

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

**2014-2015  
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, 2019
Anne Price, Vice Chair	June 30, 2017
Sean Lambert, Secretary	June 30, 2019
Sean Carlton, Director	June 30, 2017
Dick Carter, 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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October 5, 2015

## 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, 2015 and 2014, 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 10, 2014, 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 basic financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the basic financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

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

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

### **Opinion**

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of Pacific City Joint Water-Sanitary Authority, as of June 30, 2015 and 2014, and the respective changes in financial position and where applicable, cash flows thereof for the years ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the 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 5, 2015, 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 2015**

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, 2015. 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, 2015 were \$17,856,605 and include net capital assets of \$16,031,552, current assets of \$501,977, and restricted assets of \$1,323,076. Overall, total assets for the Authority decreased 2.1% from FY 2014.
- PCJWSA's assets exceeded its liabilities on June 30, 2015 by \$13,541,576 (net position). This amount reflects a decrease of \$75,182 or .55% from FY 2014 and a decrease of \$314,927 since FY 2013. For the fiscal year ended June 30 2015, unrestricted net position in the amount of \$461,008 includes \$325,204 in cash and investments that may be used to meet the Authority's obligations. This represents a 38.5% increase in year-end unrestricted net position of FY 2014.
- At June 30, 2015, capital assets less related debt were \$11,793,110, a decrease of 2.2% from FY 2014. Long-term debt total \$4,238,442 showing a decrease of 6.2% from FY 2014 and a decrease of 4.7% since FY 2013. The reduction 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 2014.
- Operating revenues for FY 2015 were \$1,190,714, an increase of 3.98% from FY 2014 or \$44,450.
- Total operating expenses for FY 2015 were \$1,885,917, reflecting an overall increase of .2%, \$3,022 from the previous year. Labor and benefits increased 10% due to an increase in wages and fringe benefit costs; materials and services costs decreased 13.9%.

## **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 \$13.5 million on June 30, 2015 and reflect a decrease of approximately one hundred thousand dollars or .5% under the Authority's net position at the close of FY 2015.

Net investment in capital assets is by far the largest portion of the Authority's net position (\$11.7 million or 87.1% 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.

<b>Net Position</b>					
	<u>2015</u>	<u>2014</u>	<u>Difference 2014-2015</u>	<u>Percent Change</u>	<u>(restated) 2013</u>
Assets:					
Current Assets	\$ 501,977	\$ 369,669	\$ 132,308	36%	\$ 446,809
Restricted Assets	1,323,076	1,285,768	37,308	3%	794,887
Capital Assets	<u>16,031,552</u>	<u>16,581,997</u>	<u>(550,445)</u>	-3%	<u>17,135,547</u>
Total Assets	<u>\$ 17,856,605</u>	<u>\$ 18,237,434</u>	<u>\$ (380,829)</u>		<u>\$ 18,377,243</u>
Liabilities:					
Current Liabilities	\$ 124,034	\$ 146,650	\$ (22,616)	-15%	\$ 75,740
Non-Current Liabilities	<u>4,190,995</u>	<u>4,474,026</u>	<u>(283,031)</u>	-6%	<u>4,445,000</u>
Total Liabilities	<u>4,315,029</u>	<u>4,620,676</u>	<u>(305,647)</u>		<u>4,520,740</u>
Net Position:					
Invested in Capital Asset	11,793,110	12,061,997	(268,887)	-2%	12,690,547
Reserved - Debt Service	168,202	173,676	(5,474)	-3%	178,384
Reserved - Capital Improvements	1,119,256	1,048,334	70,922	7%	575,124
Unrestricted	<u>461,008</u>	<u>332,751</u>	<u>128,257</u>	39%	<u>412,448</u>
Total Net Position	<u>13,541,576</u>	<u>13,616,758</u>	<u>(75,182)</u>		<u>13,856,503</u>
	<u>\$ 17,856,605</u>	<u>\$ 18,237,434</u>	<u>\$ (380,829)</u>	-2%	<u>\$ 18,377,243</u>
Total Liabilities and Net Position					

## Change in Net Position

As shown in the next table the Authority's operating, non-operating and capital activities decreased total net position by \$75,182, a decrease of .6% from FY 2014 and 2.3% (\$314,927) since FY 2013.

