a variety of investments. These investments are characterized as a level 2 fair value measurement in the Oregon Short Term Fund's audited financial report. As of June 30, 2016, the fair value of the position in the LGIP is 100.6% of the value of the pool shares as reported in the Oregon Short Term Fund audited financial statements. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized.

Interest Rate Risk

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. There are no investments held that have a maturity date beyond 3 months.

Credit Risk - Investments

Oregon Revised Statutes do not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE. The State Investment Pool is not rated.

Concentration of Credit Risk

At June 30, 2016, all of the investments were in the State Treasurer's Investment Pool. State statutes do not limit the percentage of investments in this instrument.

3. ACCOUNTS RECEIVABLE

Utility Billing (UB) Accounts Receivable represents earned but uncollected user fees and charges. Delinquent UB receivables follow the property to which the service was provided. Renters or lessees are not billed for services, only the property owners. If any UB account is not paid within a 30-day period from the time the notice of delinquency is issued by office staff, a \$100 lock-off fee is assessed against the delinquent account and the water meter is turned off and padlocked until the account balance is paid in full. Therefore, management has not established an allowance for bad debts.

**PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

4. CHANGES IN CAPITAL ASSETS

The changes in Capital Assets for the year ended June 30, 2016 are summarized below:

| | BALANCE 07/01/15 | ADDITIONS | DELETIONS | BALANCE 06/30/16 |
|--|----------------------|----------------|-----------|----------------------|
| Capital Assets Not Being Depreciated | | | | |
| Land | \$ 304,404 | \$ - | \$ - | \$ 304,404 |
| Capital Assets Being Depreciated | | | | |
| Vehicles & Equipment | 864,085 | 14,497 | - | 878,582 |
| Buildings & Improvements | 289,922 | - | - | 289,922 |
| Treatment Plant & Water Distribution | 14,088,770 | 12,085 | - | 14,100,855 |
| WW Treatment & Collection Systems | 11,886,356 | 387,238 | - | 12,273,594 |
| Total Capital Assets Being Depreciated | <u>27,129,133</u> | <u>413,820</u> | <u>-</u> | <u>27,542,953</u> |
| Accumulated Depreciation | | | | |
| Vehicles & Equipment | 754,203 | 30,569 | - | 784,772 |
| Buildings & Improvements | 89,042 | 15,106 | - | 104,148 |
| Treatment Plant & Water Distribution | 5,129,713 | 458,037 | - | 5,587,750 |
| WW Treatment & Collection Systems | 5,429,027 | 342,370 | - | 5,771,397 |
| Less: Accumulated Depreciation | <u>11,401,985</u> | <u>846,082</u> | <u>-</u> | <u>12,248,067</u> |
| Capital Assets, Net | <u>\$ 16,031,552</u> | | | <u>\$ 15,599,290</u> |

The changes in Capital Assets for the year ended June 30, 2015 are summarized below:

| | BALANCE 07/01/14 | ADDITIONS | DELETIONS | BALANCE 06/30/15 |
|--|----------------------|----------------|-----------|---------------------|
| Capital Assets Not Being Depreciated | | | | |
| Land | \$ 304,404 | \$ - | \$ - | \$ 304,404 |
| Capital Assets Being Depreciated | | | | |
| Vehicles & Equipment | 821,495 | 42,590 | - | 864,085 |
| Buildings & Improvements | 249,459 | 40,463 | - | 289,922 |
| Treatment Plant & Water Distribution | 14,009,589 | 79,181 | - | 14,088,770 |
| WW Treatment & Collection Systems | 11,745,311 | 141,045 | - | 11,886,356 |
| Total Capital Assets Being Depreciated | <u>26,825,854</u> | <u>303,279</u> | <u>-</u> | <u>27,129,133</u> |
| Accumulated Depreciation | | | | |
| Vehicles & Equipment | 692,868 | 61,335 | - | 754,203 |
| Buildings & Improvements | 84,818 | 4,224 | - | 89,042 |
| Treatment Plant & Water Distribution | 4,671,007 | 458,706 | - | 5,129,713 |
| WW Treatment & Collection Systems | 5,099,568 | 329,459 | - | 5,429,027 |
| Less: Accumulated Depreciation | <u>10,548,261</u> | <u>853,724</u> | <u>-</u> | <u>11,401,985</u> |
| Capital Assets, Net | <u>\$ 16,581,997</u> | | | <u>\$16,031,552</u> |

**PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

5. DEFERRED COMPENSATION

The Authority has decided not to participate the Oregon Public Employees Retirement Fund, which is a cost-sharing multiple employer defined benefit pension plan administered by the Oregon Public Employees Retirement System (PERS). In lieu, a deferred compensation plan has been made available to employees wherein they may execute an individual agreement for amounts earned by them to not be paid until a future date when certain circumstances are met. Additionally, employee contributions are matched up to 6% of their budgeted salary per year, Manager's contributions are matched up to 13.5% of their budgeted salary per year. The circumstances for withdrawal of contributions are: death, disability, resignation or retirement. Payment to the employee will be made over a period not to exceed 15 years. The deferred compensation plan is one which is authorized under IRC Section 457 and has been approved in its specifics by a private ruling from the Internal Revenue Service. All amounts of compensation deferred under the plan are held in trust by a separate plan administrator for the sole benefit of the participants. The contributions to the plan from both the employees and Authority for the years ended June 30, 2016, 2015 and 2014 were \$51,356, \$49,597 and \$46,213, respectively, equal to the required contributions for each year.

