



CITY OF CANNON BEACH

FINANCIAL STATEMENTS AND SUPPLEMENTAL
INFORMATION

FOR THE YEAR ENDED JUNE 30, 2018

WITH

INDEPENDENT AUDITOR'S REPORT

CITY OF CANNON BEACH, OREGON
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Financial Statements and Supplemental Information
For the Year Ended June 30, 2018

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INTRODUCTORY SECTION



CITY OF CANNON BEACH, OREGON

List of Elected and Appointed Officials

June 30, 2018

ELECTED OFFICIALS - CITY COUNCIL

Mayor	Sam Steidel
Councilor	Mike Benefield
Councilor	Nancy McCarthy
Councilor	Brandon Ogilvie
Councilor	George Vetter

APPOINTED OFFICIALS

City Manager	Bruce St. Denis
City Attorney	Beery Elsner & Hammond LLP



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Cannon Beach, Oregon

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cannon Beach, Oregon, ("City") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 auditor's 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 entity's 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 entity's 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cannon Beach, Oregon, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund, the Tourism and Arts Fund, and the Road Fund for the year then 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, the Schedule of the Proportionate Share of the Net Pension Liability and the Schedule of Pension Contributions 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules and other supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and schedules of resources and requirements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and schedules of resources and requirements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and schedule of continuing disclosures related to general obligation bonds 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 it.

Report on Other Legal and Regulatory Requirements

In accordance with the Minimum Standards of Audits of Oregon Municipal Corporations, we have issued our report dated December 14, 2018 on our consideration of the City's 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.

Isler CPA



Paul R Nielson, CPA, a member of the firm
Eugene, Oregon
December 14, 2018



Management's Discussion and Analysis

The management of the City of Cannon Beach offers readers of the City of Cannon Beach's financial statements this narrative overview and analysis of the financial activities of the City of Cannon Beach for the fiscal year ended June 30, 2018.

Financial Highlights

- The City's total assets at June 30, 2018 were \$28,122,595.
- The City's total deferred outflows at June 30, 2018 were \$1,396,355.
- The City's total liabilities at June 30, 2018 were \$8,607,822.
- The City's total deferred inflows at June 30, 2018 were \$127,463.
- The net position of the City at June 30, 2018 was \$20,783,665. Of this amount, \$331,855 represents unrestricted net position, which can be used to meet the government's ongoing obligations to citizens and creditors.
- At June 30, 2018, the City's governmental funds reported combined ending fund balances of \$2,876,024.
- At the end of the fiscal year, the City's total combined governmental funds had a restricted fund balance of \$606,745, an assigned fund balance of \$972,499, and an unassigned fund balance of \$1,296,780.
- The General Fund's unassigned fund balance is \$1,296,780 at the end of the current fiscal year, or 22.9% of General Fund expenditures and transfers out.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Cannon Beach's basic financial statements. The City of Cannon Beach's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Cannon Beach's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the City of Cannon Beach's total assets and deferred outflows and total liabilities and deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Cannon Beach is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Cannon Beach that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Cannon Beach include general government, building, planning, public works, and public safety. The business-type activities include a recreational vehicle (RV) park, recycling, water, wastewater and storm drainage services.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Cannon Beach, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Cannon Beach can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Cannon Beach maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the three major funds: the General Fund, Tourism and Arts Fund and Road Fund. The City's nonmajor governmental funds are made up of the Building Official Fund, Affordable Housing Fund, Debt Service Fund, General Reserve Fund, Ecola Forest Reserve Fund, and the Bridge Reserve Fund.

The City of Cannon Beach adopts an annual appropriated budget for all the Governmental Funds. A budgetary comparison statement has been provided for the General Fund, Tourism and Arts Fund, and Road Fund to demonstrate compliance with the budget.

Proprietary funds. Proprietary funds are used to account for activities where the emphasis is placed on net income determination. The City of Cannon Beach maintains two types of proprietary funds: enterprise funds and internal service funds. The City of Cannon Beach uses five enterprise funds to account for its water, wastewater, storm drain, recycling, and RV Park activities. The City uses an internal service fund for services provided on behalf of the City. The internal service fund activity has been included within the governmental activities on the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The City also adopts an annual appropriated budget for all proprietary funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided for the enterprise funds as supplemental information as listed in the table of contents. The proprietary fund financial statements can also be found in the basic financial statements as listed in the table of contents.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support City programs. The accounting used for fiduciary funds is similar to that used for proprietary funds. The City of Cannon Beach currently does not have any fiduciary funds.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including financial information and disclosures that are required by the GASB, but are not considered a part of the basic financial statements. Combining statements are presented for nonmajor governmental and enterprise funds. Budgetary comparison schedules are presented for the nonmajor governmental, enterprise, and internal service funds.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Cannon Beach, total assets and deferred outflows exceeded total liabilities and deferred inflows by \$20,783,665 at the close of the most recent fiscal year.

