

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

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2011



12700 SW 72nd Ave.
Tigard, OR 97223

PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON

2010-2011
FINANCIAL REPORT

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PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON

<u>BOARD OF DIRECTORS</u>	<u>TERM EXPIRES</u>
Doug Kellow, Chair	June 30, 2013
Carolyn McVicker, Vice Chair	June 30, 2015
Dick Carter, Secretary	June 30, 2013
Larry Rouse	June 30, 2015
Anne Price	June 30, 2013

All Directors receive mail at the Authority Office address listed below

REGISTERED AGENT

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

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PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON

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PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

September 2, 2011

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

INDEPENDENT AUDITORS' REPORT

We have audited the basic financial statements of Pacific City Joint Water-Sanitary Authority, Tillamook County, Oregon, as of and for the years ended June 30, 2011 and 2010, as listed in the table of contents. The basic financial statements are the responsibility of management. Our responsibility is to express opinions on these financial statements based on our audits.

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

In our opinion the basic financial statements referred to above present fairly, in all material respects, the financial position of the Pacific City Joint Water-Sanitary Authority, Tillamook County, Oregon, at June 30, 2011 and 2010, and the results of its operations, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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

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

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

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PACIFIC CITY JOINT WATER-SANITARY AUTHORITY

34005 Cape Kiwanda Drive • Post Office Box 520

Pacific City, Oregon 97135

Phone (503) 965-6636 • Fax (503) 965-6056

Management's Discussion and Analysis

As management of the Pacific City Joint Water-Sanitary Authority (Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our notes to the financial statements.

Financial Highlights

- At June 30, 2011, the Authority's assets exceeded its liabilities by \$14,435,756.
- The Authority has \$12,144,553 invested in capital assets, net of accumulated depreciation, and related debt.
- Decrease in net assets for the year was \$316,940.

Overview of the Financial Statements

The Authority is a self-supporting entity and follows enterprise fund reporting; accordingly the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The Authority's annual report consists of the Statement of Net Assets, the Statement of Revenue, Expenses and Changes in Net Assets and the Statement of Cash Flows. The Statement of Net Assets presents the current and long-term portions of assets and liabilities separately and may provide a useful indicator of whether the financial position of the Authority is improving or deteriorating. The Statement of Revenues, Expenses and Changes in Net Assets presents information showing how the Authority's assets changed as a result of current year's operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that do not affect cash until future fiscal periods. The Statement of Cash Flows presents information showing how the Authority's cash changed as a result of current year operations. Budgetary schedules are included later in the financial report.

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

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Financial Summary

The following schedule presents a summary of revenues, expenses and increase in net assets for the Authority for the fiscal year ended June 30, 2011 and the amount and percentage change from the prior year:

	<u>2011</u>	<u>2010</u>	<u>Percent Change</u>
Operating Revenue:			
Service Fees	\$ 935,458	\$ 848,274	10%
Other Operating Revenues	<u>27,917</u>	<u>38,689</u>	-28%
Total Operating Revenues	<u>963,375</u>	<u>886,963</u>	9%
Operating Expenses:			
Personal Services	547,846	521,807	5%
Materials and Services	381,041	327,599	16%
Depreciation and Amortization	<u>820,878</u>	<u>794,728</u>	3%
Total Operating Expenses	<u>1,749,764</u>	<u>1,644,134</u>	6%
Net Income, (Loss) From Operations	(786,389)	(757,171)	4%
Nonoperating Revenue, (Expenses)	469,449	599,389	-22%
Contributed Capital	<u>0</u>	<u>0</u>	
Change in Net Assets	(316,940)	(157,782)	101%
Beginning Net Asset	<u>14,752,696</u>	<u>14,910,478</u>	-1%
Ending Net Assets	<u>\$ 14,435,756</u>	<u>\$ 14,752,696</u>	-2%

Other Operating Revenues are comprised of various Miscellaneous Fees and charges, including the monthly charge assessed for streetlights electricity; contracts for sludge hauling and laboratory testing; and sewer inspections.

Total assets, liabilities and net assets were as follows:

	2011	2010	Change
Assets			
Current Assets	\$ 662,539	\$ 607,493	9%
Restricted Assets	1,823,316	2,667,566	-32%
Capital Assets	<u>17,014,553</u>	<u>17,223,437</u>	-1%
Total Assets	<u>\$ 19,500,408</u>	<u>\$ 20,498,496</u>	-5%
Liabilities and Net Assets:			
Current Liabilities	\$ 342,924	\$ 822,443	-58%
Long Term Debt	<u>4,721,727</u>	<u>4,923,357</u>	-4%
Total Liabilities	<u>5,064,651</u>	<u>5,745,800</u>	-12%
Net Assets			
Invested in Capital Assets Net of Related Debt	12,144,553	12,163,437	0%
Reserved for Debt Service	177,056	156,406	13%
Reserved for Capital Improvements	1,520,103	1,898,625	-20%
Unrestricted	<u>594,044</u>	<u>534,228</u>	11%
Total Net Assets	<u>14,435,756</u>	<u>14,752,696</u>	-2%
Total Liabilities and Net Assets	<u>\$ 19,500,408</u>	<u>\$ 20,498,496</u>	-5%

Budget Variances in the Enterprise Fund

The budget variances in operating revenue were 1% in revenue from user fees and charges. In the Personal Services portion of the budget, the expenditures were 92% of the budgeted amount.

