

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

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2020



12700 SW 72nd Ave.
Tigard, OR 97223

PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON

2019-20
FINANCIAL REPORT

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PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON

<u>BOARD OF DIRECTORS</u>	<u>TERM EXPIRES</u>
Carolyn McVicker, Chair	June 30, 2023
Anne Price, Vice Chair	June 30, 2021
Tom Donohue, Director	June 30, 2023
Sean Carlton, Secretary	June 30, 2021
Cameron Gogas, Director	June 30, 2021

All Directors receive mail at the Authority Office address listed below

REGISTERED AGENT

Kirk Medina, 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

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
INDEPENDENT AUDITORS' REPORT	1
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
MANAGEMENT'S DISCUSSION AND ANALYSIS	2
<u>BASIC FINANCIAL STATEMENTS</u>	
Statements of Net Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Basic Financial Statements	6
<u>SUPPLEMENTARY INFORMATION</u>	
Combining Balance Sheet - All Funds (Budgetary Basis)	17
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - All Funds (Budgetary Basis)	18
Schedule of Revenues, Expenditures and Changes in Fund Balance - Actual and Budget (Budgetary Basis):	
Water Enterprise Fund	19
WasteWater Enterprise Fund	20
Master Plan Fund	21
Debt Service Fund	22
Water SDC/CIC Reserve Fund	23
Sewer SDC/CIC Reserve Fund	24
Schedule of Property Tax Transactions and Balances of Taxes Uncollected	25
Schedule of Bond Transactions and Balances	26
Schedule of Expenditures of Federal Awards	27
<u>REPORTS ON LEGAL AND OTHER REGULATORY REQUIREMENTS</u>	
INDEPENDENT AUDITORS' REPORT REQUIRED BY STATE REGULATIONS	28
<u>GRANT COMPLIANCE REVIEW</u>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	30
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	32
Schedule of Findings and Questioned Costs	34

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February 5, 2021

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying basic financial statements of Pacific City Joint Water-Sanitary Authority (the Authority), Tillamook County, Oregon, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of Pacific City Joint Water-Sanitary Authority, as of June 30, 2020 and 2019, and the respective changes in financial position and where applicable, cash flows thereof for the years ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance on it.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CRF) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements. The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated February 5, 2021, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

In accordance with *Government Auditing Standards*, we have also issued our reports February 5, 2021 on our consideration of the internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance.



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

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Pacific City Joint Water-Sanitary Authority

Management's Discussion and Analysis

FY 2020

As management of the Pacific City Joint Water-Sanitary Authority (Authority), we offer readers of the Authority's basic financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our notes to the basic financial statements.

Financial Highlights

- Total assets of the Authority at June 30, 2020 were \$27,712,447 and include capital assets of \$22,075,063 and current assets of \$676,827. Overall, total assets for the Authority increased 1.01% from FY 2019.
- PCJWSA's assets exceeded its liabilities on June 30, 2020 by \$15,974,619 (net position). This amount reflects an increase of \$412,562 or 2.65% from FY 2019 and an increase of \$1,378,555 since FY 2018. For the fiscal year ended June 30, 2020, unrestricted net position in the amount of \$618,688 includes \$504,137 in cash and investments that may be used to meet the Authority's obligations. This represents a 22% increase in year-end unrestricted net position of FY 2019.
- At June 30, 2020, capital assets less related debt was \$10,963,669, an increase of 5.5% from FY 2019. Long-term debts total \$11,111,394 showing a decrease of 5.35% from FY 2019. The decrease is primarily due to the Authority's schedule debt payment service payments on the Authority's outstanding debt.
- Operating revenues for FY 2020 were \$1,332,227, a decrease of 1.5% from FY 2019 or \$20,648.
- Total operating expenses for FY 2020 were \$2,254,249 reflecting an overall increase of 9.4%, \$194,181 from the previous year. Labor and benefits increased 15% due to an increase in wages and fringe benefit costs; materials and services costs increased 21%.

Overview of the Financial Statements

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

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

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

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

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

Financial Analysis

Net Position

Over time, net position may serve as a useful indicator of the Authority's financial position. As shown in the following table, the Authority's assets exceeded liabilities by \$15.9 million on June 30, 2020 and reflect an increase of approximately \$412,562 or 2.65% over the Authority's net position at the close of FY 2019.

Investment in capital assets is by far the largest portion of the Authority's net position (\$10.9 million or 68.6% of total net position), and includes the Authority's investment in land, buildings, equipment, reservoirs, and pipelines. The Authority used these capital assets to provide water and wastewater services to customers; consequently, these assets are not available for future spending.

	Net Position				
	<u>2020</u>	<u>2019</u>	<u>Difference 2020-2019</u>	<u>Percent Change</u>	<u>2018</u>
Assets:					
Current Assets	\$ 676,827	\$ 590,427	\$ 86,400	15%	\$ 431,982
Current Restricted Assets	4,960,557	4,702,974	257,583	5%	9,222,440
Capital Assets	<u>22,075,063</u>	<u>22,081,374</u>	<u>(6,311)</u>	0%	<u>17,523,683</u>
Total Assets	<u>27,712,447</u>	<u>27,374,775</u>	<u>337,672</u>	1%	<u>27,178,105</u>
Liabilities:					
Current Liabilities	582,970	58,412	524,558	898%	472,560
Non-Current Liabilities	43,464	62,484	(19,020)	-30%	61,099
Long Term Debt	<u>11,111,394</u>	<u>11,691,822</u>	<u>(580,428)</u>	-5%	<u>12,048,382</u>
Total Liabilities	<u>11,737,828</u>	<u>11,812,718</u>	<u>(74,890)</u>	-1%	<u>12,582,041</u>
Net Position:					
Invested in Capital Asset	10,963,669	10,389,552	574,117	6%	5,475,301
Reserved for Debt Service	1,482,914	1,938,547	(455,633)	-24%	6,277,988
Reserved for Capital Improvements	2,909,348	2,728,648	180,700	7%	2,495,129
Unrestricted	<u>618,688</u>	<u>505,310</u>	<u>113,378</u>	22%	<u>347,646</u>
Total Net Position	<u>15,974,619</u>	<u>15,562,057</u>	<u>412,562</u>	3%	<u>14,596,064</u>
Total Liabilities and Net Position	<u>\$ 27,712,447</u>	<u>\$ 27,374,775</u>	<u>\$ 337,672</u>	1%	<u>\$ 27,178,105</u>

Change in Net Position

As shown in the next table the Authority's operating, non-operating and capital activities increased total net position by \$412,562 from FY 2019 and \$1,378,555 since FY 2018.