By far, the largest portion, 95.5%, of the City of Cannon Beach's net position reflects its investment in capital assets, net of accumulated depreciation (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Cannon Beach uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Cannon Beach's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, 2.9%, represents resources that are subject to external restrictions on how they may be used. The remaining portion (1.6%) of total net position represents excess available to meet ongoing obligations.

At the end of the current fiscal year, the City of Cannon Beach is able to report positive balances of net position in the government as a whole.

City of Cannon Beach Net Position						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 3,616,367	\$ 3,455,007	\$ 2,623,954	\$ 1,575,906	\$ 6,240,321	\$ 5,030,913
Capital assets, net	7,461,820	7,562,987	14,420,454	14,713,048	21,882,274	22,276,035
Total assets	11,078,187	11,017,994	17,044,408	16,288,954	28,122,595	27,306,948
Deferred outflows of resources	1,106,509	1,514,878	289,846	391,981	1,396,355	1,906,859
Noncurrent liabilities	6,798,472	7,189,106	779,134	750,665	7,577,606	7,939,771
Other liabilities	681,823	758,811	348,393	146,485	1,030,216	905,296
Total liabilities	7,480,295	7,947,917	1,127,527	897,150	8,607,822	8,845,067
Deferred inflows of resources	97,765	122,651	29,698	35,588	127,463	158,239
Net position:						
Net investment in capital assets	5,424,611	5,394,422	14,420,454	14,713,048	19,845,065	20,107,470
Restricted	606,745	389,253	-	-	606,745	389,253
Unrestricted	(1,424,720)	(1,321,371)	1,756,575	1,035,149	331,855	(286,222)
Total net position	\$ 4,606,636	\$ 4,462,304	\$ 16,177,029	\$ 15,748,197	\$ 20,783,665	\$ 20,210,501

The City's net position increased by \$735,985 during the current fiscal year.

The City's total assets at June 30, 2018 increased \$815,647 from \$27,306,948 to \$28,122,595, or 3.0% from the prior year. Cash increased by \$1,000,608, or 2.9% from the prior year. Receivables increased by \$156,046, or 1.1% from the prior year. Capital assets, net, decreased by \$393,761, or 1.8%, from the prior year. Deferred outflows decreased \$510,504, or 26.8% from the prior year.

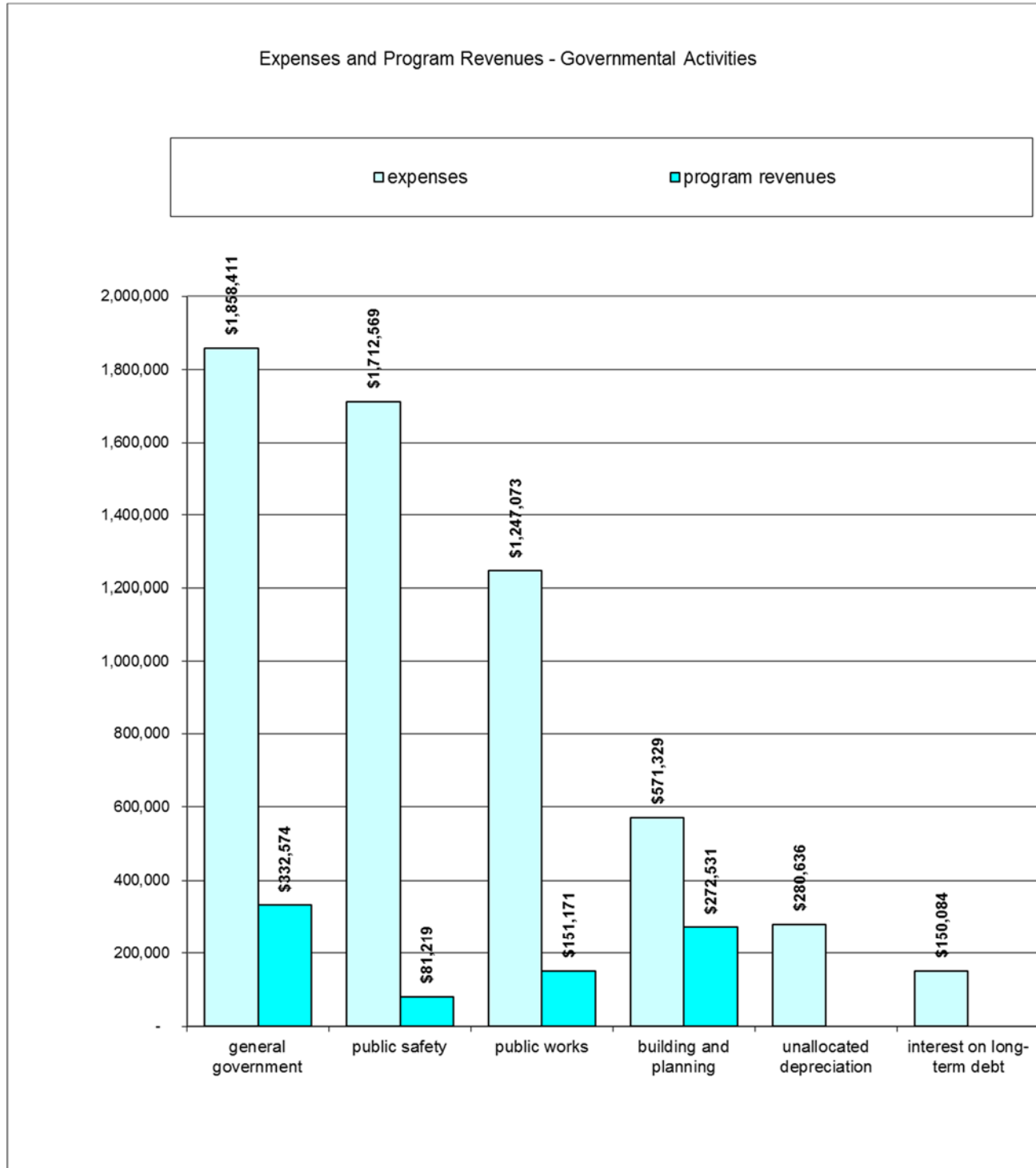
The City's total liabilities at June 30, 2018 decreased by \$237,245, or 2.7%, from the prior year. Accounts payable increased \$118,557, or 17.8%, from the prior year. Accrued payroll increased \$24,363, or 15.8% at the end of the year as this amount was paid in the next fiscal year and comprises wages and benefits earned and expensed for the current period. The City's outstanding debt decreased \$398,535, or 3.3%. Net pension liability decreased \$130,038 and a net OPEB liability of \$166,408 was recorded in the current year.