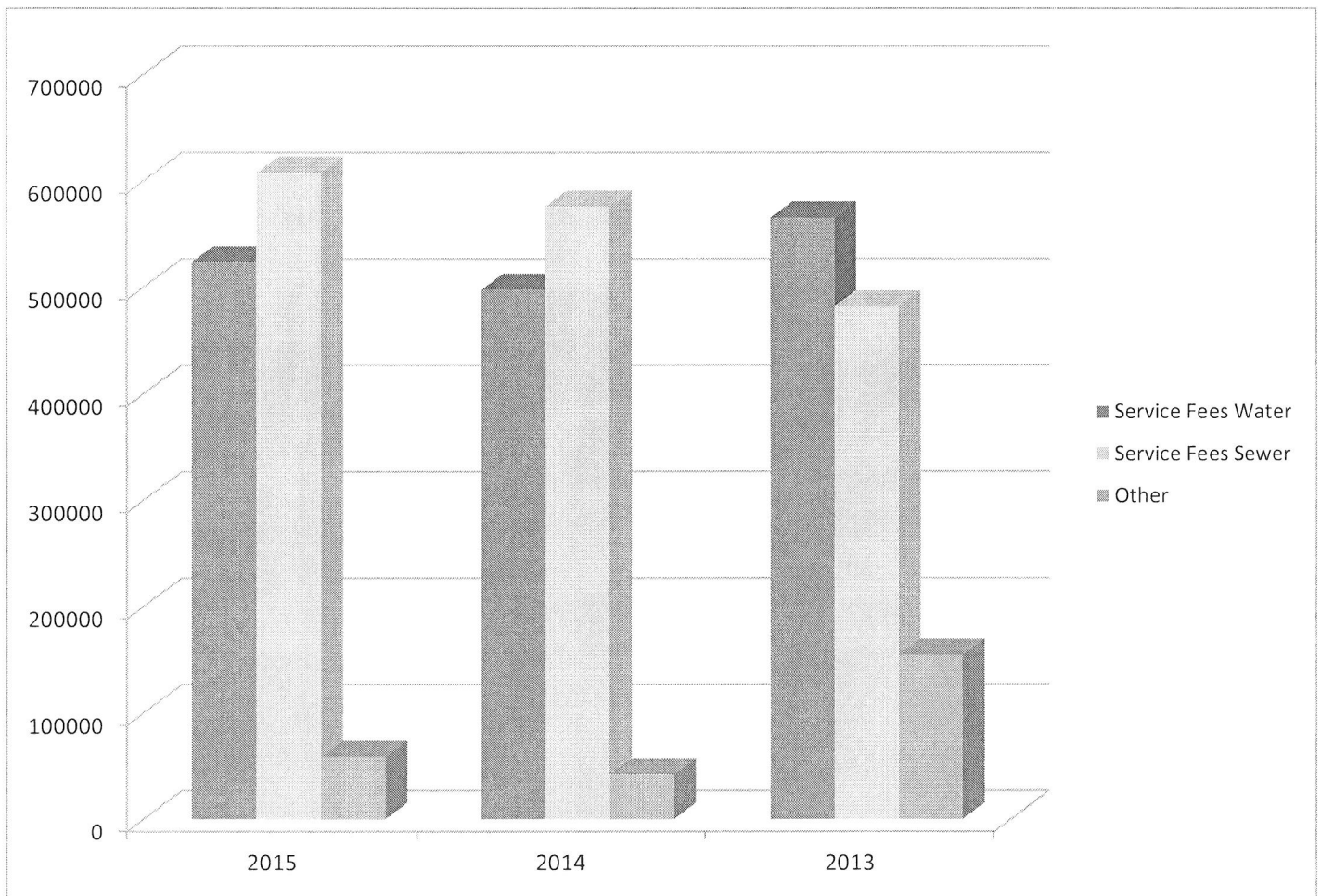
### Change in Net Position

	<u>2015</u>	<u>2014</u>	<u>Difference 2014-2015</u>	<u>Percent Change</u>	<u>(restated) 2013</u>
Operating Revenue:					
Service Fees	\$ 1,131,841	\$ 1,074,028	\$ 57,813	5%	\$ 1,047,450
Other Operating Revenues	<u>28,873</u>	<u>42,236</u>	<u>(13,363)</u>	-32%	<u>154,263</u>
Total Operating Revenues	<u>1,160,714</u>	<u>1,116,264</u>	<u>44,450</u>	4%	<u>1,201,713</u>
Operating Expenses:					
Personal Services	646,778	587,792	58,986	10%	576,035
Materials and Services	385,415	447,467	(62,052)	-14%	345,463
Depreciation and Amortization	<u>853,724</u>	<u>847,636</u>	<u>6,088</u>	1%	<u>885,371</u>
Total Operating Expenses	<u>1,885,917</u>	<u>1,882,895</u>	<u>3,022</u>	0%	<u>1,806,869</u>
Net Income, (Loss) From Operations	(725,203)	(766,631)	41,428	-5%	(605,156)
Non-Operating Revenue, (Expenses)	<u>650,021</u>	<u>526,886</u>	<u>123,135</u>	23%	<u>480,841</u>
Change in Net Position	(75,182)	(239,745)	164,563	-69%	(124,315)
Beginning Net Position	<u>13,616,758</u>	<u>13,856,503</u>	<u>(239,745)</u>	-2%	<u>13,980,818</u>
Ending Net Position	<u>\$ 13,541,576</u>	<u>\$ 13,616,758</u>	<u>\$ (75,182)</u>	-1%	<u>\$ 13,856,503</u>

## Operating Revenues

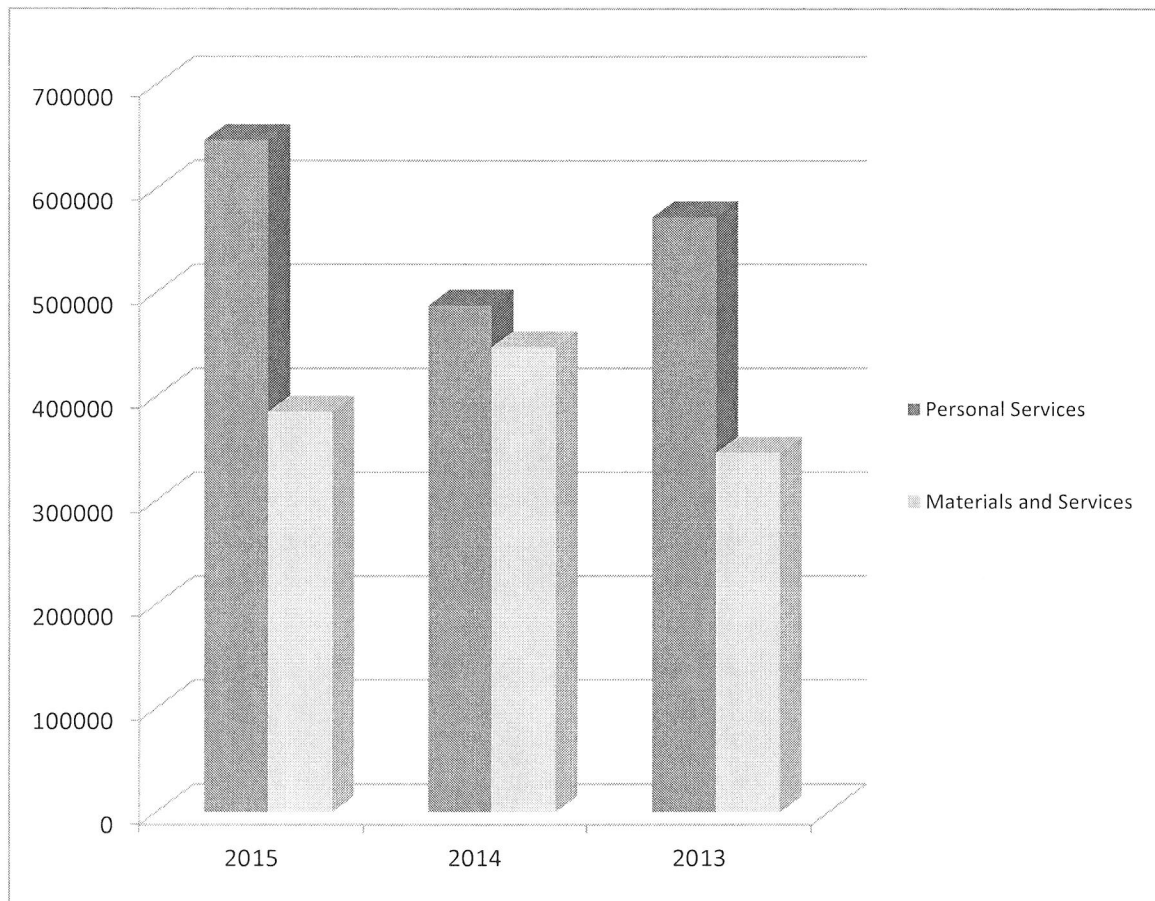
FY 2015 operating revenues increased \$44,450 or about 4% from FY 2014. The Authority sets rates annually and increases are based on cost of service and requirements needed to fund operations and capital improvements.