Employees are able to purchase post-employment insurance coverage through the Authority, until age 65. However, the Authority has no liability as the employees are responsible for all premiums. The Actuary has determined, based upon the Authority's small impact on the total insurance pool, that no material implicit rate subsidy exists and therefore there is no OPEB obligation for implicit post-employment benefits.

6. LONG-TERM DEBT

General Obligation Bonds & Line of Credit:

| <u>Issue Date</u> | <u>Interest Rates</u> | <u>Original Issue</u> | <u>Outstanding 7/1/15</u> | <u>Issued</u> | <u>Matured and Redeemed</u> | <u>Outstanding 6/30/16</u> |
|-------------------|-----------------------|-----------------------|---------------------------|---------------|-----------------------------|----------------------------|
| October 4, 2007 | 3.85-4.8% | \$ 5,485,000 | \$ 3,785,000 | \$ - | \$ 245,000 (1) | \$ 3,540,000 |
| Line of Credit | 1.75% | 500,000 | 453,442 | - | 47,447 | 405,995 |
| | | | <u>\$ 4,238,442</u> | <u>\$ -</u> | <u>\$ 292,447</u> | <u>\$ 3,945,995</u> |

General Obligation Bonds and Line of Credit Principal and Interest Streams for Long-Term Debt:

| <u>For the Fiscal Year Ended June 30:</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|---------------------|---------------------|---------------------|
| 2017 | \$ 48,306 | \$ 6,730 | \$ 55,036 (2) |
| 2018 | 304,157 | 166,856 | 471,013 |
| 2019 | 315,023 | 154,348 | 469,371 |
| 2020 | 325,896 | 140,920 | 466,816 |
| 2021 | 341,805 | 126,876 | 468,681 |
| 2022-26 | 1,825,808 | 399,192 | 2,225,000 |
| 2027-30 | 785,000 | 38,040 | 823,040 |
| Total | <u>\$ 3,945,995</u> | <u>\$ 1,032,962</u> | <u>\$ 4,978,957</u> |

(1) The principal payment due in 2016-2017 was paid in 2015-2016

(2) Principal and interest streams are for the Line of Credit only since 2016-17 bond payment was made in 2015-16.

PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. RISK MANAGEMENT

There is exposure to various risks of loss during the usual course of business. To mitigate the risk of loss, insurance policies have been purchased from Special Districts Association of Oregon, Old Republic Surety, and Inland Marine. There have been no significant changes in coverage nor have any settlements exceeded insurance coverage in the past three years.

8. COMPENSATED ABSENCES

Activity for compensated absences, all of which are considered due within one year, for the year ended June 30, 2016 as follows:

| | | |
|-----------------------|----|----------------|
| Balance July 1, 2015 | \$ | 51,840 |
| Additions | | 8,975 |
| Deletions | | <u>(9,317)</u> |
| Balance June 30, 2016 | \$ | <u>52,498</u> |

Activity for compensated absences for the year ended June 30, 2015 is shown as follows:

| | | |
|-----------------------|----|-----------------|
| Balance July 1, 2014 | \$ | 52,811 |
| Additions | | 51,840 |
| Deletions | | <u>(52,811)</u> |
| Balance June 30, 2015 | \$ | <u>51,840</u> |

9. DEFICIT FUND BALANCE

At fiscal year end, the Master Plan Fund had a deficit fund balance of \$6,874. The Authority reorganized funds in the 2015-16 fiscal year, and in the future expects fund balances to become positive.

PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON

SUPPLEMENTARY INFORMATION

(Individual Fund and Other Financial Schedules)

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**PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON**

**COMBINING BALANCE SHEET - ALL FUNDS (BUDGETARY BASIS)
June 30, 2016**

| | WATER ENTERPRISE FUND | WASTEWATER ENTERPRISE FUND | MASTER PLAN FUND | DEBT SERVICE FUND | WATER SDC/CIC RESERVE FUND | SEWER SDC/CIC RESERVE FUND | TOTAL |
|---|-----------------------------|----------------------------------|------------------------|-------------------------|-------------------------------------|-------------------------------------|---------------------|
| ASSETS: | | | | | | | |
| Cash and Investments | \$ 82,008 | \$ 123,654 | \$ 149,522 | \$ 145,729 | \$ 1,129,873 | \$ 450,194 | \$ 2,080,980 |
| Utility Billing A/R | 54,101 | 53,377 | 8 | - | 7,992 | 27,637 | 143,115 |
| Taxes Receivable | - | - | - | 39,571 | - | - | 39,571 |
| Total Assets | <u>\$ 136,109</u> | <u>\$ 177,031</u> | <u>\$ 149,530</u> | <u>\$ 185,300</u> | <u>\$ 1,137,865</u> | <u>\$ 477,831</u> | <u>\$ 2,263,666</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE: | | | | | | | |
| Current Liabilities: | | | | | | | |
| Accounts Payable/Retainage Payable | \$ 10,610 | \$ 8,572 | \$ 156,404 | \$ - | \$ 1,830 | \$ 12,502 | \$ 189,918 |
| Deferred Inflows of Resources: | | | | | | | |
| Unavailable Revenue-Property Taxes | - | - | - | 31,822 | - | - | 31,822 |
| Fund Balance: | | | | | | | |
| Restricted for Debt Service | - | - | (6,874) | 153,478 | - | - | 146,604 |
| Restricted for Capital Projects | - | - | - | - | 1,136,035 | 465,329 | 1,601,364 |
| Unassigned | 125,499 | 168,459 | - | - | - | - | 293,958 |
| Total Fund Balance | <u>125,499</u> | <u>168,459</u> | <u>(6,874)</u> | <u>153,478</u> | <u>1,136,035</u> | <u>465,329</u> | <u>2,041,926</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | <u>\$ 136,109</u> | <u>\$ 177,031</u> | <u>\$ 149,530</u> | <u>\$ 185,300</u> | <u>\$ 1,137,865</u> | <u>\$ 477,831</u> | <u>\$ 2,263,666</u> |