City of Cannon Beach Change in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Fines, fees, and charges for services	\$ 554,910	\$ 489,087	\$ 4,440,196	\$ 3,772,261	\$ 4,995,106	\$ 4,261,348
Operating grants and contributions	282,585	224,098	-	-	282,585	224,098
Capital grants and contributions	-	19,581	22,899	25,521	22,899	45,102
General revenues:						
Property taxes	1,220,374	1,216,180			1,220,374	1,216,180
Transient room taxes	4,270,546	3,844,224			4,270,546	3,844,224
Franchise fees	203,835	202,591			203,835	202,591
Unrestricted investment earnings	78,472	43,742	-	-	78,472	43,742
Total revenues	6,610,722	6,039,503	4,463,095	3,797,782	11,073,817	9,837,285
Expenses:						
General government	1,858,411	1,671,372			1,858,411	1,671,372
Building	218,818	205,617			218,818	205,617
Planning	352,511	266,562			352,511	266,562
Public Works	1,247,073	1,023,671			1,247,073	1,023,671
Public Safety	1,712,569	1,517,788			1,712,569	1,517,788
Unallocated depreciation	280,636	274,330			280,636	274,330
Interest on long-term liabilities	150,084	161,182			150,084	161,182
Water utility			1,089,957	1,019,978	1,089,957	1,019,978
Wastewater utility			1,363,640	1,389,206	1,363,640	1,389,206
Storm Drain			193,669	250,102	193,669	250,102
RV Park			1,651,937	1,361,158	1,651,937	1,361,158
Recycling			218,527	198,254	218,527	198,254
Total expenses	5,820,102	5,120,522	4,517,730	4,218,698	10,337,832	9,339,220
Change in net position before transfers	790,620	918,981	(54,635)	(420,916)	735,985	498,065
Transfers	(525,525)	(190,000)	525,525	190,000	-	-
Increase (decrease) in net position	265,095	728,981	470,890	(230,916)	735,985	498,065
Net position, July 1*	4,341,541	3,733,323	15,706,139	15,979,113	20,047,680	19,712,436
Net position, June 30	\$ 4,606,636	\$ 4,462,304	\$ 16,177,029	\$ 15,748,197	\$ 20,783,665	\$ 20,210,501

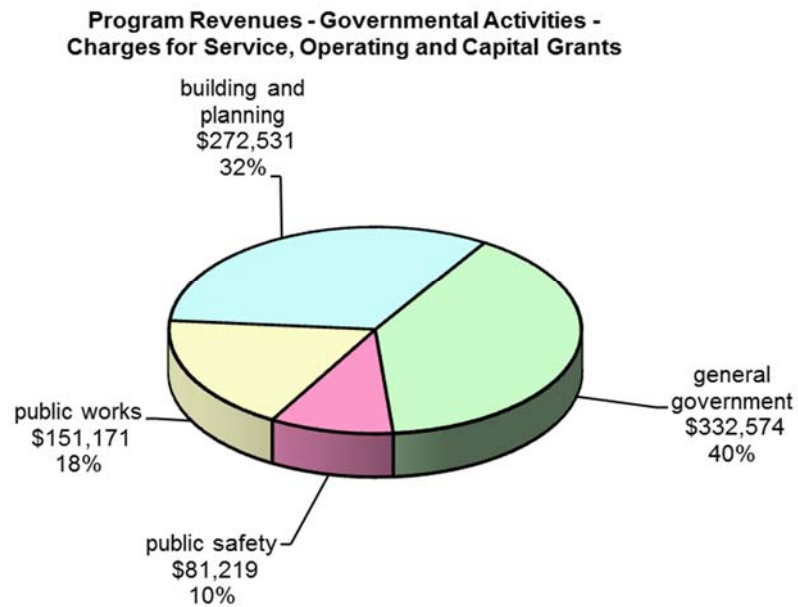
Governmental activities. Governmental activities increased the City's net position by \$265,095 from the prior year. The primary elements of the change in total net position are as follows:

- Revenues overall increased \$571,219 as transient room taxes and property taxes show increases of \$426,322, and \$4,194, respectively. Transient room tax revenues are dependent upon tourism demand and property tax increases arise mostly from a yearly increase of 3% assessed value and new property builds and improvements.
- Fines, fees, and charges for service, operating grants, franchise fees, and unrestricted investment earnings show increases of \$65,823, \$58,487, \$1,244, and \$34,730, respectively.
- Total expenses increased by \$699,580 with the largest increase coming from the Public Works and Public Safety programs where those expenses increased by \$223,402 and \$194,781, respectively.

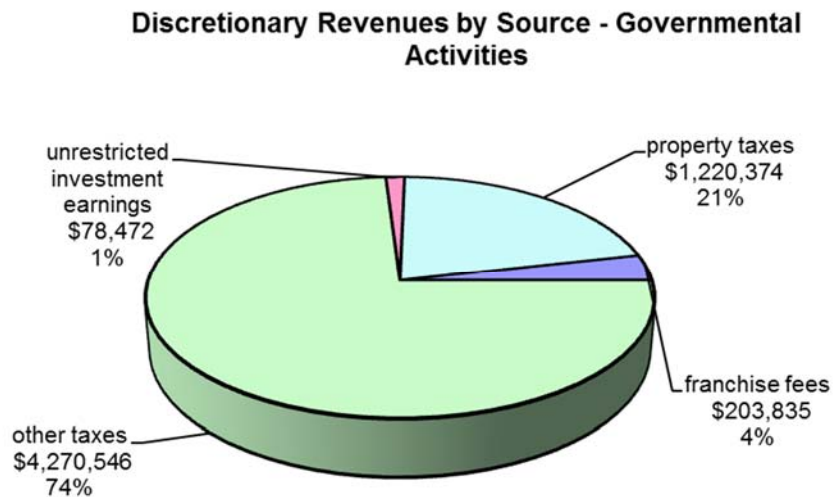
The following graph summarizes the 2017-2018 governmental activity program revenues and corresponding expenses. The revenues shown total \$837,495 (an increase from the prior year of \$104,729) and are directly attributable to each activity (program revenues) and **do not** include property taxes, transient room taxes, franchise fees, investment earnings, other revenues, and other one-time or extraordinary revenue streams which are discretionary (general revenues). Discretionary revenues amount to \$5,773,227 and increased by \$466,490, from the prior year.



This next chart shows the 2017-2018 total functional revenues for each program in the amount of \$837,495 and the percentage of the total.



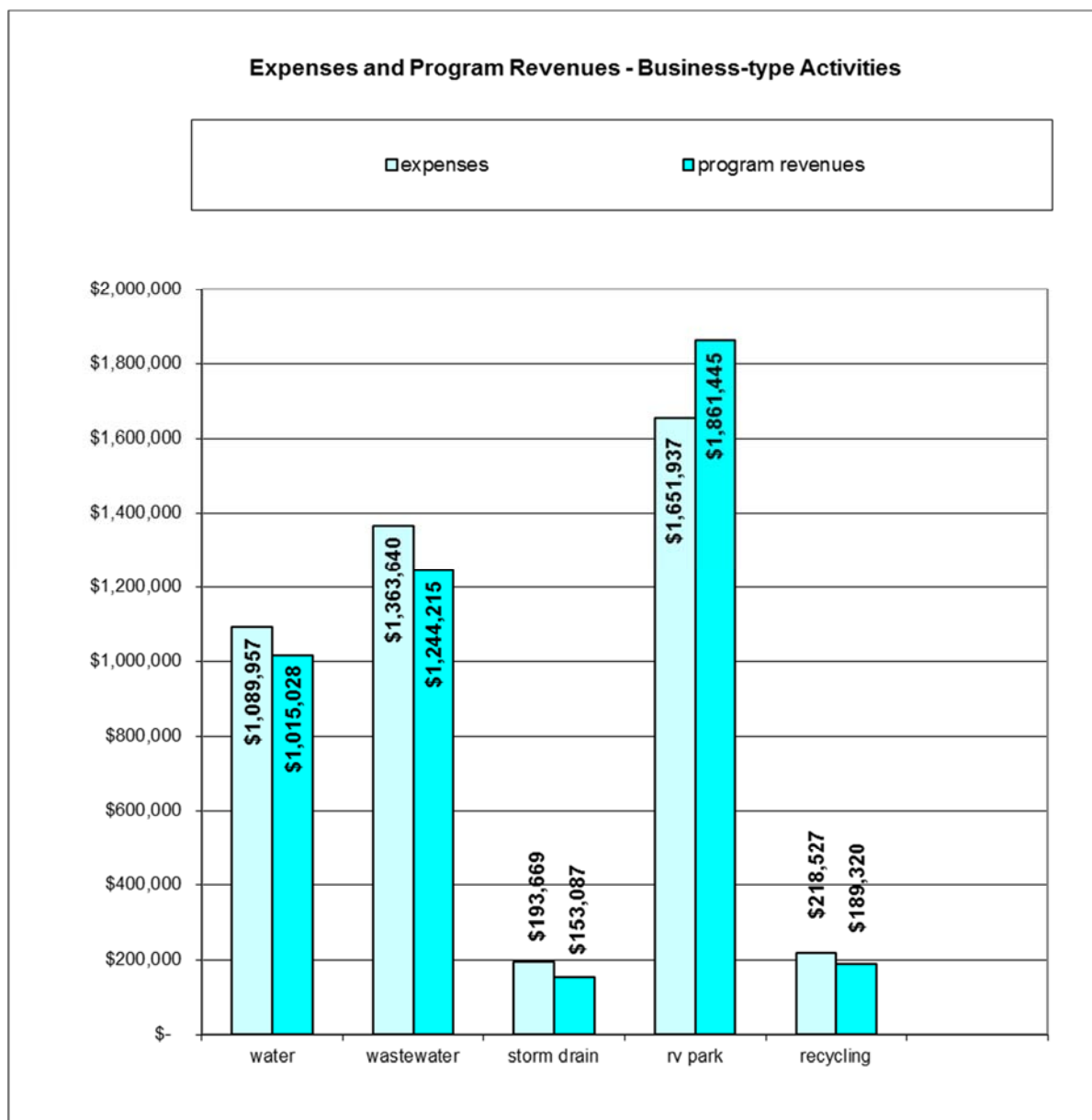
As the next chart reflects, most 2017-2018 governmental activities relied on general discretionary revenues to support the function. This graph shows total discretionary revenues in the amount of \$5,773,227 and the percentage in each category.