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

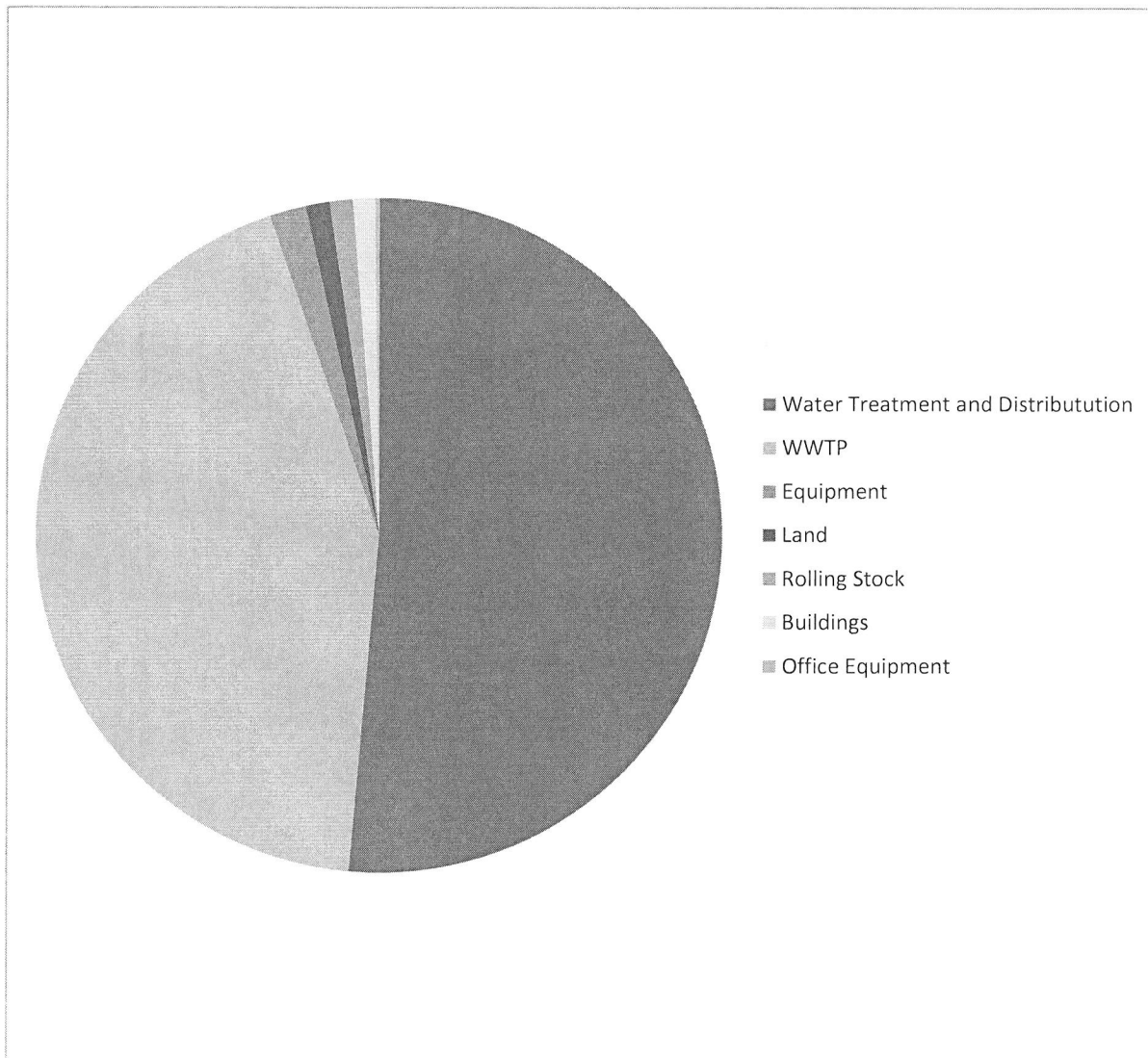
In the materials and supplies expenses portion of the budget, the cost of dues and subscriptions, employee training, liability insurance, legal fees, and expected equipment maintenance was less than projected. Expenditures were less than budgeted by 27.2% in 2015.



## Capital Assets

As of June 30, 2015, the Authority had \$16,031,552 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.

There were no major capital events during the current fiscal year.



## **Debt Administration**

As of June 30, 2015, the Authority owed \$3,785,000 for a General Obligation Bond approved by voters in November 2007 and \$453,442 for a line of credit approved in 2014.

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

The total amount of appropriations in the 2015-2016 Fiscal Year's budget is as follows:

Master Plan Appropriations:	\$11,662,000
Debt Service Fund Appropriations:	\$ 545,000
Water SDC/CIC Fund Appropriations:	\$ 2,146,142
Sewer SDC/CIC Fund Appropriations:	\$ 1,461,331
Enterprise Fund Appropriations:	\$ 397,088
Water Enterprise Fund Appropriations:	\$ 705,971
Sewer Enterprise Fund Appropriations:	<u>\$ 873,617</u>
For a total of	<u>\$ 17,791,149</u>

