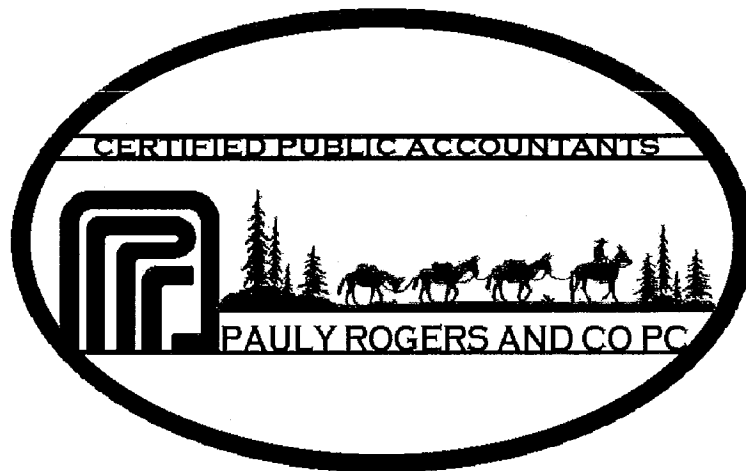


**PACIFIC CITY
JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON**

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2014



12700 SW 72nd Ave.
Tigard, OR 97223

PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON

2013-2014
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, 2015
Anne Price, Vice Chair	June 30, 2017
Sean Lambert, Secretary	June 30, 2015
Dick Carter, Director	June 30, 2017
Doug Kellow, Director	June 30, 2017

All Directors receive mail at the Authority Office address listed below

REGISTERED AGENT

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

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PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON

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PAULY, ROGERS AND Co., P.C.
12700 SW 72nd Ave. ♦ Tigard, OR 97223
(503) 620-2632 ♦ (503) 684-7523 FAX
www.paulyrogersandcocpas.com

October 10, 2014

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying basic financial statements of Pacific City Joint Water-Sanitary Authority, Tillamook County, Oregon, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents. The prior year comparative information has been derived from the Pacific City Joint Water-Sanitary Authority's financial statements and, in our report dated October 29, 2013, we expressed an unmodified opinion on the respective basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the basic financial statements of Pacific City Joint Water-Sanitary Authority, as of June 30, 2014 and 2013, and the respective changes in financial position and where applicable, cash flows thereof for the years ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The Authority adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended June 30, 2014. Our opinion is not modified with respect to this matter.

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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information


Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated October 10, 2014, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



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

Pacific City Joint Water-Sanitary Authority

Management's Discussion and Analysis

FY 2014

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, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our notes to the financial statements.

Financial Highlights

- Total assets of the Authority at June 30, 2014 were \$18,237,434 and include capital assets of \$16,581,997 and current assets of \$1,655,437. Overall, total assets for the Authority decreased .76% from FY 2013.
- PCJWSA's assets exceeded its liabilities on June 30, 2014 by \$13,616,758 (net position). This amount reflects a decrease of \$239,745 or 1.73% from FY 2013 and a decrease of \$364,060 since FY 2012. For the fiscal year ended June 30 2014, unrestricted net position in the amount of \$332,751 includes \$214,001 in cash and investments that may be used to meet the Authority's obligations. This represents a 19.32% decrease in year-end unrestricted net position of FY 2013.
- At June 30, 2014, capital assets less related debt were \$12,061,997, a decrease of 4.95% from FY 2013. Long-term debt totaled \$4,473,354 showing an increase of .64% from FY 2013 and .30% since FY 2012. The increase is primarily due to the Authority's scheduled debt payment service payments on the Authority's outstanding debt. The Authority has not had any debt issuance since FY 2008.
- Operating revenues for FY 2014 were \$1,116,264 a decrease of 7.1% from FY 2013 or \$85,449. The FY 2014 decrease in operating revenues is attributable to a refund from the Horn Creek Project in FY 2013.
- Total operating expenses for FY 2014 were \$1,882,895, reflecting an overall increase of 4.2%, \$76,026 from the previous year. Labor and benefits increased 2% due to an increase of wages and fringe benefit costs; materials and services costs increased 29.5%.

Overview of the Financial Statements

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

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

The Statements of Revenues, Expenditures and Changes in Net Position 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 Revenues, Expenditures and Changes in Net Position. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. It answers questions such as; "where did the cash come from, what was the cash used for, and what was the change in cash balance during the reporting period?"

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

Financial Analysis

Net Position

Over time, net position may serve as a useful indicator of the Authority's financial position. As shown in the following table, the Authority's assets exceeded liabilities by \$13.6 million on June 30, 2014 and reflect a decrease of approximately two hundred thousand dollars or 1% under the Authority's net position at the close of FY 2013.

Net investment in capital assets is by far the largest portion of the Authority's net position (\$12.1 million or 88.6% 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

	2014	Restated 2013	Difference 2013-2014	Percent Change	Restated 2012
Assets:					
Current Assets	\$ 369,669	\$ 446,809	\$ (77,140)	-17%	\$ 304,855
Current Restricted Assets	1,285,768	794,887	490,881	62%	1,622,605
Capital Assets	<u>16,581,997</u>	<u>17,135,547</u>	<u>(553,550)</u>	-3%	<u>16,741,016</u>
Total Assets	<u>\$ 18,237,434</u>	<u>\$ 18,377,243</u>	<u>\$ (139,809)</u>		<u>\$ 18,668,476</u>
Liabilities:					
Current Liabilities	\$ 147,322	\$ 75,740	\$ 71,582	95%	\$ 227,658
Long Term Debt	<u>4,473,354</u>	<u>4,445,000</u>	<u>28,354</u>	1%	<u>4,460,000</u>
Total Liabilities	<u>4,620,676</u>	<u>4,520,740</u>	<u>99,936</u>		<u>4,687,658</u>
Net Position:					
Net Investment in Capital Assets	12,061,997	12,690,547	(628,550)	-5%	12,281,016
Reserved for Debt Service	173,676	178,384	(4,708)	-3%	177,250
Reserved for Capital Improvements	1,048,334	575,124	473,210	82%	1,261,972
Unrestricted	<u>332,751</u>	<u>412,448</u>	<u>(79,697)</u>	-19%	<u>260,580</u>
Total Net Position - Restated	<u>13,616,758</u>	<u>13,856,503</u>	<u>(239,745)</u>		<u>13,980,818</u>
Total Liabilities and Net Position	<u>\$ 18,237,434</u>	<u>\$ 18,377,243</u>	<u>\$ (139,809)</u>	-1%	<u>\$ 18,668,476</u>