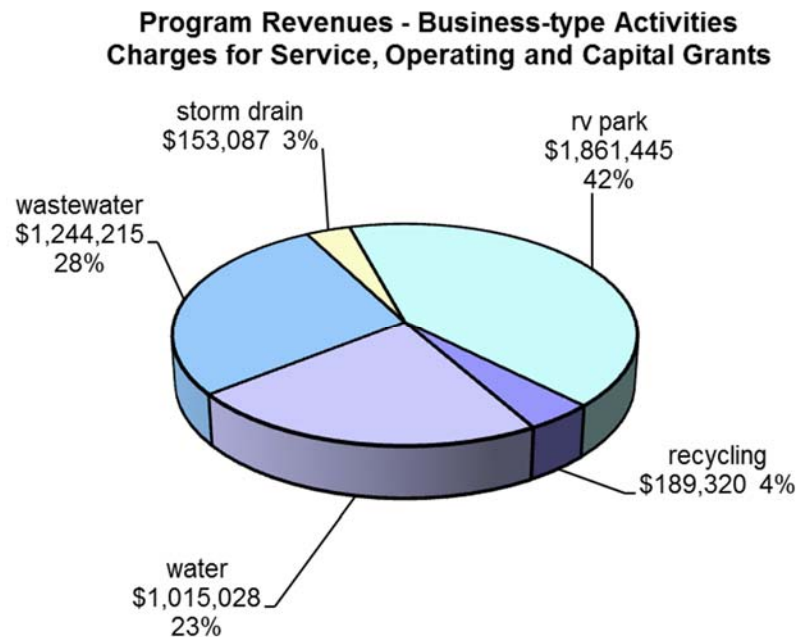
Business-type activities. Business-type activities increased the City's net position by \$470,890. Business-type activities' main source of revenue comes from charges for service. Key elements of this increase are as follows:

- Fines, fees, and charges for services include the utility revenue in the Water, Wastewater, Storm Drain, Recycling and RV Park enterprises. There was a net increase in fees in the amount of \$667,935. Of this amount the Water, Wastewater, Storm Drain, and RV Park funds had increases of \$139,968, \$96,719, \$6,041, and \$425,210, respectively. The Recycling fund had a decrease in revenue from the prior year of \$3.
- In the current year, 118,016,431 gallons of water were sold compared to the prior year amount of 112,371,623 and is a 5.0% increase.
- Water, Wastewater, and Storm Drain utilities had rate increases of 39%, 9%, and 8%, respectively in April 2018.
- There were decreases in capital grants, which consist of system development charges, in the amount of \$2,622.
- Total operating expenses overall increased from the prior year in the amount of \$299,032.

Business-type activities of the City of Cannon Beach are supported by charges for utility service, capital contributions, development fees, and grants. The graph below summarizes the 2017-2018 expenses and revenues of those funds.



Total program revenues in the business-type activities of the City total \$4,440,196 as represented by the percentages in the chart below for 2017-2018.



Financial Analysis of the Government's Funds

As noted earlier, the City of Cannon Beach uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Cannon Beach's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Cannon Beach's financing requirements. In particular, the *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Cannon Beach's governmental funds reported combined ending fund balances of \$2,876,024, an increase of \$239,180 in comparison with the prior year.

