

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

**FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2012**



12700 SW 72<sup>nd</sup> Ave.  
Tigard, OR 97223

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

**2011-2012**  
**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, 2015
Dick Carter, Secretary	June 30, 2013
Sean Lambert	June 30, 2015
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 28, 2012

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, 2012 and 2011, as listed in the table of contents. The basic financial statements are the responsibility of 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 opinion.

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, 2012 and 2011, 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, 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 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 the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



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 presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 budgetary comparison information for all appropriated funds and 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. 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, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financials statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Pauly, Rogers and Co., P.C.*  
PAULY, ROGERS AND CO., P.C.

## **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, 2012. 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, 2012 were \$18,755,045 and include capital assets of \$16,741,016. Overall, total assets for the Authority decreased 2.3% from FY 2011.
- PCJWSA assets exceeded its liabilities on June 30, 2012 by \$14,067,387 (net assets). This amount reflects a decrease of \$295,496 or 2% from FY 2011.
- At June 30, 2012, capital assets less related debt were \$12,281,016, a decrease of .5% from FY 2011.
- Operating revenues for FY 2012 were \$1,011,330, and increase of 5% from FY 2011. The FY 2012 increase in operating revenues is attributable to rate increases implemented by the Authority.
- Total operating expenses for FY 2012 were \$1,722,054 reflecting an overall increase of 1.3% from the previous year. Labor and benefits increased 5.4% due to an increase of fringe benefit costs; materials and services costs increased 4.8%.

### **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, 2012 and the amount and percentage change from the prior year:

Operating Revenue:	<u>2012</u>	<u>2011</u>	
Service Fees	\$ 989,111	\$ 935,458	6%
Other Operating Revenues	<u>22,219</u>	<u>27,917</u>	-20%
 Total Operating Revenues	 <u>1,011,330</u>	 <u>963,375</u>	 5%
 Operating Expenses:			
Personal Services	572,915	547,846	5%
Materials and Services	352,428	381,041	-8%
Depreciation and Amortization	<u>846,711</u>	<u>820,878</u>	3%
 Total Operating Expenses	 <u>1,772,054</u>	 <u>1,749,765</u>	 1%
 Net Income, (Loss) From Operations	 (760,724)	 (786,389)	 -3%
 Nonoperating Revenue, (Expenses)	 465,228	 474,024	 -2%
 Contributed Capital	 <u>0</u>	 <u>0</u>	
 Change in Net Assets	 (295,496)	 (312,365)	 -5%
 Beginning Net Asset	 <u>14,362,883</u>	 <u>14,752,696</u>	 -3%
 Prior Period Adjustment		 (77,448)	
 Ending Net Assets	 <u>\$ 14,067,387</u>	 <u>\$ 14,440,331</u>	 -3%

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:

	<u>2012</u>	<u>2011</u>	
Current Assets	\$ 304,855	\$ 258,567	18%
Restricted Assets	1,622,605	1,823,315	-11%
Non-Current Assets	86,569	93,779	-8%
Capital Assets	<u>16,741,016</u>	<u>17,014,553</u>	-2%
Total Assets	<u>\$ 18,755,045</u>	<u>\$ 19,190,214</u>	-2%
 Liabilities and Net Assets:			
Current Liabilities	\$ 182,179	\$ 105,604	73%
Non-Current Liabilities	45,479	51,727	-12%
Long Term Debt	<u>4,460,000</u>	<u>4,670,000</u>	-4%
Total Liabilities	<u>4,687,658</u>	<u>4,827,331</u>	-3%
 Net Assets			
Invested in Capital Assets Net of Related Debt	12,281,016	12,344,553	-1%
Reserved for Debt Service	177,250	177,056	0%
Reserved for Capital Improvements	1,261,972	1,520,103	-17%
Unrestricted	<u>347,149</u>	<u>321,171</u>	8%
Total Net Assets	<u>14,067,387</u>	<u>14,362,883</u>	-2%
Total Liabilities and Net Assets	<u>\$ 18,755,045</u>	<u>\$ 19,190,214</u>	-2%

### Budget Variances in the Enterprise Fund

The budget variances in operating revenue were 1.3% in revenue from user fees and charges. In the Personal Services portion of the budget, the expenditures were 96.0% 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 30.4% between budgeted and actual expenditures.

### Capital Assets

As of June 30, 2012, the Authority had \$16,741,016 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 \$ 84,743
- Airport Lift Station \$ 524,491

### Debt Administration

As of June 30, 2012, the Authority owed \$4,460,000.00 for a Government Obligation Bond approved by voters in November 2007.