Change in Net Position

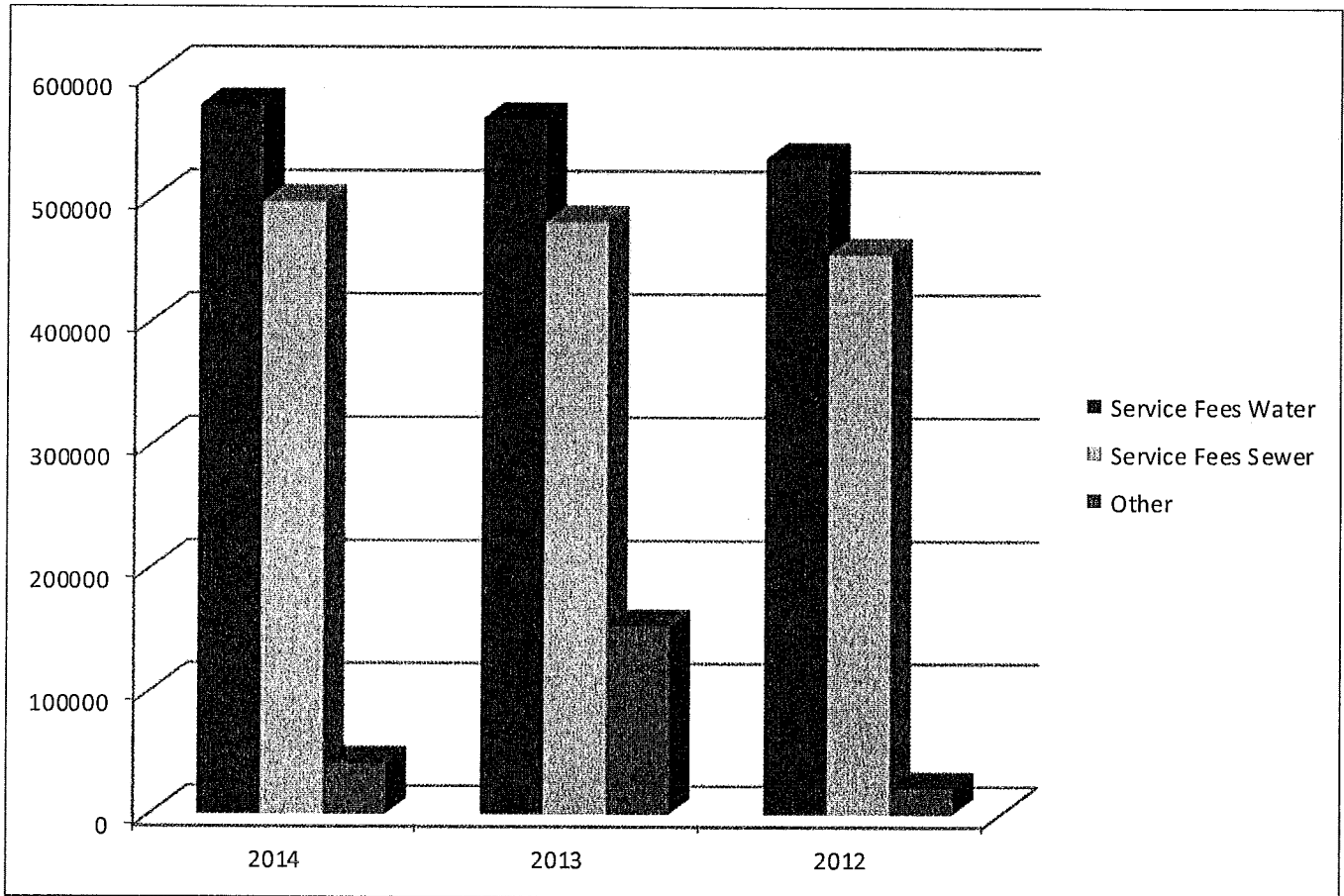
As shown in the next table the Authority's operating, non-operating and capital activities decreased total net position by \$239,745, a decrease of 1.7% from FY 2013 and 2.6% (\$364,060) since FY 2012.

Change in Net Position					
	<u>2014</u>	<u>Restated 2013</u>	<u>Difference 2013-2014</u>	<u>Percent Change</u>	<u>Restated 2012</u>
Operating Revenue:					
Service Fees	\$ 1,074,028	\$ 1,047,450	\$ 26,578	3%	\$ 989,111
Other Operating Revenues	<u>42,236</u>	<u>154,263</u>	<u>(112,027)</u>	-73%	<u>22,219</u>
Total Operating Revenues	<u>1,116,264</u>	<u>1,201,713</u>	<u>(85,449)</u>	-7%	<u>1,011,330</u>
Operating Expenses:					
Personal Services	587,792	576,035	11,757	2%	572,915
Materials and Services	447,467	345,463	102,004	30%	352,428
Depreciation and Amortization	<u>847,636</u>	<u>885,371</u>	<u>(37,735)</u>	-4%	<u>846,711</u>
Total Operating Expenses	<u>1,882,895</u>	<u>1,806,869</u>	<u>76,026</u>	4%	<u>1,772,054</u>
Net Income, (Loss) From Operations	(766,631)	(605,156)	(161,475)	27%	(760,724)
Non-Operating Revenue, (Expenses)	<u>526,886</u>	<u>480,841</u>	<u>46,045</u>	10%	<u>378,659</u>
Change in Net Position	(239,745)	(124,315)	(115,430)	93%	(382,065)
Beginning Net Position - Restated	<u>13,856,503</u>	<u>13,980,818</u>	<u>(124,315)</u>	-1%	<u>14,362,883</u>
Ending Net Position - Restated	<u>\$ 13,616,758</u>	<u>\$ 13,856,503</u>	<u>\$ (239,745)</u>	-2%	<u>\$ 13,980,818</u>