Reconciliation to Net Position:

| | |
|------------------------------------|----------------------|
| Fund Balances Above | \$ 2,041,926 |
| Less: | |
| Accrued Compensated Absences | (52,498) |
| Bond Payable & Line of Credit | (3,945,995) |
| Plus: | |
| Net Capital Assets | 15,599,290 |
| Inventory | 59,100 |
| Unavailable Revenue-Property Taxes | 31,822 |
| Total Net Position | <u>\$ 13,733,645</u> |

PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 ALL FUNDS (BUDGETARY BASIS)
 For the Year Ended June 30, 2016

| | WATER ENTERPRISE FUND | WASTEWATER ENTERPRISE FUND | MASTER PLAN FUND | DEBT SERVICE FUND | WATER SDC/CIC RESERVE FUND | SEWER SDC/CIC RESERVE FUND | TOTAL |
|--|-----------------------------|----------------------------------|------------------------|-------------------------|-------------------------------------|-------------------------------------|--------------|
| REVENUES: | \$ 562,039 | \$ 616,323 | \$ 160,060 | \$ 407,029 | \$ 268,702 | \$ 256,396 | \$ 2,270,549 |
| EXPENDITURES: | | | | | | | |
| Personnel Services | 308,796 | 348,371 | - | - | - | - | 657,167 |
| Materials and Services | 198,770 | 192,101 | - | - | - | 14,768 | 405,639 |
| Capital Outlay | - | - | 245,855 | - | 34,803 | 190,878 | 471,536 |
| Debt Service | - | - | 426 | 421,753 | - | 55,034 | 477,213 |
| Total Expenditures | 507,566 | 540,472 | 246,281 | 421,753 | 34,803 | 260,680 | 2,011,555 |
| Excess of Revenues Over, (Under) Expenditures | 54,473 | 75,851 | (86,221) | (14,724) | 233,899 | (4,284) | 258,994 |
| Other Financing Sources (Uses) | (95,242) | (157,251) | 79,347 | - | 95,242 | 157,251 | 79,347 |
| Net Change in Fund Balance | (40,769) | (81,400) | (6,874) | (14,724) | 329,141 | 152,967 | 338,341 |
| Beginning Fund Balance | 166,268 | 249,859 | - | 168,202 | 806,894 | 312,362 | 1,703,585 |
| Ending Fund Balance | \$ 125,499 | \$ 168,459 | \$ (6,874) | \$ 153,478 | \$ 1,136,035 | \$ 465,329 | \$ 2,041,926 |

Reconciliation to Changes in Net Position:

| | |
|-------------------------------|-------------------|
| Change in Fund Balances Above | \$ 338,341 |
| Additions: | |
| Capital Additions/Deletions | 413,820 |
| Bond Paid | 292,447 |
| Inventory | (5,798) |
| Deletions: | |
| Depreciation (Net) | (846,082) |
| Accrued Compensated Absences | (659) |
| Change in Net Position | <u>\$ 192,069</u> |

**PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
ACTUAL AND BUDGET (BUDGETARY BASIS)
For the Year Ended June 30, 2016**