## **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, 2015 and 2014**

	2015	2014
<b>ASSETS:</b>		
Current		
Cash and Equivalents	\$ 325,204	\$ 214,001
Utility Billing Accounts Receivable	103,022	95,917
Prepaid Expenses	8,853	7,352
Materials Inventory	64,898	52,399
Total Current Assets	501,977	369,669
Restricted Assets		
Debt Service Fund		
Cash and Investments	160,453	165,927
Taxes Receivable	39,571	39,571
Water SDC/CIC Reserve Fund		
Cash and Investments	801,974	756,487
Utility Billing Accounts Receivable	7,715	7,698
Sewer SDC/CIC Reserve Fund		
Cash and Investments	299,810	309,238
Utility Billing Accounts Receivable	13,553	6,847
Total Restricted Assets	1,323,076	1,285,768
Capital Assets		
Non-Depreciable	304,404	304,404
Depreciable	27,129,133	26,825,854
Less: Accumulated Depreciation	(11,401,985)	(10,548,261)
Net Capital Assets	16,031,552	16,581,997
Total Assets	\$ 17,856,605	\$ 18,237,434
<b>LIABILITIES AND NET POSITION:</b>		
Current Liabilities		
Accounts Payable	\$ 24,747	\$ 47,865
Accrued Compensated Absences	51,840	52,811
Payable from Restricted Assets		
Bonds Payable - Current Portion	47,447	45,974
Total Current Liabilities	124,034	146,650
Noncurrent Liabilities		
Note, Bonds Payable, Less Current Portion	4,190,995	4,474,026
Total Noncurrent Liabilities	4,190,995	4,474,026
Total Liabilities	4,315,029	4,620,676
Net Position		
Net Investment in Capital Assets	11,793,110	12,061,997
Restricted for Debt Service	168,202	173,676
Restricted for Capital Improvements	1,119,256	1,048,334
Unrestricted	461,008	332,751
Total Net Position	13,541,576	13,616,758
Total Liabilities and Net Position	\$ 17,856,605	\$ 18,237,434

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, 2015 and 2014**

	2015	2014
<b>OPERATING REVENUES:</b>		
Service Fees - Sewer	\$ 607,966	\$ 576,116
Service Fees - Water	523,875	497,912
Streetlight Assessments	9,637	9,597
Miscellaneous Charges	6,044	6,179
Tap Fees/Inspections	4,051	2,196
Reimbursements	9,141	24,264
Total Operating Revenues	1,160,714	1,116,264
<b>OPERATING EXPENDITURES:</b>		
Personnel Services	646,778	587,792
Materials and Services	385,415	447,467
Depreciation	853,724	847,636
Total Operating Expenses	1,885,917	1,882,895
Operating Income (Loss)	(725,203)	(766,631)
<b>NON-OPERATING INCOME (EXPENDITURES):</b>		
Property Taxes	414,333	413,799
Earnings on Investments	8,125	8,451
Grants	30,000	-
System Development Charges	141,973	138,924
Capital Improvements Charges	250,453	169,353
Loss on Disposal of Capital Assets	-	(2,211)
Interest Expense on Bonds and Leases	(194,863)	(201,430)
Total Non-Operating Income	650,021	526,886
Change in Net Position	(75,182)	(239,745)
Beginning Net Position	13,616,758	13,856,503
Ending Net Position	\$ 13,541,576	\$ 13,616,758

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, 2015 and 2014**

	2015	2014
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 1,145,385	\$ 1,114,552
Cash Paid to Suppliers	(421,032)	(424,903)
Cash Paid to Employees	(647,749)	(583,659)
Net Cash Provided (Used) by Operating Activities	<u>76,604</u>	<u>105,990</u>
Cash Flows From Investing Activities		
Earnings on Investment	8,125	8,451
Net Cash Provided By Investing Activities	<u>8,125</u>	<u>8,451</u>
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	(303,279)	(296,297)
Principal Payments on Long-term Debt (Net)	(281,558)	74,855
Interest Payments on Long-term Debt	(194,863)	(201,430)
Net Cash Used by Capital and Related Financing Activities	<u>(779,700)</u>	<u>(422,872)</u>
Cash Flows From Non-Capital Financing Activities		
Property Tax Contributions/Sale of Assets	414,333	413,799
Grants	30,000	-
Capital Improvements Charges	250,453	169,353
System Development Fees	141,973	138,924
Net Cash Provided By Non-Capital Financing Activities	<u>836,759</u>	<u>722,076</u>
Net Increase (Decrease) in Cash	141,788	413,645
Cash and Cash Equivalents, Beginning of Year	1,445,653	1,032,008
Cash and Cash Equivalents, End of Year	<u>\$ 1,587,441</u>	<u>\$ 1,445,653</u>
Detail of Cash:		
Unrestricted	\$ 325,204	\$ 214,001
Debt Service Fund	160,453	165,927
Water SDC/CIC Reserve Fund	801,974	756,487
Sewer SDC/CIC Reserve Fund	299,810	309,238
	<u>\$ 1,587,441</u>	<u>\$ 1,445,653</u>
Cash Paid for Interest	<u>\$ 194,863</u>	<u>\$ 201,430</u>
Operating Loss	\$ (725,203)	\$ (766,631)
Noncash Items included in Income		
Depreciation Expense & Amortization	853,724	847,636
Decrease (Increase) In:		
Accounts Receivable	(13,828)	5,640
Prepays	(1,501)	(7,352)
Materials Inventory	(12,499)	1,616
Increase (Decrease) In:		
Accounts Payable	(23,118)	20,948
Accrued Compensated Absences	(971)	4,133
Net Cash Provided By Operation	<u>\$ 76,604</u>	<u>\$ 105,990</u>

See accompanying notes to basic financial statements.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. THE FINANCIAL REPORTING ENTITY**

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

**B. BASIS OF PRESENTATION - FUND ACCOUNTING**

The accounting records are maintained on a fund accounting basis for budgetary and legal purposes. For financial reporting purposes, the basic 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**

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

**C. BASIS OF ACCOUNTING**

The basic financial statements are prepared on the accrual basis of accounting using the “economic resources” measurement focus. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when liabilities are incurred, regardless of the timing of the related cash flow. Accordingly, all assets and liabilities are reflected within the balance sheet with the equity section representing “net 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 30<sup>th</sup> of the preceding fiscal year. Expenditures of the various funds were within authorized appropriations.

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

- Personnel Services
- Materials and Services
- Interfund Transfers
- Operating Contingency

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

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

**D. BUDGET (CONTINUED)**

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

- Debt Service: principal; interest; fees

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

- Materials and Services
- Capital Outlay
- Debt Service

**E. 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.

**F. 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.

**G. 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.

**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. 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



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

**NOTES TO BASIC FINANCIAL STATEMENTS**

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

**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 statements 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. NET POSITION**

Net position comprises the various net earnings from operations, nonoperating revenues, expenses and contributions of capital. Net position is classified in the following categories:

- Net investment in capital assets – consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – consists of external constraints placed on asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position – consists of all other assets that are not included in the other categories previously mentioned.