Operating Revenues

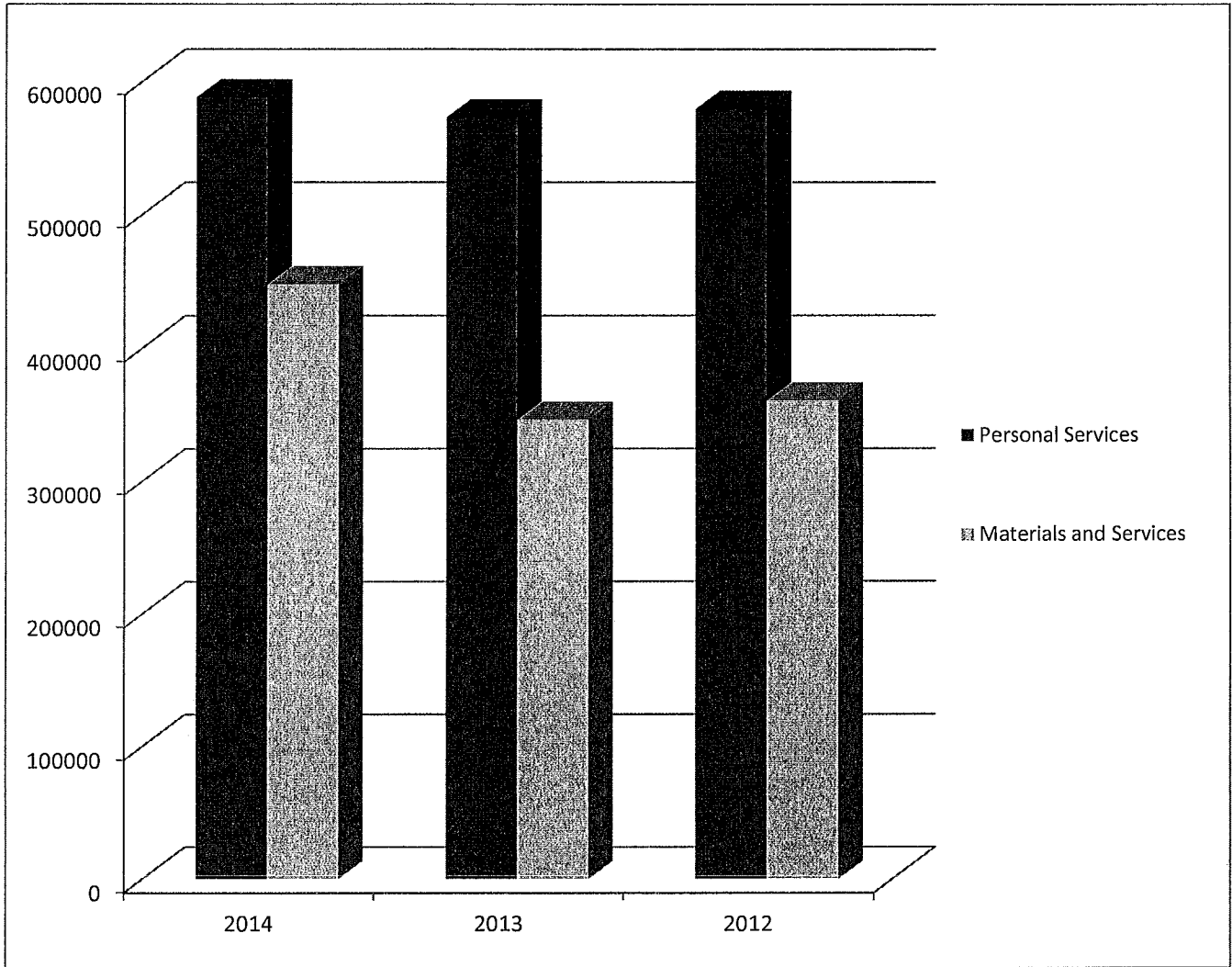
FY 2014 operating revenues decreased \$85,449 or about 7.1% from FY 2013. The Authority sets rates annually and increases are based on cost of service and requirements needed to fund operations and capital improvements.

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



Operating Expenses

In the materials and supplies expenses portion of the budget, the cost of dues and subscriptions, employee training, liability insurance, legal fees, and expected equipment maintenance was less than projected, resulting in an overall difference of 19.6% between budgeted and actual expenditures.

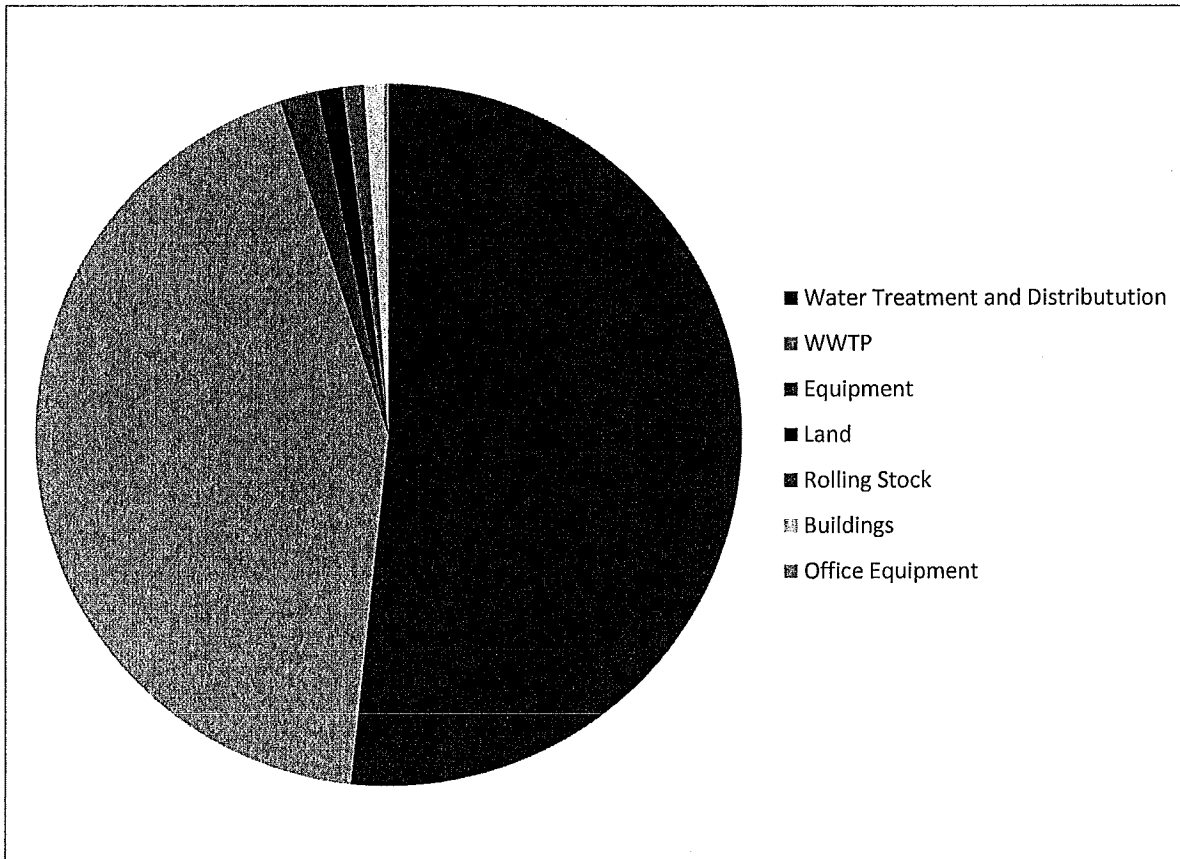


Capital Assets

As of June 30, 2014, the Authority had \$16,581,997 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.