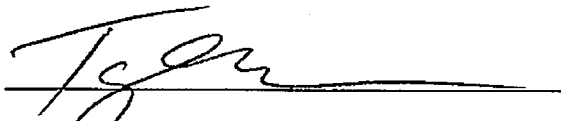
### Economic Factors and Next Year's Budget and Rates

The total amount of appropriations in the 2012-2013 Fiscal Year's budget is as follows:

Enterprise Fund Appropriations:	\$ 1,247,500
Debt Service Fund Appropriations:	\$ 550,000
Water SDC/CIC Fund Appropriations:	\$ 1,913,850
Sewer SDC/CIC Fund Appropriations:	<u>\$ 1,521,890</u>
For a total of	\$ 5,233,240

### 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 STATEMENTS**

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**PACIFIC CITY JOINT WATER-SANITARY AUTHORITY**  
**TILLAMOOK COUNTY, OREGON**  
**STATEMENTS OF NET ASSETS**  
**June 30, 2012 and 2011 (Restated)**

	2012	2011 Restated
<b>ASSETS</b>		
Current		
Cash and Equivalents	\$ 165,452	\$ 114,083
Utility Billing Accounts Receivable	85,815	77,679
Other Accounts Receivable	-	498
Materials Inventory	53,588	66,307
Total Current Assets	<u>304,855</u>	<u>258,567</u>
Restricted Assets		
Debt Service Fund:		
Cash and Investments	169,646	169,989
Taxes Receivable	39,571	44,533
Master Plans Fund		
Cash and Investments	-	98,273
Water SDC/CIC Reserve Fund		
Cash and Investments	291,906	100,456
Utility Billing Accounts Receivable	11,673	11,186
Sewer SDC/CIC Reserve Fund		
Cash and Investments	1,107,008	1,395,308
Utility Billing Accounts Receivable	2,801	2,680
Accounts Receivable	-	890
Total Restricted Assets	<u>1,622,605</u>	<u>1,823,315</u>
Non-Current		
Unamortized Bond Issue Costs	86,569	93,779
Capital Assets		
Non-Depreciable	304,404	304,404
Depreciable	25,528,017	24,962,053
Less: Accumulated Depreciation	<u>(9,091,405)</u>	<u>(8,251,904)</u>
Net Capital Assets	<u>16,741,016</u>	<u>17,014,553</u>
Total Assets	<u>\$ 18,755,045</u>	<u>\$ 19,190,214</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts Payable	\$ 182,034	\$ 82,931
Payroll Taxes	-	1,852
Retainage Payable	-	20,676
Payable from Restricted Assets		
Matured Coupons Payable	145	145
Total Current Liabilities	<u>182,179</u>	<u>105,604</u>
Noncurrent Liabilities		
Accrued Compensated Absences	45,479	51,727
Bonds Payable, Less Current Portion	4,460,000	4,670,000
Total Noncurrent Liabilities	<u>4,505,479</u>	<u>4,721,727</u>
Total Liabilities	<u>4,687,658</u>	<u>4,827,331</u>
Net Assets		
Invested in Capital Assets, net of Related Debt	12,281,016	12,344,553
Restricted for Debt Service	177,250	177,056
Restricted for Capital Improvements	1,261,972	1,520,103
Unrestricted	347,149	321,171
Total Net Assets	<u>14,067,387</u>	<u>14,362,883</u>
Total Liabilities and Net Assets	<u>\$ 18,755,045</u>	<u>\$ 19,190,214</u>

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, 2012 and 2011 (Restated)**

	2012	2011 Restated
<b>OPERATING REVENUES</b>		
Service Fees - Sewer	\$ 533,211	\$ 504,720
Service Fees - Water	455,900	430,738
Streetlight Assessments	9,557	9,549
Miscellaneous Charges	4,725	12,653
Tap Fees/Inspections	1,855	936
Reimbursements	6,082	4,779
Total Operating Revenues	1,011,330	963,375
<b>OPERATING EXPENSES</b>		
Personal Services	572,915	547,846
Materials and Services	352,428	381,041
Depreciation/Amortization	846,711	820,878
Total Operating Expenses	1,772,054	1,749,764
Operating Income(Loss)	(760,724)	(786,389)
<b>NON-OPERATING INCOME, (EXPENSES)</b>		
Property Taxes	416,841	435,857
Earnings on Investments	9,714	11,965
System Development Charges	81,656	77,365
Capital Improvements Charges	169,405	169,225
Interest Expense on Bonds and Leases	(212,388)	(220,388)
Total Non-Operating Income	465,228	474,024
Net Income	(295,496)	(312,365)
Beginning Net Assets	14,362,883	14,752,696
Prior Period Adjustment	-	(77,448)
Ending Net Assets	\$ 14,067,387	\$ 14,362,883

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, 2012 and 2011 (Restated)