The general fund is the chief operating fund of the City of Cannon Beach. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,296,780. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures.

The fund balance of the City's General Fund decreased by \$344,592 during the current fiscal year. Key elements of the net decrease to fund balance are as follows:

- Taxes and assessments increased by \$49,184 during the year. Revenue in this category comes mostly from property taxes and state revenue sharing programs with regard to alcohol and cigarettes. Most of the increase in this category is from property tax in the amount of \$34,355 and an increase of \$14,582 in state revenue sharing.
- Transient room tax increased by \$389,723. Increases in this revenue source are due to increased demand of tourism activities. The city's room tax rate is 8%.
- Licenses, permits, and fees increased by \$30,647.
- Grants and donations increased by \$16,407.
- Other revenues increased \$22,270.

- Expenditures and other uses (transfers out) in the General Fund increased \$857,698 from the prior year. Most of the increases occurred in the executive department, planning, and transfers out in the amounts of \$110,377, \$70,883, and \$557,268, respectively.

The Tourism and Arts Fund has a total fund balance of \$263,875. The net increase in fund balance during the current year in the fund was \$96,186. This fund's revenue comes solely from transient room tax and is distributed to tourism purposes.

- Transient room tax increased \$36,599.
- Total expenses for visitor and tourism purposes increased \$18,551.

The Roads Fund has a total fund balance of \$235,927, all of which is restricted for road maintenance. The net increase in fund balance during the current year in the fund was \$81,044 and is attributable to the following:

- Revenue, from all sources, increased from the prior year by \$1,790 mostly from increases in state highway funds and property taxes in the amount of \$7,917 and \$11,616, respectively and a decrease in LID proceeds of \$18,648.
- Transfers in from the General fund increased from the prior year by \$45,500.
- Expenditures increased \$68,929 from the prior year.

Proprietary funds. The City of Cannon Beach's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water Enterprise at the end of the year amounted to \$597,854, those for the Wastewater Enterprise at the end of the year amounted to \$457,643, those for the Storm Drain Enterprise at the end of the year amounted to \$22,793, those for the RV Park Enterprise at the end of the year amounted to \$611,813, and those for the Recycling Enterprise at the end of the year amounted to \$66,472. The total increase in net position for all enterprise funds was \$470,890. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Cannon Beach's business-type activities.

General Fund Budgetary Highlights

- Adjustments to the adopted budget during the fiscal year were made by resolution and approved by city council.

Capital Asset and Debt Administration

City of Cannon Beach's Capital Assets, Net of Accumulated Depreciation						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 3,759,675	\$ 3,759,675	\$ 1,283,338	\$ 1,283,338	\$ 5,043,013	\$ 5,043,013
Buildings	1,002,484	999,070	1,625,284	1,684,657	2,627,768	2,683,727
Equipment and vehicles	504,638	536,107	290,157	289,707	794,795	825,814
Infrastructure	2,195,023	2,268,135	11,186,162	11,180,062	13,381,185	13,448,197
Construction in progress	-	-	35,513	275,284	35,513	275,284
Total	\$ 7,461,820	\$ 7,562,987	\$ 14,420,454	\$ 14,713,048	\$ 21,882,274	\$ 22,276,035

Capital assets. The City of Cannon Beach's investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounts to \$21,882,274 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, and bridges.

Net capital assets decreased by \$393,761 during the year because capital asset additions of \$520,769 less current year depreciation in the amount of \$914,530 net to the overall decrease of capital assets at the end of the year.

Major capital asset additions during the current fiscal year included the following:

- Road fund generator purchase, \$41,685
- Pavement projects, \$60,883
- Parks Vehicle (2017 Ford F250), \$32,863
- Pacific Forcemain Rehab, \$123,721
- Storage Lagoon Bank Rehab, \$114,697
- Spruce Sewer Line, \$30,886

The above 6 items comprise 77.7% of the total dollar value of additions this year or \$404,735. There were a total of 18 acquisitions this year.

Additional information on the City of Cannon Beach's capital assets can be found in note III B.

Long-term debt. At the end of the fiscal year, the City of Cannon Beach had total long-term debt outstanding of \$4,231,679, which is debt backed by the full faith and credit of the government.

City of Cannon Beach's Outstanding Debt						
General Obligation Bonds						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	\$ 4,025,000	\$ 4,410,000	\$ -	\$ -	\$ 4,025,000	\$ 4,410,000
Original Issue Premium	206,679	234,388			206,679	234,388
Total	\$ 4,231,679	\$ 4,644,388	\$ -	\$ -	\$ 4,231,679	\$ 4,644,388

The City of Cannon Beach's total long-term debt decreased by \$412,709 during the current fiscal year.

Additional information on the City of Cannon Beach's long-term debt can be found in note III D.

Economic Factors and Next Year's Budgets and Rates

- An expected increase in room tax revenue of 7%.
- An expected increase in property tax revenue of at least 3%.
- Increases in water (35%), wastewater (5%) and stormwater (5%) rates made in April 2018 will be fully realized in the 2019 fiscal year.
- Cost of living adjustments to wages

All of these factors were considered in preparing the City of Cannon Beach's budget for the 2019 fiscal year end.