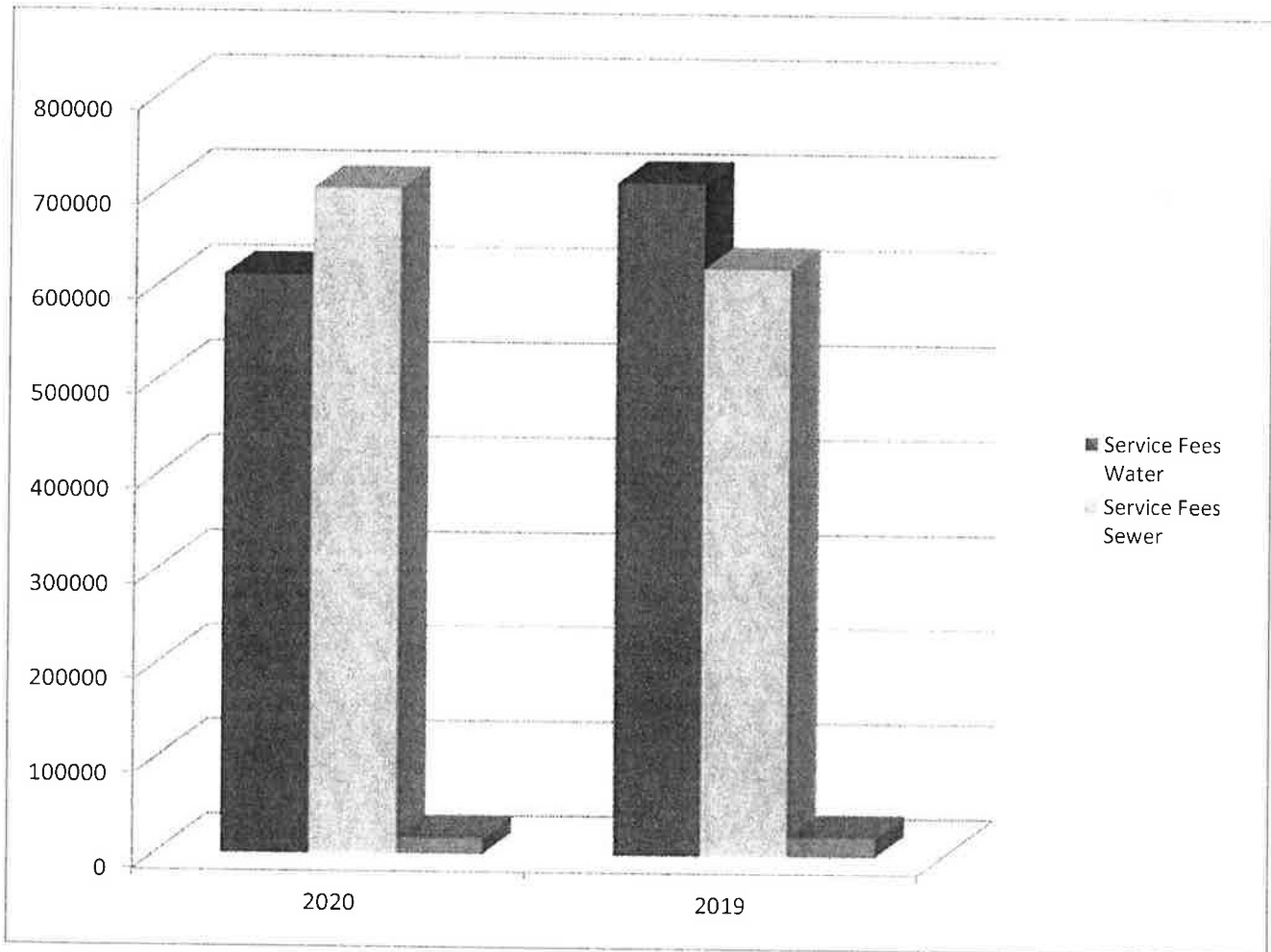
Change in Net Position

	<u>2020</u>	<u>2019</u>	<u>Difference 2020-2019</u>	<u>Percent Change</u>	<u>2018</u>
Operating Revenue:					
Service Fees	\$ 1,314,285	\$ 1,331,322	\$ 17,037	-1%	\$ 1,180,504
Other Operating Revenues	<u>17,942</u>	<u>21,553</u>	<u>3,611</u>	-20%	<u>36,740</u>
Total Operating Revenues	<u>1,332,227</u>	<u>1,352,875</u>	<u>20,648</u>	-2%	<u>1,217,244</u>
Operating Expenses:					
Personal Services	870,323	758,943	(111,380)	13%	638,717
Materials and Services	547,419	453,435	(93,984)	17%	568,566
Depreciation and Amortization	<u>836,507</u>	<u>847,690</u>	<u>11,183</u>	-1%	<u>840,244</u>
Total Operating Expenses	<u>2,254,249</u>	<u>2,060,068</u>	<u>(194,181)</u>	9%	<u>2,047,527</u>
Net Income, (Loss) From Operations	<u>(922,022)</u>	<u>(707,193)</u>	<u>214,829</u>	23%	(830,283)
Non-Operating Revenue, (Expenses)	<u>1,334,584</u>	<u>1,673,186</u>	<u>338,602</u>	-25%	<u>1,487,106</u>
Change in Net Position	412,562	965,993	553,431	-134%	656,823
Beginning Net Position	<u>15,562,057</u>	<u>14,596,064</u>	<u>(965,993)</u>	6%	<u>13,939,241</u>
Ending Net Assets	<u><u>15,974,619</u></u>	<u><u>15,562,057</u></u>	<u><u>\$ (412,562)</u></u>	3%	<u><u>14,596,064</u></u>

Operating Revenues

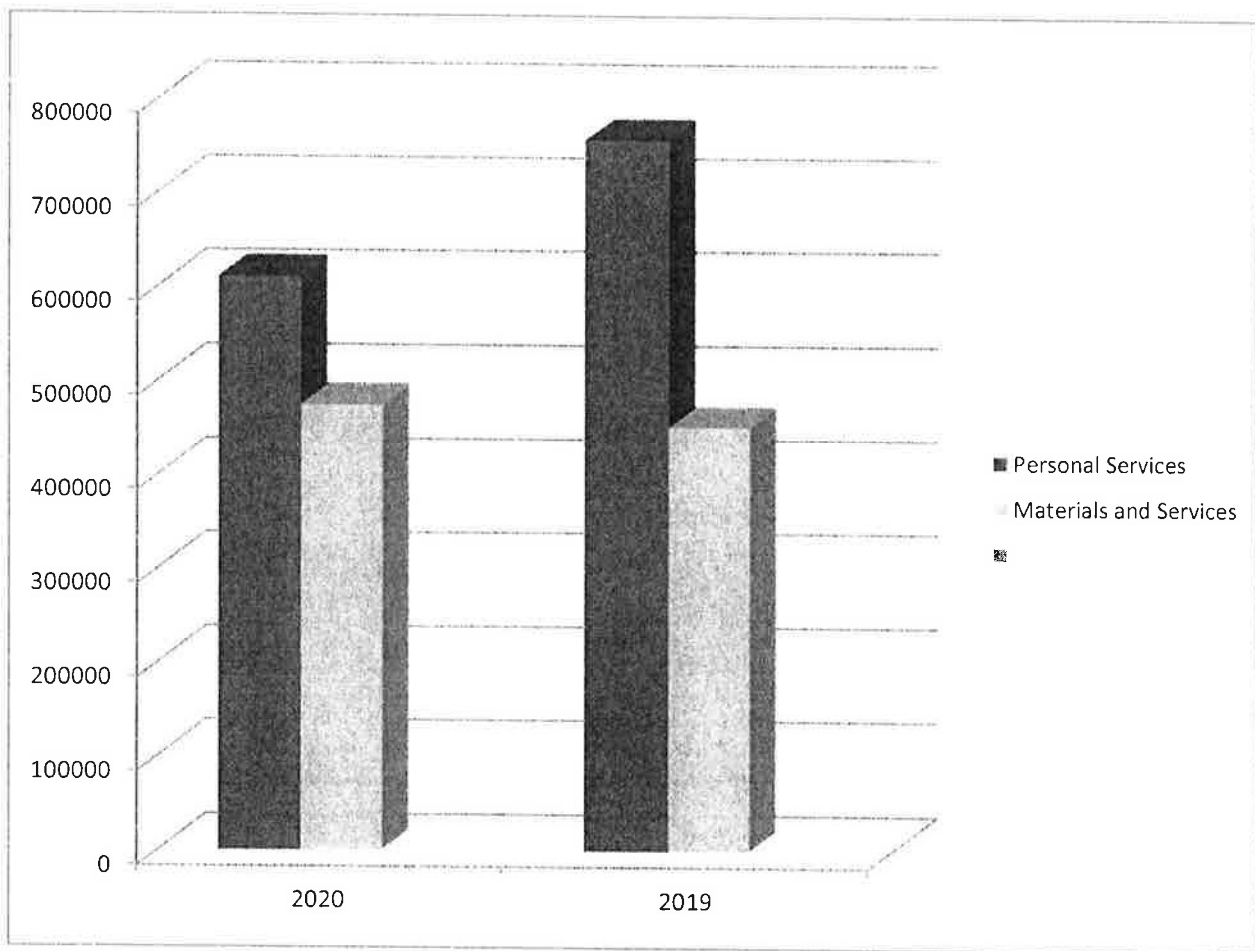
FY 2020 operating revenues decreased \$20,648 or about 1.5% from FY 2019. The Authority sets rates annually and increases are based on cost of service and requirements needed to fund operations and capital improvements.