**L. FUND BALANCES**

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions* is followed. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications are nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable fund balance represents amounts that are not in a spendable form. The nonspendable fund balance represents prepaid items.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

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

**L. FUND BALANCES (CONTINUED)**

- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body. The authority to classify portions of ending fund balance as Assigned is granted to the Authority Manager.
- Unassigned fund balance is the residual classification of the Enterprise Fund. Only the Enterprise Fund may report a positive unassigned fund balance. Other funds would report any negative residual fund balance as unassigned.

The governing body has approved the following order of spending regarding fund balance categories: restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and unassigned.

There are no committed or assigned fund balances at June 30, 2015.

**M. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods, and so will not be recognized as an outflow of resources (expenditure) until then. There were no deferred outflows of resources at year end.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has only one type of item which qualifies for reporting in this category. The budgetary statements report unavailable revenues for property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**N. ESTIMATES**

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

**O. 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.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

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

**O. 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.

**P. 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, 2015 and 2014 consisted of:

Deposits with Financial Institutions	<u>2015</u>	<u>2014</u>
Petty Cash	\$ 300	\$ 300
Demand Deposits	398,664	206,352
Investments	<u>1,188,477</u>	<u>1,239,001</u>
Total Cash & Investments	<u>\$ 1,587,441</u>	<u>\$ 1,445,653</u>

Reported on Statement of Net Position as:

Current Cash and Equivalents	\$ 325,204	\$ 214,001
Restricted Debt Service Cash	160,453	165,927
Restricted Water SDC/CIC Cash	801,974	756,487
Restricted Sewer SDC/CIC Cash	<u>299,810</u>	<u>309,238</u>
Total Cash & Investments	<u>\$ 1,587,441</u>	<u>\$ 1,445,653</u>

**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, 2015 is \$444,605 of which \$194,605 is in excess of the standard \$250,000 federal depository insurance. The total bank balance per the bank statements as of June 30, 2014 was \$258,021 of which \$8,021 was in excess of the standard \$250,000 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, 2015 and 2014 all deposits were deposited at an approved depository.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

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

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, 2015 and 2014 as follows:

	<u>2015</u>	<u>2014</u>
Oregon State Treasurer's Local Government Investment Pool, Variable Interest Rate	<u>\$ 1,188,477</u>	<u>\$ 1,239,001</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, 2015. 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, 2015 and 2014. 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.

Concentration of Credit Risk

At June 30, 2015, all of the investments were in the State Treasurer's Investment Pool. State statutes do not limit the percentage of investments in this instrument.

**3. ACCOUNTS RECEIVABLE**

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

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**4. CHANGES IN CAPITAL ASSETS**

The changes in Capital Assets for the year ended June 30, 2015 are summarized below:

	<u>BALANCE</u> <u>07/01/14</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>06/30/15</u>
Capital Assets Not Being Depreciated				
Land	\$ 304,404	\$ -	\$ -	\$ 304,404
Capital Assets Being Depreciated				
Vehicles & Equipment	821,495	42,590	-	864,085
Buildings & Improvements	249,459	40,463	-	289,922
Treatment Plant & Water Distribution	14,009,589	79,181	-	14,088,770
WW Treatment & Collection Systems	11,745,311	141,045	-	11,886,356
Total Capital Assets Being Depreciated	<u>26,825,854</u>	<u>303,279</u>	<u>-</u>	<u>27,129,133</u>
Accumulated Depreciation				
Vehicles & Equipment	692,868	61,335	-	754,203
Buildings & Improvements	84,818	4,224	-	89,042
Treatment Plant & Water Distribution	4,671,007	458,706	-	5,129,713
WW Treatment & Collection Systems	5,099,568	329,459	-	5,429,027
Less: Accumulated Depreciation	<u>10,548,261</u>	<u>\$ 853,724</u>	<u>\$ -</u>	<u>11,401,985</u>
Capital Assets, Net	<u>\$ 16,581,997</u>			<u>\$ 16,031,552</u>

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	11,543,029	205,419	3,137	11,745,311
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	4,775,757	324,758	947	5,099,568
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>

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**5. DEFERRED COMPENSATION**

The Authority has decided not to participate the Oregon Public Employees Retirement Fund, which is a cost-sharing multiple employer defined benefit pension plan administered by the Oregon Public Employees Retirement System (PERS). In lieu, a deferred compensation plan has been made available to employees wherein they may execute an individual agreement for amounts earned by them to not be paid until a future date when certain circumstances are met. Additionally, employee contributions are matched up to 6% of their budgeted salary per year. The circumstances for withdrawal of contributions are: death, disability, resignation or retirement. Payment to the employee will be made over a period not to exceed 15 years. The deferred compensation plan is one which is authorized under IRC Section 457 and has been approved in its specifics by a private ruling from the Internal Revenue Service. All amounts of compensation deferred under the plan are held in trust by a separate plan administrator for the sole benefit of the participants. The contributions to the plan for the years ended June 30, 2015, 2014 and 2013 were \$49,597, \$46,213 and \$48,371, respectively, equal to the required contributions for each year.

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

**6. LONG-TERM DEBT**

The changes in Long-Term Debt for the year ended June 30, 2015 are summarized below:

General Obligation Bonds & Line of Credit:

Interest Rates	Original Issue	Outstanding 7/1/14	Issued	Matured and Redeemed	Outstanding 6/30/15	Due in One Year
3.85-4.8%	\$ 5,485,000	\$ 4,020,000	\$ -	\$ 235,000 (1)	\$ 3,785,000	\$ -
1.75%	500,000	500,000	-	46,558	453,442	47,447
		<u>\$ 4,520,000</u>	<u>\$ -</u>	<u>\$ 281,558</u>	<u>\$ 4,238,442</u>	<u>\$ 47,447</u>

(1) The principal payment due in 2015-2016 was paid in 2014-2015.

General Obligation and Line of Credit Principal and Interest Streams for Long

For the Fiscal June 30:	Principal	Interest	Total
2016	\$ 47,447	\$ 7,586	\$ 55,033
2017	293,306	178,337	471,643
2018	304,157	166,856	471,013
2019	315,023	154,348	469,371
2020	325,896	140,920	466,816
2021-25	1,802,613	479,628	2,282,241
2026-29	1,150,000	84,480	1,234,480
Total	<u>\$ 4,238,442</u>	<u>\$ 1,212,155</u>	<u>\$ 5,450,597</u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**6. LONG-TERM DEBT (CONTINUED)**

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%.