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

- Wastewater Treatment Plant \$ 205,419



Debt Administration

As of June 30, 2014, the Authority owed \$4,520,000 for a General Obligation Bond approved by voters in November 2007.

Economic Factors and Next Year's Budget and Rates

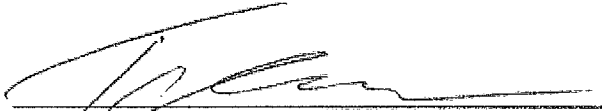
The total amount of appropriations in the 2014-2015 Fiscal Year's budget is as follows:

Enterprise Fund Appropriations:	\$ 1,422,500
Bonded Debt Fund Appropriations:	\$ 550,000
Sewer SDC/CIC Fund Appropriations:	\$ 1,379,320
Water SDC/CIC Fund Appropriations:	<u>\$ 2,087,108</u>

For a total of \$ 5,438,928

Requests for Information

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



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

PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON

BASIC FINANCIAL STATEMENTS

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

**STATEMENTS OF NET POSITION
June 30, 2014 and 2013**

	2014	Restated 2013
ASSETS:		
Current		
Cash and Equivalents	\$ 214,001	\$ 291,169
Utility Billing Accounts Receivable	95,917	94,273
Prepaid Expenses	7,352	7,352
Materials Inventory	52,399	54,015
Total Current Assets	<u>369,669</u>	<u>446,809</u>
Restricted Assets		
Debt Service Fund		
Cash and Investments	165,927	170,780
Taxes Receivable	39,571	39,571
Water SDC/CIC Reserve Fund		
Cash and Investments	756,487	530,560
Utility Billing Accounts Receivable	7,698	7,645
Sewer SDC/CIC Reserve Fund		
Cash and Investments	309,238	39,499
Utility Billing Accounts Receivable	6,847	6,832
Total Restricted Assets	<u>1,285,768</u>	<u>794,887</u>
Capital Assets		
Non-Depreciable	304,404	304,404
Depreciable	26,825,854	26,807,919
Less: Accumulated Depreciation	(10,548,261)	(9,976,776)
Net Capital Assets	<u>16,581,997</u>	<u>17,135,547</u>
Total Assets	<u>\$ 18,237,434</u>	<u>\$ 18,377,243</u>
LIABILITIES AND NET POSITION:		
Current Liabilities		
Accounts Payable	\$ 47,865	\$ 26,917
Accrued Compensated Absences	52,811	48,678
Payable from Restricted Assets		
Matured Coupons Payable	-	145
Bonds Payable - Current Portion	45,974	-
Total Current Liabilities	<u>146,650</u>	<u>75,740</u>
Noncurrent Liabilities		
Note, Bonds Payable, Less Current Portion	<u>4,474,026</u>	<u>4,445,000</u>
Total Noncurrent Liabilities	<u>4,474,026</u>	<u>4,445,000</u>
Total Liabilities	<u>4,620,676</u>	<u>4,520,740</u>
Net Position		
Net Investment in Capital Assets	12,061,997	12,690,547
Restricted for Debt Service	173,676	178,384
Restricted for Capital Improvements	1,048,334	575,124
Unrestricted	332,751	412,448
Total Net Position - Restated	<u>13,616,758</u>	<u>13,856,503</u>
Total Liabilities and Net Position	<u>\$ 18,237,434</u>	<u>\$ 18,377,243</u>

See accompanying notes to basic financial statements.

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

**STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN NET POSITION**

For the Years Ended June 30, 2014 and 2013

	2014	Restated 2013
OPERATING REVENUES:		
Service Fees - Sewer	\$ 576,116	\$ 565,591
Service Fees - Water	497,912	481,859
Streetlight Assessments	9,597	9,565
Miscellaneous Charges	6,179	7,486
Tap Fees/Inspections	2,196	2,675
Reimbursements	24,264	134,537
	1,116,264	1,201,713
OPERATING EXPENDITURES:		
Personal Services	587,792	576,035
Materials and Services	447,467	345,463
Depreciation/Amortization	847,636	885,371
	1,882,895	1,806,869
Operating Income (Loss)	(766,631)	(605,156)
NON-OPERATING INCOME (EXPENDITURES):		
Property Taxes	413,799	418,376
Earnings on Investments	8,451	8,523
System Development Charges	138,924	90,004
Capital Improvements Charges	169,353	168,842
Loss on Disposal of Capital Assets	(2,211)	-
Interest Expense on Bonds and Leases	(201,430)	(204,904)
	526,886	480,841
Change in Net Position	(239,745)	(124,315)
Beginning Net Position - Restated	13,856,503	13,980,818
Ending Net Position - Restated	\$ 13,616,758	\$ 13,856,503

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, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 1,114,552	\$ 1,185,900
Cash Paid to Suppliers	(424,903)	(501,007)
Cash Paid to Employees	(583,659)	(572,836)
Net Cash Provided (Used) by Operating Activities	105,990	112,057
Cash Flows From Investing Activities		
Earnings on Investment	8,451	8,523
Net Cash Provided By Investing Activities	8,451	8,523
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	(296,297)	(1,279,902)
Principal Payments on Long-term Debt (Net)	74,855	(15,000)
Interest Payments on Long-term Debt	(201,430)	(204,904)
Net Cash Used by Capital and Related Financing Activities	(422,872)	(1,499,806)
Cash Flows From Non-Capital Financing Activities		
Property Tax Contributions/Sale of Assets	413,799	418,376
Capital Improvements Charges	169,353	168,842
System Development Fees	138,924	90,004
Net Cash Provided By Non-Capital Financing Activities	722,076	677,222
Net Increase (Decrease) in Cash	413,645	(702,004)
Cash and Cash Equivalents, Beginning of Year	1,032,008	1,734,012
Cash and Cash Equivalents, End of Year	\$ 1,445,653	\$ 1,032,008
Detail of Cash:		
Unrestricted	\$ 214,001	\$ 291,169
Debt Service Fund	165,927	170,780
Water SDC/CIC Reserve Fund	756,487	530,560
Sewer SDC/CIC Reserve Fund	309,238	39,499
	\$ 1,445,653	\$ 1,032,008
Cash Paid for Interest	\$ 201,430	\$ 204,904
Operating Loss	\$ (766,631)	\$ (605,156)
Noncash Items included in Income		
Depreciation Expense & Amortization	847,636	885,371
Decrease (Increase) In:		
Accounts Receivable	5,640	(8,461)
Prepays	(7,352)	(7,352)
Materials Inventory	1,616	(427)
Increase (Decrease) In:		
Accounts Payable	20,948	(155,117)
Accrued Compensated Absences	4,133	3,199
Net Cash Provided By Operation	\$ 105,990	\$ 112,057