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



Operating Expenses

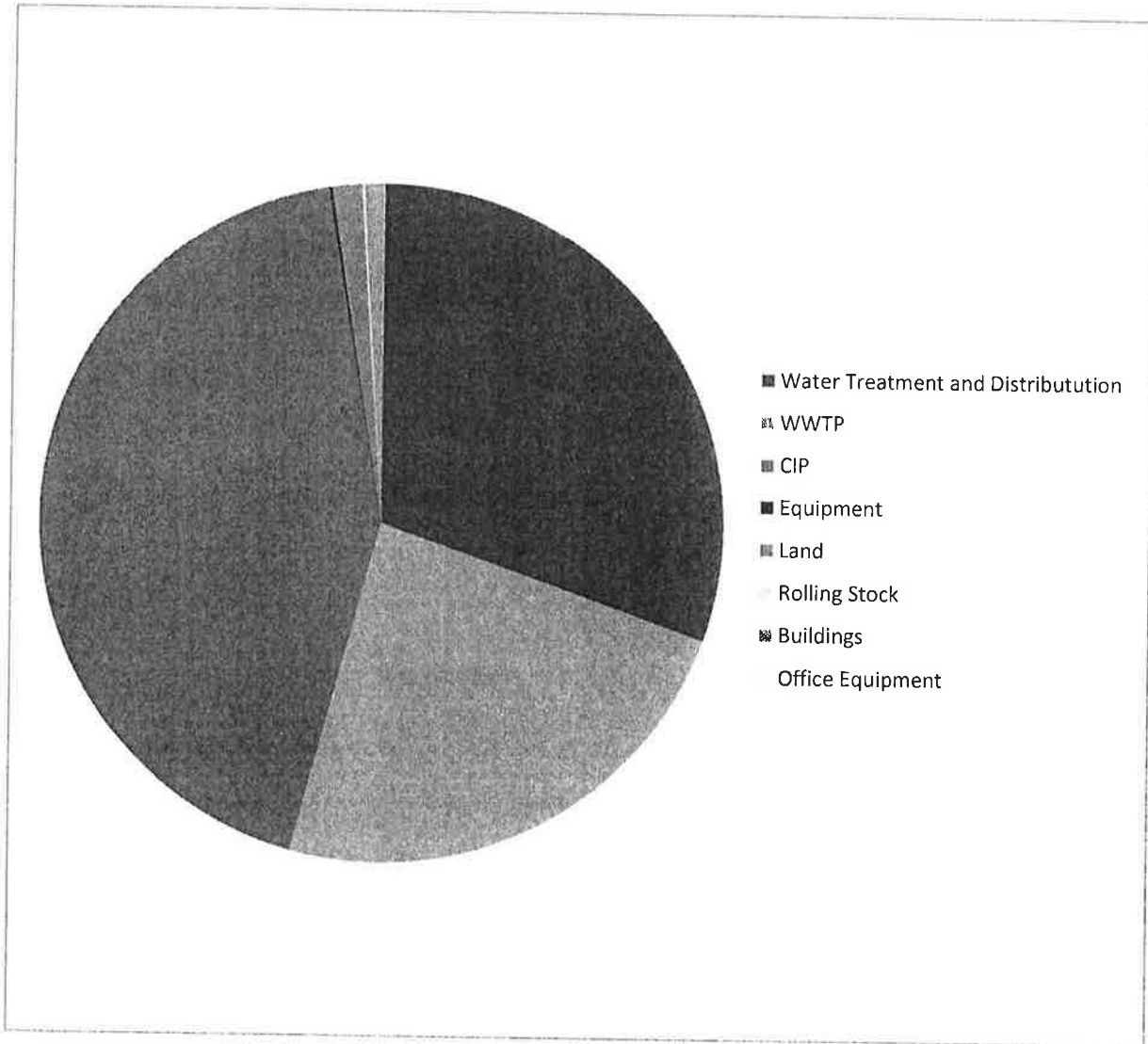
In the materials and supplies expenses portion of the budget, the cost of dues and subscriptions, employee training, liability insurance, transportation, and expected supplies were less than projected.



Capital Assets

As of June 30, 2020, the Authority had \$22,075,063 invested in a broad range of capital assets, including land, buildings, water treatment and water distribution systems, wastewater treatment and collection systems, and equipment. These amounts are net of depreciation. See the notes to the financial statements for additional information on capital assets.

The construction in progress on the Wastewater Treatment Plant was at 92% at the end of 2020.



Debt Administration

As of June 30, 2020, the Authority owed \$2,403,836 for a General Obligation Bond approved by voters in November 2007, \$207,659 for a line of credit approved in 2014 and \$8,499,899 for revenue financing of the WWPT upgrade.

Economic Factors and Next Year's Budget and Rates

The total amount of appropriations in the 2019-2020 Fiscal Year's budget is as follows:

Master Plan Appropriations:	\$ 2,154,230
Debt Service Fund Appropriations:	\$ 495,000
Water SDC/CIC Fund Appropriations:	\$ 2,146,790
Sewer SDC/CIC Fund Appropriations:	\$ 1,199,768
Water Enterprise Fund Appropriations:	\$ 771,759
Sewer Enterprise Fund Appropriations:	<u>\$ 990,712</u>

For a total of \$ 7,758,259

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 Kirk Medina, Authority Manager P.O. Box 520, Pacific City, OR 97135.

PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON

BASIC FINANCIAL STATEMENTS

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

**STATEMENTS OF NET POSITION
June 30, 2020 and 2019**

	2020	2019
ASSETS:		
Current		
Cash and Equivalents	\$ 504,137	\$ 399,147
Utility Billing Accounts Receivable	112,555	132,656
Materials Inventory	60,135	58,624
Total Current Assets	676,827	590,427
Restricted Assets		
Debt Service Fund		
Cash and Investments	141,320	146,728
Taxes Receivable	39,571	39,571
Master Plans Fund		
Cash and Investments	1,738,258	1,722,873
Utility Billing Accounts Receivable	96,298	44,651
Water SDC/CIC Reserve Fund		
Cash and Investments	1,928,549	1,782,750
Utility Billing Accounts Receivable	4,362	4,338
Sewer SDC/CIC Reserve Fund		
Cash and Investments	1,005,049	955,051
Utility Billing Accounts Receivable	7,150	7,012
Total Restricted Assets	4,960,557	4,702,974
Capital Assets		
Non-Depreciable	9,851,719	9,052,117
Depreciable	27,805,630	27,775,036
Less: Accumulated Depreciation	(15,582,286)	(14,745,779)
Net Capital Assets	22,075,063	22,081,374
Total Assets	\$ 27,712,447	\$ 27,374,775
LIABILITIES AND NET POSITION:		
Current Liabilities		
Accounts Payable	\$ 96,039	\$ 58,412
Retainage Payable	486,000	-
Payroll Liabilities	931	-
Accrued Compensated Absences	43,464	62,484
Note, Bonds Payable - Current Portion	590,199	576,184
Total Current Liabilities	1,216,633	697,080
Noncurrent Liabilities		
Note, Bonds Payable, Less Current Portion	10,521,195	11,115,638
Total Noncurrent Liabilities	10,521,195	11,115,638
Total Liabilities	11,737,828	11,812,718
Net Position		
Net Investment in Capital Assets	10,963,669	10,389,552
Restricted for Debt Service	1,482,914	1,938,547
Restricted for Capital Improvements	2,909,348	2,728,648
Unrestricted	618,688	505,310
Total Net Position	15,974,619	15,562,057
Total Liabilities and Net Position	\$ 27,712,447	\$ 27,374,775

See accompanying notes to basic financial statements.

PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON

STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2020 and 2019

	2020	2019
OPERATING REVENUES:		
Service Fees - Sewer	\$ 702,988	\$ 710,315
Service Fees - Water	611,297	621,007
Streetlight Assessments	7,677	7,586
Miscellaneous Charges	3,737	4,435
Tap Fees/Inspections	6,528	7,298
Reimbursements	-	2,234
	<u>1,332,227</u>	<u>1,352,875</u>
OPERATING EXPENDITURES:		
Personnel Services	870,323	758,943
Materials and Services	547,419	453,435
Depreciation	836,507	847,690
	<u>2,254,249</u>	<u>2,060,068</u>
Total Operating Expenses	2,254,249	2,060,068
Operating Income (Loss)	<u>(922,022)</u>	<u>(707,193)</u>
NON-OPERATING INCOME (EXPENDITURES):		
Property Taxes	360,621	330,409
Earnings on Investments	107,157	165,618
Grants	939,435	511,038
System Development Charges	221,337	251,615
Capital Improvements Charges	434,623	661,219
Interest Expense on Bonds and Leases	(242,589)	(246,713)
Bond Reserve	(396,000)	-
Short-Lived Assets	(90,000)	-
	<u>1,334,584</u>	<u>1,673,186</u>
Total Non-Operating Income	1,334,584	1,673,186
Change in Net Position	412,562	965,993
Beginning Net Position	<u>15,562,057</u>	<u>14,596,064</u>
Ending Net Position	<u>\$ 15,974,619</u>	<u>\$ 15,562,057</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, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 1,300,519	\$ 1,330,067
Cash Paid to Suppliers	(511,303)	(871,510)
Cash Paid to Employees	(888,412)	(757,558)
Net Cash Provided (Used) by Operating Activities	(99,196)	(299,001)
Cash Flows From Investing Activities		
Earnings on Investment	107,157	165,618
Net Cash Provided By Investing Activities	107,157	165,618
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	(830,196)	(5,405,381)
Principal Payments on Long-term Debt (Net)	(580,428)	(356,560)
Interest Payments on Long-term Debt	(242,589)	(246,713)
Net Cash Used by Capital and Related Financing Activities	(1,653,213)	(6,008,654)
Cash Flows From Non-Capital Financing Activities		
Property Tax Contributions/Sale of Assets	360,621	330,409
Grants	939,435	511,038
Capital Improvements Charges	434,623	661,219
System Development Fees	221,337	251,615
Net Cash Provided By Non-Capital Financing Activities	1,956,016	1,754,281
Net Increase (Decrease) in Cash	310,764	(4,387,756)
Cash and Cash Equivalents, Beginning of Year	5,006,549	9,394,305
Cash and Cash Equivalents, End of Year	<u>\$ 5,317,313</u>	<u>\$ 5,006,549</u>
Detail of Cash:		
Unrestricted	\$ 504,137	\$ 399,147
Master Plans Fund	1,738,258	1,722,873
Debt Service Fund	141,320	146,728
Water SDC/CIC Reserve Fund	1,928,549	1,782,750
Sewer SDC/CIC Reserve Fund	1,005,049	955,051
	<u>\$ 5,317,313</u>	<u>\$ 5,006,549</u>
Cash Paid for Interest	<u>\$ 242,589</u>	<u>\$ 246,713</u>
Operating Loss	\$ (922,022)	\$ (707,193)
Noncash Items included in Income		
Depreciation Expense & Amortization	836,507	847,690
Decrease (Increase) In:		
Accounts Receivable	(31,708)	(22,808)
Materials Inventory	(1,511)	(3,927)
Increase (Decrease) In:		
Accounts Payable	37,627	(414,148)
Payroll Liabilities	931	-
Accrued Compensated Absences	(19,020)	1,385
Net Cash Provided By Operation	<u>\$ (99,196)</u>	<u>\$ (299,001)</u>

See accompanying notes to basic financial statements.

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PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON

NOTES TO THE BASIC FINANCIAL STATEMENTS

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PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. THE FINANCIAL REPORTING ENTITY

Pacific City Joint Water-Sanitary Authority (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, a surface water source and six wells for emergency needs. The sewer system is comprised of a wastewater treatment plant that consists of: headworks; blowers; generator; tertiary filtration; and eight concrete holding tanks for flow equalizing, aerating, digesting, clarifying and ultra violet disinfecting. The sewerage collection interceptor system includes approximately 20 miles of sewer line, and nine lift stations.

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

B. BASIS OF PRESENTATION - FUND ACCOUNTING

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

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

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

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

Water SDC/CIC Reserve Fund – This fund accounts for water system projects and 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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. BASIS OF PRESENTATION - FUND ACCOUNTING (CONTINUED)

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

C. BASIS OF ACCOUNTING

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

The budgetary financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. All revenues reported in the governmental funds are considered to be available if they are collected within sixty days after year-end. Property taxes and interest are considered to be susceptible to accrual. 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.

D. BUDGET

A budget is prepared and legally adopted for each fund on the modified 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 rather than when used;
- Prepaid expenses are expensed when paid rather than when used.

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

PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. BUDGET (CONTINUED)

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

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

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

- Material & Services
- Capital Outlay
- Debt Service

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

- Debt Service: principal; interest; fees

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

- Debt Service
- Materials & Services
- Capital Outlay

Expenditures of the various funds were within authorized appropriations.

E. PROPERTY TAXES RECEIVABLE

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

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

F. INVENTORIES

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

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

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. CAPITAL ASSETS

Purchased capital assets are stated at cost where historical records are available and at estimated historical cost where no historical records exist. Maintenance and repairs are expensed as incurred. Replacements that improve or extend the lives of property are capitalized. Donated capital assets are stated at estimated fair value at the date of donation. Gains or losses realized from the sale of fixed assets are reflected in the statement of operations. Capital assets are defined as all individually purchased items and rehabilitation projects with an initial cost of \$10,000 or more, and an estimated useful life greater than one year. Depreciation of fixed assets has been recognized and reflected in the basic financial statements and is calculated using the straight-line method based upon the following estimated useful lives of the assets:

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

H. COMPENSATED ABSENCES

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

I. RETIREMENT PLANS

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

J. CASH AND CASH EQUIVALENTS

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

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

K. ESTIMATES

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

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

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. OPERATING REVENUES AND EXPENSES

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

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

M. RESTRICTED ASSETS

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

N. FAIR VALUE INPUTS AND METHODOLOGIES AND HIERARCHY

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based upon the activity level in the market for the security type and the inputs used to determine their fair values, as follows:

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

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

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

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

2. CASH AND INVESTMENTS

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

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

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

Cash and Investments (at fair value) at June 30, 2020 and 2019 consisted of:

	2020	2019
Deposits with Financial Institutions		
Petty Cash	\$ 300	\$ 300
Demand Deposits	394,637	443,751
Investments	4,922,376	4,562,498
Total Cash & Investments	\$ 5,317,313	\$ 5,006,549
Reported on Statement of Net Position as:		
Current Cash and Equivalents	\$ 504,137	\$ 399,147
Restricted Master Plan Fund	1,738,258	1,722,873
Restricted Debt Service Cash	141,320	146,728
Restricted Water SDC/CIC Cash	1,928,549	1,782,750
Restricted Sewer SDC/CIC Cash	1,005,049	955,051
Total Cash & Investments	\$ 5,317,313	\$ 5,006,549

DEPOSITS:

Deposits with financial institutions are comprised of bank demand deposits and certificates of deposit. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury. The total bank balance per the bank statements as of June 30, 2020 is \$483,696 of which \$250,006 was covered by federal depository insurance, and the remainder was collateralized by the Oregon Public Funds Collateralization Program (PFCP).

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, 2020 and 2019 as follows:

	2020	2019
Oregon State Treasurer's Local Government Investment Pool, Variable Interest Rate	\$ 4,922,376	\$ 4,562,498

Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued

PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund's compliance with all portfolio guidelines can be found in their annual report when issued. The LGIP seeks to exchange shares at \$1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool. We intend to measure these investments at book value since it approximates fair value. The pool is comprised of a variety of investments. These investments are characterized as a level 2 fair value measurement in the Oregon Short Term Fund's audited financial report. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. The audited financial reports of the Oregon Short Term Fund can be found here:

[http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-\(OSTF\).aspx](http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-(OSTF).aspx)

If the link has expired please contact the Oregon Short Term Fund directly.

Interest Rate Risk - Investments

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

Credit Risk - Investments

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

Concentration of Credit Risk

At June 30, 2020, all of the investments were in the State Treasurer's Investment Pool. State statutes do not limit the percentage of investments in this instrument.

3. ACCOUNTS RECEIVABLE

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

PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

4. CHANGES IN CAPITAL ASSETS

The changes in Capital Assets for the year ended June 30, 2020 are summarized below:

	Balance 7/1/2019	Additions	(Deletions)	Balance 6/30/2020
Capital Assets Not Being Depreciated				
Land & Land Improvements	\$ 304,404	\$ -	\$ -	\$ 304,404
Construction in Process	8,747,713	799,602	-	9,547,315
Total Capital Assets Not Depreciated	<u>9,052,117</u>	<u>799,602</u>	<u>-</u>	<u>9,851,719</u>
Capital Assets Being Depreciated				
Vehicles and Equipment	994,593	-	-	994,593
Buildings & Improvements	342,303	-	-	342,303
Water Distribution Systems	14,113,849	30,594	-	14,144,443
WW Treatment & Collections Systems	12,324,291	-	-	12,324,291
Total Capital Assets Being Depreciated	<u>27,775,036</u>	<u>30,594</u>	<u>-</u>	<u>27,805,630</u>
Accumulated Depreciation				
Vehicles and Equipment	881,581	37,935	-	919,516
Buildings & Improvements	134,887	11,410	-	146,297
Water Distribution Systems	6,964,198	460,027	-	7,424,225
WW Treatment & Collections Systems	6,765,113	327,135	-	7,092,248
Total Accumulated Depreciation	<u>14,745,779</u>	<u>836,507</u>	<u>-</u>	<u>15,582,286</u>
Total Net Capital Assets	<u>\$ 22,081,374</u>			<u>\$ 22,075,063</u>