In the Materials and Supplies Expenses portion of the budget, the cost of bank charges, liability insurance, legal fees, and expected equipment maintenance was less than projected, resulting in an overall difference of 21% between budgeted and actual expenditures.

Capital Assets

As of June 30, 2011, the Authority had \$17,014,553 invested in a broad range of capital assets, including land, buildings, water distribution systems, wastewater treatment and collection systems, and equipment. These amounts are net of depreciation. See the notes to the financial statements for additional information on capital assets.

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

- Horn Creek at a cost of \$501,846

Debt Administration

As of June 30, 2011, the Authority owed \$4,870,000.00 for a Government Obligation Bond approved by voters in November 2007.

Economic Factors and Next Year's Budget and Rates

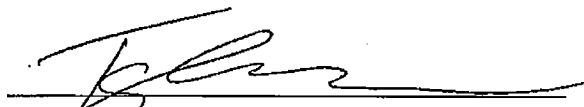
The total amount of appropriations in the 2011-2012 Fiscal Year's budget is as follows:

Enterprise Fund Appropriations:	\$ 1,141,152
Master Plans Fund Appropriations:	\$ 83,500
Debt Service Fund Appropriations:	\$ 555,000
Water SDC/CIC Fund Appropriations:	\$ 1,437,548
Sewer SDC/CIC Fund Appropriations:	<u>\$ 2,026,630</u>

For a total of \$ 5,243,830

Requests for Information

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



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

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

BASIC FINANCIAL STATEMENTS

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PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON

STATEMENTS OF NET ASSETS

June 30, 2011 and 2010

	2011	2010
ASSETS		
Current		
Cash and Equivalents	114,083	\$ 58,821
Utility Billing Accounts Receivable	77,679	72,666
Other Accounts Receivable	498	498
Unamortized Bond Issue Costs	93,779	100,989
Prepaid Expenses	310,194	303,994
Materials Inventory	66,307	70,524
Total Current Assets	662,539	607,493
Restricted Assets		
Debt Service Fund:		
Cash and Investments	169,989	148,369
Taxes Receivable	44,533	44,728
Master Plans Fund		
Cash and Investments	98,273	505,821
Water SDC/CIC Reserve Fund		
Cash and Investments	100,456	552,683
Utility Billing Accounts Receivable	11,186	11,510
Accounts Receivable	-	18
Sewer SDC/CIC Reserve Fund		
Cash and Investments	1,395,308	1,400,793
Utility Billing Accounts Receivable	2,680	2,752
Accounts Receivable	890	890
Total Restricted Assets	1,823,315	2,667,566
Capital Assets		
Non-Depreciable	304,404	304,404
Depreciable	24,962,053	24,357,269
Less: Accumulated Depreciation	(8,251,904)	(7,438,236)
Net Capital Assets	17,014,553	17,223,437
Total Assets	\$ 19,500,407	\$ 20,498,496
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 82,931	\$ 387,903
Payroll Liabilities	1,852	-
Retainage Payable	20,676	207,849
Deferred Tax Revenue	37,321	36,546
Payable from Restricted Assets		
Matured Coupons Payable	145	145
Bonds Payable - Current Portion	200,000	190,000
Total Current Liabilities	342,924	822,443
Noncurrent Liabilities		
Accrued Compensated Absences	51,727	53,357
Bonds Payable, Less Current Portion	4,670,000	4,870,000
Total Noncurrent Liabilities	4,721,727	4,923,357
Total Liabilities	5,064,651	5,745,800
Net Assets		
Invested in Capital Assets, net of Related Debt	12,144,553	12,163,437
Restricted for Debt Service	177,056	156,406
Restricted for Capital Improvements	1,520,103	1,898,625
Unrestricted	594,044	534,228
Total Net Assets	14,435,756	14,752,696
Total Liabilities and Net Assets	\$ 19,500,407	\$ 20,498,496

See accompanying notes to basic financial statements.

PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON

STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Service Fees - Sewer	\$ 504,720	\$ 454,020
Service Fees - Water	430,738	394,254
Streetlight Assessments	9,549	9,509
Miscellaneous Charges	12,653	4,574
Lab Testing	-	120
Tap Fees/Inspections	936	4,796
Reimbursements	4,779	19,690
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Total Operating Revenues	963,375	886,963
OPERATING EXPENDITURES		
Personal Services	547,846	521,807
Materials and Services	381,041	327,599
Depreciation/Amortization	820,878	794,728
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Total Operating Expenses	1,749,764	1,644,134
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Operating Income(Loss)	(786,389)	(757,171)
NON-OPERATING INCOME, (EXPENDITURES)		
Property Taxes	435,082	511,240
Earnings on Investments	11,965	37,977
Interest Expense on Bonds and Leases	(224,188)	(235,678)
System Development Charges	77,365	117,367
Capital Improvements Charges	169,225	168,483
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Total Non-Operating Income	469,449	599,389
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Net Income	(316,940)	(157,782)
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Beginning Net Assets	14,752,696	14,910,478
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Ending Net Assets	\$ 14,435,756	\$ 14,752,696
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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, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities		
Cash Received from Customers	959,747	\$ 875,325
Cash Paid to Suppliers	(868,968)	177,406
Cash Paid to Employees	(547,624)	(520,505)
Net Cash Provided (Used) by Operating Activities	(456,844)	532,226
Cash Flows From Investing Activities:		
Earnings on Investment	11,965	37,977
Net Cash Provided By Investing Activities	11,965	37,977
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	(604,784)	(5,176,868)
Prepaid Principal and Interest	(6,200)	(1,300)
Principal Payments on Long-term Debt	(190,000)	(255,000)
Interest Payments on Long-term Debt	(224,188)	(235,678)
Net Cash Used by Capital and Related Financing Activities	(1,025,171)	(5,668,846)
Cash Flows From Non-Capital Financing Activities		
Property Tax Contributions/Sale of Assets	435,082	511,240
Capital Improvements Charges	169,225	168,482
System Development Fees	77,365	117,367
Net Cash Provided By Non-Capital Financing Activities	681,672	797,089
Net Increase, -Decrease in Cash	(788,378)	(4,301,554)
Cash and Cash Equivalents Beginning of Year	2,666,487	6,968,041
Cash and Cash Equivalents End of Year	\$ 1,878,109	\$ 2,666,487
Detail of Cash:		
Unrestricted	114,083	58,821
Master Plans Fund	98,273	505,821
Debt Service Fund	169,989	148,368
Water SDC/CIC Reserve Fund	100,456	552,683
Sewer SDC/CIC Reserve Fund	1,395,308	1,400,793
	\$ 1,878,109	\$ 2,666,487
Cash Paid for Interest	\$ 224,188	\$ 235,678
Operating Loss	\$ (786,389)	\$ (757,171)
Noncash Items included in Income		
Amortization of Bond Issue Costs	7,210	7,211
Depreciation Expense & Amortization	813,668	787,517
Decrease, (Increase) In:		
Accounts Receivable	(4,598)	(9,053)
Taxes Receivable	195	(7,142)
Materials Inventory	4,217	(1,183)
Increase, (Decrease) in:		
Accounts Payable	(492,144)	488,400
Payroll Liabilities	1,852	-
Prepays	-	17,788
Deferred Taxes	775	4,557
Accrued Compensated Absences	(1,630)	1,302
Net Cash Provided By Operation	\$ (456,844)	\$ 532,226

See accompanying notes to basic financial statements.

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

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. THE FINANCIAL REPORTING ENTITY

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

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

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

B. BASIS OF PRESENTATION - FUND ACCOUNTING

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

Enterprise Fund – This fund accounts for general operating revenues and expenditures. The fund's principal source of revenue is water and sewer service user fees and other miscellaneous charges.

Master Plans Fund – This fund accounts for the resources and expenditures related to the Master Plans Funds. The principal source of revenue is General Obligation (GO) Bonds.

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

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

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

PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

C. BASIS OF ACCOUNTING

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

The budgetary financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. All revenues reported in the governmental funds are considered to be available if they are collected within sixty days after year-end. Property taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims and judgments, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources.

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

D. BUDGET

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

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS

D. BUDGET

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

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

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

- Materials & Services
- Capital Outlay

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

- Debt Service: principal; interest; fees

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

- Debt Service
- Materials & Services
- Capital Outlay
- Interfund Transfers

Expenditures of the various funds were within authorized appropriations.

