

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

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2010



12700 SW 72nd Ave.
Tigard, OR 97223

PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON

2009-2010
FINANCIAL REPORT

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PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON

<u>BOARD OF DIRECTORS</u>	<u>TERM EXPIRES</u>
Doug Kellow, Chair	June 30, 2013
Carolyn McVicker, Vice Chair	June 30, 2011
Dick Carter, Secretary	June 30, 2013
Larry Rouse	June 30, 2011
Anne Price	June 30, 2013

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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PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

-
- 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
 - (503) 620-2632 • FAX (503) 684-7523

September 15, 2010

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

INDEPENDENT AUDITORS' REPORT

We have audited the basic financial statements of Pacific City Joint Water-Sanitary Authority, Tillamook County, Oregon, as of and for the years ended June 30, 2010 and 2009, as listed in the table of contents. The basic financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion the basic financial statements referred to above present fairly, in all material respects, the financial position of the Pacific City Joint Water-Sanitary Authority, Tillamook County, Oregon, at June 30, 2010 and 2009, and the results of its operations, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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Management's Discussion and Analysis

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, 2010. 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

- At June 30, 2010, the Authority's assets exceeded its liabilities by \$14,752,696.
- The Authority has \$12,163,437 invested in capital assets, net of accumulated depreciation, and related debt.
- Decrease in net assets for the year was \$157,782.

Overview of the 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 Assets, the Statement of Revenue, Expenses and Changes in Net Assets and the Statement of Cash Flows. The Statement of Net Assets 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. The Statement of Revenues, Expenses and Changes in Net Assets presents information showing how the Authority's assets changed as a result of current year's operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that do not affect cash until future fiscal periods. The Statement of Cash Flows presents information showing how the Authority's cash changed as a result of current year operations. Budgetary schedules are included later in the financial report.

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 Summary

The following schedule presents a summary of revenues, expenses and increase in net assets for the Authority for the fiscal year ended June 30, 2010 and the amount and percentage change from the prior year:

	2010	2009	Percent Change
Operating Revenue:			
Service Fees	\$ 848,274	\$ 772,225	10%
Other Operating Revenues	38,689	40,028	-3%
Total Operating Revenues	886,963	812,253	9%
Operating Expenses:			
Personal Services	521,807	525,639	-1%
Materials and Services	327,599	311,621	5%
Depreciation and Amortization	794,728	615,762	29%
Total Operating Expenses	1,644,134	1,453,022	13%
Net Income, (Loss) From Operations	(757,171)	(640,769)	18%
Nonoperating Revenue, (Expenses)	599,389	684,093	-12%
Change in Net Assets	(157,782)	43,324	-464%
Beginning Net Asset	14,910,478	14,867,154	0%
Ending Net Assets	\$ 14,752,696	\$ 14,910,478	-1%

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.

Total assets, liabilities and net assets were as follows:

	2010	2009	Change
Assets			
Current Assets	\$ 607,493	\$ 614,166	-1%
Restricted Assets	2,667,566	6,968,766	-62%
Capital Assets	<u>17,223,437</u>	<u>12,834,086</u>	34%
Total Assets	<u>\$ 20,498,496</u>	<u>\$ 20,417,018</u>	0%
Liabilities and Net Assets:			
Current Liabilities	\$ 822,443	\$ 394,485	108%
Long Term Debt	<u>4,923,357</u>	<u>5,112,055</u>	-4%
Total Liabilities	<u>5,745,800</u>	<u>5,506,540</u>	4%
Net Assets			
Invested in Capital Assets Net of Related Debt	12,163,437	7,519,086	62%
Reserved for Debt Service	156,406	134,808	16%
Reserved for Capital Improvements	1,898,625	6,708,670	-72%
Unrestricted	<u>534,228</u>	<u>547,914</u>	-2%
Total Net Assets	<u>14,752,696</u>	<u>14,910,478</u>	-1%
Total Liabilities and Net Assets	<u>\$ 20,498,496</u>	<u>\$ 20,417,018</u>	0%

Budget Variances in the Enterprise Fund

The budget variances in operating revenue were zero in revenue from user fees and charges. In the Personal Services portion of the budget, the expenditures were 91% of the budgeted amount.

In the Materials and Supplies Expenses portion of the budget, the cost of bank charges, liability insurance, legal fees, and expected equipment maintenance was less than projected, resulting in an overall difference of 4.7% between budgeted and actual expenditures.

Capital Assets

As of June 30, 2010, the Authority had \$17,233,437 invested in a broad range of capital assets, including land, buildings, 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.

Major capital events during the current fiscal year included the following:

- Horn Creek at a cost of \$4,959,157

Debt Administration

As of June 30, 2010, the Authority owed \$5,060,000 for a Government Obligation Bond approved by voters in November 2007.