The changes in Capital Assets for the year ended June 30, 2019 are summarized below:

	Balance 07/01/18	Additions	(Deletions)	Balance 06/30/19
Capital Assets Not Being Depreciated				
Land	\$ 304,404	\$ -	\$ -	\$ 304,404
Construction in Process	3,456,196	5,291,517	-	8,747,713
Total Capital Assets Not Being Depreciated	<u>3,760,600</u>	<u>5,291,517</u>	<u>-</u>	<u>9,052,117</u>
Capital Assets Being Depreciated				
Vehicles & Equipment	940,211	54,382	-	994,593
Buildings & Improvements	289,922	52,381	-	342,303
Treatment Plant & Water Distribution	14,109,717	4,132	-	14,113,849
WW Treatment & Collection Systems	12,321,322	2,969	-	12,324,291
Total Capital Assets Being Depreciated	<u>27,661,172</u>	<u>113,864</u>	<u>-</u>	<u>27,775,036</u>
Accumulated Depreciation				
Vehicles & Equipment	831,444	50,137	-	881,581
Buildings & Improvements	123,477	11,410	-	134,887
Treatment Plant & Water Distribution	6,505,190	459,008	-	6,964,198
WW Treatment & Collection Systems	6,437,978	327,135	-	6,765,113
Total Accumulated Depreciation	<u>13,898,089</u>	<u>847,690</u>	<u>-</u>	<u>14,745,779</u>
Total Net Capital Assets	<u>\$ 17,523,683</u>			<u>\$ 22,081,374</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

5. DEFERRED COMPENSATION

The Authority does not 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 10% of their budgeted salary per year, Manager's contributions are matched up to 14.5% of their budgeted salary per year. The circumstances for withdrawal of contributions are: death, disability, resignation or retirement. Payment to the employee will be made over a period not to exceed 15 years. The deferred compensation plan is one which is authorized under IRC Section 457 and has been approved in its specifics by a private ruling from the Internal Revenue Service. All amounts of compensation deferred under the plan are held in trust by a separate plan administrator for the sole benefit of the participants. Therefore, these funds are not reflected in the financial statements. The contributions to the plan for the years ended June 30, 2020, 2019 and 2018 were \$34,668, \$39,220, and \$31,501, respectively, equal to the required contributions for each year for the District.

6. OTHER POST-EMPLOYMENT BENEFIT PLAN (HEALTH CARE)

Plan Description

The Authority administers a single-employer defined benefit healthcare plan that covers both active and retired participants. The plan provides post-retirement healthcare benefits for eligible retirees and their dependents through the Authority's group health insurance plans. The Authority's post-retirement plan was established in accordance with Oregon Revised Statutes (ORS) 243.303 which states, in part, that for the purposes of establishing healthcare premiums, the calculated rate must be based on the cost of all plan members, including both active employees and retirees. Because claim costs are generally higher for retiree groups than for active members, the premium amount does not represent the full cost of coverage for retirees. The resulting additional cost, or implicit subsidy, is required to be valued under GASB Statement 75 related to Other Post-Employment Benefits (OPEB). Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations of the OPEB plan reflect a long-term perspective.

Funding Policy

The Authority has not established a trust fund to finance the cost of post-employment health care benefits related to implicit rate subsidies. Premiums are paid by retirees based on the rates established for active employees. Additional costs related to an implicit subsidy are paid by the Authority on a pay-as-you-go basis. There is no obligation on the part of the Authority to fund these benefits in advance.

Implicit Health Subsidy

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. For the fiscal year ended June 30, 2020, the Authority obtained an actuarial valuation report for the Implicit Healthcare Subsidy in accordance with GASB 75. At June 30, 2020, the Authority's net OPEB liability/(asset) and deferred inflows and outflows for the OPEB Implicit Healthcare Subsidy were not considered material to the basic financial statements by management and were not accrued in the government-wide statements.

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

NOTES TO BASIC FINANCIAL STATEMENTS

7. LONG-TERM OBLIGATIONS

General Obligation Bonds:

<u>Issue Date</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Outstanding 7/1/19</u>	<u>Issued</u>	<u>Matured and Redeemed</u>	<u>Outstanding 6/30/20</u>	<u>Due Within One Year</u>
GO Refund Bond 2017	2.10%	3,324,464	2,719,023	-	315,187	2,403,836	323,321
Wastewater Revenue Bond	2.12%	8,710,000	8,710,000	-	210,101	8,499,899	215,073
TLC Credit Union Note 2014	1.75%	500,000	262,799	-	55,140	207,659	51,805
			<u>\$11,691,822</u>	<u>\$ -</u>	<u>\$ 580,428</u>	<u>\$11,111,394</u>	<u>\$ 590,199</u>

General Obligation Principal and Interest Streams for Long-Term Obligations:

<u>For the Fiscal Year Ended June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	590,199	234,335	824,534
2022	603,290	222,060	825,350
2023	610,957	209,511	820,468
2024	622,259	197,264	819,523
2025	583,514	184,281	767,795
2026-2030	1,968,835	755,318	2,724,153
2031-2035	1,384,161	594,319	1,978,480
2036-2040	1,537,470	441,010	1,978,480
2041-2045	1,708,292	270,188	1,978,480
2046-2049	1,502,417	80,710	1,583,127
Total	<u>\$ 11,111,394</u>	<u>\$ 3,188,996</u>	<u>\$ 14,300,390</u>

In 2017, the Authority refinanced General Obligation Bonds issued in 2007 with a new General Obligation Bond of \$3,324,464, with interest of 2.10%. The Bond will mature in 2027.

On June 21, 2019, the Authority took on debt in the form of a Revenue Bond Payable to the United States Department of Agriculture for \$8,710,000 with interest of 2.12% for Waste Water Improvement Construction. This Bond will mature in 2049.

A significant provision and/or assets pledged applicable to the Wastewater Revenue Bond is noted in the following:

All funds in the account will be secured by a collateral pledge equaling at least 100% of the highest amount of funds expected to be deposited in the Construction Account at any one time. That upon default in the payments of any principal and accrued interest on the bonds or in the performance of any covenant or agreement contained herein or in the instruments incident to making or insuring the loan, the Government at its option may (a) declare the entire principal amount then outstanding and accrued interest immediately due and payable, (b) for the account of the Association (payable from the source of funds pledged to pay the bonds or any other legally permissible source), incur and pay reasonable expenses for repair, maintenance,

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

NOTES TO BASIC FINANCIAL STATEMENTS

7. LONG-TERM OBLIGATIONS (CONTINUED)

and operation of the facility and such other reasonable expenses as may be necessary to cure the cause of default, and/or (c) take possession of the facility, repair, maintain, and operate or rent it. Default under the provisions of this resolution or any instrument incident to the making or insuring of the loan may be construed by the Government to constitute default under any other instrument held by the Government and executed or assumed by the Association, and default under any such instrument may be construed by the Government to constitute default hereunder.

8. 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 fiscal years.

9. COMPENSATED ABSENCES

Activity for compensated absences, all of which are considered due within one year, for the year ended June 30, 2020 as follows:

Balance July 1, 2019	\$ 62,484
Additions	39,310
Deletions	<u>(58,330)</u>
Balance June 30, 2020	<u>\$ 43,464</u>

Activity for compensated absences for the year ended June 30, 2019 is shown as follows:

Balance July 1, 2018	\$ 61,099
Additions	26,926
Deletions	<u>(25,541)</u>
Balance June 30, 2019	<u>\$ 62,484</u>

10. COMMITMENTS AND CONTINGENCIES

The COVID-19 outbreak in the United States has caused substantial disruption to business and local governments due to mandated and voluntary suspension of operations and stay at home orders. There is considerable uncertainty around the duration of the outbreak and the long-term impact to the overall economy. However, the Authority expects the reduction of economic activity to negatively impact funds received.

11. TAX ABATEMENTS

As of June 30, 2020, the Authority potentially had tax abatements through various state allowed programs that impacted levied taxes. Based on the information available from the county as of the date of issuance of these basic financial statements, there were no material abatements disclosed by the county for the year ended June 30, 2020 for any program covered under GASB 77.