E. PROPERTY TAXES RECEIVABLE

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

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

F. INVENTORIES

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

G. PREPAID PRINCIPAL AND INTEREST

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

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

NOTES TO BASIC FINANCIAL STATEMENTS

H. CAPITAL ASSETS

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

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

I. COMPENSATED ABSENCES

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

J. RETIREMENT PLANS

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

K. CASH AND CASH EQUIVALENTS

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

L. ESTIMATES

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

M. OPERATING REVENUES AND EXPENSES

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

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

NOTES TO BASIC FINANCIAL STATEMENTS

M. OPERATING REVENUES AND EXPENSES (CONTINUED)

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

N. RESTRICTED ASSETS

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

2. CASH AND INVESTMENTS

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

Cash and Investments (at fair value) at June 30, 2011 and 2010 consisted of:

Deposits with Financial Institutions:	2011	2010
Petty Cash	\$ 300	\$ 300
Demand Deposits	61,470	80,691
Investments	<u>1,816,340</u>	<u>2,585,496</u>
Total Cash and Investments	<u>\$ 1,878,109</u>	<u>\$ 2,666,487</u>
Reported on Statement of Net Assets as:	2011	2010
Current Cash and Equivalents	\$ 114,083	\$ 58,821
Restricted Debt Service Cash	169,989	148,369
Restricted Master Plans Cash	98,273	505,821
Restricted Water SDC/CIC Cash	100,456	552,683
Restricted Sewer SDC/CIC Cash	<u>1,395,308</u>	<u>1,400,793</u>
Total Cash and Investments	<u>\$ 1,878,109</u>	<u>\$ 2,666,487</u>

DEPOSITS:

Deposits with financial institutions are comprised of bank demand deposits and certificates of deposit. The total bank balance per the bank statements is \$117,031 of which all is covered by federal depository insurance. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury. As of June 30, 2011 all deposits were deposited at an approved depository.

PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

INVESTMENTS:

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

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, 2011 and 2010 as follows:

	<u>2011</u>	<u>2010</u>
Oregon State Treasurer's Local Government Investment Pool, Variable Interest Rate	\$ 1,802,070	\$ 2,312,091
Oregon Coast Bank Money Market	<u>14,270</u>	<u>273,405</u>
	<u>\$ 1,816,340</u>	<u>\$ 2,585,496</u>

The State Treasurer's Local Government Investment Pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon Revised Statutes and the Oregon Investment Council govern the State's investment policies. The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. These funds must be invested, and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the Fund are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board (OSTFB), which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund was in compliance with all portfolio guidelines at June 30, 2011. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. There is no material difference between the fair value of the Agency's position in the State Treasurer's Local Government Investment Pool and the value at June 30, 2011 and 2010. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

Interest Rate Risk

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

Credit Risk - Investments

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

Concentration of Credit Risk

At June 30, 2011, 99% of total investments were in the State Treasurer's Investment Pool. State statutes do not limit the percentage of investments in this instrument.

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

NOTES TO BASIC FINANCIAL STATEMENTS

3. ACCOUNTS RECEIVABLE

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

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

4. CHANGES IN CAPITAL ASSETS

The changes in Capital Assets for the year ended June 30, 2011 are summarized below:

	BALANCE 07/01/10	ADDITIONS	DELETIONS	BALANCE 06/30/11
Land	\$ 304,404	\$ -	\$ -	\$ 304,404
Vehicles & Equipment	802,427	34,382	-	836,809
Buildings & Improvements	245,741	3,718	-	249,459
Treatment Plant & Water Distribution	13,497,146	496,616	-	13,993,762
WW Treatment & Collection Systems	9,811,955	70,068	-	9,882,023
Total Assets	24,661,673	604,784	-	25,266,457
Less: Accumulated Depreciation	7,438,236	813,668	-	8,251,904
Capital Assets, Net	\$ 17,223,437			\$ 17,014,553

5. DEFERRED COMPENSATION

The Authority has decided not to participate the Oregon Public Employees Retirement Fund, which is a cost-sharing multiple employer defined benefit pension plan administered by the Oregon Public Employees Retirement System (PERS). In lieu, a deferred compensation plan has been made available to employees wherein they may execute an individual agreement for amounts earned by them to not be paid until a future date when certain circumstances are met. Additionally, employee contributions are matched up to 6% of their budgeted salary per year. The circumstances for withdrawal of contributions are: death, disability, resignation or retirement. Payment to the employee will be made over a period not to exceed 15 years. The deferred compensation plan is one which is authorized under IRC Section 457 and has been approved in its specifics by a private ruling from the Internal Revenue Service. All amounts of compensation deferred under the plan are held in trust by a separate plan administrator for the sole benefit of the participants. The contributions to the plan for the years ended June 30, 2011 and 2010 were \$43,060 and \$37,854, respectively, equal to the required contributions for each year.