	2012	2011 Restated
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 1,008,936	\$ 958,973
Cash Paid to Suppliers	(261,282)	(868,968)
Cash Paid to Employees	(581,015)	(547,624)
Net Cash Provided (Used) by Operating Activities	166,639	(457,619)
Cash Flows From Investing Activities:		
Earnings on Investment	9,714	11,965
Net Cash Provided By Investing Activities	9,714	11,965
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	(565,964)	(604,784)
Principal Payments on Long-term Debt	(210,000)	(200,000)
Interest Payments on Long-term Debt	(212,388)	(220,388)
Net Cash Used by Capital and Related Financing Activities	(988,352)	(1,025,172)
Cash Flows From Non-Capital Financing Activities		
Property Tax Contributions/Sale of Assets	416,841	435,857
Capital Improvements Charges	169,405	169,225
System Development Fees	81,656	77,365
Net Cash Provided By Non-Capital Financing Activities	667,902	682,447
Net Increase, -Decrease in Cash	(144,097)	(788,379)
Cash and Cash Equivalents Beginning of Year	1,878,109	2,666,487
Cash and Cash Equivalents End of Year	\$ 1,734,012	\$ 1,878,109
Detail of Cash:		
Unrestricted	165,452	114,083
Master Plans Fund	-	98,273
Debt Service Fund	169,646	169,989
Water SDC/CIC Reserve Fund	291,906	100,456
Sewer SDC/CIC Reserve Fund	1,107,008	1,395,308
	\$ 1,734,012	\$ 1,878,109
Cash Paid for Interest	\$ 212,388	\$ 220,388
Operating Loss	(760,724)	(786,389)
Noncash Items included in Income		
Amortization of Bond Issue Costs	7,210	7,210
Depreciation Expense & Amortization	839,501	813,668
Decrease, -Increase In:		
Accounts Receivable	(7,356)	(4,598)
Taxes Receivable	4,962	195
Materials Inventory	12,719	4,217
Increase, -Decrease in:		
Accounts Payable	78,427	(492,144)
Payroll Liabilities	(1,852)	1,852
Accrued Compensated Absences	(6,248)	(1,630)
Net Cash Provided By Operation	\$ 166,639	\$ (457,619)

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**

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**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 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 39 are separate organizations that are included in the financial statements because of the significance of their operational financial relationships with the District. 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**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 have been applied, unless those pronouncements conflict or contradict Governmental Accounting Standards Board (GASB) pronouncements.

**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 30<sup>th</sup> of the preceding fiscal year.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. BUDGET**

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

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

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

- Materials & Services
- Capital Outlay
- Interfund Transfers

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, except as noted in the Master Plans Service Fund for Transfers out over expenditures of \$3,140.

**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**

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**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. 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

**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.

**K. 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.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**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.

**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, 2012 and 2011 consisted of:

Deposits with Financial Institutions:	<u>2012</u>	<u>2011</u>
Petty Cash	\$ 300	\$ 300
Demand Deposits	194,640	61,470
Investments	<u>1,539,072</u>	<u>1,816,340</u>
Total Cash & Investments:	<u>\$ 1,734,012</u>	<u>\$ 1,878,109</u>
Reported on Statement of Net Assets as:	<u>2012</u>	<u>2011</u>
Current Cash and Equivalents	\$ 165,452	\$ 114,083
Restricted Debt Service Cash	169,646	169,989
Restricted Master Plan Cash	-	98,273
Restricted Water SDC/CIC Cash	291,906	100,456
Restericted Sewer SDC/CIC Cash	<u>1,107,008</u>	<u>1,395,308</u>
Total Cash & Investments:	<u>\$ 1,734,012</u>	<u>\$ 1,878,109</u>



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

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

**2. CASH AND INVESTMENTS (CONTINUED)**

DEPOSITS:

Deposits with financial institutions are comprised of bank demand deposits and certificates of deposit. The total bank balance per the bank statements is \$239,754 of which all 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, 2012 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 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, 2012 and 2011 as follows:

	<u>2012</u>	<u>2011</u>
Oregon State Treasurer's Local Government Investment Pool, Variable Interest Rate	\$ 1,539,072	\$ 1,802,070
Oregon Coast Bank Money Market	<u>-</u>	<u>14,270</u>
	<u>\$ 1,539,072</u>	<u>\$ 1,816,340</u>

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, 2012. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. There is no material difference between the fair value of the Agency's position in the State Treasurer's Local Government Investment Pool and the value at June 30, 2012 and 2011. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

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

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**2. CASH AND INVESTMENTS (CONTINUED)**

Concentration of Credit Risk

At June 30, 2012, 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.