| <u>WATER ENTERPRISE FUND</u> | | | | |
|---------------------------------|----------------------------|-------------------------|----------------|---|
| | <u>ORIGINAL BUDGET</u> | <u>FINAL BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE TO FINAL BUDGET</u> |
| REVENUES: | | | | |
| User Fees - Water | \$ 534,000 | \$ 534,000 | \$ 534,376 | \$ 376 |
| Streetlight Assessments | 9,500 | 9,500 | 9,615 | 115 |
| Miscellaneous/Lab Charges | 2,000 | 2,000 | 4,684 | 2,684 |
| Inspections | 1,000 | 1,000 | 5,753 | 4,753 |
| Service Mapping | 500 | 500 | 900 | 400 |
| Fire Hydrant/Water | 1,000 | 1,000 | 56 | (945) |
| Reimbursements | 2,500 | 2,500 | 3,487 | 987 |
| Customer Assistance Program | 500 | 500 | - | (500) |
| Earnings on Investments | 1,250 | 1,250 | 3,168 | 1,918 |
| Total Revenues | 552,250 | 552,250 | 562,039 | 9,789 |
| EXPENDITURES: | | | | |
| Personnel Services: | | | | |
| Authority Manager | 48,511 | 48,511 | 48,635 | (124) |
| Executive Assistant | 30,816 | 30,816 | 31,643 | (827) |
| Office Assistant | 10,000 | 10,000 | 8,220 | 1,780 |
| Operator I | 70,000 | 70,000 | 64,451 | 5,549 |
| OIT | 33,600 | 33,600 | 27,718 | 5,882 |
| Utility Worker | 9,054 | 9,054 | 14,838 | (5,784) |
| Grounds Maintenance | 1,500 | 1,500 | 2,599 | (1,099) |
| Overtime Allowance | 4,770 | 4,770 | 1,679 | 3,091 |
| Merit Reserves | 4,770 | 4,770 | 451 | 4,319 |
| Medical Insurance | 76,320 | 76,320 | 71,101 | 5,219 |
| Workers Compensation | 7,632 | 7,632 | 4,695 | 2,937 |
| Deferred Compensation | 13,350 | 13,350 | 12,305 | 1,045 |
| Payroll Taxes | 22,896 | 22,896 | 20,461 | 2,435 |
| Total Personnel Services | 333,219 | 333,219 (1) | 308,796 | 24,423 |
| Materials and Services: | | | | |
| Access Fees | 300 | 300 | - | 300 |
| Accounting/Auditing | 7,000 | 7,000 | 9,075 | (2,075) |
| Advertising | 1,000 | 1,000 | 597 | 403 |
| Administrative Meetings | - | - | - | - |
| Contract Services | 9,000 | 9,000 | 10,305 | (1,305) |
| Bank/Bond Expense | 3,100 | 3,100 | 3,951 | (851) |
| Director Fees/Training | 850 | 850 | 418 | 432 |
| Dues & Subscriptions | 2,750 | 2,750 | 1,814 | 936 |
| Employee Training | 3,000 | 3,000 | 559 | 2,441 |
| Elections | 500 | 500 | - | 500 |
| Electricity | 26,000 | 26,000 | 28,261 | (2,261) |
| Streetlights electricity | 7,200 | 7,200 | 7,172 | 28 |
| Insurance | 23,460 | 23,460 | 22,491 | 969 |
| Legal Fees | 5,000 | 5,000 | 3,767 | 1,233 |
| Miscellaneous | 500 | 500 | 198 | 302 |
| Newsletter | 1,400 | 1,400 | - | 1,400 |
| Office Equipment R & M | 8,000 | 8,000 | 4,585 | 3,415 |
| Office Supplies | 2,000 | 2,000 | 1,595 | 405 |
| Postage/Freight | 2,500 | 2,500 | 729 | 1,771 |

(1) Appropriation level

Continued on page 19b

**PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
ACTUAL AND BUDGET (BUDGETARY BASIS)
For the Year Ended June 30, 2016**

| | ORIGINAL BUDGET | FINAL BUDGET | | ACTUAL | VARIANCE TO FINAL BUDGET |
|--|--------------------|-----------------|-----|-------------------|--------------------------------|
| EXPENDITURES (CONT.): | | | | | |
| Materials and Services (Cont.): | | | | | |
| Telephone | \$ 6,000 | \$ 6,000 | | \$ 5,732 | \$ 268 |
| Uniforms | 2,000 | 2,000 | | 502 | 1,498 |
| Water Telemetry System | 1,000 | 1,000 | | 480 | 520 |
| Monitoring | 1,750 | 1,750 | | 1,714 | 36 |
| Lab Supplies | 1,000 | 1,000 | | 324 | 676 |
| Chemicals | 24,000 | 24,000 | | 25,044 | (1,044) |
| Testing | 7,200 | 7,200 | | 4,675 | 2,525 |
| Water District/Trans R & M | 30,000 | 30,000 | | 15,843 | 14,157 |
| Backflow Prevention | 900 | 900 | | 811 | 89 |
| Water Pumping R & M | 5,000 | 5,000 | | 1,637 | 3,363 |
| Water Treatment R & M | 25,000 | 25,000 | | 21,672 | 3,328 |
| Water Conservation | 3,000 | 3,000 | | - | 3,000 |
| Horn Creek Lease | 7,500 | 7,500 | | 6,500 | 1,000 |
| Building R & M | 10,000 | 10,000 | | 7,288 | 2,712 |
| Grounds R & M | 3,200 | 3,200 | | 2,042 | 1,158 |
| Generator R & M | 3,000 | 3,000 | | 2,198 | 802 |
| Backhoe R & M | 2,400 | 2,400 | | 150 | 2,250 |
| NPDES Permit | - | - | | - | - |
| Transportation | 7,500 | 7,500 | | 6,641 | 859 |
| Community Events | - | - | | - | - |
| Customer Assist Pymt Program | 1,000 | 1,000 | | - | 1,000 |
| | <u>245,010</u> | <u>245,010</u> | (1) | <u>198,770</u> | <u>46,240</u> |
| Total Materials and Services | | | | | |
| Operating Contingency | <u>32,500</u> | <u>32,500</u> | (1) | <u>-</u> | <u>32,500</u> |
| | | | | | |
| Total Expenditures | <u>610,729</u> | <u>610,729</u> | | <u>507,566</u> | <u>103,163</u> |
| | | | | | |
| Excess of Revenues Over, (Under) Expenditures | (58,479) | (58,479) | | 54,473 | 112,952 |
| | | | | | |
| Other Financing Sources (Uses): | | | | | |
| Transfers Out | <u>(95,242)</u> | <u>(95,242)</u> | (1) | <u>(95,242)</u> | <u>-</u> |
| | | | | | |
| Net Change in Fund Balance | (153,721) | (153,721) | | (40,769) | 112,952 |
| | | | | | |
| Beginning Fund Balance | <u>153,721</u> | <u>153,721</u> | | <u>166,268</u> | <u>12,547</u> |
| | | | | | |
| Ending Fund Balance | <u>\$ -</u> | <u>\$ -</u> | | <u>\$ 125,499</u> | <u>\$ 125,499</u> |