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

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

NOTES TO BASIC FINANCIAL STATEMENTS

6. LONG-TERM DEBT

General Obligation Bonds:

Issue Date	Interest Rates	Original Issue	Outstanding 7/1/10	Issued	Matured and Redeemed	Outstanding 6/30/11
August 1, 1977	Variable	445,000	\$ 145	\$ -	\$ -	\$ 145
October 4, 2007	3.85-4.8%	5,485,000	5,060,000	-	190,000	4,870,000
			<u>\$5,060,145</u>	<u>\$ -</u>	<u>\$ 190,000</u>	<u>\$ 4,870,145</u>

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

For the Fiscal Year			
Ended June 30:	Principal	Interest	Total
2012	200,000	216,387	416,387
2013	210,000	208,187	418,187
2014	215,000	199,688	414,688
2015	225,000	190,888	415,888
2016	235,000	181,570	416,570
2017-21	1,330,000	742,351	2,072,351
2022-26	1,670,000	395,051	2,065,051
2027-30	785,145	38,040	823,185
Total	<u>\$ 4,870,145</u>	<u>\$ 2,172,162</u>	<u>\$ 7,042,307</u>

7. RISK MANAGEMENT

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

8. COMPENSATED ABSENCES

Activity for compensated absences, all of which are considered due within one year, for the year ended June 30, 2011 as follows:

Balance July 1, 2010	\$ 53,357
Additions	51,727
Deletions	<u>(53,357)</u>
Balance June 30, 2011	<u>\$ 51,727</u>

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, 2011**

	ENTERPRISE FUND	MASTER PLANS FUND	DEBT SERVICE FUND	WATER SDC / CIC RESERVE FUND	SEWER SDC / CIC RESERVE FUND	TOTAL
ASSETS						
Cash and Investments	\$ 114,083	\$ 98,273	\$ 169,989	\$ 100,456	\$ 1,395,308	\$ 1,878,109
Utility Billing A/R	77,679	-	-	11,186	2,680	91,545
Accounts Receivable	498	-	44,533	-	890	45,921
Total Assets	\$ 192,260	\$ 98,273	\$ 214,522	\$ 111,642	\$ 1,398,879	\$ 2,015,575
LIABILITIES AND FUND BALANCE						
Current Liabilities						
Accounts Payable/ Retainage Payable	\$ 14,916	\$ 32,365	\$ -	\$ 26,110	\$ 30,215	\$ 103,607
Payroll Liabilities	1,852	-	-	-	-	1,852
Matured Coupons Payable	-	-	145	-	-	145
Deferred Taxes	-	-	37,321	-	-	37,321
Total Liabilities	16,768	32,365	37,466	26,110	30,215	142,924
Fund Balance						
Unreserved	175,492	-	-	-	-	175,492
Reserved for Debt Service	-	-	177,056	-	-	177,056
Reserved for Capital Projects	-	65,908	-	85,531	1,368,664	1,520,103
Total Liabilities and Fund Balance	\$ 192,260	\$ 98,273	\$ 214,522	\$ 111,642	\$ 1,398,879	\$ 2,015,575

Reconciliation to Net Assets:

Fund Balances Above	1,872,651
Less:	
Accrued Compensated Absences	(51,727)
Bond Payable	(4,870,000)
Plus:	
Net Capital Assets	17,014,553
Prepaid Expenses	310,194
Inventory	66,307
Bond Issue Costs	93,779
	<u>14,435,756</u>

PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ALL FUNDS (BUDGETARY BASIS)
For the Year Ended June 30, 2011

	<u>ENTERPRISE FUND</u>	<u>MASTER PLANS FUND</u>	<u>DEBT SERVICE FUND</u>	<u>WATER SDC / CIC RESERVE FUND</u>	<u>SEWER SDC / CIC RESERVE FUND</u>	<u>TOTAL</u>
Revenues	956,354	1,429	441,038	187,274	70,917	1,657,012
Expenditures						
Personal Services	549,473	-	-	-	-	549,473
Materials and Services	343,466	23,815	-	8,154	1,118	376,554
Capital Outlay	-	201,622	-	308,139	95,293	605,054
Debt Service	-	-	420,388	-	-	420,388
Total Expenditures	<u>892,938</u>	<u>225,438</u>	<u>420,388</u>	<u>316,293</u>	<u>96,411</u>	<u>1,951,468</u>
Net Change in Fund Balance	63,415	(224,009)	20,651	(129,019)	(25,494)	(294,456)
Beg. Fund Balance	<u>112,077</u>	<u>289,917</u>	<u>156,405</u>	<u>214,550</u>	<u>1,394,158</u>	<u>2,167,107</u>
Ending Fund Balance	<u><u>175,492</u></u>	<u><u>65,908</u></u>	<u><u>177,056</u></u>	<u><u>85,531</u></u>	<u><u>1,368,664</u></u>	<u><u>1,872,651</u></u>

Reconciliation to Changes in Net Assets:

Change in Fund Balances Above	(294,456)
Additions	
Capital additions	604,784
Bond Payable	190,000
Deletions	
Depreciation	(813,668)
Accrued Compensated absences	1,630
Prepaid Expenses, net	6,200
Inventory	(4,217)
Bond Issue Costs	(7,213)
	<u>(316,940)</u>

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET (BUDGETARY BASIS)
For the Year Ended June 30, 2011**