<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>
August 1, 1977	Variable	\$ 445,000	\$ 145	\$ -	\$ 145	\$ -
October 4, 2007	3.85-4.8%	5,485,000	4,245,000	-	225,000 (2)	4,020,000
Line of Credit	1.75%		<u>200,000</u>	<u>300,000</u>	<u>-</u>	<u>500,000</u>
			<u>\$4,445,145</u>	<u>\$300,000</u>	<u>\$ 225,145</u>	<u>\$4,520,000</u>

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

**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, 2015 as follows:

Balance July 1, 2014	\$ 52,811
Additions	51,840
Deletions	<u>(52,811)</u>
Balance June 30, 2015	<u>\$ 51,840</u>

Activity for compensated absences for the year ended June 30, 2014 is shown as follows:

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

**9. SUBSEQUENT EVENTS**

In October 2015, the Authority submitted an Intent to Meet Conditions form for a Rural Development grant of \$1,953,800 and a loan not to exceed \$8,710,000 for the design and construction of a wastewater treatment facility.

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

**SUPPLEMENTARY INFORMATION**

(Individual Fund and Other Financial Schedules)

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

**COMBINING BALANCE SHEET - ALL FUNDS (BUDGETARY BASIS)**

**June 30, 2015**

	ENTERPRISE FUND	DEBT SERVICE FUND	WATER SDC/CIC RESERVE FUND	SEWER SDC/CIC RESERVE FUND	TOTAL
<b>ASSETS:</b>					
Cash and Investments	\$ 325,204	\$ 160,453	\$ 801,974	\$ 299,810	\$ 1,587,441
Utility Billing A/R	103,022	-	7,715	13,553	124,290
Taxes Receivable	-	39,571	-	-	39,571
Prepaid	8,853	-	-	-	8,853
<b>Total Assets</b>	<b>\$ 437,079</b>	<b>\$ 200,024</b>	<b>\$ 809,689</b>	<b>\$ 313,363</b>	<b>\$ 1,760,155</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE:</b>					
<b>Current Liabilities:</b>					
Accounts Payable/Retainage Payable	\$ 20,951	\$ -	\$ 2,795	\$ 1,001	\$ 24,747
<b>Deferred Inflows of Resources:</b>					
Unavailable Revenue-Property Taxes	-	31,822	-	-	31,822
<b>Fund Balance:</b>					
Nonspendable	8,853	-	-	-	8,853
Restricted for Debt Service	-	168,202	-	-	168,202
Restricted for Capital Projects	-	-	806,894	312,362	1,119,256
Unassigned	407,275	-	-	-	407,275
<b>Total Fund Balance</b>	<b>416,128</b>	<b>168,202</b>	<b>806,894</b>	<b>312,362</b>	<b>1,703,586</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 437,079</b>	<b>\$ 200,024</b>	<b>\$ 809,689</b>	<b>\$ 313,363</b>	<b>\$ 1,760,155</b>

Reconciliation to Net Position:

Fund Balances Above	\$ 1,703,586
<b>Less:</b>	
Accrued Compensated Absences	(51,840)
Bond Payable & Line of Credit	(4,238,442)
<b>Plus:</b>	
Net Capital Assets	16,031,552
Inventory	64,898
Unavailable Revenue-Property Taxes	31,822
<b>Total Net Position</b>	<b>\$ 13,541,576</b>

**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, 2015**

	ENTERPRISE FUND	DEBT SERVICE FUND	WATER SDC/CIC RESERVE FUND	SEWER SDC/CIC RESERVE FUND	TOTAL
REVENUES:	\$ 1,160,449	\$ 415,913	\$ 188,281	\$ 240,955	\$ 2,005,598
EXPENDITURES:					
Personnel Services	648,948	-	-	-	648,948
Materials and Services	396,714	-	-	1,936	398,650
Capital Outlay	-	-	133,443	167,901	301,344
Debt Service	-	421,387	-	55,034	476,421
Total Expenditures	1,045,662	421,387	133,443	224,871	1,825,363
Net Change in Fund Balance	114,787	(5,474)	54,838	16,084	180,235
Beginning Fund Balance	301,341	173,676	752,056	296,278	1,523,351
Ending Fund Balance	\$ 416,128	\$ 168,202	\$ 806,894	\$ 312,362	\$ 1,703,586

Reconciliation to Changes in Net Position:

Change in Fund Balances Above	\$ 180,235
Additions:	
Capital Additions/Deletions	303,279
Bond Paid	281,558
Inventory	12,499
Deletions:	
Depreciation (Net)	(853,724)
Accrued Compensated Absences	971
Change in Net Position	<u>\$ (75,182)</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, 2015**

	<u>ENTERPRISE FUND</u>			VARIANCE TO FINAL BUDGET
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
<b>REVENUES:</b>				
User Fees - Sewer	\$ 599,000	\$ 599,000	\$ 607,966	\$ 8,966
User Fees - Water	525,000	525,000	523,875	(1,125)
Streetlight Assessments	9,500	9,500	9,637	137
Miscellaneous/Lab Charges	7,500	7,500	6,044	(1,456)
Reimbursements	5,000	5,000	9,141	4,141
Inspections	2,000	2,000	1,483	(517)
Customer Assistance Program	1,000	1,000	-	(1,000)
Earnings on Investments	2,500	2,500	2,303	(197)
	<u>1,151,500</u>	<u>1,151,500</u>	<u>1,160,449</u>	<u>8,949</u>
<b>EXPENDITURES:</b>				
Personnel Services:				
Authority Manager	91,900	91,900	94,197	(2,297)
Executive Assistant	59,532	59,532	59,532	-
Office Assistant	16,000	16,000	14,613	1,387
Operator I	205,560	205,560	134,484	71,076
OIT	35,300	35,300	57,525	(22,225)
Utility Worker/Grounds	38,700	38,700	35,674	3,026
Overtime Allowance	10,000	10,000	6,079	3,921
Merit Reserves	10,000	10,000	6,256	3,744
Medical Insurance	175,000	175,000	165,425	9,575
Workers Compensation	15,940	15,940	9,837	6,103
Deferred Compensation	28,000	28,000	24,719	3,281
Payroll Taxes	48,000	48,000	40,607	7,393
	<u>733,932</u>	<u>733,932</u>	<u>648,948</u>	<u>84,984</u>
Materials and Services:				
Access Fees	1,000	1,000		1,000
Accounting/Auditing	13,500	13,500	12,650	850
Advertising	2,000	2,000	1,324	676
Administrative Meetings	-	-	398	(398)
Contract Services	15,000	15,000	14,694	306
Bank/Bond Expense	6,000	6,000	6,954	(954)
Director Fees/Training	1,700	1,700	1,215	485
Dues & Subscriptions	5,500	5,500	4,306	1,194
Employee Training	4,000	4,000	4,156	(156)
Elections	1,000	1,000	154	846
Electricity	72,200	72,200	72,948	(748)
Insurance	45,000	45,000	42,371	2,629
Legal Fees	10,000	10,000	2,416	7,584
Miscellaneous	1,000	1,000	1,934	(934)
Newsletter	2,000	2,000	-	2,000
Office Equipment R & M	12,000	12,000	20,508	(8,508)
Office Supplies	3,500	3,500	3,589	(89)
Postage/Freight	5,000	5,000	1,692	3,308