(1) Appropriation level

Continued from page 19a

**PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
ACTUAL AND BUDGET (BUDGETARY BASIS)
For the Year Ended June 30, 2016**

WASTEWATER ENTERPRISE FUND

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE TO FINAL BUDGET |
|---------------------------------|--------------------|-----------------|----------------|--------------------------------|
| REVENUES: | | | | |
| User Fees - Sewer | \$ 621,000 | \$ 621,000 | \$ 611,140 | \$ (9,860) |
| Miscellaneous/Lab Charges | 2,500 | 2,500 | - | (2,500) |
| Service Mapping | 500 | 500 | 750 | 250 |
| Contract Sludge Hauling | 1,000 | 1,000 | | |
| Reimbursements | 2,500 | 2,500 | 2,663 | 163 |
| Inspections | 1,000 | 1,000 | 550 | (450) |
| Customer Assistance Program | 500 | 500 | - | (500) |
| Earnings on Investments | 1,250 | 1,250 | 1,220 | (30) |
| | <u>630,250</u> | <u>630,250</u> | <u>616,323</u> | <u>(13,927)</u> |
| Total Revenues | | | | |
| EXPENDITURES: | | | | |
| Personnel Services: | | | | |
| Authority Manager | 48,512 | 48,512 | 48,512 | - |
| Executive Assistant | 30,816 | 30,816 | 31,643 | (827) |
| Office Assistant | 10,000 | 10,000 | 8,230 | 1,770 |
| Operator I | 70,000 | 70,000 | 79,378 | (9,378) |
| OIT | 36,400 | 36,400 | 36,862 | (462) |
| Utility Worker/Grounds | 21,126 | 21,126 | 15,830 | 5,296 |
| Grounds Maintenance | 6,000 | 6,000 | 4,627 | 1,373 |
| Overtime Allowance | 5,230 | 5,230 | 2,571 | 2,659 |
| Merit Reserves | 5,230 | 5,230 | 470 | 4,760 |
| Medical Insurance | 83,680 | 83,680 | 79,373 | 4,307 |
| Workers Compensation | 8,368 | 8,368 | 4,649 | 3,719 |
| Deferred Compensation | 14,650 | 14,650 | 13,498 | 1,152 |
| Payroll Taxes | 25,104 | 25,104 | 22,728 | 2,376 |
| | <u>365,116</u> | <u>365,116</u> | <u>348,371</u> | <u>16,745</u> |
| Total Personnel Services | | | | |
| Materials and Services: | | | | |
| Access Fees | 700 | 700 | 64 | 636 |
| Accounting/Auditing | 9,000 | 9,000 | 9,075 | (75) |
| Advertising | 1,000 | 1,000 | 598 | 402 |
| Administrative Meetings | - | - | - | - |
| Contract Services | 9,000 | 9,000 | 12,148 | (3,148) |
| Bank/Bond Expense | 2,900 | 2,900 | 3,954 | (1,054) |
| Director Fees/Training | 850 | 850 | 638 | 212 |
| Dues & Subscriptions | 2,750 | 2,750 | 2,467 | 283 |
| Employee Training | 3,000 | 3,000 | 473 | 2,527 |
| Elections | 1,500 | 1,500 | 4,196 | (2,696) |
| Electricity | 39,000 | 39,000 | 35,966 | 3,034 |
| Insurance | 23,000 | 23,000 | 22,491 | 509 |
| Legal Fees | 5,000 | 5,000 | 10,493 | (5,493) |
| Miscellaneous | 500 | 500 | 198 | 302 |
| Newsletter | 600 | 600 | - | 600 |
| Office Equipment R & M | 8,000 | 8,000 | 4,957 | 3,043 |
| Office Supplies | 2,000 | 2,000 | 1,610 | 390 |
| Postage/Freight | 2,500 | 2,500 | 707 | 1,793 |

(1) Appropriation level

Continued on page 20b

**PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
ACTUAL AND BUDGET (BUDGETARY BASIS)
For the Year Ended June 30, 2016**