<u>ENTERPRISE FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES:				
User Fees - Sewer	\$ 501,000	\$ 501,000	\$ 504,720	\$ 3,720
User Fees - Water	435,358	435,358	430,738	(4,620)
Streetlight Assessments	9,500	9,500	9,549	49
Miscellaneous/Lab Charges	9,500	9,500	8,180	(1,320)
Reimbursements	4,000	4,000	1,467	(2,533)
Inspections	4,000	4,000	300	(3,700)
Earnings on Investments	2,000	2,000	1,400	(600)
Total Revenues	965,358	965,358	956,354	(9,004)
EXPENDITURES:				
Personal Services:				
Authority Manager	84,984	84,984	84,975	9
Executive Assistant	52,140	52,140	52,140	-
Office Assistant	20,000	20,000	10,234	9,766
Operator II	47,076	47,076	50,676	(3,600)
Operator I	81,000	81,000	81,180	(180)
OIT	36,000	36,000	36,847	(847)
Utility Worker	35,000	35,000	32,354	2,646
Overtime Allowance	20,000	20,000	12,750	7,250
Merit Reserves	15,000	15,000	5,523	9,477
Medical Insurance	125,000	125,000	117,861	7,139
Workers Compensation	20,000	20,000	8,910	11,090
Deferred Compensation	22,000	22,000	20,860	1,140
Payroll Taxes	39,000	39,000	35,163	3,837
Total Personal Services	597,200	597,200 (1)	549,473	47,727
Materials and Services:				
Access Fees	2,000	2,000	-	2,000
Accounting/Auditing	11,500	11,500	11,600	(100)
Advertising	2,000	2,000	1,367	633
Administrative Meetings	600	600	-	600
Bank Charges	6,000	6,000	6,196	(196)
Director Fees/Training	1,700	1,700	1,200	500
Dues & Subscriptions	4,000	4,000	2,828	1,172
Employee Training	4,500	4,500	3,669	831
Elections	2,000	2,000	-	2,000
Electricity	65,300	65,300	66,030	(730)
Insurance	40,000	40,000	33,462	6,538
Legal Fees	10,000	10,000	4,009	5,991
Miscellaneous	1,000	1,000	124	876
Newsletter	3,000	3,000	1,796	1,204
Office Equipment R & M	16,000	16,000	11,434	4,566
Office Supplies	6,500	6,500	4,205	2,295
Postage/Freight	10,000	10,000	6,374	3,626

(1) Appropriation level

Continued on page 20

PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET (BUDGETARY BASIS)
For the Year Ended June 30, 2011

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
EXPENDITURES (CONT.):				
Materials and Services (Cont.):				
Telephone	\$ 7,500	\$ 7,500	\$ 10,405	\$ (2,905)
Uniforms	3,500	3,500	1,303	2,197
Water Telemetry System	4,000	4,000	-	4,000
Monitoring	4,000	4,000	2,290	1,710
Lab Supplies	7,000	7,000	6,688	312
Chemicals	15,000	15,000	13,011	1,989
Testing	15,000	15,000	12,158	2,843
WWT Plant R & M	20,000	20,000	16,640	3,360
WW Collection System R & M	25,000	25,000	11,958	13,042
Wastewater Pumping	6,500	6,500	7,416	(916)
Solid Waste Disposal	6,500	6,500	3,227	3,274
Bio-Solids Management	12,000	12,000	9,402	2,598
Step System Pumping	5,000	5,000	325	4,675
Step System R & M	8,500	8,500	8,078	422
Water District/Trans R & M	30,000	30,000	21,540	8,460
Backflow Prevention	1,500	1,500	352	1,148
Water Pumping R & M	5,000	5,000	4,258	742
Water Treatment R & M	20,000	20,000	18,399	1,601
Water Conservation	3,000	3,000	1,332	1,668
Building R & M	8,000	8,000	7,643	357
Generator R & M	5,000	5,000	192	4,808
Backhoe R & M	3,000	3,000	-	3,000
NPDES Permit	2,000	2,000	20,057	(18,057)
Transportation	20,000	20,000	2,042	17,958
Community Events	5,000	5,000	2,062	2,938
Grounds R & M	3,000	3,000	3,396	(396)
Customer Assist Pymt Program	7,000	7,000	-	7,000
Horn Creek Lease	-	-	5,000	(5,000)
Total Materials and Services	438,100	438,100	343,466	94,634
Operating Contingency	40,000	40,000	-	40,000
Total Expenditures	1,075,300	1,075,300	892,938	182,362
Excess of Revenues over, (Under) Expenditures	(109,942)	(109,942)	63,415	173,357
Other Financing Sources (Uses):				
Transfers out	(17,694)	(17,694)	-	17,694
Net Change in Fund Balance	(127,636)	(127,636)	63,415	191,051
Beginning Fund Balance	127,636	127,636	112,077	(15,559)
Ending Fund Balance	\$ -	\$ -	\$ 175,492	\$ 175,492