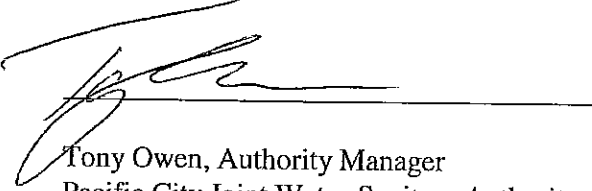
Economic Factors and Next Year's Budget and Rates

The total amount of appropriations in the 2010-2011 Fiscal Year's budget is as follows:

Enterprise Fund Appropriations:	\$ 1,092,994
Master Plans Fund Appropriations:	\$ 415,533
Debt Service Fund Appropriations:	\$ 558,000
Water SDC/CIC Fund Appropriations:	\$ 2,090,844
Sewer SDC/CIC Fund Appropriations:	<u>\$ 2,550,950</u>
For a total of	\$ 6,708,321

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 P.O. Box 520, Pacific City, OR 97135.



Tony Owen, Authority Manager
Pacific City Joint Water-Sanitary Authority

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

BASIC FINANCIAL STATEMENT

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PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON

STATEMENTS OF NET ASSETS
June 30, 2010 and 2009

	2010	2009
ASSETS		
Current		
Cash and Equivalents	\$ 58,821	\$ 51,093
Utility Billing Accounts Receivable	72,666	64,552
Other Accounts Receivable	498	498
Unamortized Bond Issue Costs	100,989	108,200
Prepaid Expenses	303,994	320,482
Materials Inventory	70,524	69,341
Total Current Assets	607,493	614,166
Restricted Assets		
Debt Service Fund:		
Cash and Investments	148,369	129,356
Taxes Receivable	44,728	37,586
Master Plans Fund		
Cash and Investments	505,821	3,657,350
Water SDC/CIC Reserve Fund		
Cash and Investments	552,683	1,598,609
Utility Billing Accounts Receivable	11,510	10,729
Accounts Receivable	18	18
Sewer SDC/CIC Reserve Fund		
Cash and Investments	1,400,793	1,531,633
Utility Billing Accounts Receivable	2,752	2,594
Accounts Receivable	890	891
Total Restricted Assets	2,667,566	6,968,766
Capital Assets		
Less: Accumulated Depreciation	(7,438,236)	(6,650,719)
Net Capital Assets	17,223,437	12,834,086
Total Assets	\$ 20,498,496	\$ 20,417,018
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 387,903	\$ 107,351
Retainage Payable	207,849	-
Unearned Tax Revenue	36,546	31,989
Payable from Restricted Assets		
Matured Coupons Payable	145	145
Bonds Payable - Current Portion	190,000	255,000
Total Current Liabilities	822,443	394,485
Noncurrent Liabilities		
Accrued Compensated Absences	53,357	52,055
Bonds Payable, Less Current Portion	4,870,000	5,060,000
Total Noncurrent Liabilities	4,923,357	5,112,055
Total Liabilities	5,745,800	5,506,540
Net Assets		
Invested in Capital Assets, net of Related Debt	12,163,437	7,519,086
Restricted for Debt Service	156,406	134,808
Restricted for Capital Improvements	1,898,625	6,708,670
Unrestricted	534,228	547,914
Total Net Assets	14,752,696	14,910,478
Total Liabilities and Net Assets	\$ 20,498,496	\$ 20,417,018

See accompanying notes to basic financial statements.

PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON

STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
OPERATING REVENUES		
Service Fees - Sewer	\$ 454,020	\$ 407,378
Service Fees - Water	394,254	364,847
Streetlight Assessments	9,509	9,463
Miscellaneous Charges	4,574	2,256
Lab Testing	120	-
Tap Fees/Fire Hydrant	3,720	2,368
Sewer Inspections/Sludge Hauling	1,076	1,627
Reimbursements	19,690	24,314
	<u>886,963</u>	<u>812,253</u>
OPERATING EXPENSES		
Personal Services	521,807	525,639
Materials and Services	327,599	311,621
Depreciation/Amortization	794,728	615,762
	<u>1,644,134</u>	<u>1,453,022</u>
Total Operating Expenses	<u>1,644,134</u>	<u>1,453,022</u>
Operating Income(Loss)	<u>(757,171)</u>	<u>(640,769)</u>
NON-OPERATING INCOME, (EXPENSES)		
Property Taxes	511,240	504,832
Earnings on Investments	37,977	159,702
Interest Expense on Bonds and Leases	(235,678)	(248,018)
System Development Charges	117,367	99,939
Capital Improvements Charges	168,483	167,638
	<u>599,389</u>	<u>684,093</u>
Total Non-Operating Income	<u>599,389</u>	<u>684,093</u>
Net Income	(157,782)	43,324
Beginning Net Assets	<u>14,910,478</u>	<u>14,867,154</u>
Ending Net Assets	<u>\$ 14,752,696</u>	<u>\$ 14,910,478</u>