Requests for information

This financial report is designed to provide a general overview of the City of Cannon Beach's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Laurie A. Sawrey, CPA, Finance Director, PO Box 368, 163 E. Gower Street, Cannon Beach, Oregon 97110.

BASIC FINANCIAL STATEMENTS



CITY OF CANNON BEACH, OREGON

Statement of Net Position

June 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 2,318,793	\$ 2,117,491	\$ 4,436,284
Receivables	1,297,574	260,947	1,558,521
Prepaid expenses	-	65,411	65,411
Inventory	-	180,105	180,105
Capital assets:			
Nondepreciable assets	3,759,675	1,318,851	5,078,526
Depreciable assets (net of accumulated depreciation)	<u>3,702,145</u>	<u>13,101,603</u>	<u>16,803,748</u>
Total assets	<u>11,078,187</u>	<u>17,044,408</u>	<u>28,122,595</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	143,451	-	143,451
Related to pensions	954,890	287,001	1,241,891
Related to OPEB	<u>8,168</u>	<u>2,845</u>	<u>11,013</u>
Total deferred outflows	<u>1,106,509</u>	<u>289,846</u>	<u>1,396,355</u>
 Total assets and deferred outflows	 <u>12,184,696</u>	 <u>17,334,254</u>	 <u>29,518,950</u>
LIABILITIES			
Accounts payable and accrued expenses	437,519	345,893	783,412
Accrued payroll	178,860	-	178,860
Deposits	-	2,500	2,500
Accrued interest payable	12,169	-	12,169
Unearned revenue	53,275	-	53,275
Noncurrent liabilities:			
Due within one year	557,317	37,722	595,039
Due in more than one year	3,793,970	-	3,793,970
Net pension liability	2,323,760	698,429	3,022,189
Net OPEB liability	<u>123,425</u>	<u>42,983</u>	<u>166,408</u>
Total liabilities	<u>7,480,295</u>	<u>1,127,527</u>	<u>8,607,822</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	91,199	27,412	118,611
Related to OPEB	<u>6,566</u>	<u>2,286</u>	<u>8,852</u>
Total deferred inflows	<u>97,765</u>	<u>29,698</u>	<u>127,463</u>
 Total liabilities and deferred inflows	 <u>7,578,060</u>	 <u>1,157,225</u>	 <u>8,735,285</u>
NET POSITION			
Net investment in capital assets	5,424,611	14,420,454	19,845,065
Restricted for:			
Building inspection program	64,162	-	64,162
Affordable housing	42,781	-	42,781
Tourism	263,875	-	263,875
Road maintenance	235,927	-	235,927
Unrestricted	<u>(1,424,720)</u>	<u>1,756,575</u>	<u>331,855</u>
Total net position	<u>\$ 4,606,636</u>	<u>\$ 16,177,029</u>	<u>\$ 20,783,665</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CANNON BEACH, OREGON
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position		
	Expenses	Indirect Expense Allocation	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:								
General government	\$ 2,507,358	\$ (648,947)	\$ 210,671	\$ 121,903	\$ -	\$ (1,525,837)	\$ -	\$ (1,525,837)
Building	185,850	32,968	232,218	-	-	13,400	-	13,400
Planning	352,511	-	39,313	1,000	-	(312,198)	-	(312,198)
Public works	1,413,581	(166,508)	37,085	114,086	-	(1,095,902)	-	(1,095,902)
Public safety	1,712,569	-	35,623	45,596	-	(1,631,350)	-	(1,631,350)
Unallocated depreciation	280,636	-	-	-	-	(280,636)	-	(280,636)
Interest on long-term liabilities	150,084	-	-	-	-	(150,084)	-	(150,084)
Total governmental activities	6,602,589	(782,487)	554,910	282,585	-	(4,982,607)	-	(4,982,607)
Business-type activities:								
Water	800,187	289,770	1,005,242	-	9,786	-	(74,929)	(74,929)
Wastewater	1,079,209	284,431	1,235,824	-	8,391	-	(119,425)	(119,425)
Storm drain	147,246	46,423	148,365	-	4,722	-	(40,582)	(40,582)
RV park	1,535,576	116,361	1,861,445	-	-	-	209,508	209,508
Recycling	173,025	45,502	189,320	-	-	-	(29,207)	(29,207)
Total business-type activities	3,735,243	782,487	4,440,196	-	22,899	-	(54,635)	(54,635)
Total activities	\$ 10,337,832	\$ -	\$ 4,995,106	\$ 282,585	\$ 22,899	(4,982,607)	(54,635)	(5,037,242)
General revenues:								
Taxes:								
Property taxes						1,220,374	-	1,220,374
Transient room taxes						4,270,546	-	4,270,546
Franchise fees						203,835	-	203,835
Unrestricted investment earnings						78,472	-	78,472
Transfers						(525,525)	525,525	-
Total general revenues and transfers						5,247,702	525,525	5,773,227
Change in net position						265,095	470,890	735,985
Net position, beginning, as restated						4,341,541	15,706,139	20,047,680
Net position, ending						\$ 4,606,636	\$ 16,177,029	\$ 20,783,665

The accompanying notes are an integral part of these financial statements.