(1) Appropriation level

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET (BUDGETARY BASIS)
For the Year Ended June 30, 2011**

MASTER PLANS SERVICE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Earnings on Investments	\$ 5,000	\$ 5,000	\$ 1,429	\$ (3,571)
Total Revenues	5,000	5,000	1,429	(3,571)
EXPENDITURES:				
Materials and Services:				
Access Fees	10,000	10,000	-	10,000
Professional Services	20,000	20,000	23,815	(3,815)
Total Materials and Services	30,000	30,000	23,815	6,185
Capital Outlay:				
Equipment	-	-	5,859	(5,859)
New Construction/Improve Engineering	285,533	285,533	104,457	181,076
	100,000	100,000	91,306	8,694
Total Capital Outlay	385,533	385,533	201,622	183,911
Total Expenditures	415,533	415,533	225,438	190,095
Net Change in Fund Balance	(410,533)	(410,533)	(224,009)	(411,198)
Beginning Fund Balance	410,533	410,533	289,917	(120,616)
Ending Fund Balance	\$ -	\$ -	\$ 65,908	\$ 65,908

(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, 2011**

<u>DEBT SERVICE FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES:				
Property Taxes	\$ 407,500	\$ 407,500	\$ 435,082	\$ 27,582
Earnings on Investments	2,500	2,500	1,483	(1,017)
Misc. Revenue	-	-	4,473	4,473
Total Revenues	410,000	410,000	441,038	31,038
EXPENDITURES:				
Debt Service:				
Other Fees	-	-	-	-
Bond Principal Payments	204,000	204,000	200,000	4,000
Bond Interest Payments	234,000	234,000	220,388	13,613
Total Expenditures	438,000	438,000 (1)	420,388	17,613
Net Change in Fund Balance	(28,000)	(28,000)	20,651	48,651
Beginning Fund Balance	148,000	148,000	156,405	8,405
Ending Fund Balance	\$ 120,000	\$ 120,000	\$ 177,056	\$ 57,056

(1) Appropriation level

RECONCILIATION TO GOVERNMENT WIDE

	<u>Principal Reductions</u>	<u>Interest Payments</u>
Budgetary Debt Service Payments (above)	200,000	220,388
Current Year Prepaid Payments	(200,000)	(110,194)
Prior Year Prepaid Payments	190,000	113,994
	<u>190,000</u>	<u>224,188</u>

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET (BUDGETARY BASIS)
For the Year Ended June 30, 2011**

WATER SDC / CIC RESERVE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Tap Fees	\$ 3,100	\$ 3,100	\$ 636	\$ (2,464)
Capital Improvement Charges	139,000	139,000	137,356	(1,644)
System Development Charges	335,000	335,000	47,433	(287,567)
Flex Lease Loan	1,000,000	1,000,000	-	(1,000,000)
Reimbursements	1,000	1,000	1,182	182
Earnings on Investments	3,000	3,000	668	(2,332)
Total Revenues	1,481,100	1,481,100	187,274	(1,293,826)
EXPENDITURES:				
Materials and Services	15,000	15,000 (1)	8,154	6,846
Capital Outlay:				
Equipment	27,500	27,500	-	27,500
Construction	1,383,450	1,383,450	209,637	1,173,813
Office/Lab Remodel	10,000	10,000	-	10,000
Computer Upgrades	20,000	20,000	11,786	8,214
MP Engineering/Legal	400,000	400,000	84,451	315,549
Service Installations	15,000	15,000	2,265	12,735
Vehicles	40,000	40,000	-	40,000
Total Capital Outlay	1,895,950	1,895,950 (1)	308,139	1,587,811
Debt Service:				
Flex-Lease	140,000	140,000 (1)	-	140,000
Total Expenditures	2,050,950	2,050,950	316,293	1,734,657
Excess of Revenues Over, (Under) Expenditures	(569,850)	(569,850)	(129,019)	(3,028,482)
Other Financing Sources (Uses):				
Transfers In	508,850	508,850	-	(508,850)
Transfers Out	(500,000)	(500,000) (1)	-	(500,000)
Total Other Financing Sources (Uses)	8,850	8,850	-	(8,850)
Net Change in Fund Balance	(561,000)	(561,000)	(129,019)	431,981
Beginning Fund Balance	561,000	561,000	214,550	(346,450)
Ending Fund Balance	\$ -	\$ -	\$ 85,531	\$ 85,531