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, 2010 and 2009

	2010	2009
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 875,325	\$ 813,491
Cash Paid to Suppliers	177,406	(245,172)
Cash Paid to Employees	(520,505)	(520,817)
Net Cash Provided (Used) by Operating Activities	<u>532,226</u>	<u>47,502</u>
Cash Flows From Investing Activities:		
Earnings on Investment	37,977	159,702
Net Cash Provided By Investing Activities	<u>37,977</u>	<u>159,702</u>
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	(5,176,868)	(1,150,154)
Prepaid Principal and Interest	(1,300)	59,800
Principal Payments on Long-term Debt	(255,000)	(305,000)
Interest Payments on Long-term Debt	(235,678)	(248,018)
Net Cash Used by Capital and Related Financing Activities	<u>(5,668,846)</u>	<u>(1,643,372)</u>
Cash Flows From Non-Capital Financing Activities		
Property Tax Contributions/Sale of Assets	511,240	504,832
Capital Improvements Charges	168,482	167,638
System Development Fees	117,367	99,939
Net Cash Provided By Non-Capital Financing Activities	<u>797,089</u>	<u>772,409</u>
Net Increase, -Decrease in Cash	(4,301,554)	(663,759)
Cash and Cash Equivalents Beginning of Year	6,968,041	7,631,800
Cash and Cash Equivalents End of Year	<u>\$ 2,666,487</u>	<u>\$ 6,968,041</u>
Detail of Cash:		
Unrestricted	58,821	51,093
Master Plans Fund	505,821	3,655,472
Debt Service Fund	148,368	129,356
Water SDC/CIC Reserve Fund	552,683	1,600,487
Sewer SDC/CIC Reserve Fund	1,400,793	1,531,633
	<u>\$ 2,666,487</u>	<u>\$ 6,968,041</u>
Cash Paid for Interest	<u>\$ 235,678</u>	<u>\$ 248,018</u>
Operating Loss	\$ (757,171)	\$ (640,769)
Noncash Items included in Income		
Amortization of Bond Issue Costs	7,211	7,210
Depreciation Expense & Amortization	787,517	608,552
Decrease, -Increase In:		
Accounts Receivable	(9,053)	1,238
Taxes Receivable	(7,142)	(12,202)
Materials Inventory	(1,183)	1,730
Increase, -Decrease in:		
Accounts Payable	488,400	65,545
Prepays	17,788	(826)
Deferred Taxes	4,557	12,202
Accrued Compensated Absences	1,302	4,822
Net Cash Provided By Operation	<u>\$ 532,226</u>	<u>\$ 47,502</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 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 waterline, 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 included in the basic financial statements. 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 Fund – This fund accounts for general operating revenues and expenditures. The fund's principal source of revenue is water and sewer service user fees and other miscellaneous charges.

Master Plans Fund – This fund accounts for the resources and expenditures related to the Master Plans Funds. The principal source of revenue is General Obligation (GO) 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 fixed asset purchases funded by system development charges (SDC) and capital improvement charges (CIC).

Sewer SDC/CIC Reserve Fund – This capital fund accounts for sewer system projects and fixed 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

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 balance sheet with the equity section representing “net total assets”.

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. 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.

All Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict or contradict Governmental Accounting Standards Board (GASB) pronouncements have been applied.

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

D. BUDGET

The expenditure budget for the Enterprise Fund (001) is appropriated at the following level:

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

The expenditure budget for the Master Plans Fund (002) is appropriated in the following categories:

- Materials & 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:

- Materials & Services
- Capital Outlay

Expenditures of the various funds were within authorized appropriations except for the following over-expenditures: Water SDC/CIC Reserve Fund- Materials and Services by \$4,151.

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 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 purchased are made and reduced when used for operations. In the budgetary statements inventory is expensed as purchased.

G. PREPAID PRINCIPAL AND INTEREST

Principal and interest payments for the 2007 General Obligation Bond are due the 1st of July; however, principal and interest payments are paid or around the 15th of June. In the basic financial statements, principal and interest payments are recorded when used. In the budgetary statements principal and interest payments are expensed when paid.

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

NOTES TO BASIC FINANCIAL STATEMENTS

H. 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. All individually purchased items and rehabilitation projects costing \$1,000 or more are capitalized. Depreciation of fixed assets has been recognized and reflected in the basic financial statements and are 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

I. COMPENSATED ABSENCES

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

J. 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.

K. 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.

L. ESTIMATES

The preparation of 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.