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, 2012 are summarized below:

	BALANCE 07/01/11	ADDITIONS	BALANCE 06/30/12
Land	\$ 304,404	\$ -	\$ 304,404
Vehicles & Equipment	836,809	33,361	870,170
Buildings & Improvements	249,459	21	249,480
Treatment Plant & Water Distribution	13,993,762	91,398	14,085,160
WW Treatment & Collection Systems	9,882,023	441,184	10,323,207
	<hr/>	<hr/>	<hr/>
Total Assets	25,266,457	565,964	25,832,421
	<hr/>	<hr/>	<hr/>
Less: Accumulated Depreciation	8,251,904	839,501	9,091,405
	<hr/>	<hr/>	<hr/>
Capital Assets, Net	\$ 17,014,553		\$ 16,741,016
	<hr/> <hr/>		<hr/> <hr/>

**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. 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, 2012 and 2011 were \$48,389 and \$43,208, 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:

<u>Issue Date</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Outstanding 7/1/11</u>	<u>Issued</u>	<u>Matured and Redeemed</u>	<u>Outstanding 6/30/12</u>
August 1, 1977	Variable	445,000	\$ 145	\$ -	\$ -	\$ 145
October 4, 2007	3.85-4.8%	5,485,000	4,670,000	-	210,000	4,460,000
			<u>\$4,670,145</u>	<u>\$ -</u>	<u>\$ 210,000</u>	<u>\$ 4,460,145</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>
2013	\$ -	(1) \$ 101,944	\$ 101,944
2014	215,000	199,688	414,688
2015	225,000	190,888	415,888
2016	235,000	181,570	416,570
2017	245,000	171,607	416,607
2018-22	1,390,000	680,555	2,070,555
2023-27	1,750,000	313,680	2,063,680
2028-30	400,145	9,600	409,745
Total	<u>\$ 4,460,145</u>	<u>\$ 1,849,532</u>	<u>\$ 6,309,677</u>

(1) The principal payment due in 2012-2013 was paid in 2011-2012

**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, 2012 as follows:

Balance July 1, 2011	\$	51,727
Additions		45,479
Deletions		<u>(51,727)</u>
 Balance June 30, 2012	 \$	 <u>45,479</u>

**9. RESTATEMENT / PRIOR PERIOD ADJUSTMENT**

A prior period adjustment was made to the government wide financial statements for the year ending June 30, 2011. This prior period adjustment was for an interest payment, that was made in the 2009-10 year that should have been expensed but was accrued as a prepaid asset and an adjustment made to the deferred tax revenue. An adjustment was also made from Prepaid Expense and recognized as an expense for bond principle. See the Combined Financial Statement on the following page.

The effect on the previously issued 2011 combined financial statements is summarized as follows:

*Statement of Financial Position*

	Previously Reported	Increase/Decrease	Restated
Unamortized Bond Issue Costs - Current	93,778	(93,778)	-
Prepaid Expenses	310,194	(310,194)	-
Unamortized Bond Issue Costs	-	93,779	93,779
Total Current Assets	662,539	(403,972)	258,567
Total Assets	19,500,407	(310,193)	19,190,214
Deferred Tax Revenue	37,321	(37,321)	-
Bonds Payable - Current Portion	200,000	(200,000)	-
Total Current Liabilities	342,924	(237,320)	105,604
Total Liabilities	5,064,651	(237,320)	4,827,331
Invested in Capital Assets, net of Related Debt	12,144,553	200,000	12,344,553
Net Assets : Unrestricted	594,044	(272,873)	321,171
Total Net Assets	14,435,756	(72,873)	14,362,883
Total Liabilities and Net Assets	19,500,407	(310,193)	19,190,214

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**9. RESTATEMENT / PRIOR PERIOD ADJUSTMENT (CONTINUED)**

*Statement of Revenues, Expenses and Changes in Net Asstes*

	Previously Reported	Increase/Decrease	Restated
Interest Expense on Bonds and Leases	(224,188)	3,800	(220,388)
Total Other Non-Operating Income	524,412	775	525,187
Total Non-Operating Income	469,449	4,575	474,024
Net Income	(316,940)	4,575	(312,365)
Prior Period Adjustment	-	(77,448)	(77,448)
Ending Net Assets	14,435,756	(72,873)	14,362,883

*Statement of Cash Flows*

	Previously Reported	Increase/Decrease	Restated
Cash Received from Customers	959,747	(774)	958,973
Net Cash Provided (Used) by Operating Activities	(456,844)	(775)	(457,619)
Prepaid Principal and Interest	(6,200)	6,200	-
Principal Payments on Long-term Debt	(190,000)	(10,000)	(200,000)
Interest Payments on Long-term Debt	(224,188)	3,800	(220,388)
Property Tax Contributions/Sale of Assets	435,082	775	435,857
Net Cash Provided By Non-Capital Financing Activities	681,672	775	682,447
Cash Paid for Interest	224,188	(3,800)	220,388
Deferred Taxes	775	(775)	-
Net Cash Provided By Operation	(456,844)	(775)	(457,619)