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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, 2020**

	WATER ENTERPRISE FUND	WASTEWATER ENTERPRISE FUND	MASTER PLAN FUND	DEBT SERVICE FUND	WATER SDC/CIC RESERVE FUND	SEWER SDC/CIC RESERVE FUND	TOTAL
ASSETS:							
Cash and Investments	\$ 185,087	\$ 319,050	\$ 1,738,258	\$ 141,320	\$ 1,928,549	\$ 1,005,049	\$ 5,317,313
Utility Billing A/R	54,178	58,377	96,298	-	4,362	7,150	220,365
Taxes Receivable	-	-	-	39,571	-	-	39,571
Total Assets	<u>\$ 239,265</u>	<u>\$ 377,427</u>	<u>\$ 1,834,556</u>	<u>\$ 180,891</u>	<u>\$ 1,932,911</u>	<u>\$ 1,012,199</u>	<u>\$ 5,577,249</u>
LIABILITIES AND FUND BALANCE:							
Current Liabilities:							
Accounts Payable	\$ 5,955	\$ 7,789	\$ 46,533	\$ -	\$ 8,650	\$ 27,112	\$ 96,039
Retainage Payable	-	-	486,000	-	-	-	486,000
Payroll Liabilities	441	490	-	-	-	-	931
Total Liabilities	<u>6,396</u>	<u>8,279</u>	<u>532,533</u>	<u>-</u>	<u>8,650</u>	<u>27,112</u>	<u>582,970</u>
Fund Balance:							
Restricted for Debt Service	-	-	1,302,023	180,891	-	-	1,482,914
Restricted for Capital Projects	-	-	-	-	1,924,261	985,087	2,909,348
Unassigned	232,869	369,148	-	-	-	-	602,017
Total Fund Balance	<u>232,869</u>	<u>369,148</u>	<u>1,302,023</u>	<u>180,891</u>	<u>1,924,261</u>	<u>985,087</u>	<u>4,994,279</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 239,265</u>	<u>\$ 377,427</u>	<u>\$ 1,834,556</u>	<u>\$ 180,891</u>	<u>\$ 1,932,911</u>	<u>\$ 1,012,199</u>	<u>\$ 5,577,249</u>

Reconciliation to Net Position:

Fund Balances Above	\$ 4,994,279
Less:	
Accrued Compensated Absences	(43,464)
Bond Payable & Line of Credit	(11,111,394)
Plus:	
Net Capital Assets	22,075,063
Inventory	60,135
Total Net Position	<u>\$ 15,974,619</u>

TILLAMOOK COUNTY, OREGON

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
ALL FUNDS (BUDGETARY BASIS)
For the Year Ended June 30, 2020**

	WATER ENTERPRISE FUND	WASTEWATER ENTERPRISE FUND	MASTER PLAN FUND	DEBT SERVICE FUND	WATER SDC/CIC RESERVE FUND	SEWER SDC/CIC RESERVE FUND	TOTAL
REVENUES:	\$ 623,236	\$ 708,637	\$ 338,972	\$ 366,879	\$ 231,293	\$ 186,948	\$ 2,455,965
EXPENDITURES:							
Personnel Services	362,325	408,836	-	-	-	-	771,161
Materials and Services	237,958	229,907	5,605	-	1,257	1,258	475,985
Capital Outlay	-	-	841,331	-	82,170	97,822	1,021,323
Debt Service	-	-	395,696	372,287	-	55,034	823,017
Total Expenditures	600,283	638,743	1,242,632	372,287	83,427	154,114	3,091,486
Excess of Revenues Over, (Under) Expenditures	22,953	69,894	(903,660)	(5,408)	147,866	32,834	(635,521)
Other Financing Sources (Uses)							
Reserve Bond	-	-	(396,000)	-	-	-	(396,000)
Short Lived Assets	-	-	(90,000)	-	-	-	(90,000)
Grants	-	-	939,435	-	-	-	939,435
Net Change in Fund Balance	22,953	69,894	(450,225)	(5,408)	147,866	32,834	(182,086)
Beginning Fund Balance	209,916	299,254	1,752,248	186,299	1,776,395	952,253	5,176,365
Ending Fund Balance	\$ 232,869	\$ 369,148	\$ 1,302,023	\$ 180,891	\$ 1,924,261	\$ 985,087	\$ 4,994,279

Reconciliation to Changes in Net Position:

Change in Fund Balances Above	\$ (182,086)
Plus:	
Capital Additions	830,196
Long-Term Debt Paid	580,428
Inventory Increase	1,511
Less:	
Depreciation (Net)	(836,507)
Accrued Compensated Absences change	19,020
Change in Net Position	\$ 412,562

**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, 2020**

WATER ENTERPRISE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES:				
User Fees - Water	\$ 615,490	\$ 615,490	\$ 611,297	\$ (4,193)
Streetlight Assessments	7,700	7,700	7,677	(23)
Miscellaneous/Lab Charges	3,500	3,500	3,737	237
Inspections	2,500	2,500	-	(2,500)
Service Mapping	1,200	1,200	525	(675)
Fire Hydrant/Water	1,000	1,000	-	(1,000)
Reimbursements	2,000	2,000	-	(2,000)
Customer Assistance Program	500	500	-	(500)
Earnings on Investments	3,000	3,000	-	(3,000)
Total Revenues	636,890	636,890	623,236	(13,654)
EXPENDITURES:				
Personnel Services:				
Authority Manager	52,278	52,278	69,992	(17,714)
Executive Assistant	36,421	36,421	35,654	767
Office Assistant	21,424	21,424	21,998	(574)
Assistant Manager	30,000	30,000	-	30,000
Operator III	-	-	10,212	(10,212)
Operator II	7,028	7,028	22,543	(15,515)
Operator I	51,870	51,870	24,833	27,037
OIT	41,000	41,000	61,937	(20,937)
Overtime Allowance	5,000	5,000	3,959	1,041
Medical Insurance	100,000	100,000	73,940	26,060
Workers Compensation	7,500	7,500	-	7,500
Deferred Compensation	20,000	20,000	15,653	4,347
Payroll Taxes	24,000	24,000	21,604	2,396
Total Personnel Services	396,521	396,521 (1)	362,325	34,196
Materials and Services:				
Access Fees	300	300	-	300
Accounting/Auditing	12,000	12,000	9,475	2,525
Advertising	1,000	1,000	1,333	(333)
Administrative Meetings	-	-	100	(100)
Contract Services	18,000	18,000	14,694	3,306
Bank/Bond Expense	5,400	5,400	5,205	195
Director Fees/Training	3,000	3,000	600	2,400
Dues & Subscriptions	3,000	3,000	2,302	698
Employee Training	5,000	5,000	2,775	2,225
Elections	1,000	1,000	56	944
Electricity	35,000	35,000	28,000	7,000
Streetlights electricity	7,500	7,500	7,212	288
Insurance	29,000	29,000	27,025	1,975
Legal Fees	7,500	7,500	844	6,656
Miscellaneous	500	500	18,077	(17,577)
Newsletter	600	600	-	600
Office Equipment R & M	8,000	8,000	3,691	4,309
Office Expense	3,500	3,500	1,333	2,167
Postage/Freight	1,500	1,500	1,510	(10)

(1) Appropriation level

Continued on page 19b

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
ACTUAL AND BUDGET (BUDGETARY BASIS)
For the Year Ended June 30, 2020**

	ORIGINAL BUDGET	FINAL BUDGET		ACTUAL	VARIANCE TO FINAL BUDGET
EXPENDITURES (CONT.):					
Materials and Services (Cont.):					
Telephone	\$ 6,000	\$ 6,000		\$ 7,792	\$ (1,792)
Uniforms	3,000	3,000		669	2,331
Water Telemetry System	1,000	1,000		768	232
Monitoring	2,200	2,200		2,180	20
Lab Supplies	1,000	1,000		227	773
Chemicals	26,000	26,000		22,937	3,063
Testing	10,000	10,000		3,611	6,389
Solid Waste Disposal	1,000	1,000		460	540
Water District/Trans R & M	25,000	25,000		19,101	5,899
Backflow Prevention	2,000	2,000		6,453	(4,453)
Water Pumping R & M	7,000	7,000		1,591	5,409
Water Treatment R & M	26,000	26,000		16,034	9,966
Water Conservation	1,000	1,000		-	1,000
Horn Creek Lease	7,500	7,500		7,000	500
Building R & M	15,000	15,000		487	14,513
Grounds R & M	5,000	5,000		5,207	(207)
Generator R & M	5,000	5,000		8,654	(3,654)
Backhoe R & M	3,000	3,000		2,114	886
Transportation	10,580	10,580		8,441	2,139
Customer Assist Pymt Program	1,000	1,000		-	1,000
		-			
Total Materials and Services	300,080	300,080	(1)	237,958	62,122
Operating Contingency	40,000	40,000	(1)	-	40,000
Total Expenditures	736,601	736,601		600,283	136,318
Excess of Revenues Over, (Under) Expenditures	(99,711)	(99,711)		22,953	122,664
Other Financing Sources (Uses):					
Transfers Out	(122,455)	(122,455)	(1)	-	122,455
Net Change in Fund Balance	(222,166)	(222,166)		22,953	245,119
Beginning Fund Balance	222,166	222,166		209,916	(12,250)
Ending Fund Balance	\$ -	\$ -		\$ 232,869	\$ 232,869