M. 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 is water and sewer service user fees and miscellaneous charges. Water and sewer service revenues are recorded when the monthly utility billings are generated.

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

NOTES TO BASIC FINANCIAL STATEMENTS

M. OPERATING REVENUES AND EXPENSES (CONTINUED)

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.

N. RESTRICTED ASSETS

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

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.

Cash and Investments (at fair value) at June 30, 2010 and 2009 consisted of:

Deposits with Financial Institutions:	<u>2010</u>	<u>2009</u>
Petty Cash	\$ 300	\$ 300
Demand Deposits	80,691	44,105
Investments	<u>2,585,496</u>	<u>6,923,636</u>
Total Cash and Investments	<u>\$ 2,666,487</u>	<u>\$ 6,968,041</u>
Reported on Statement of Net Assets as:	<u>2010</u>	<u>2009</u>
Current Cash and Equivalents	\$ 58,821	\$ 51,093
Restricted Debt Service Cash	148,369	129,356
Restricted Master Plans Cash	505,821	3,657,350
Restricted Water SDC/CIC Cash	552,683	1,598,609
Restricted Sewer SDC/CIC Cash	<u>1,400,793</u>	<u>1,531,633</u>
Total Cash and Investments	<u>\$ 2,666,487</u>	<u>\$ 6,968,041</u>

DEPOSITS:

Deposits with financial institutions are comprised of bank demand deposits and certificates of deposit. The total bank balance per the bank statements is \$385,872 of which \$362,467 is covered by federal depository insurance. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury. As of June 30, 2010 all deposits were deposited at an approved depository.

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 its agent.

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

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

INVESTMENTS (CONTINUED):

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, 2010 and June 2009 as follows:

	2010	2009
Oregon State Treasurer's Local Government Investment Pool, Variable Interest Rate	\$ 2,312,091	\$ 4,919,969
Oregon Coast Bank Money Market	273,405	2,003,667
	\$ 2,585,496	\$ 6,923,636

The State Treasurer's Local Government Investment Pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon Revised Statutes and the Oregon Investment Council govern the State's investment policies. The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. These funds must be invested, and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the Fund are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board (OSTFB), 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 was in compliance with all portfolio guidelines at June 30, 2010. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. As of June 30, 2010, the fair value of the position in the State Treasurer's Local Government Investment Pool is 99.56% of the value of the pool shares as reported in the Oregon Short Term Fund audited financial statements.

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 – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the deposits may not be returned. The Authority does not have a deposit policy for custodial credit risk. As of June 30, 2010, \$362,467 of the bank balance of \$385,872 was insured by FDIC, and the remaining was deposited at an approved depository and fully collateralized.

Credit Risk - Investments

Oregon Revised Statutes does 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, 2010, 89% of total investments were in the State Treasurer's Investment Pool. State statutes do not limit the percentage of investments in this instrument.

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

NOTES TO BASIC FINANCIAL STATEMENTS

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, no allowance for bad debt has been set aside.

Accounts Receivable Other represents the sale of goods or services, other than for the usual water and sewer services, and is recorded as a receivable and revenue when billing invoices are issued to the purchaser. Uncollected accounts receivable are deemed by management to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible accounts has been established.

4. CHANGES IN CAPITAL ASSETS

The changes in Capital Assets for the year ended June 30, 2010 are summarized below:

	BALANCE <u>07/01/09</u>	ADDITIONS	DELETIONS	BALANCE <u>06/30/10</u>
Land	\$ 304,404	\$ -	\$ -	\$ 304,404
Vehicles & Equipment	715,040	87,387	-	802,427
Buildings & Improvements	245,741	-	-	245,741
Treatment Plant & Water Distribution	8,537,968	4,959,178	-	13,497,146
WW Treatment & Collection Systems	<u>9,681,652</u>	<u>130,303</u>	<u>-</u>	<u>9,811,955</u>
 Total Assets	 19,484,805	 <u>5,176,868</u>	 <u>-</u>	 24,661,673
 Less: Accumulated Depreciation	 <u>6,650,719</u>	 <u>787,517</u>	 <u>-</u>	 <u>7,438,236</u>
 Capital Assets, Net	 <u>\$ 12,834,086</u>			 <u>\$ 17,223,437</u>

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. 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 for the years ended June 30, 2010 and 2009 were \$37,854 and \$39,647, respectively, equal to the required contributions for each year.