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE TO FINAL BUDGET |
|--|--------------------|------------------|-------------------|--------------------------------|
| EXPENDITURES (CONT.): | | | | |
| Materials and Services (Cont.): | | | | |
| Telephone | \$ 6,000 | \$ 6,000 | \$ 5,078 | \$ 922 |
| Uniforms | 2,000 | 2,000 | 502 | 1,498 |
| Water Telemetry System | - | - | 224 | (224) |
| Monitoring | 1,750 | 1,750 | 1,385 | 365 |
| Lab Supplies | 8,500 | 8,500 | 9,856 | (1,356) |
| Chemicals | 6,000 | 6,000 | 217 | 5,783 |
| Testing | 4,000 | 4,000 | 3,375 | 625 |
| WWT Plant R & M | 30,000 | 30,000 | 12,472 | 17,528 |
| WW Collection System R & M | 35,000 | 35,000 | 1,153 | 33,847 |
| Wastewater Pumping | 25,000 | 25,000 | 3,638 | 21,362 |
| Solid Waste Disposal | 5,500 | 5,500 | 4,268 | 1,232 |
| Bio-Solids Management | 15,000 | 15,000 | 14,219 | 781 |
| Step System Pumping | 7,000 | 7,000 | 1,497 | 5,503 |
| Step System R & M | 8,500 | 8,500 | 6,900 | 1,600 |
| Water District/Trans R & M | - | - | - | - |
| Backflow Prevention | 600 | 600 | - | 600 |
| Water Pumping R & M | - | - | - | - |
| Water Treatment R & M | - | - | - | - |
| Water Conservation | - | - | - | - |
| Building R & M | 15,000 | 15,000 | 1,367 | 13,633 |
| Generator R & M | 7,000 | 7,000 | 3,209 | 3,791 |
| Backhoe R & M | 1,600 | 1,600 | - | 1,600 |
| NPDES Permit | 3,500 | 3,500 | 2,561 | 939 |
| Transportation | 17,500 | 17,500 | 8,819 | 8,681 |
| Community Events | - | - | - | - |
| Grounds R & M | 7,000 | 7,000 | 1,326 | 5,674 |
| Customer Assist Pymt Program | 1,000 | 1,000 | - | 1,000 |
| Horn Creek Lease | - | - | - | - |
| Total Materials and Services | 318,750 | 318,750 | 192,101 | 126,649 |
| Operating Contingency | 32,500 | 32,500 | - | 32,500 |
| Total Expenditures | 716,366 | 716,366 | 540,472 | 175,894 |
| Excess of Revenues Over, (Under) Expenditures | (86,116) | (86,116) | 75,851 | 161,967 |
| Other Financing Sources (Uses): | | | | |
| Transfers Out | (157,251) | (157,251) | (157,251) | - |
| Net Change in Fund Balance | (243,367) | (243,367) | (81,400) | 161,967 |
| Beginning Fund Balance | 243,367 | 243,367 | 249,859 | 6,492 |
| Ending Fund Balance | \$ - | \$ - | \$ 168,459 | \$ 168,459 |

(1) Appropriation level

Continued from page 20a

**PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
ACTUAL AND BUDGET (BUDGETARY BASIS)
For the Year Ended June 30, 2016**

| <u>MASTER PLAN FUND</u> | | | | |
|--|----------------------------|-------------------------|--------------------|---|
| | <u>ORIGINAL BUDGET</u> | <u>FINAL BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE TO FINAL BUDGET</u> |
| REVENUES: | | | | |
| Tap Fees | \$ - | \$ - | \$ - | \$ - |
| Capital Improvement Charges | 162,000 | 162,000 | 159,898 | (2,102) |
| System Development Charges | - | - | - | - |
| Reimbursements | - | - | - | - |
| Earnings on Investments | - | - | 162 | 162 |
| Total Revenues | 162,000 | 162,000 | 160,060 | (1,940) |
| EXPENDITURES: | | | | |
| Materials and Services | - | - | (1) - | - |
| Capital Outlay: | | | | |
| Equipment | 2,000,000 | 2,000,000 | - | 2,000,000 |
| Construction | 8,500,000 | 8,500,000 | 36,075 | 8,463,925 |
| Office/Lab Remodel | - | - | - | - |
| Computer Upgrades | - | - | - | - |
| Engineering/Legal | 1,000,000 | 1,000,000 | 209,780 | 790,220 |
| Service Installations | - | - | - | - |
| Rolling Stock | - | - | - | - |
| Total Capital Outlay | 11,500,000 | 11,500,000 | (1) 245,855 | 11,254,145 |
| Debt Service: | | | | |
| Flex-Lease | 162,000 | 162,000 | (1) 426 | 161,574 |
| Total Expenditures | 11,662,000 | 11,662,000 | 246,281 | 11,415,719 |
| Excess of Revenues Over, (Under) Expenditures | (11,500,000) | (11,500,000) | (86,221) | 11,413,779 |
| Other Financing Sources (Uses) | | | | |
| Flex Lease Loan | - | - | - | - |
| Bond Proceeds | 11,500,000 | 11,500,000 | 79,347 | (11,420,653) |
| Transfers In | - | - | - | - |
| Transfers Out | - | - | - | - |
| Total Other Financing | 11,500,000 | 11,500,000 | 79,347 | (11,420,653) |
| Net Change in Fund Balance | - | - | (6,874) | (6,874) |
| Beginning Fund Balance | - | - | - | - |
| Ending Fund Balance | \$ - | \$ - | \$ (6,874) | \$ (6,874) |

(1) Appropriation level

**PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
ACTUAL AND BUDGET (BUDGETARY BASIS)
For the Year Ended June 30, 2016**

| <u>DEBT SERVICE FUND</u> | | | | |
|-----------------------------------|----------------------------|-------------------------|-------------------|---|
| | <u>ORIGINAL BUDGET</u> | <u>FINAL BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE TO FINAL BUDGET</u> |
| REVENUES: | | | | |
| Property Taxes | \$ 383,500 | \$ 383,500 | \$ 404,861 | \$ 21,361 |
| Earnings on Investments | 500 | 500 | 2,168 | 1,668 |
| Misc. Revenue | - | - | - | - |
| Total Revenues | <u>384,000</u> | <u>384,000</u> | <u>407,029</u> | <u>23,029</u> |
| EXPENDITURES: | | | | |
| Debt Service: | | | | |
| Bond Principal Payments | 245,000 | 245,000 | 245,000 | - |
| Bond Interest Payments | <u>180,000</u> | <u>180,000</u> | <u>176,753</u> | <u>3,247</u> |
| Total Expenditures | <u>425,000</u> | <u>425,000 (1)</u> | <u>421,753</u> | <u>3,247</u> |
| Net Change in Fund Balance | (41,000) | (41,000) | (14,724) | 26,276 |
| Beginning Fund Balance | <u>41,000</u> | <u>41,000</u> | <u>168,202</u> | <u>127,202</u> |
| Ending Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 153,478</u> | <u>\$ 153,478</u> |