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

B. BASIS OF PRESENTATION - FUND ACCOUNTING

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

Enterprise 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIS OF ACCOUNTING

The basic financial statements are prepared on the accrual basis of accounting using the “economic resources” measurement focus. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when liabilities are incurred, regardless of the timing of the related cash flow. Accordingly, all assets and liabilities are reflected within the balance sheet with the equity section representing “net 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 accrual basis of accounting in the main program categories required by Oregon Local Budget Law. The budgets for all funds are adopted on a basis consistent with generally accepted accounting principles (GAAP), except for the following:

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

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

PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. BUDGET (CONTINUED)

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

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

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 Statements 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 \$1,000 or more, and an estimated useful life greater than one year. Depreciation of fixed assets has been recognized and reflected in the basic financial statements and is calculated using the straight-line method based upon the following estimated useful lives of the assets:

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

H. COMPENSATED ABSENCES

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

I. RETIREMENT PLANS

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

J. CASH AND CASH EQUIVALENTS

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

K. ESTIMATES

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

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

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. OPERATING REVENUES AND EXPENSES

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

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

M. RESTRICTED ASSETS

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

2. CASH AND INVESTMENTS

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

Cash and Investments (at fair value) at June 30, 2014 and 2013 consisted of:

	2014	2013
Deposits with Financial Institutions		
Petty Cash	\$ 300	\$ 300
Demand Deposits	206,352	197,031
Investments	1,239,001	834,677
Total Cash & Investments	\$ 1,445,653	\$ 1,032,008
Reported on Statement of Net Position as:		
Current Cash and Equivalents	\$ 214,001	\$ 291,169
Restricted Debt Service Cash	165,927	170,780
Restricted Water SDC/CIC Cash	756,487	530,560
Restricted Sewer SDC/CIC Cash	309,238	39,499
Total Cash & Investments	\$ 1,445,653	\$ 1,032,008

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

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

DEPOSITS:

Deposits with financial institutions are comprised of bank demand deposits and certificates of deposit. The total bank balance per the bank statements as of June 30, 2014 is \$258,021 of which \$8,021 is not 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, 2014, all deposits were deposited at an approved depository.

INVESTMENTS:

Investments are categorized as follows: (1) Insured or for which securities are held by the Authority 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, 2014 and 2013 as follows:

	<u>2014</u>	<u>2013</u>
Oregon State Treasurer's Local Government Investment Pool, Variable Interest Rate	<u>\$ 1,239,001</u>	<u>\$ 834,677</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, 2014. 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 Authority's position in the State Treasurer's Local Government Investment Pool and the value at June 30, 2014 and 2013. 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 do not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE. The State Investment Pool is not rated.

PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

At June 30, 2014, 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.

4. CHANGES IN CAPITAL ASSETS

The changes in Capital Assets for the year ended June 30, 2014 are summarized below:

	<u>BALANCE</u> <u>07/01/13</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>06/30/14</u>
Capital Assets Not Being Depreciated				
Land	\$ 304,404	\$ -	\$ -	\$ 304,404
Capital Assets Being Depreciated				
Vehicles & Equipment	903,752	74,822	157,079	821,495
Buildings & Improvements	249,480	-	21	249,459
Treatment Plant & Water Distribution	14,111,658	16,056	118,125	14,009,589
WW Treatment & Collection Systems	<u>11,543,029</u>	<u>205,419</u>	<u>3,137</u>	<u>11,745,311</u>
Total Capital Assets Being Depreciated	<u>26,807,919</u>	<u>296,297</u>	<u>278,362</u>	<u>26,825,854</u>
Accumulated Depreciation				
Vehicles & Equipment	790,381	59,566	157,079	692,868
Buildings & Improvements	76,502	8,316	-	84,818
Treatment Plant & Water Distribution	4,334,136	454,996	118,125	4,671,007
WW Treatment & Collection Systems	<u>4,775,757</u>	<u>324,758</u>	<u>947</u>	<u>5,099,568</u>
Less: Accumulated Depreciation	<u>9,976,776</u>	<u>847,636</u>	<u>276,151</u>	<u>10,548,261</u>
Capital Assets, Net	<u>\$ 17,135,547</u>			<u>\$ 16,581,997</u>

Deletions were made to remove assets that are no longer in use.

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

NOTES TO BASIC FINANCIAL STATEMENTS

4. CHANGES IN CAPITAL ASSETS (CONTINUED)

The changes in Capital Assets for the year ended June 30, 2013 are summarized below:

	<u>BALANCE</u> 07/01/12	<u>ADDITIONS</u>	<u>BALANCE</u> 06/30/13
Capital Assets Not Being Depreciated			
Land	\$ 304,404	\$ -	\$ 304,404
Capital Assets Being Depreciated			
Vehicles & Equipment	870,170	33,582	903,752
Buildings & Improvements	249,480	-	249,480
Treatment Plant & Water Distribution	14,085,160	26,498	14,111,658
WW Treatment & Collection Systems	10,323,207	1,219,822	11,543,029
Total Capital Assets Being Depreciated	<u>25,528,017</u>	<u>1,279,902</u>	<u>26,807,919</u>
Accumulated Depreciation			
Vehicles & Equipment	686,338	104,043	790,381
Buildings & Improvements	68,186	8,316	76,502
Treatment Plant & Water Distribution	3,879,140	454,996	4,334,136
WW Treatment & Collection Systems	4,457,741	318,016	4,775,757
Less: Accumulated Depreciation	<u>9,091,405</u>	<u>885,371</u>	<u>9,976,776</u>
Capital Assets, Net	<u>\$ 16,741,016</u>		<u>\$ 17,135,547</u>

5. DEFERRED COMPENSATION

The Authority has decided not to participate the Oregon Public Employees Retirement Fund, which is a cost-sharing multiple employer defined benefit pension plan administered by the Oregon Public Employees Retirement System (PERS). In lieu, a deferred compensation plan has been made available to employees wherein they may execute an individual agreement for amounts earned by them to not be paid until a future date when certain circumstances are met. Additionally, employee contributions are matched up to 6% of their budgeted salary per year. The circumstances for withdrawal of contributions are: death, disability, resignation or retirement. Payment to the employee will be made over a period not to exceed 15 years. The deferred compensation plan is one which is authorized under IRC Section 457 and has been approved in its specifics by a private ruling from the Internal Revenue Service. All amounts of compensation deferred under the plan are held in trust by a separate plan administrator for the sole benefit of the participants. The contributions to the plan for the years ended June 30, 2014, 2013 and 2012 were \$46,213, \$48,371 and \$48,389, respectively, equal to the required contributions for each year.