(1) Appropriation level

Continued from page 19a

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
ACTUAL AND BUDGET (BUDGETARY BASIS)
For the Year Ended June 30, 2020**

WASTEWATER ENTERPRISE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES:				
User Fees - Sewer	\$ 704,490	\$ 704,490	\$ 702,988	\$ (1,502)
Miscellaneous/Lab Charges	1,500	1,500	-	(1,500)
Service Mapping	1,000	1,000	525	(475)
Contract Sludge Hauling	1,000	1,000	-	(1,000)
Reimbursements	3,000	3,000	-	(3,000)
Inspections	1,000	1,000	600	(400)
Customer Assistance Program	500	500	-	(500)
Earnings on Investments	2,500	2,500	4,524	2,024
Total Revenues	714,990	714,990	708,637	(6,353)
EXPENDITURES:				
Personnel Services:				
Authority Manager	52,278	52,278	69,987	(17,709)
Executive Assistant	36,421	36,421	35,654	767
Office Assistant	21,425	21,425	21,998	(573)
Assistant Manager	30,000	30,000	-	30,000
Operator III	-	-	18,198	(18,198)
Operator II	51,544	51,544	30,176	21,368
Operator I	48,651	48,651	15,981	32,670
OIT	72,011	72,011	90,719	(18,708)
Overtime Allowance	5,000	5,000	3,542	1,458
Medical Insurance	115,000	115,000	81,019	33,981
Workers Compensation	10,000	10,000	-	10,000
Deferred Compensation	23,000	23,000	16,953	6,047
Payroll Taxes	27,000	27,000	24,609	2,391
Total Personnel Services	492,330	492,330	408,836	83,494
Materials and Services:				
Access Fees	700	700	-	700
Accounting/Auditing	12,000	12,000	9,475	2,525
Advertising	1,500	1,500	1,333	167
Administrative Meetings	-	-	100	(100)
Contract Services	16,000	16,000	14,694	1,306
Bank/Bond Expense	5,400	5,400	5,205	195
Director Fees/Training	3,000	3,000	600	2,400
Dues & Subscriptions	3,000	3,000	1,880	1,120
Employee Training	5,000	5,000	2,011	2,989
Elections	1,000	1,000	56	944
Electricity	37,000	37,000	41,716	(4,716)
Insurance	37,000	37,000	27,602	9,398
Legal Fees	7,500	7,500	3,733	3,767
Miscellaneous	500	500	18,077	(17,577)
Newsletter	600	600	-	600
Office Equipment R & M	7,000	7,000	3,691	3,309
Office Supplies	2,500	2,500	1,333	1,167
Postage/Freight	1,000	1,000	1,449	(449)

(1) Appropriation level

Continued on page 20b

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
ACTUAL AND BUDGET (BUDGETARY BASIS)**

For the Year Ended June 30, 2020

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
EXPENDITURES (CONT.):				
Materials and Services (Cont.):				
Telephone	\$ 6,000	\$ 6,000	\$ 7,792	\$ (1,792)
Uniforms	3,000	3,000	669	2,331
Monitoring	3,750	3,750	1,794	1,956
Lab Supplies	12,000	12,000	9,867	2,133
Chemicals	15,000	15,000	28,867	(13,867)
Testing	7,500	7,500	2,738	4,762
WWT Plant R & M	25,000	25,000	5,912	19,088
WW Collection System R & M	20,000	20,000	1,496	18,504
Wastewater Pumping	15,000	15,000	618	14,382
Solid Waste Disposal	5,500	5,500	1,387	4,113
Bio-Solids Management	16,000	16,000	9,028	6,972
Step System Pumping	5,500	5,500	1,211	4,289
Step System R & M	8,500	8,500	2,322	6,178
Building R & M	15,000	15,000	487	14,513
Generator R & M	5,000	5,000	7,651	(2,651)
Backhoe R & M	5,000	5,000	2,114	2,886
NPDES Permit	3,500	3,500	2,894	606
Transportation	12,000	12,000	8,418	3,582
Grounds R & M	5,000	5,000	1,687	3,313
Customer Assist Pymt Program	1,000	1,000	-	1,000
Total Materials and Services	329,950	329,950	(1) 229,907	100,043
Operating Contingency	40,000	40,000	(1) -	40,000
Total Expenditures	862,280	862,280	638,743	223,537
Excess of Revenues Over, (Under) Expenditures	(147,290)	(147,290)	69,894	217,184
Other Financing Sources (Uses):				
Transfers Out	(162,328)	(162,328)	(1) -	162,328
Net Change in Fund Balance	(309,618)	(309,618)	69,894	379,512
Beginning Fund Balance	309,618	309,618	299,254	(10,364)
Ending Fund Balance	\$ -	\$ -	\$ 369,148	\$ 369,148

(1) Appropriation level

Continued from page 20a

PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
ACTUAL AND BUDGET (BUDGETARY BASIS)
For the Year Ended June 30, 2020

MASTER PLAN FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Capital Improvement Charges	\$ 382,000	\$ 382,000	\$ 299,696	\$ (82,304)
Bond Proceeds	-	-	-	-
Grant Proceeds	1,000,000	1,000,000	939,435	(60,565)
Earnings on Investments	27,500	27,500	39,276	11,776
Total Revenues	1,409,500	1,409,500	1,278,407	(131,093)
EXPENDITURES:				
Materials and Services	25,000	25,000 (1)	5,605	19,395
Capital Outlay:				
Equipment	-	-	197,150	(197,150)
Construction	2,058,667	2,058,667	608,393	1,450,274
Engineering/Legal	279,500	279,500	35,788	243,712
Total Capital Outlay	2,338,167	2,338,167 (1)	841,331	1,496,836
Debt Service:				
Bond Payment	396,000	396,000	395,696	304
Total Debt Service	396,000	396,000 (1)	395,696	304
Total Expenditures	2,759,167	2,759,167	1,242,632	1,516,535
Excess of Revenues Over, (Under) Expenditures	(1,349,667)	(1,349,667)	35,775	1,385,442
Other Financing Sources (Uses)				
Reserve Bond	(396,000)	(396,000) (1)	(396,000)	-
Short Lived Assets	(90,000)	(90,000) (1)	(90,000)	-
Total Other Financing	(486,000)	(486,000)	(486,000)	-
Net Change in Fund Balance	(1,835,667)	(1,835,667)	(450,225)	1,385,442
Beginning Fund Balance	1,835,667	1,835,667	1,752,248	(83,419)
Ending Fund Balance	\$ -	\$ -	\$ 1,302,023	\$ 1,302,023

(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, 2020**

DEBT SERVICE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Property Taxes	\$ 344,533	\$ 344,533	\$ 360,621	\$ 16,088
Earnings on Investments	3,000	3,000	6,258	3,258
Total Revenues	<u>347,533</u>	<u>347,533</u>	<u>366,879</u>	<u>19,346</u>
EXPENDITURES:				
Debt Service:				
Bond Principal Payments	316,000	316,000	315,187	813
Bond Interest Payments	<u>58,000</u>	<u>58,000</u>	<u>57,100</u>	<u>900</u>
Total Expenditures	<u>374,000</u>	<u>374,000 (1)</u>	<u>372,287</u>	<u>1,713</u>
Net Change in Fund Balance	(26,467)	(26,467)	(5,408)	21,059
Beginning Fund Balance	<u>146,467</u>	<u>146,467</u>	<u>186,299</u>	<u>39,832</u>
Ending Fund Balance	<u>\$ 120,000</u>	<u>\$ 120,000</u>	<u>\$ 180,891</u>	<u>\$ 60,891</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, 2020**