(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, 2015**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
EXPENDITURES (CONT.):				
Materials and Services (Cont.):				
Telephone	\$ 11,000	\$ 11,000	\$ 12,050	\$ (1,050)
Uniforms	4,000	4,000	2,337	1,663
Water Telemetry System	1,000	1,000	768	232
Monitoring	3,500	3,500	3,782	(282)
Lab Supplies	7,500	7,500	8,277	(777)
Chemicals	25,000	25,000	30,587	(5,587)
Testing	9,000	9,000	5,697	3,303
WWT Plant R & M	30,000	30,000	17,192	12,808
WW Collection System R & M	30,000	30,000	2,179	27,821
Wastewater Pumping	20,000	20,000	10,844	9,156
Solid Waste Disposal	5,000	5,000	5,273	(273)
Bio-Solids Management	12,000	12,000	9,141	2,859
Step System Pumping	7,000	7,000	-	7,000
Step System R & M	8,500	8,500	3,417	5,083
Water District/Trans R & M	30,000	30,000	22,868	7,132
Backflow Prevention	1,500	1,500	2,271	(771)
Water Pumping R & M	5,000	5,000	2,328	2,672
Water Treatment R & M	25,000	25,000	16,219	8,781
Water Conservation	3,000	3,000	-	3,000
Building R & M	20,000	20,000	7,439	12,561
Generator R & M	8,000	8,000	10,896	(2,896)
Backhoe R & M	4,000	4,000	-	4,000
NPDES Permit	2,500	2,500	100	2,400
Transportation	25,000	25,000	19,550	5,450
Community Events	2,000	2,000	893	1,107
Grounds R & M	8,000	8,000	5,297	2,703
Customer Assist Pymt Program	2,000	2,000	-	2,000
Horn Creek Lease	7,500	7,500	6,000	1,500
	<u>517,400</u>	<u>517,400</u>	<u>396,714</u>	<u>120,686</u>
Total Materials and Services			(1)	
Operating Contingency	<u>65,000</u>	<u>65,000</u>	<u>-</u>	<u>65,000</u>
			(1)	
Total Expenditures	<u>1,316,332</u>	<u>1,316,332</u>	<u>1,045,662</u>	<u>270,670</u>
Excess of Revenues Over, (Under) Expenditures	(164,832)	(164,832)	114,787	279,619
Other Financing Sources (Uses):				
Transfers Out	<u>(106,168)</u>	<u>(106,168)</u>	<u>-</u>	<u>106,168</u>
Net Change in Fund Balance	(271,000)	(271,000)	114,787	385,787
Beginning Fund Balance	<u>271,000</u>	<u>271,000</u>	<u>301,341</u>	<u>30,341</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 416,128</u>	<u>\$ 416,128</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, 2015

<u>DEBT SERVICE FUND</u>				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES:				
Property Taxes	\$ 389,500	\$ 389,500	\$ 414,333	\$ 24,833
Earnings on Investments	500	500	1,580	1,080
Total Revenues	<u>390,000</u>	<u>390,000</u>	<u>415,913</u>	<u>25,913</u>
EXPENDITURES:				
Debt Service:				
Bond Principal Payments	360,000	360,000	235,000	125,000
Bond Interest Payments	<u>190,000</u>	<u>190,000</u>	<u>186,387</u>	<u>3,613</u>
Total Expenditures	<u>550,000</u>	<u>550,000 (1)</u>	<u>421,387</u>	<u>128,613</u>
Net Change in Fund Balance	(160,000)	(160,000)	(5,474)	154,526
Beginning Fund Balance	<u>160,000</u>	<u>160,000</u>	<u>173,676</u>	<u>13,676</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 168,202</u>	<u>\$ 168,202</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, 2015**

WATER SDC/CIC RESERVE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
<b>REVENUES:</b>				
Tap Fees	\$ 2,000	\$ 2,000	\$ 2,568	\$ 568
Capital Improvement Charges	162,000	162,000	89,704	(72,296)
System Development Charges	154,690	154,690	92,814	(61,876)
Reimbursements	1,000	1,000	-	(1,000)
Earnings on Investments	500	500	3,195	2,695
<b>Total Revenues</b>	<b>320,190</b>	<b>320,190</b>	<b>188,281</b>	<b>(131,909)</b>
<b>EXPENDITURES:</b>				
Materials and Services	15,000	15,000 (1)	-	15,000
<b>Capital Outlay:</b>				
Equipment	55,000	55,000	18,476	36,524
Construction	1,537,448	1,537,448	37,463	1,499,985
Office/Lab Remodel	10,000	10,000	-	10,000
Computer Upgrades	15,000	15,000	9,463	5,537
Engineering/Legal	264,660	264,660	46,320	218,340
Service Installations	10,000	10,000	1,398	8,602
Vehicles	40,000	40,000	20,323	19,677
<b>Total Capital Outlay</b>	<b>1,932,108</b>	<b>1,932,108 (1)</b>	<b>133,443</b>	<b>1,798,665</b>
<b>Debt Service:</b>				
Flex-Lease	140,000	140,000 (1)	-	140,000
<b>Total Expenditures</b>	<b>2,087,108</b>	<b>2,087,108</b>	<b>133,443</b>	<b>1,953,665</b>
Excess of Revenues Over, (Under) Expenditures	(1,766,918)	(1,766,918)	54,838	1,821,756
<b>Other Financing Sources (Uses)</b>				
Flex Lease Loan	1,000,000	1,000,000	-	(1,000,000)
Transfers In	42,918	42,918	-	(42,918)
<b>Net Change in Fund Balance</b>	<b>(724,000)</b>	<b>(724,000)</b>	<b>54,838</b>	<b>778,838</b>
Beginning Fund Balance	724,000	724,000	752,056	28,056
Ending Fund Balance	\$ -	\$ -	\$ 806,894	\$ 806,894