(1) Appropriation level

**PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
ACTUAL AND BUDGET (BUDGETARY BASIS)
For the Year Ended June 30, 2016**

WATER SDC/CIC RESERVE FUND

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE TO FINAL BUDGET |
|--|--------------------|----------------------|---------------------|--------------------------------|
| REVENUES: | | | | |
| Tap Fees | \$ 2,000 | \$ 2,000 | \$ - | \$ (2,000) |
| Capital Improvement Charges | 162,000 | 162,000 | 89,505 | (72,495) |
| System Development Charges | 158,400 | 158,400 | 174,240 | 15,840 |
| Reimbursements | 1,000 | 1,000 | - | (1,000) |
| Earnings on Investments | 500 | 500 | 4,957 | 4,457 |
| Total Revenues | 323,900 | 323,900 | 268,702 | (55,198) |
| EXPENDITURES: | | | | |
| Materials and Services | 15,000 | 15,000 (1) | - | 15,000 |
| Capital Outlay: | | | | |
| Equipment | 55,000 | 55,000 | 77 | 54,923 |
| Construction | 1,596,482 | 1,596,482 | 18,233 | 1,578,249 |
| Office/Lab Remodel | 10,000 | 10,000 | - | 10,000 |
| Computer Upgrades | 15,000 | 15,000 | - | 15,000 |
| Engineering/Legal | 264,660 | 264,660 | 16,338 | 248,322 |
| Service Installations | 10,000 | 10,000 | 155 | 9,845 |
| Rolling Stock | 40,000 | 40,000 | - | 40,000 |
| Total Capital Outlay | 1,991,142 | 1,991,142 (1) | 34,803 | 1,956,339 |
| Debt Service: | | | | |
| Flex-Lease | 140,000 | 140,000 (1) | - | 140,000 |
| Total Expenditures | 2,146,142 | 2,146,142 | 34,803 | 2,111,339 |
| Excess of Revenues Over, (Under) Expenditures | (1,822,242) | (1,822,242) | 233,899 | 2,056,141 |
| Other Financing Sources (Uses) | | | | |
| Flex Lease Loan | 1,000,000 | 1,000,000 | - | (1,000,000) |
| Transfers In | 95,242 | 95,242 | 95,242 | - |
| Transfers Out | - | - | - | - |
| Total Other Financing | 1,095,242 | 1,095,242 | 95,242 | (1,000,000) |
| Net Change in Fund Balance | (727,000) | (727,000) | 329,141 | 1,056,141 |
| Beginning Fund Balance | 727,000 | 727,000 | 806,894 | 79,894 |
| Ending Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,136,035</u> | <u>\$ 1,136,035</u> |

(1) Appropriation level

**PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
ACTUAL AND BUDGET (BUDGETARY BASIS)
For the Year Ended June 30, 2016**

| <u>SEWER SDC/CIC RESERVE FUND</u> | | | | |
|---|----------------------------|-------------------------|-------------------|---|
| | <u>ORIGINAL BUDGET</u> | <u>FINAL BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE TO FINAL BUDGET</u> |
| REVENUES: | | | | |
| Capital Improvement Charges | \$ 162,000 | \$ 162,000 | \$ 160,621 | \$ (1,379) |
| System Development Charges | 85,580 | 85,580 | 94,138 | 8,558 |
| Loans | 750,000 | 750,000 | | |
| Grants | 50,000 | 50,000 | - | (50,000) |
| Reimbursements/Refunds | - | - | - | - |
| Earnings on Investments | 500 | 500 | 1,637 | 1,137 |
| Total Revenues | 1,048,080 | 1,048,080 | 256,396 | (41,684) |
| EXPENDITURES: | | | | |
| Materials and Services | 15,000 | 15,000 (1) | 14,768 | 232 |
| Capital Outlay: | | | | |
| Equipment | 132,000 | 132,000 | 19,255 | 112,745 |
| Service Installations | 5,000 | 5,000 | - | 5,000 |
| Construction | 806,286 | 806,286 | 49,712 | 756,574 |
| Lift Station Improvements | 73,045 | 73,045 | 5,005 | 68,040 |
| Office/Lab Remodel | | - | | - |
| Engineering | 280,000 | 280,000 | 116,906 | 163,094 |
| Computer Upgrades | 10,000 | 10,000 | - | 10,000 |
| Rolling Stock | 30,000 | 30,000 | - | 30,000 |
| Inflow and Infiltration | 10,000 | 10,000 | - | 10,000 |
| Total Capital Outlay | 1,346,331 | 1,346,331 (1) | 190,878 | 1,155,453 |
| Debt Service: | | | | |
| Loan Re-Payment | 100,000 | 100,000 | 55,034 | 44,966 |
| Total Debt Service | 100,000 | 100,000 (1) | 55,034 | 44,966 |
| Total Expenditures | 1,461,331 | 1,461,331 | 260,680 | 1,200,651 |
| Excess of Revenues Over (Under) Expenditures | (413,251) | (413,251) | (4,284) | 408,967 |
| Other Financing Sources (Uses): | | | | |
| Loan Proceeds | - | - | - | - |
| Transfers In | 157,251 | 157,251 | 157,251 | - |
| Transfers Out | - | - | - | - |
| Total Other Financing | 157,251 | 157,251 | 157,251 | - |
| Net Change in Fund Balance | (256,000) | (256,000) | 152,967 | 408,967 |
| Beginning Fund Balance | 256,000 | 256,000 | 312,362 | 56,362 |
| Ending Fund Balance | \$ - | \$ - | \$ 465,329 | \$ 465,329 |