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

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

NOTES TO BASIC FINANCIAL STATEMENTS

6. LONG-TERM DEBT

The changes in Long-Term Debt for the year ended June 30, 2014 are summarized below:

The Authority changed its line of credit to a term in the amount of \$500,000 at an interest rate of 1.75%.

General Obligation Bonds:

<u>Issue Date</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Outstanding 7/1/13</u>	<u>Issued</u>	<u>Matured and Redeemed</u>	<u>Outstanding 6/30/14</u>	<u>Due in One Year</u>
August 1, 1977	Variable	445,000	\$ 145	\$ -	\$ 145	\$ -	\$ -
October 4, 2007	3.85-4.8%	5,485,000	4,245,000	-	225,000 (1)	4,020,000	-
January 1, 2014	1.75%	500,000	200,000	300,000	-	500,000	45,974
			<u>\$ 4,445,145</u>	<u>\$ 300,000</u>	<u>\$ 225,145</u>	<u>\$ 4,520,000</u>	<u>\$ 45,974</u>

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

<u>For the Fiscal Year Ended June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 45,974	\$ 199,277	\$ 245,251
2016	282,447	189,156	471,603
2017	293,306	178,337	471,643
2018	304,157	166,856	471,013
2019	315,023	154,348	469,371
2020-24	1,779,093	556,948	2,336,041
2025-28	1,500,000	148,080	1,648,080
Total	<u>\$ 4,520,000</u>	<u>\$ 1,593,002</u>	<u>\$ 6,113,002</u>

(1) The principal payment due in 2014-2015 was paid in 2013-2014

The changes in Long-Term Debt for the year ended June 30, 2013 are summarized below:

<u>Issue Date</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Outstanding 7/1/12</u>	<u>Issued</u>	<u>Matured and Redeemed</u>	<u>Outstanding 6/30/13</u>
August 1, 1977	Variable	445,000	\$ 145	\$ -	\$ -	\$ 145
October 4, 2007	3.85-4.8%	5,485,000	4,460,000	-	215,000	4,245,000
Line of Credit	1.75%		-	200,000	-	200,000
			<u>\$4,460,145</u>	<u>\$200,000</u>	<u>\$ 215,000</u>	<u>\$4,445,145</u>

7. RISK MANAGEMENT

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

PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. COMPENSATED ABSENCES

Activity for compensated absences, all of which are considered due within one year, for the year ended June 30, 2014 as follows:

Balance July 1, 2013	\$ 48,678
Additions	52,811
Deletions	<u>(48,678)</u>
Balance June 30, 2014	\$ <u>52,811</u>

Activity for compensated absences for the year ended June 30, 2013 is shown as follows:

Balance July 1, 2012	\$ 45,479
Additions	48,678
Deletions	<u>(45,479)</u>
Balance June 30, 2013	\$ <u>48,678</u>

9. RESTATEMENT

GASBS 65 requires that the following item no longer be reported in statements of net position because the GASB has determined that they do not meet the definition of assets, liabilities, deferred outflows of resources, or deferred inflows of resources: Debt issuance costs except for any portion that is a prepayment of insurance, which will be reported as an asset, and initial direct costs of operating leases. For the year ended June 30, 2012, the District reported bond issue costs in the amount of \$86,569. For the year ended June 30, 2013, the District amortized bond issuance costs in the amount of \$7,210.

2012 Ending Net Position	\$ 14,067,387
Restatement - Bond Issuance Costs	<u>(86,569)</u>
2013 Beginning Net Position (Restated)	\$ <u>13,980,818</u>

2013 Ending Net Position (Restated)	\$ 13,849,293
Restatement - Amortization Expense	<u>7,210</u>
2014 Beginning Net Position (Restated)	\$ <u>13,856,503</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, 2014**

	ENTERPRISE FUND	DEBT SERVICE FUND	WATER SDC/CIC RESERVE FUND	SEWER SDC/CIC RESERVE FUND	TOTAL
ASSETS:					
Cash and Investments	\$ 214,001	\$ 165,927	\$ 756,487	\$ 309,238	\$ 1,445,653
Utility Billing A/R	95,917	-	7,698	6,847	110,462
Accounts Receivable	-	39,571	-	-	39,571
Prepaid	7,352	-	-	-	7,352
Total Assets	\$ 317,270	\$ 205,498	\$ 764,185	\$ 316,085	\$ 1,603,038
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE:					
Current Liabilities:					
Accounts Payable/Retainage Payable	\$ 15,929	\$ -	\$ 12,129	\$ 19,807	\$ 47,865
Deferred Inflows of Resources:					
Unavailable Revenue-Property Taxes	-	31,822	-	-	31,822
Fund Balance:					
Restricted for Debt Service	-	173,676	-	-	173,676
Restricted for Capital Projects	-	-	752,056	296,278	1,048,334
Unrestricted	301,341	-	-	-	301,341
Total Fund Balance	301,341	173,676	752,056	296,278	1,523,351
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 317,270	\$ 205,498	\$ 764,185	\$ 316,085	\$ 1,603,038

Reconciliation to Net Position:

Fund Balances Above	\$ 1,523,351
Less:	
Accrued Compensated Absences	(52,811)
Bond Payable	(4,520,000)
Plus:	
Net Capital Assets	16,581,997
Inventory	52,399
Unavailable Revenue-Property Taxes	31,822
Total Net Position	\$ 13,616,758

**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, 2014**

	ENTERPRISE FUND	DEBT SERVICE FUND	WATER SDC/CIC RESERVE FUND	SEWER SDC/CIC RESERVE FUND	TOTAL
REVENUES:	\$ 1,099,144	\$ 415,534	\$ 193,783	\$ 438,330	\$ 2,146,791
EXPENDITURES:					
Personal Services	561,247	-	-	-	561,247
Materials and Services	418,177	-	1,450	9,103	428,730
Capital Outlay	-	-	82,368	253,462	335,830
Debt Service	-	420,242	-	6,188	426,430
Total Expenditures	979,424	420,242	83,818	268,753	1,752,237
Excess of Revenues Over, (Under) Expenditures	119,720	(4,708)	109,965	169,577	394,554
Transfers In/Out	(193,668)	-	103,984	89,684	-
Net Change in Fund Balance	(73,948)	(4,708)	213,949	259,261	394,554
Beginning Fund Balance	375,289	178,384	538,107	37,017	1,128,797
Ending Fund Balance	\$ 301,341	\$ 173,676	\$ 752,056	\$ 296,278	\$ 1,523,351

Reconciliation to Changes in Net Position:

Change in Fund Balances Above	\$ 394,554
Additions:	
Capital Additions/Deletions	17,935
Bond Paid	225,000
Deletions:	
Depreciation (Net)	(571,485)
Accrued Compensated Absences	(4,133)
Inventory	(1,616)
Loan	(300,000)
Change in Net Position	<u>\$ (239,745)</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, 2014

<u>ENTERPRISE FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
User Fees - Sewer	\$ 585,000	\$ 585,000	\$ 576,116	\$ (8,884)
User Fees - Water	500,000	500,000	497,912	(2,088)
Streetlight Assessments	9,500	9,500	9,597	97
Miscellaneous/Lab Charges	8,500	8,500	6,179	(2,321)
Reimbursements	5,000	5,000	5,001	1
Inspections	2,000	2,000	375	(1,625)
Earnings on Investments	2,500	2,500	3,964	1,464
	<u>1,112,500</u>	<u>1,112,500</u>	<u>1,099,144</u>	<u>(13,356)</u>
EXPENDITURES:				
Personal Services:				
Authority Manager	89,300	89,300	91,900	(2,600)
Executive Assistant	57,132	57,132	57,132	-
Office Assistant	16,000	16,000	10,526	5,474
Operator I	173,000	173,000	128,700	44,300
OIT	34,000	34,000	35,737	(1,737)
Utility Worker/Grounds	38,700	38,700	33,419	5,281
Overtime Allowance	15,000	15,000	4,489	10,511
Merit Reserves	15,000	15,000	8,598	6,402
Medical Insurance	165,000	165,000	127,273	37,727
Workers Compensation	15,000	15,000	6,917	8,083
Deferred Compensation	28,000	28,000	21,265	6,735
Payroll Taxes	48,000	48,000	35,291	12,709
	<u>694,132</u>	<u>694,132</u>	<u>561,247</u>	<u>132,885</u>
Materials and Services:				
Access Fees	2,000	2,000	130	1,870
Accounting/Auditing	13,000	13,000	12,350	650
Advertising	3,000	3,000	851	2,149
Contract Services	15,000	15,000	17,049	(2,049)
Bank/Bond Expense	6,500	6,500	6,269	231
Director Fees/Training	1,700	1,700	1,739	(39)
Dues & Subscriptions	4,000	4,000	1,134	2,866
Employee Training	5,000	5,000	1,750	3,250
Elections	-	-	90	(90)
Electricity	67,000	67,000	66,513	487
Insurance	42,000	42,000	38,154	3,846
Legal Fees	15,000	15,000	8,811	6,189
Miscellaneous	1,000	1,000	1,506	(506)
Newsletter	2,000	2,000	-	2,000
Office Equipment R & M	12,000	12,000	15,673	(3,673)
Office Supplies	5,000	5,000	2,150	2,850
Postage/Freight	5,000	5,000	2,300	2,700

(1) Appropriation level

Continued on page 19

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, 2013

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
EXPENDITURES (CONT.):				
Materials and Services (Cont.):				
Telephone	\$ 11,000	\$ 11,000	\$ 12,601	\$ (1,601)
Uniforms	4,000	4,000	2,417	1,583
Water Telemetry System	1,500	1,500	576	924
Monitoring	3,500	3,500	2,369	1,131
Lab Supplies	7,500	7,500	7,904	(404)
Chemicals	25,000	25,000	22,174	2,826
Testing	12,000	12,000	12,925	(925)
WWT Plant R & M	30,000	30,000	18,025	11,975
WW Collection System R & M	30,000	30,000	29,749	251
Wastewater Pumping	20,000	20,000	17,788	2,212
Solid Waste Disposal	5,000	5,000	4,265	735
Bio-Solids Management	12,000	12,000	11,318	682
Step System Pumping	7,000	7,000	2,668	4,332
Step System R & M	8,500	8,500	2,748	5,752
Water District/Trans R & M	30,000	30,000	16,194	13,806
Backflow Prevention	1,500	1,500	561	939
Water Pumping R & M	5,000	5,000	2,380	2,620
Water Treatment R & M	25,000	25,000	20,477	4,523
Water Conservation	3,000	3,000	148	2,852
Building R & M	20,000	20,000	9,292	10,708
Generator R & M	8,000	8,000	4,822	3,178
Backhoe R & M	4,000	4,000	-	4,000
NPDES Permit	2,500	2,500	2,235	265
Transportation	30,000	30,000	21,250	8,750
Community Events	2,000	2,000	1,055	945
Grounds R & M	8,000	8,000	9,767	(1,767)
Customer Assist Pymt Program	4,000	4,000	-	4,000
Horn Creek Lease	7,500	7,500	6,000	1,500
	<u>526,700</u>	<u>526,700</u>	<u>418,177</u>	<u>108,523</u>
Total Materials and Services		(1)		
Operating Contingency	<u>40,000</u>	<u>40,000</u>	<u>-</u>	<u>40,000</u>
	<u>1,260,832</u>	<u>1,260,832</u>	<u>979,424</u>	<u>281,408</u>
Total Expenditures				
Excess of Revenues Over, (Under) Expenditures	(148,332)	(148,332)	119,720	268,052
Other Financing Sources (Uses):				
Transfers Out	<u>(193,668)</u>	<u>(193,668)</u>	<u>(193,668)</u>	<u>-</u>
Net Change in Fund Balance	(342,000)	(342,000)	(73,948)	268,052
Beginning Fund Balance	<u>342,000</u>	<u>342,000</u>	<u>375,289</u>	<u>33,289</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 301,341</u>	<u>\$ 301,341</u>

(1) Appropriation level

Continued from page 18

**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, 2014**

<u>DEBT SERVICE FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Property Taxes	\$ 381,500	\$ 381,500	\$ 413,799	\$ 32,299
Earnings on Investments	500	500	1,735	1,235
Total Revenues	382,000	382,000	415,534	33,534
EXPENDITURES:				
Debt Service:				
Bond Principal Payments	350,000	350,000	225,000	125,000
Bond Interest Payments	205,000	205,000	195,242	9,758
Total Expenditures	555,000	555,000 (1)	420,242	134,758
Net Change in Fund Balance	(173,000)	(173,000)	(4,708)	168,292
Beginning Fund Balance	173,000	173,000	178,384	5,384
Ending Fund Balance	\$ -	\$ -	\$ 173,676	\$ 173,676