**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, 2012

	ENTERPRISE FUND	MASTER PLANS FUND	DEBT SERVICE FUND	WATER SDC / CIC RESERVE FUND	SEWER SDC / CIC RESERVE FUND	TOTAL
<b>ASSETS</b>						
Cash and Investments	\$ 165,452	\$ -	\$ 169,646	\$ 291,906	\$ 1,107,008	\$ 1,734,012
Utility Billing A/R	85,815	-	-	11,673	2,801	100,289
Accounts Receivable	-	-	39,571	-	-	39,571
<b>Total Assets</b>	<b>\$ 251,267</b>	<b>\$ -</b>	<b>\$ 209,217</b>	<b>\$ 303,579</b>	<b>\$ 1,109,809</b>	<b>\$ 1,873,872</b>
<b>LIABILITIES AND FUND BALANCE</b>						
<b>Current Liabilities</b>						
Accounts Payable/ Retainage Payable	\$ 30,618	\$ -	\$ -	\$ 9,616	\$ 141,800	\$ 182,034
Matured Coupons Payable	-	-	145	-	-	145
Deferred Taxes	-	-	31,822	-	-	31,822
<b>Total Liabilities</b>	<b>30,618</b>	<b>-</b>	<b>31,967</b>	<b>9,616</b>	<b>141,800</b>	<b>214,001</b>
<b>Fund Balance</b>						
Restricted for Debt Service	-	-	177,250	-	-	177,250
Restricted for Capital Projects	-	-	-	293,963	968,009	1,261,972
Unrestricted	220,649	-	-	-	-	220,649
<b>Total Fund Balance</b>	<b>220,649</b>	<b>-</b>	<b>177,250</b>	<b>293,963</b>	<b>968,009</b>	<b>1,659,871</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 251,267</b>	<b>\$ -</b>	<b>\$ 209,217</b>	<b>\$ 303,579</b>	<b>\$ 1,109,809</b>	<b>\$ 1,873,872</b>

Reconciliation to Net Assets:

Fund Balances Above	\$ 1,659,871
Less:	
Accrued Compensated Absences	(45,479)
Bond Payable	(4,460,000)
Plus:	
Net Capital Assets	16,741,016
Inventory	53,588
Deferred Taxes Receivable	31,822
Bond Issue Costs	86,569
	<u>\$ 14,067,387</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, 2012**

	ENTERPRISE FUND	MASTER PLANS FUND	DEBT SERVICE FUND	WATER SDC / CIC RESERVE FUND	SEWER SDC / CIC RESERVE FUND	TOTAL
Revenues	\$ 1,012,796	\$ -	\$ 422,582	\$ 204,183	\$ 54,884	\$ 1,694,445
Expenditures						
Personal Services	\$ 579,163	\$ -	\$ -	\$ -	\$ -	\$ 579,163
Materials and Services	360,128	-	-	16,963	15,780	392,871
Capital Outlay	-	(20,732)	-	93,776	439,759	512,803
Debt Service	-	-	422,388	-	-	422,388
Total Expenditures	939,291	(20,732)	422,388	110,739	455,539	1,907,225
Excess of Revenues over Expenses	73,505	20,732	194	93,444	(400,655)	(212,780)
Transfers In/Out	(28,348)	(86,640)	-	114,988	-	-
Net Change in Fund Balance	45,157	(65,908)	194	208,432	(400,655)	(212,780)
Beginning Fund Balance	175,492	65,908	177,056	85,531	1,368,664	1,872,651
Ending Fund Balance	\$ 220,649	\$ -	\$ 177,250	\$ 293,963	\$ 968,009	\$ 1,659,871

Reconciliation to Changes in Net Assets:

Change in Fund Balances Above	\$ (212,780)
Additions	
Capital additions	565,965
Bond Paid	210,000
Deletions	
Depreciation	(839,501)
Accrued Compensated absence:	6,248
Property Taxes	(5,499)
Inventory	(12,719)
Bond Issue Costs	(7,210)
Net Income	<u>\$ (295,496)</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, 2012**