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

NOTES TO BASIC FINANCIAL STATEMENTS

6. LONG-TERM DEBT

General Obligation Bonds:

<u>Issue Date</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Outstanding 7/1/09</u>	<u>Issued</u>	<u>Matured and Redeemed</u>	<u>Outstanding 6/30/10</u>
August 1, 1977	Variable	445,000	\$ 145	\$ -	\$ -	\$ 145
December 4, 1996	4-4.8%	740,000	70,000	-	70,000	-
October 4, 2007	3.85-4.8%	5,485,000	5,245,000	-	185,000	5,060,000
			<u>\$5,315,145</u>	<u>\$ -</u>	<u>\$ 255,000</u>	<u>\$ 5,060,145</u>

General Obligation 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>
2011	\$ 190,000	\$ 224,187	\$ 414,187
2012	200,000	216,387	416,387
2013	210,000	208,187	418,187
2014	215,000	199,688	414,688
2015	225,000	190,888	415,888
2016-20	1,275,000	800,276	2,075,276
2021-25	1,595,000	472,256	2,067,256
2026-30	1,150,000	84,480	1,234,480
Total	<u>\$ 5,060,000</u>	<u>\$ 2,396,349</u>	<u>\$ 7,456,349</u>

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.

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, 2010

	ENTERPRISE FUND	MASTER PLANS FUND	DEBT SERVICE FUND	WATER SDC / CIC RESERVE FUND	SEWER SDC / CIC RESERVE FUND	TOTAL
ASSETS						
Cash and Investments	\$ 58,821	\$ 505,821	\$ 148,368	\$ 552,683	\$ 1,400,793	\$ 2,666,487
Utility Billing A/R	72,666	-	-	11,510	2,752	86,928
Accounts Receivable	498	-	44,728	18	890	46,135
Total Assets	\$ 131,986	\$ 505,821	\$ 193,096	\$ 564,211	\$ 1,404,436	\$ 2,799,551
LIABILITIES AND FUND BALANCE						
Current Liabilities						
Accounts Payable	\$ 19,908	\$ 215,904	\$ -	\$ 349,661	\$ 10,278	\$ 595,751
Matured Coupons Payable	-	-	145	-	-	145
Deferred Taxes	-	-	36,546	-	-	36,546
Total Liabilities	19,908	215,904	36,691	349,661	10,278	632,442
Fund Balance						
Unreserved	112,077	-	-	-	-	112,077
Reserved for Debt Service	-	-	156,405	-	-	156,405
Capital Projects	-	289,917	-	214,550	1,394,158	1,898,625
Total Liabilities and Fund Balance	\$ 131,986	\$ 505,821	\$ 193,096	\$ 564,211	\$ 1,404,436	\$ 2,799,550

Reconciliation to Net Assets:

Fund Balances Above	2,167,108
Less:	
Accrued Compensated Absences	-53,357
Bond Payable	-5,060,000
Plus:	
Net Capital Assets	17,223,437
Prepaid Expenses	303,994
Inventory	70,524
Bond Issue Costs	100,989
	<u>14,752,695</u>

PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BLANACE
ALL FUNDS (BUDGETARY BASIS)
For the Year Ended June 30, 2010

	ENTERPRISE FUND	MASTER PLANS FUND	DEBT SERVICE FUND	WATER SDC / CIC RESERVE FUND	SEWER SDC / CIC RESERVE FUND	TOTAL
Revenues	\$ 867,411	\$ 15,701	\$ 513,575	\$ 219,645	\$ 105,699	\$ 1,722,030
Expenditures						
Personal Services	\$ 520,505	\$ -	\$ -	\$ -	\$ -	\$ 520,505
Materials and Services	306,774	-	-	-	3,821	310,595
Capital Outlay	-	3,334,650	-	1,624,564	218,053	5,177,267
Debt Service	-	-	491,978	-	-	491,978
Total Expenditures	827,279	3,334,650	491,978	1,624,564	221,874	6,500,345
Net Change in Fund Balance	40,131	(3,318,949)	21,597	(1,404,919)	(116,175)	(4,778,315)
Transfers In/Out	-30,000	-	-	15,000	15,000	-
Beg. Fund Balance	101,946	3,608,867	134,808	1,604,469	1,495,334	6,945,424
Ending Fund Balance	\$ 112,077	\$ 289,918	\$ 156,405	\$ 214,550	\$ 1,394,159	\$ 2,167,109

Reconciliation to Changes in Net Assets:

Change in Fund Balances Above	-4,778,315
Additions	
Capital additions	5,176,868
Bond Payable	255,000
Deletions	
Depreciation	-787,517
Accrued Compensated absences	-1,302
Prepaid Expenses, net	-16,488
Inventory	1,183
Bond Issue Costs	-7,211
	<u>-157,782</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, 2010**