(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, 2014

WATER SDC/CIC RESERVE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES:				
Tap Fees	\$ 2,000	\$ 2,000	\$ 1,821	\$ (179)
Capital Improvement Charges	162,000	162,000	89,327	(72,673)
System Development Charges	150,000	150,000	90,198	(59,802)
Flex Lease Loan	1,000,000	1,000,000	-	(1,000,000)
Reimbursements	1,000	1,000	10,035	9,035
Earnings on Investments	500	500	2,402	1,902
Total Revenues	1,315,500	1,315,500	193,783	(1,121,717)
EXPENDITURES:				
Materials and Services	15,000	15,000 (1)	1,450	13,550
Capital Outlay:				
Equipment	55,000	55,000	8,859	46,141
Construction	1,376,824	1,376,824	16,814	1,360,010
Office/Lab Remodel	10,000	10,000	-	10,000
Computer Upgrades	15,000	15,000	-	15,000
Engineering/Legal	264,660	264,660	17,725	246,935
Service Installations	10,000	10,000	2,416	7,584
Vehicles	40,000	40,000	36,554	3,446
Total Capital Outlay	1,771,484	1,771,484 (1)	82,368	1,689,116
Debt Service:				
Flex-Lease	140,000	140,000 (1)	-	140,000
Total Expenditures	1,926,484	1,926,484	83,818	1,842,666
Excess of Revenues Over, (Under) Expenditures	(610,984)	(610,984)	109,965	720,949
Other Financing Sources (Uses)				
Transfers In	103,984	103,984	103,984	-
Net Change in Fund Balance	(507,000)	(507,000)	213,949	720,949
Beginning Fund Balance	507,000	507,000	538,107	31,107
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 752,056</u>	<u>\$ 752,056</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, 2014**

<u>SEWER SDC/CIC FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Capital Improvement Charges	\$ 162,000	\$ 162,000	\$ 80,026	\$ (81,974)
System Development Charges	81,200	81,200	48,726	(32,474)
Reimbursements/Refunds	-	-	9,228	9,228
Loan Proceeds	750,000	750,000	300,000	(450,000)
Earnings on Investments	500	500	350	(150)
Total Revenues	993,700	993,700	438,330	(555,370)
EXPENDITURES:				
Materials and Services	15,000	15,000 (1)	9,103	5,897
Capital Outlay:				
Equipment	112,000	112,000	37,340	74,660
Service Installations	25,000	25,000	1,372	23,628
Construction	662,044	662,044	127,341	534,703
Lift Station Improvements	56,340	56,340	51,508	4,832
Engineering	110,000	110,000	35,901	74,099
Computer Upgrades	5,000	5,000	-	5,000
Rolling Stock	10,000	10,000	-	10,000
Inflow and Infiltration	10,000	10,000	-	10,000
Total Capital Outlay	990,384	990,384 (1)	253,462	736,922
Debt Service:				
Loan Re-Payment	100,000	100,000	6,188	93,812
Total Debt Service	100,000	100,000 (1)	6,188	93,812
Total Expenditures	1,105,384	1,105,384	268,753	836,631
Excess of Revenues Over (Under) Expenditures	(111,684)	(111,684)	169,577	281,261
Other Financing Sources (Uses)				
Transfers In	89,684	89,684	89,684	-
Net Change in Fund Balance	(22,000)	(22,000)	259,261	281,261
Beginning Fund Balance	22,000	22,000	37,017	15,017
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 296,278</u>	<u>\$ 296,278</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, 2014**

Tax Year	Original Levy or Balance Uncollected 7/1/13	Deduct Discounts	Adjustments to Rolls	Add Interest	Cash Collections by County Treasurer	Balance Uncollected 6/30/14
Current:						
2013-2014	\$ 413,594	\$ 9,949	\$ (8,419)	\$ 285	\$ 374,063	\$ 21,448
Prior Years:						
2012-2013	18,248	-	1,370	718	11,128	9,208
2011-2012	9,455	-	(13)	946	5,550	4,838
2010-2011	6,155	-	(14)	1,448	5,766	1,823
2009-2010	3,330	-	(18)	1,066	3,759	619
Prior Years	2,383	-	(33)	545	1,260	1,635
Total Prior	39,571	-	1,292	4,723	27,463	18,123
Total	<u>\$ 453,165</u>	<u>\$ 9,949</u>	<u>\$ (7,127)</u>	<u>\$ 5,008</u>	<u>\$ 401,526</u>	<u>\$ 39,571</u>

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurer Above	\$ 401,526
Accrued at 6/30/13	(9,282)
Accrued at 6/30/14	7,749
Payments in Lieu of Taxes	<u>13,806</u>
Total Revenue	<u>\$ 413,799</u>

PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON

OTHER INFORMATION

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PACIFIC CITY JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON

SCHEDULE OF BOND AND INTEREST TRANSACTIONS AND BALANCES
For the Year Ended June 30, 2014

DATE OF ISSUE	ORIGINAL AMOUNT	MATURED BONDS & COUPONS OUTSTANDING 7/1/2013	BONDS & COUPONS MATURING DURING THE YEAR	BONDS REDEEMED AND COUPONS PAID DURING THE YEAR	MATURED BONDS & COUPONS OUTSTANDING 6/30/2014
08/01/77	\$ 445,000	\$ 145	\$ -	\$ 145	\$ -
09/25/07	\$ 5,485,000	-	420,242	420,242	-
01/01/14	\$ 500,000	-	-	-	-
		<u>\$ 145</u>	<u>\$ 420,242</u>	<u>\$ 420,387</u>	<u>\$ -</u>

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

**SCHEDULE OF BOND REDEMPTION AND INTEREST REQUIREMENTS
June 30, 2014**

ISSUE of 9/25/07			ISSUE of 1/1/14		
YEAR	Due June 1st	Interest	YEAR	Due June 1st	Interest
2014-2015	\$ -	(1) \$ 190,888	2014-2015	\$ 45,974	\$ 8,389
2015-2016	235,000	181,570	2015-2016	47,447	7,586
2016-2017	245,000	171,607	2016-2017	48,306	6,730
2017-2018	255,000	160,980	2017-2018	49,157	5,876
2018-2019	265,000	149,337	2018-2019	50,023	5,011
2019-2024	1,520,000	545,438	2019-2024	259,093	11,510
2024-2028	1,500,000	148,080	2024-2028	-	-
TOTALS	\$ 4,020,000	\$ 1,547,900	TOTALS	\$ 500,000	\$ 45,102

(1) The principal payment was paid in 2013-14.

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

Independent Auditors' Report Required by Oregon State Regulations

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October 10, 2014

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, 2014, and have issued our report thereon dated October 10, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

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

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

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

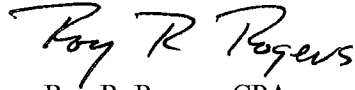
In connection with our testing, nothing came to our attention that caused us to believe the Pacific City Joint Water-Sanitary Authority was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal controls over financial reporting.

We noted matters involving the internal control structure and its operation that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants, which are noted in our management letter dated October 10, 2014.

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

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

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