<u>ENTERPRISE FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
<b>REVENUES:</b>				
User Fees - Sewer	\$ 520,000	\$ 520,000	\$ 533,211	\$ 13,211
User Fees - Water	450,000	450,000	455,900	5,900
Streetlight Assessments	9,500	9,500	9,557	57
Miscellaneous/Lab Charges	8,500	8,500	4,725	(3,775)
Reimbursements	4,000	4,000	6,388	2,388
Inspections	5,500	5,500	825	(4,675)
Earnings on Investments	2,000	2,000	2,190	190
<b>Total Revenues</b>	<b>999,500</b>	<b>999,500</b>	<b>1,012,796</b>	<b>13,296</b>
<b>EXPENDITURES:</b>				
<b>Personal Services:</b>				
Authority Manager	84,984	84,984	84,975	9
Executive Assistant	53,340	53,340	53,340	-
Office Assistant	12,000	12,000	13,036	(1,036)
Operator II	48,000	48,000	47,420	580
Operator I	120,480	120,480	83,164	37,316
OIT	32,400	32,400	68,100	(35,700)
Utility Worker	5,000	5,000	8,078	(3,078)
Overtime Allowance	15,000	15,000	8,902	6,098
Merit Reserves	15,000	15,000	9,608	5,392
Medical Insurance	139,000	139,000	137,449	1,551
Workers Compensation	13,000	13,000	6,414	6,586
Deferred Compensation	23,000	23,000	22,609	391
Payroll Taxes	42,000	42,000	36,068	5,932
<b>Total Personal Services</b>	<b>603,204</b>	<b>603,204 (1)</b>	<b>579,163</b>	<b>24,041</b>
<b>Materials and Services:</b>				
Access Fees	2,000	2,000	450	1,550
Accounting/Auditing	12,500	12,500	15,990	(3,490)
Advertising	2,000	2,000	1,086	914
Administrative Meetings	600	600	-	600
Contract Services	7,500	7,500	7,740	(240)
Bank/ Bond Expense	7,000	7,000	7,236	(236)
Director Fees/Training	1,700	1,700	1,287	413
Dues & Subscriptions	4,000	4,000	2,449	1,551
Employee Training	4,500	4,500	1,057	3,443
Elections	-	-	115	(115)
Electricity	73,300	73,300	61,553	11,747
Insurance	40,000	40,000	35,366	4,634
Legal Fees	10,000	10,000	6,447	3,553
Miscellaneous	1,000	1,000	-	1,000
Newsletter	3,000	3,000	1,414	1,586
Office Equipment R & M	20,000	20,000	16,571	3,429
Office Supplies	6,500	6,500	3,588	2,912
Postage/Freight	5,500	5,500	5,933	(433)

(1) Appropriation level

Continued on page 21

**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, 2012**

	ORIGINAL BUDGET	FINAL BUDGET		ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
<b>EXPENDITURES (CONT.):</b>					
<b>Materials and Services (Cont.):</b>					
Telephone	\$ 10,000	\$ 10,000		\$ 11,344	\$ (1,344)
Uniforms	4,000	4,000		3,495	505
Water Telemetry System	4,000	4,000		686	3,314
Monitoring	4,000	4,000		1,698	2,302
Lab Supplies	7,000	7,000		6,954	46
Chemicals	15,000	15,000		21,728	(6,728)
Testing	15,000	15,000		17,520	(2,520)
WWT Plant R & M	20,000	20,000		16,937	3,063
WW Collection System R & M	25,000	25,000		8,432	16,568
Wastewater Pumping	10,000	10,000		1,246	8,754
Solid Waste Disposal	5,000	5,000		3,890	1,110
Bio-Solids Management	12,000	12,000		7,712	4,288
Step System Pumping	5,000	5,000		2,050	2,950
Step System R & M	8,500	8,500		3,128	5,372
Water District/Trans R & M	30,000	30,000		19,683	10,317
Backflow Prevention	1,500	1,500		468	1,032
Water Pumping R & M	5,000	5,000		1,787	3,213
Water Treatment R & M	20,000	20,000		16,970	3,030
Water Conservation	3,000	3,000		822	2,178
Building R & M	8,000	8,000		6,340	1,660
Generator R & M	7,500	7,500		3,689	3,811
Backhoe R & M	4,000	4,000		2,940	1,060
NPDES Permit	2,500	2,500		2,081	419
Transportation	20,000	20,000		20,120	(120)
Community Events	5,000	5,000		2,317	2,683
Grounds R & M	3,000	3,000		2,732	268
Customer Assist Pymt Program	7,000	7,000		-	7,000
Horn Creek Lease	7,500	7,500		5,077	2,423
<b>Total Materials and Services</b>	<b>469,600</b>	<b>469,600</b>	<b>(1)</b>	<b>360,128</b>	<b>109,472</b>
<b>Operating Contingency</b>	<b>40,000</b>	<b>40,000</b>	<b>(1)</b>	<b>-</b>	<b>40,000</b>
<b>Total Expenditures</b>	<b>1,112,804</b>	<b>1,112,804</b>		<b>939,291</b>	<b>173,513</b>
<b>Excess of Revenues over, -Under Expenditures</b>	<b>(113,304)</b>	<b>(113,304)</b>		<b>73,505</b>	<b>186,809</b>
<b>Other Financing -Uses:</b>					
Transfers out	(28,348)	(28,348)	(1)	(28,348)	-
<b>Net Change in Fund Balance</b>	<b>(141,652)</b>	<b>(141,652)</b>		<b>45,157</b>	<b>186,809</b>
<b>Beginning Fund Balance</b>	<b>141,652</b>	<b>141,652</b>		<b>175,492</b>	<b>33,840</b>
<b>Ending Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ 220,649</b>	<b>\$ 220,649</b>