	<u>ENTERPRISE FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES:				
User Fees - Sewer	\$ 449,000	\$ 449,000	\$ 454,020	\$ 5,020
User Fees - Water	402,000	402,000	394,254	(7,746)
Streetlight Assessments	9,500	9,500	9,509	9
Miscellaneous/Lab Charges	7,500	7,500	6,096	(1,404)
Reimbursements	4,000	4,000	1,528	(2,472)
Inspections	6,000	6,000	600	(5,400)
Earnings on Investments	2,000	2,000	1,403	(597)
Total Revenues	880,000	880,000	867,411	(12,589)
EXPENDITURES:				
Personal Services:				
Authority Manager	84,984	84,984	84,975	9
Excutive Assistant	52,140	52,140	52,140	-
Office Assistant	20,000	20,000	9,738	10,262
Opcrator II	47,076	47,076	36,810	10,266
Operator I	81,000	81,000	87,303	(6,303)
OIT	36,000	36,000	35,520	480
Utility Worker	35,000	35,000	33,486	1,514
Overtime Allowance	15,000	15,000	14,818	182
Merit Reserves	10,000	10,000	-	10,000
Medical Insurance	110,000	110,000	104,550	5,450
Workers Compensation	20,000	20,000	9,783	10,217
Deferred Compensation	22,000	22,000	18,802	3,198
Payroll Taxes	39,000	39,000	32,580	6,420
Total Personal Services	572,200	572,200	520,505	51,695
Materials and Services:				
Access Fees	2,000	2,000	-	2,000
Accounting/Auditing	11,500	11,500	10,900	600
Advertising	2,000	2,000	1,236	764
Administrative Meetings	600	600	-	600
Bank Charges	6,000	6,000	5,537	463
Director Fees/Training	1,700	1,700	1,200	500
Dues & Subscriptions	3,000	3,000	2,378	623
Employee Training	4,500	4,500	2,871	1,629
Elections	-	-	136	(136)
Electricity	59,500	59,500	55,301	4,199
Insurance	29,000	29,000	29,900	(900)
Legal Fees	10,000	10,000	4,833	5,168
Miscellaneous	1,000	1,000	1,282	(282)
Newsletter	3,000	3,000	1,993	1,007
Office Equipment R & M	7,000	7,000	12,011	(5,011)
Office Supplies	5,000	5,000	6,064	(1,064)
Postage/Freight	7,000	7,000	6,139	861

(1) Appropriation level

Continued on page 20

**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, 2009**

	ORIGINAL BUDGET	FINAL BUDGET		ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
EXPENDITURES (CONT.):					
Materials and Services (Cont.):					
Telephone	\$ 6,500	\$ 6,500		\$ 10,097	\$ (3,597)
Uniforms	3,000	3,000		876	2,124
Water Telemetry System	2,000	2,000		157	1,843
Monitoring	2,000	2,000		1,118	882
Lab Supplies	4,500	4,500		7,901	(3,401)
Chemicals	6,000	6,000		5,515	485
Testing	6,000	6,000		9,161	(3,161)
WWT Plant R & M	15,000	15,000		20,630	(5,630)
WW Collection System R & M	25,000	25,000		7,888	17,112
Wastewater Pumping	5,000	5,000		4,827	173
Solid Waste Disposal	6,000	6,000		4,136	1,864
Bio-Solids Management	10,000	10,000		14,961	(4,961)
Step System Pumping	5,000	5,000		1,609	3,391
Step System R & M	8,500	8,500		6,196	2,304
Water District/Trans R & M	22,000	22,000		21,004	996
Backflow Prevention	1,500	1,500		1,747	(247)
Water Pumping R & M	5,000	5,000		4,726	274
Water Treatment R & M	-	-		3,494	(3,494)
Water Conservation	-	-		1,746	(1,746)
Building R & M	6,000	6,000		5,398	602
Generator R & M	4,000	4,000		821	3,179
Backhoe R & M	2,000	2,000		4,180	(2,180)
NPDES Permit	2,000	2,000		21,323	(19,323)
Transportation	15,000	15,000		3,549	11,451
Community Events	-	-		440	(440)
Grounds R & M	-	-		1,495	(1,495)
Customer Assist Pymt Program	7,000	7,000		-	7,000
Total Materials and Services	321,800	321,800	(1)	306,774	15,026
Operating Contingency	40,000	40,000	(1)	-	40,000
Total Expenditures	934,000	934,000		827,279	106,721
Excess of Revenues over, -Under Expenditures	(54,000)	(54,000)		40,131	94,131
Other Financing -Uses: Transfers out	(30,000)	(30,000)	(1)	(30,000)	-
Net Change in Fund Balance	(84,000)	(84,000)		10,131	94,131
Beginning Fund Balance	84,000	84,000		101,946	17,946
Ending Fund Balance	\$ -	\$ -		\$ 112,077	\$ 112,077

(1) Appropriation level

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**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, 2010**