(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, 2011**

<u>SEWER SDC/CIC FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES				
Capital Improvement Charges	\$ 33,000	\$ 33,000	\$ 31,869	\$ (1,131)
System Development Charges	179,000	179,000	29,932	(149,068)
Reimbursements / Refunds	-	-	2,131	2,131
Earnings on Investments	10,000	10,000	6,985	(3,015)
Total Revenue	222,000	222,000	70,917	(151,083)
EXPENDITURES				
Materials and Services	15,000	15,000 (1)	1,118	13,882
Capital Outlay:				
Equipment	205,000	205,000	2,315	202,685
Service Installations	15,000	15,000	-	15,000
Construction	923,344	923,344	6,271	917,073
Lift Station Improvements	62,500	62,500	18,636	43,864
Office/Lab Remodel	10,000	10,000	-	10,000
Engineering	250,000	250,000	46,662	203,338
Computer Upgrades	20,000	20,000	18,408	1,592
Rolling Stock	40,000	40,000	3,000	37,000
Inflow and Infiltration	50,000	50,000	-	50,000
Total Capital Outlay	1,575,844	1,575,844 (1)	95,293	1,480,551
Total Expenditures	1,590,844	1,590,844	96,411	1,494,433
Excess of Revenues Over, (Under) Expenditures	(1,368,844)	(1,368,844)	(25,494)	-
Other Financing Sources (Uses)				
Transfers in	508,844	508,844	-	(508,844)
Transfers out	(500,000)	(500,000) (1)	-	500,000
Total Other Financing Sources (Uses)	8,844	8,844	-	(8,844)
Net Change in Fund Balance	(1,360,000)	(1,360,000)	(25,494)	1,334,506
Beginning Fund Balance	1,360,000	1,360,000	1,394,158	34,158
Ending Fund Balance	\$ -	\$ -	\$ 1,368,664	\$ 1,368,664

(1) Appropriation level

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

**SCHEDULE OF BOND AND INTEREST TRANSACTIONS AND BALANCES
For The Year Ended June 30, 2011**

DATE OF ISSUE	ORIGINAL AMOUNT	MATURED BONDS & COUPONS OUTSTANDING 7/1/2010	BONDS & COUPONS MATURING DURING THE YEAR	BONDS REDEEMED AND COUPONS PAID DURING THE YEAR	MATURED BONDS & COUPONS OUTSTANDING 6/30/2011
8/1/1977	\$ 445,000	\$ 145	-	-	\$ 145
9/25/2007	\$ 5,485,000	-	\$ 414,187	\$ 414,187	-
		\$ 145	\$ 414,187	\$ 414,187	\$ 145

PACIFIC CITY JOINT WATER - SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON

SCHEDULE OF BOND REDEMPTION AND INTEREST REQUIREMENTS
At June 30, 2011

ISSUE of 9/25/07

<u>YEAR</u>	<u>Due June 1st</u>	<u>Interest</u>
2011-2012	200,000	216,388
2012-2013	210,000	208,188
2013-2014	215,000	199,688
2014-2015	225,000	190,888
2015-2016	235,000	181,570
2016-2021	1,330,000	742,350
2021-2026	1,670,000	395,051
2026-2028	785,000	38,040
TOTALS	<u>\$ 4,870,000</u>	<u>\$ 2,172,161</u>

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

**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED - DEBT SERVICE FUND
For the Year Ended June 30, 2011**

Tax Year	Original Levy or Balance Uncollected 7/1/10	Deduct Discounts	Adjustments to Rolls	Add Interest	Cash Collections by County Treasurer	Balance Uncollected 6/30/11
Current:						
2010-2011	\$ 447,001	\$ 10,566	\$ (655)	\$ 327	\$ 415,312	\$ 20,795
Prior Years:						
2009-2010	25,053	(1)	(1,022)	898	11,609	\$ 13,321
2008-2009	12,089	-	(996)	897	4,430	7,560
2007-2008	7,198	-	(1,460)	1,454	4,477	2,715
2006-2007	270	-	(93)	83	216	44
Prior Years:	120	-	(20)	6	8	98
Total Prior	\$ 44,730	\$ (1)	\$ (3,591)	\$ 3,338	\$ 20,740	\$ 23,738
Total	<u>\$ 491,731</u>	<u>\$ 10,565</u>	<u>\$ (4,246)</u>	<u>\$ 3,665</u>	<u>\$ 436,052</u>	<u>\$ 44,533</u>

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurer Above	\$ 436,052
Accrued at 6/30/10	(8,182)
Accrued at 6/30/11	<u>7,212</u>
Total Revenue	<u>\$ 435,082</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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PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

September 2, 2011

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of Pacific City Joint Water-Sanitary Authority as of and for the year ended June 30, 2011, and have issued our report thereon dated September 2, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

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

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

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

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

OAR 162-10-0230 Internal Control

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

PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON

OAR 162-10-0230 Internal Control (Continued)

We noted matters involving the internal control structure and its operation that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants, which are noted in our management letter dated September 2, 2011.

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


PAULY, ROGERS AND CO., P.C.