(1) Appropriation level

Continued from 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, 2012**

MASTER PLANS SERVICE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
EXPENDITURES:				
Capital Outlay:				
New Construction/Improve	\$ -	\$ -	\$ (20,732)	\$ 20,732
Total Expenditures	-	-	(20,732)	20,732
Excess of Revenues over, -Under Expenditures	-	-	20,732	20,732
Other Financing -Uses:				
Transfers out	(83,500)	(83,500) (1)	(86,640)	(3,140)
Net Change in Fund Balance	(83,500)	(83,500)	(65,908)	17,592
Beginning Fund Balance	83,500	83,500	65,908	(17,592)
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2012**

<u>DEBT SERVICE FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
<b>REVENUES:</b>				
Property Taxes	\$ 398,500	\$ 398,500	\$ 422,340	\$ 23,840
Earnings on Investments	1,500	1,500	242	(1,258)
<b>Total Revenues</b>	<b>400,000</b>	<b>400,000</b>	<b>422,582</b>	<b>22,582</b>
<b>EXPENDITURES:</b>				
Debt Service:				
Bond Principal Payments	275,000	275,000	210,000	65,000
Bond Interest Payments	280,000	280,000	212,388	67,612
<b>Total Expenditures</b>	<b>555,000</b>	<b>555,000 (1)</b>	<b>422,388</b>	<b>132,612</b>
Net Change in Fund Balance	(155,000)	(155,000)	194	155,194
Beginning Fund Balance	155,000	155,000	177,056	22,056
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 177,250</u>	<u>\$ 177,250</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, 2012**

WATER SDC / CIC RESERVE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES:</b>				
Tap Fees/Reimbursements	\$ 3,300	\$ 3,300	\$ 1,030	\$ (2,270)
Capital Improvement Charges	140,000	140,000	137,511	(2,489)
System Development Charges	140,900	140,900	64,669	(76,231)
Flex Lease Loan	1,000,000	1,000,000	-	(1,000,000)
Reimbursements	1,000	1,000	373	(627)
Earnings on Investments	500	500	600	100
<b>Total Revenues</b>	<b>1,285,700</b>	<b>1,285,700</b>	<b>204,183</b>	<b>(1,081,517)</b>
<b>EXPENDITURES:</b>				
Materials and Services	5,000	20,000 (1)	16,963	3,037
<b>Capital Outlay:</b>				
Equipment	39,548	24,548	2,205	22,343
Construction	1,043,000	1,043,000	22,188	1,020,812
Office/Lab Remodel	10,000	10,000	-	10,000
Computer Upgrades	40,000	40,000	10,596	29,404
MP Engineering/Legal	95,000	95,000	55,581	39,419
Service Installations	15,000	15,000	3,206	11,794
Vehicles	50,000	50,000	-	50,000
<b>Total Capital Outlay</b>	<b>1,292,548</b>	<b>1,277,548 (1)</b>	<b>93,776</b>	<b>1,183,772</b>
<b>Debt Service:</b>				
Flex-Lease	140,000	140,000 (1)	-	140,000
<b>Total Expenditures</b>	<b>1,437,548</b>	<b>1,437,548</b>	<b>110,739</b>	<b>1,326,809</b>
Excess of Revenues Over, -Under Expenditures	(151,848)	(151,848)	93,444	245,292
<b>Other Financing Sources (Uses)</b>				
Transfers In	111,848	111,848	114,988	3,140
<b>Total Other Financing</b>	<b>111,848</b>	<b>111,848</b>	<b>114,988</b>	<b>3,140</b>
<b>Net Change in Fund Balance</b>	<b>(40,000)</b>	<b>(40,000)</b>	<b>208,432</b>	<b>248,432</b>
Beginning Fund Balance	180,000	180,000	85,531	(94,469)
<b>Ending Fund Balance</b>	<b>\$ 140,000</b>	<b>\$ 140,000</b>	<b>\$ 293,963</b>	<b>\$ 153,963</b>