(1) Appropriation level

**PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON**

**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED - DEBT SERVICE FUND
For the Year Ended June 30, 2016**

| Tax Year | Original Levy or Balance Uncollected 7/1/15 | Deduct Discounts | Adjustments to Rolls | Add Interest | Cash Collections by County Treasurer | Balance Uncollected 6/30/16 |
|--------------|--|------------------|-------------------------|-----------------|--|-----------------------------------|
| Current: | | | | | | |
| 2015-16 | \$ 410,312 | \$ 10,045 | \$ (170) | \$ 263 | \$ 387,880 | \$ 12,480 |
| Prior Years: | | | | | | |
| 2014-15 | 12,763 | - | (657) | 457 | 5,748 | 6,815 |
| 2013-14 | 13,414 | - | (621) | 499 | 2,381 | 10,911 |
| 2012-13 | 6,878 | - | (451) | 889 | 2,738 | 4,578 |
| 2011-12 | 3,105 | - | (464) | 461 | 1,180 | 1,922 |
| Prior Years | 3,411 | - | (471) | 193 | 268 | 2,865 |
| Total Prior | 39,571 | - | (2,664) | 2,499 | 12,315 | 27,091 |
| Total | <u>\$ 449,883</u> | <u>\$ 10,045</u> | <u>\$ (2,834)</u> | <u>\$ 2,762</u> | <u>\$ 400,195</u> | <u>\$ 39,571</u> |

RECONCILIATION TO REVENUE:

| | |
|--|-------------------|
| Cash Collections by County Treasurer Above | \$ 400,195 |
| Accrued at 6/30/15 | (6,435) |
| Accrued at 6/30/16 | 4,281 |
| Payments in Lieu of Taxes | <u>6,820</u> |
| Total Revenue | <u>\$ 404,861</u> |

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**PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON**

OTHER INFORMATION

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**PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON**

**SCHEDULE OF BOND AND INTEREST TRANSACTIONS AND BALANCES
For the Year Ended June 30, 2016**

| DATE OF ISSUE | ORIGINAL AMOUNT | MATURED BONDS & LINE OF CREDIT OUTSTANDING 7/1/2015 | BONDS & LINE OF CREDIT MATURING DURING THE YEAR | BONDS REDEEMED AND LINE OF CREDIT PAID DURING THE YEAR | MATURED BONDS & LINE OF CREDIT OUTSTANDING 6/30/2016 |
|---------------------|--------------------|---|---|---|--|
| 10/4/2007 | \$ 5,485,000 | \$ 3,785,000 | \$ 245,000 | \$ 245,000 | \$ 3,540,000 |
| Line of Credit | \$ 500,000 | 453,442 | 47,447 | 47,447 | 405,995 |
| | | <u>\$ 4,238,442</u> | <u>\$ 292,447</u> | <u>\$ 292,447</u> | <u>\$ 3,945,995</u> |

**PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON**

**SCHEDULE OF BOND REDEMPTION AND INTEREST REQUIREMENTS
June 30, 2016**

| <u>ISSUE OF 10/4/07</u> | | | <u>LINE OF CREDIT</u> | | |
|-------------------------|----------------------------|----------------------------|-----------------------|-----------------------------------|-------------------------|
| <u>YEAR</u> | <u>Due July 1st</u> | <u>Interest</u> | <u>YEAR</u> | <u>Due 30th of each month</u> | <u>Interest</u> |
| 2016-2017 | \$ - (1) | - (1) | 2016-2017 | \$ 48,306 | \$ 6,730 |
| 2017-2018 | 255,000 | 160,980 | 2017-2018 | 49,157 | 5,876 |
| 2018-2019 | 265,000 | 149,337 | 2018-2019 | 50,023 | 5,011 |
| 2019-2020 | 275,000 | 136,782 | 2019-2020 | 50,896 | 4,138 |
| 2020-2021 | 290,000 | 123,645 | 2020-2021 | 51,805 | 3,231 |
| 2021-2026 | 1,670,000 | 395,051 | 2021-2026 | 155,808 | 4,141 |
| 2026-2031 | 785,000 | 38,040 | 2026-2031 | - | - |
| TOTALS | <u>\$ 3,540,000</u> | <u>\$ 1,003,835</u> | TOTALS | <u>\$ 405,995</u> | <u>\$ 29,127</u> |

(1) The District prepaid the July 1, 2016 GO Bond principal and interest payment in June of 2016.

**PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON**

Independent Auditors' Report Required by Oregon State Regulations

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October 24, 2016

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the Pacific City Joint Water-Sanitary Authority as of and for the year ended June 30, 2016, and have issued our report thereon dated October 24, 2016. 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 basic financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of the basic financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- **Deposit of public funds with financial institutions (ORS Chapter 295)**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

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

OAR 162-10-0230 Internal Control

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

We noted matters involving the internal control structure and its operation that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants, which are noted in our management letter dated October 24, 2016.

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

A handwritten signature in black ink that reads "Roy R. Rogers". The signature is written in a cursive style with a large, stylized "R" and "G".

ROY R. ROGERS, CPA
PAULY, ROGERS AND CO., P.C.