<u>MASTER PLANS FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES:				
Earnings on Investments	\$ 50,000	\$ 50,000	\$ 15,701	\$ (34,299)
Total Revenues	50,000	50,000	15,701	(34,299)
EXPENDITURES:				
Materials and Services:				
Access Fees	30,000	30,000	15,567	14,433
Professional Services	20,000	20,000	14,718	5,282
Total Materials and Services	50,000	50,000 (1)	30,285	19,715
Capital Outlay:				
Equipment	1,478,422	1,478,422	692,515	785,907
New Construction/Improve	2,000,000	2,000,000	2,304,626	(304,626)
Engineering	231,578	231,578	307,224	(75,646)
Total Capital Outlay	3,710,000	3,710,000 (1)	3,304,365	405,635
Total Expenditures	3,760,000	3,760,000	3,334,650	425,350
Net Change in Fund Balance	(3,710,000)	(3,710,000)	(3,318,950)	(459,649)
Beginning Fund Balance	3,710,000	3,710,000	3,608,867	-
Ending Fund Balance	\$ -	\$ -	\$ 289,917	\$ 289,917

(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, 2010

DEBT SERVICE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Property Taxes	\$ 485,000	\$ 485,000	\$ 511,240	\$ 26,240
Earnings on Investments	5,000	5,000	1,911	(3,089)
Misc. Revenue	-	-	424	424
Total Revenues	490,000	490,000	513,575	23,575
EXPENDITURES:				
Debt Service:				
Bond Principal Payments	260,000	260,000	260,000	-
Bond Interest Payments	244,000	244,000	231,978	12,023
Total Expenditures	504,000	504,000 (1)	491,978	12,023
Net Change in Fund Balance	(14,000)	(14,000)	21,597	35,597
Beginning Fund Balance	104,000	104,000	134,808	30,808
Ending Fund Balance	\$ 90,000	\$ 90,000	\$ 156,405	\$ 66,405

(1) Appropriation level

RECONCILIATION TO GOVERNMENT WIDE

	Principal Reductions	Interest Payments
Budgetary Debt Service Payments (above)	\$ 260,000	\$ 231,978
Current Year Prepaid Payments	-190,000	-113,994
Prior Year Prepaid Payments	185,000	117,694
	\$ 255,000	\$ 235,678

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, 2010

WATER SDC / CIC RESERVE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Tap Fees/Reimbursements	\$ 3,100	\$ 3,100	\$ 3,720	\$ 620
Capital Improvement Charges	137,000	137,000	136,793	(207)
System Development Charges	127,000	127,000	63,160	(63,840)
Reimbursements	1,000	1,000	6,443	5,443
Earnings on Investments	30,000	30,000	9,528	(20,472)
Total Revenues	298,100	298,100	219,645	(78,455)
EXPENDITURES:				
Materials and Services	15,000	15,000 (1)	19,151	(4,151)
Capital Outlay:			-	
Equipment	55,000	55,000	-	55,000
Construction	2,832,100	2,832,100	1,370,417	1,461,683
Office/Lab Remodel	10,000	10,000	-	10,000
Computer Upgrades	10,000	10,000	-	10,000
MP Engineering/Legal	250,000	250,000	227,181	22,819
Service Installations	15,000	15,000	7,815	7,185
Vehicles	30,000	30,000	-	30,000
Total Capital Outlay	3,202,100	3,202,100 (1)	1,605,413	1,596,687
Debt Service:				
Flex-Lease	140,000	140,000 (1)	-	140,000
Total Expenditures	3,357,100	3,357,100	1,624,564	1,732,536
Net Change in Fund Balance	(3,059,000)	(3,059,000)	(1,404,919)	1,654,081
Other Financing -Uses:				
Flex Lease Loan	1,500,000	1,500,000	-	(1,500,000)
Transfers In	-	-	15,000	15,000
Total Other Financing -Uses	1,500,000	1,500,000	15,000	(1,485,000)
Beginning Fund Balance	1,559,000	1,559,000	1,604,469	45,469
Ending Fund Balance	\$ -	\$ -	\$ 214,550	\$ 214,550