WATER SDC/CIC RESERVE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES:				
Tap Fees	\$ 7,830	\$ 7,830	\$ 4,878	\$ (2,952)
Capital Improvement Charges	169,800	169,800	51,103	(118,697)
System Development Charges	172,080	172,080	137,664	(34,416)
Reimbursements	1,000	1,000	-	(1,000)
Earnings on Investments	15,000	15,000	37,648	22,648
Total Revenues	365,710	365,710	231,293	(134,417)
EXPENDITURES:				
Materials and Services	40,000	40,000 (1)	1,257	38,743
Capital Outlay:				
Equipment	240,829	240,829	-	240,829
Construction	1,527,412	1,527,412	30,594	1,496,818
Office/Lab Remodel	10,000	10,000	-	10,000
Computer Upgrades	30,000	30,000	4,601	25,399
Engineering/Legal	300,000	300,000	41,302	258,698
Service Installations	10,000	10,000	5,673	4,327
Rolling Stock	50,000	50,000	-	50,000
Total Capital Outlay	2,168,241	2,168,241 (1)	82,170	2,086,071
Total Expenditures	2,208,241	2,208,241	83,427	2,124,814
Excess of Revenues Over, (Under) Expenditures	(1,842,531)	(1,842,531)	147,866	1,990,397
Other Financing Sources (Uses)				
Transfers In	122,455	122,455	-	(122,455)
Total Other Financing	122,455	122,455	-	(122,455)
Net Change in Fund Balance	(1,720,076)	(1,720,076)	147,866	1,867,942
Beginning Fund Balance	1,720,076	1,720,076	1,776,395	56,319
Ending Fund Balance	\$ -	\$ -	\$ 1,924,261	\$ 1,924,261

(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, 2020

SEWER SDC/CIC RESERVE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES:				
Capital Improvement Charges	\$ 169,800	\$ 169,800	\$ 83,824	\$ (85,976)
System Development Charges	92,970	92,970	83,673	(9,297)
Earnings on Investments	10,000	10,000	19,451	9,451
Total Revenues	<u>272,770</u>	<u>272,770</u>	<u>186,948</u>	<u>(85,822)</u>
EXPENDITURES:				
Materials and Services	40,000	40,000 (1)	1,258	38,742
Capital Outlay:				
Equipment	135,000	135,000	30,711	104,289
Service Installations	5,000	5,000	-	5,000
Construction	777,743	777,743	16,617	761,126
Lift Station Improvements	80,000	80,000	24,717	55,283
Engineering	140,000	140,000	21,175	118,825
Computer Upgrades	30,000	30,000	4,602	25,398
Rolling Stock	50,000	50,000	-	50,000
Inflow and Infiltration	40,000	40,000	-	40,000
Total Capital Outlay	<u>1,257,743</u>	<u>1,257,743 (1)</u>	<u>97,822</u>	<u>1,159,921</u>
Debt Service:				
Loan Re-Payment	56,000	56,000	55,034	966
Total Debt Service	<u>56,000</u>	<u>56,000 (1)</u>	<u>55,034</u>	<u>966</u>
Total Expenditures	<u>1,353,743</u>	<u>1,353,743</u>	<u>154,114</u>	<u>1,199,629</u>
Excess of Revenues Over (Under) Expenditures	(1,080,973)	(1,080,973)	32,834	1,113,807
Other Financing Sources (Uses):				
Transfers In	162,328	162,328	-	(162,328)
Total Other Financing	<u>162,328</u>	<u>162,328</u>	<u>-</u>	<u>(162,328)</u>
Net Change in Fund Balance	(918,645)	(918,645)	32,834	951,479
Beginning Fund Balance	918,645	918,645	952,253	33,608
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 985,087</u>	<u>\$ 985,087</u>

(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, 2020**

Tax Year	Original Levy or Balance Uncollected 7/1/19	Deduct Discounts	Adjustments to Rolls	Add Interest	Cash Collections by County Treasurer	Balance Uncollected 6/30/20
Current:						
2019-20	\$ 367,958	\$ 9,370	\$ (342)	\$ 211	\$ 349,536	\$ 8,921
Prior Years:						
2018-19	9,016	-	(425)	357	4,737	\$ 4,211
2017-18	4,582	-	(440)	368	1,926	2,584
2016-17	4,024	-	(1,537)	583	1,939	1,131
2015-16	2,644	-	(1,650)	333	910	417
Prior Years	18,429	-	(14,693)	177	250	3,663
Total Prior	38,695	-	(18,744)	1,817	9,762	12,006
Total	<u>\$ 406,653</u>	<u>\$ 9,370</u>	<u>\$ (19,086)</u>	<u>\$ 2,028</u>	<u>\$ 359,298</u>	<u>\$ 20,927</u>

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurer Above	\$ 359,298
Accrued at 6/30/19	(3,289)
Accrued at 6/30/20	4,161
Payments in Lieu of Taxes	451
Total Receipts	<u>\$ 360,621</u>

RECONCILIATION TO RECEIVABLES:

Balance Uncollected Above	\$ 20,927
Timing/Accrual difference	18,644
As reported on Statement of Net Position	<u>\$ 39,571</u>

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

**SCHEDULE OF BOND TRANSACTIONS AND BALANCES
For the Year Ended June 30, 2020**

DATE OF ISSUE	ORIGINAL AMOUNT	MATURED BONDS & LINE OF CREDIT OUTSTANDING 7/1/2019	BONDS & LINE OF CREDIT ADDED DURING THE YEAR	BONDS & LINE OF CREDIT MATURING DURING THE YEAR	BONDS REDEEMED AND LINE OF CREDIT PAID DURING THE YEAR	MATURED BONDS & LINE OF CREDIT OUTSTANDING 6/30/2020
05/12/17	\$ 3,324,464	\$ 2,719,023	\$ -	\$ 315,187	\$ 315,187	\$ 2,403,836
06/21/19	8,710,000	8,710,000	-	210,101	210,101	8,499,899
Credit Union Note	500,000	262,799	-	55,140	55,140	207,659
		<u>\$ 11,691,822</u>	<u>\$ -</u>	<u>\$ 580,428</u>	<u>\$ 580,428</u>	<u>\$ 11,111,394</u>

PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 June 30, 2020

<u>Federal Grantor / Program Title</u>	<u>Pass Through Entity</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Number</u>	<u>Period Covered</u>	<u>Expenditures</u>
Grants					
<u>US Department of Agriculture</u>					
WasteWater Treatment Plant Update	Rural Development	10.760		07/01/19-06/30/20	\$ 939,435
Loans					
<u>US Department of Agriculture</u>					
WasteWater Treatment Plant Update	Rural Development	10.760		07/01/19-06/30/20	\$ -
Total					<u>\$ 939,435</u>

Reconciliation to Expense:

Master Plan Fund:	
Construction Expense:	\$ 608,393
Engineering/Legal Expense:	35,788
Equipment	197,150
Short-Lived Assets	90,000
Miscellaneous Expense	8,104
Total Capital Outlay Expense (page 18)	<u>\$ 939,435</u>

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

Independent Auditors' Report Required by Oregon State Regulations

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February 5, 2021

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the Pacific City Joint Water-Sanitary Authority as of and for the year ended June 30, 2020, and have issued our report thereon dated February 5, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

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

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

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

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

OAR 162-10-0230 Internal Control

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

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.

Roy R Rogers

Roy R. Rogers, CPA

PAULY, ROGERS AND CO., P.C.

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

GRANT COMPLIANCE REVIEW

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February 5, 2021

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of Pacific City Joint Water-Sanitary Authority as of and for the year ended June 30, 2020, and the related notes to the basic financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated February 5, 2021.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the basic financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Roy R Rogers

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



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February 5, 2021

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

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Report on Compliance for Each Major Federal Program

We have audited Pacific City Joint Water-Sanitary Authority's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2020. The major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of compliance.

Opinion on Each Major Federal Program

In our opinion, Pacific City Joint Water-Sanitary Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


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

PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2020

Section I – Summary of Auditors' Results

Financial Statements

Type of Auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses Yes No

Noncompliance material to financial statements noted? Yes No

Any GAGAS findings disclosed that are required to be reported in accordance with the Uniform Guidance? Yes No

Federal Awards

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses Yes None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? Yes No

Identification of major programs

CFDA Number(s):

10.760

Name of Federal Program:

Water and Waste Loan and Grant Program

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes No

PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

1. **BASIS OF PRESENTATION**

The schedule of expenditures of federal awards included in this report includes the federal grant activity and is presented on the modified accrual basis of accounting. The information in the schedule of expenditures of federal awards is presented in accordance with the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.