(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, 2015**

<u>SEWER SDC/CIC FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
<b>REVENUES:</b>				
Capital Improvement Charges	\$ 162,000	\$ 162,000	\$ 160,749	\$ (1,251)
System Development Charges	83,570	83,570	49,159	(34,411)
Grants	50,000	50,000	30,000	(20,000)
Earnings on Investments	500	500	1,047	547
Total Revenues	<u>296,070</u>	<u>296,070</u>	<u>240,955</u>	<u>(55,115)</u>
<b>EXPENDITURES:</b>				
Materials and Services	<u>15,000</u>	<u>15,000</u> (1)	<u>1,936</u>	<u>13,064</u>
Capital Outlay:				
Equipment	132,000	132,000	16,395	115,605
Service Installations	5,000	5,000	-	5,000
Construction	737,320	737,320	32,336	704,984
Lift Station Improvements	60,000	60,000	-	60,000
Engineering	280,000	280,000	94,294	185,706
Computer Upgrades	10,000	10,000	4,552	5,448
Rolling Stock	30,000	30,000	20,324	9,676
Inflow and Infiltration	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total Capital Outlay	<u>1,264,320</u>	<u>1,264,320</u> (1)	<u>167,901</u>	<u>1,096,419</u>
Debt Service:				
Loan Re-Payment	<u>100,000</u>	<u>100,000</u>	<u>55,034</u>	<u>44,966</u>
Total Debt Service	<u>100,000</u>	<u>100,000</u> (1)	<u>55,034</u>	<u>44,966</u>
Total Expenditures	<u>1,379,320</u>	<u>1,379,320</u>	<u>224,871</u>	<u>1,154,449</u>
Excess of Revenues Over (Under) Expenditures	(1,083,250)	(1,083,250)	16,084	1,099,334
Other Financing Sources (Uses):				
Loan Proceeds	750,000	750,000	-	(750,000)
Transfers In	<u>63,250</u>	<u>63,250</u>	<u>-</u>	<u>63,250</u>
Net Change in Fund Balance	(1,020,000)	(270,000)	16,084	412,584
Beginning Fund Balance	<u>270,000</u>	<u>270,000</u>	<u>296,278</u>	<u>26,278</u>
Ending Fund Balance	<u>\$ (750,000)</u>	<u>\$ -</u>	<u>\$ 312,362</u>	<u>\$ 312,362</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, 2015**

Tax Year	Original Levy or Balance Uncollected 7/1/14	Deduct Discounts	Adjustments to Rolls	Add Interest	Cash Collections by County Treasurer	Balance Uncollected 6/30/15
Current:						
2014-15	\$ 418,695	\$ 10,270	\$ 152	\$ 296	\$ 396,110	\$ 12,763
Prior Years:						
2013-14	21,448	-	2,364	655	11,053	13,414
2012-13	9,208	-	563	802	3,695	6,878
2011-12	4,838	-	262	1,025	3,020	3,105
2010-11	1,823	-	128	541	1,374	1,118
Prior Years	2,254	-	128	306	395	2,293
Total Prior	39,571	-	3,445	3,329	19,537	26,808
Total	<u>\$ 458,266</u>	<u>\$ 10,270</u>	<u>\$ 3,597</u>	<u>\$ 3,625</u>	<u>\$ 415,647</u>	<u>\$ 39,571</u>

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurer Above	\$ 415,647
Accrued at 6/30/13	(7,749)
Accrued at 6/30/14	<u>6,435</u>
Total Revenue	<u>\$ 414,333</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, 2015**

DATE OF ISSUE	ORIGINAL AMOUNT	MATURED BONDS & LINE OF CREDIT OUTSTANDING 7/1/2014	BONDS & LINE OF CREDIT MATURING DURING THE YEAR	BONDS REDEEMED AND LINE OF CREDIT PAID DURING THE YEAR	MATURED BONDS & LINE OF CREDIT OUTSTANDING 6/30/2015
10/4/2007	\$ 5,485,000	\$ 4,020,000	\$ 235,000	\$ 235,000	\$ 3,785,000
Line of Credit	\$ 500,000	500,000	46,558	46,558	453,442
		<u>\$ 4,520,000</u>	<u>\$ 281,558</u>	<u>\$ 281,558</u>	<u>\$ 4,238,442</u>

PACIFIC CITY JOINT WATER-SANITARY AUTHORITY  
TILLAMOOK COUNTY, OREGON

SCHEDULE OF BOND REDEMPTION AND INTEREST REQUIREMENTS

June 30, 2015

ISSUE OF 10/4/07			LINE OF CREDIT		
YEAR	Due July 1st	Interest	YEAR	Due 30th of each month	Interest
2015-2016	\$ -	(1) \$ 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
2019-2020	275,000	136,782	2019-2020	50,896	4,138
2020-2025	1,595,000	472,256	2020-2025	207,613	7,372
2025-2028	1,150,000	84,480	2025-2028	-	-
TOTALS	<u>\$ 3,785,000</u>	<u>\$ 1,357,012</u>	TOTALS	<u>\$ 453,442</u>	<u>\$ 36,713</u>

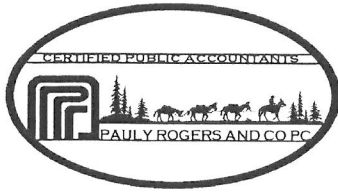
(1) The principal payment was paid in 2014-15.

PACIFIC CITY JOINT WATER-SANITARY AUTHORITY  
TILLAMOOK COUNTY, OREGON

Independent Auditors' Report Required by Oregon State Regulations

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October 5, 2015

### 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, 2015, and have issued our report thereon dated October 5, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

#### Compliance

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

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

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

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

#### OAR 162-10-0230 Internal Control

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

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 5, 2015.

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.