(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, 2010**

<u>SEWER SDC/CIC FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES				
Capital Improvement Charges	\$ 33,000	\$ 33,000	\$ 31,689	\$ (1,311)
System Development Charges	121,000	121,000	54,207	(66,793)
Reimbursements / Refunds	-	-	10,369	10,369
Earnings on Investments	30,000	30,000	9,434	(20,566)
Total Revenue	184,000	184,000	105,699	(78,301)
EXPENDITURES				
Materials and Services	15,000	15,000 (1)	165	14,835
Capital Outlay:				
Equipment	305,000	305,000	12,049	292,951
Service Installations	15,000	15,000	1,382	13,618
Construction	935,000	935,000	27,838	907,162
Lift Station Improvements	75,000	75,000	13,920	61,080
Office/Lab Remodel	10,000	10,000	4,159	5,841
Engineering	299,000	299,000	87,166	211,834
Computer Upgrades	10,000	10,000	195	9,805
Vehicles	30,000	30,000	75,000	(45,000)
Inflow and Infiltration	50,000	50,000	-	50,000
Total Capital Outlay	1,729,000	1,729,000 (1)	221,709	1,507,291
Total Expenditures	1,744,000	1,744,000	221,874	1,522,126
Net Change in Fund Balance	(1,560,000)	(1,560,000)	(116,176)	1,443,824
Other Financing -Uses:				
Transfers In	-	-	15,000	15,000
Beginning Fund Balance	1,560,000	1,560,000	1,495,334	(64,666)
Ending Fund Balance	\$ -	\$ -	\$ 1,394,158	\$ 1,394,158

(1) Appropriation level

PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON

SCHEDULE OF BOND AND INTEREST TRANSACTIONS AND BALANCES
For The Year Ended June 30, 2010

DATE OF ISSUE	ORIGINAL AMOUNT	MATURED BONDS & COUPONS OUTSTANDING 7/1/2009	BONDS & COUPONS MATURING DURING THE YEAR	BONDS REDEEMED AND COUPONS PAID DURING THE YEAR	MATURED BONDS & COUPONS OUTSTANDING 6/30/2010
08/01/77	\$ 445,000	\$ 145	\$ -	\$ -	\$ 145
12/04/96	\$ 740,000	\$ -	\$ 73,990	\$ 73,990	\$ -
09/25/07	\$ 5,485,000	\$ -	\$ 416,687	\$ 416,687	\$ -
		<u>\$ 145</u>	<u>\$ 490,677</u>	<u>\$ 490,677</u>	<u>\$ 145</u>

PACIFIC CITY JOINT WATER - SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON

SCHEDULE OF BOND REDEMPTION AND INTEREST REQUIREMENTS
June 30, 2010

ISSUE of 9/25/07

<u>YEAR</u>	<u>Due June 1st</u>	<u>Interest</u>
2010-2011	190,000	224,187
2011-2012	200,000	216,387
2012-2013	210,000	208,187
2013-2014	215,000	199,688
2014-2015	225,000	190,888
2016-2020	1,275,000	800,276
2021-2025	1,595,000	472,256
2026-2030	<u>1,150,000</u>	<u>84,480</u>
TOTALS	<u>\$ 5,060,000</u>	<u>\$ 2,396,349</u>

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, 2010

Tax Year	Original Levy or Balance Uncollected 7/1/09	Deduct Discounts	Adjustments to Rolls	Add Interest	Cash Collections by County Treasurer	Balance Uncollected 6/30/10
Current:						
2009-2010	\$ 530,181	\$ 12,382	\$ (1,383)	\$ 384	\$ 491,363	\$ 25,053
Prior Years:						
2008-2009	24,734	(17)	(604)	885	12,058	\$ 12,089
2007-2008	11,901	-	(21)	830	4,682	7,198
2006-2007	653	-	(3)	112	380	270
2005-2006	186	-	(2)	54	158	26
Prior Years:	112	-	(4)	6	14	94
Total Prior	\$ 37,586	\$ (17)	\$ (634)	\$ 1,887	\$ 17,292	\$ 19,677
Total	<u>\$ 567,767</u>	<u>\$ 12,365</u>	<u>\$ (2,017)</u>	<u>\$ 2,271</u>	<u>\$ 508,655</u>	<u>\$ 44,730</u>

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurer Above	\$ 508,655
Accrued at 6/30/09	(5,597)
Accrued at 6/30/10	<u>8,182</u>
Total Revenue	<u>\$ 511,240</u>

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

Independent Auditor's Report Required by Oregon State Regulations

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PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

-
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 - (503) 620-2632 • FAX (503) 684-7523

September 15, 2010

Independent Auditor's Report Required by Oregon State Regulations

We have audited the basic financial statements of Pacific City Joint Water-Sanitary Authority as of and for the year ended June 30, 2010, and have issued our report thereon dated September 15, 2010. 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 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 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial 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 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 except as follows:

1. Transfers in were not budgeted for as resources in the Authorities budget document.
2. We noted expenditures of various funds were within authorized amounts, except as noted on page 11.

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 opinions on the 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 Pacific City Joint Water-Sanitary Authority's internal control over financial reporting.

PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON

2009-2010 Independent Auditor's Report Required by Oregon State Regulations (CONTINUED)

OAR 162-10-0230 Internal Control (Continued)

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 September 15, 2010.

This report is intended solely for the information and use of the Board of Directors and management of Pacific City Joint Water-Sanitary Authority and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.


PAULY, ROGERS AND CO., P.C.