(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, 2012**

<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>
<b>REVENUES</b>				
Capital Improvement Charges	\$ 33,000	\$ 33,000	\$ 31,894	\$ (1,106)
System Development Charges	76,630	76,630	16,987	(59,643)
Reimbursements / Refunds	-	-	(679)	(679)
Loans	500,000	500,000	-	(500,000)
Earnings on Investments	6,000	6,000	6,682	682
<b>Total Revenue</b>	<b>615,630</b>	<b>615,630</b>	<b>54,884</b>	<b>(560,746)</b>
<b>EXPENDITURES</b>				
Materials and Services	15,000	20,000 (1)	15,780	4,220
<b>Capital Outlay:</b>				
Equipment	185,000	180,000	7,252	172,748
Service Installations	15,000	15,000	-	15,000
Construction	1,311,000	1,311,000	221,165	1,089,835
Lift Station Improvements	40,630	40,630	1,574	39,056
Office/Lab Remodel	10,000	10,000	-	10,000
Engineering	230,000	230,000	197,512	32,488
Computer Upgrades	40,000	40,000	12,256	27,744
Rolling Stock	60,000	60,000	-	60,000
Inflow and Infiltration	50,000	50,000	-	50,000
<b>Total Capital Outlay</b>	<b>1,941,630</b>	<b>1,936,630 (1)</b>	<b>439,759</b>	<b>1,496,871</b>
<b>Debt Service:</b>				
Flex-Lease	70,000	70,000	-	70,000
<b>Total Debt Service</b>	<b>70,000</b>	<b>70,000 (1)</b>	<b>-</b>	<b>70,000</b>
<b>Total Expenditures</b>	<b>2,011,630</b>	<b>2,006,630</b>	<b>455,539</b>	<b>1,566,871</b>
<b>Net Change in Balance Fund</b>	<b>(1,396,000)</b>	<b>(1,391,000)</b>	<b>(400,655)</b>	<b>990,345</b>
<b>Beginning Fund Balance</b>	<b>1,396,000</b>	<b>1,391,000</b>	<b>1,368,664</b>	<b>(22,336)</b>
<b>Ending Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 968,009</b>	<b>\$ 968,009</b>

(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, 2012**

<u>Tax Year</u>	<u>Original Levy or Balance Uncollected 7/1/11</u>	<u>Deduct Discounts</u>	<u>Adjustments to Rolls</u>	<u>Add Interest</u>	<u>Cash Collections by County Treasurer</u>	<u>Balance Uncollected 6/30/12</u>
Current:						
2011-2112	\$ 422,438	\$ 10,002	\$ (290)	\$ 333	\$ 394,430	\$ 18,049
Prior Years:						
2010-2011	20,795	-	(20)	944	11,874	9,845
2009-2010	13,321	-	(14)	1,081	6,241	8,147
2008-2009	7,560	-	(12)	1,594	6,405	2,737
2007-2008	2,715	-	(12)	800	2,841	662
Prior Years:	142	-	(3)	4	12	131
Total Prior	44,533	-	(61)	4,423	27,373	21,522
Total	<u>\$ 466,971</u>	<u>\$ 10,002</u>	<u>\$ (351)</u>	<u>\$ 4,756</u>	<u>\$ 421,803</u>	<u>\$ 39,571</u>

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurer Above	\$ 421,803
Accrued at 6/30/11	(7,212)
Accrued at 6/30/12	<u>7,749</u>
Total Revenue	<u>\$ 422,340</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, 2012**

DATE OF ISSUE	ORIGINAL AMOUNT	MATURED BONDS & COUPONS OUTSTANDING 7/1/2011	BONDS & COUPONS MATURING DURING THE YEAR	BONDS REDEEMED AND COUPONS PAID DURING THE YEAR	MATURED BONDS & COUPONS OUTSTANDING 6/30/2012
08/01/77	\$ 445,000	\$ 145	\$ -	\$ -	\$ 145
09/25/07	\$ 5,485,000	\$ -	\$ 416,387	\$ 416,387	\$ -
		\$ 145	\$ 416,387	\$ 416,387	\$ 145

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

**SCHEDULE OF BOND REDEMPTION AND INTEREST REQUIREMENTS**  
**For The Year Ended June 30, 2012**

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ISSUE of 9/25/07

YEAR	Due June 1st	Interest
2012-2013	\$ -	(1) \$ 101,994
2013-2014	215,000	199,688
2014-2015	225,000	190,888
2015-2016	235,000	181,570
2016-2017	245,000	171,607
2017-2022	1,390,000	680,555
2022-2027	1,750,000	313,680
2027-2028	400,000	9,600
<b>TOTALS</b>	<b>\$ 4,460,000</b>	<b>\$ 1,849,582</b>

(1). The principal payment was paid in 2011-12.

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

**Independent Auditors' Report Required by Oregon State Regulations**

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# PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

September 28, 2012

## Independent Auditors' 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, 2012, and have issued our report thereon dated September 28, 2012. 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 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 noted below.

1. The LB-1 did not match the budget resolution.
2. There was one over expenditure of authorized appropriations 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 opinion 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 the internal controls over financial reporting.



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

**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 28, 2012.

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.

  
PAULY, ROGERS AND CO., P.C.