CITY OF CANNON BEACH, OREGON
GOVERNMENTAL FUNDS
Balance Sheet
June 30, 2018

	General Fund (010)	Tourism and Arts Fund (012)	Road Fund (040)	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 689,187	\$ 235,511	\$ 293,355	\$ 1,077,539	\$ 2,295,592
Receivables:					
Room taxes	1,019,323	97,735	-	-	1,117,058
Accounts	79,454	-	10,511	-	89,965
Property taxes	47,091	-	17,217	26,216	90,524
Other	27	-	-	-	27
	<u>27</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27</u>
Total assets	<u>\$ 1,835,082</u>	<u>\$ 333,246</u>	<u>\$ 321,083</u>	<u>\$ 1,103,755</u>	<u>\$ 3,593,166</u>
LIABILITIES					
Accounts payable and accrued expenses	\$ 269,434	\$ 69,371	\$ 71,722	3,791	414,318
Accrued payroll	178,860	-	-	-	178,860
Unearned revenue	53,275	-	-	-	53,275
	<u>53,275</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,275</u>
Total liabilities	<u>501,569</u>	<u>69,371</u>	<u>71,722</u>	<u>3,791</u>	<u>646,453</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues:					
Property taxes	36,733	-	13,434	20,522	70,689
	<u>36,733</u>	<u>-</u>	<u>13,434</u>	<u>20,522</u>	<u>70,689</u>
Total deferred inflows of resources	<u>36,733</u>	<u>-</u>	<u>13,434</u>	<u>20,522</u>	<u>70,689</u>
FUND BALANCES					
Restricted:					
Building inspection	-	-	-	64,162	64,162
Affordable housing	-	-	-	42,781	42,781
Road maintenance	-	-	235,927	-	235,927
Tourism and arts	-	263,875	-	-	263,875
Assigned:					
Capital projects	-	-	-	928,807	928,807
Debt service	-	-	-	43,692	43,692
Unassigned	1,296,780	-	-	-	1,296,780
	<u>1,296,780</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,296,780</u>
Total fund balances	<u>1,296,780</u>	<u>263,875</u>	<u>235,927</u>	<u>1,079,442</u>	<u>2,876,024</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,835,082</u>	<u>\$ 333,246</u>	<u>\$ 321,083</u>	<u>\$ 1,103,755</u>	<u>\$ 3,593,166</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CANNON BEACH, OREGON
Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Position
June 30, 2018

Fund balances - governmental funds		\$ 2,876,024
Amounts reported for governmental activities in the statement of net position are different because:		
Receivables that are not available to pay for current expenditures are reported as unavailable revenue in the funds.		70,689
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Nondepreciable assets	\$ 3,759,675	
Depreciable assets	7,789,491	
Accumulated depreciation	<u>(4,181,869)</u>	
		7,367,297
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
General obligation bonds payable	(4,025,000)	
Deferred charges	143,451	
Issuance premiums	(206,679)	
Compensated absences	(74,326)	
Accrued interest payable	(12,169)	
Net pension liability	(1,706,327)	
Net OPEB liability	<u>(96,517)</u>	
		(5,977,567)
Deferred inflows and deferred outflows related are not current resources or requirements and therefore are not reported in the funds:		
Deferred outflows of resources related to pensions	701,172	
Deferred outflows of resources related to OPEB	6,387	
Deferred inflows of resources related to pensions	(66,967)	
Deferred inflows of resources related to OPEB	<u>(5,135)</u>	
		635,457
Internal service funds are used by management to charge the costs of administrative services to individual funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service fund are included in governmental activities in the statement of net position.		<u>(365,264)</u>
Net position of governmental activities		<u><u>\$ 4,606,636</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF CANNON BEACH, OREGON
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2018

	General Fund	Tourism and Arts Fund	Road Fund	Total Nonmajor Funds	Total Governmental Funds
	(010)	(012)	(040)		
Revenues:					
Taxes and assessments	\$ 721,127	\$ -	\$ 344,061	\$ 392,433	\$ 1,457,621
Transient room taxes	3,896,875	373,671	-	-	4,270,546
Franchise fees	203,835	-	-	-	203,835
Licenses, permits, and fees	248,873	-	-	185,933	434,806
Grants and donations	93,480	-	-	-	93,480
Interest income	78,389	-	83	-	78,472
Other	72,158	-	1,661	-	73,819
Total revenues	<u>5,314,737</u>	<u>373,671</u>	<u>345,805</u>	<u>578,366</u>	<u>6,612,579</u>
Expenditures:					
Current:					
General government	1,567,894	277,485	-	-	1,845,379
Building	-	-	-	191,957	191,957
Planning	326,273	-	-	-	326,273
Public works	473,058	-	741,193	-	1,214,251
Public safety	1,547,220	-	-	-	1,547,220
Debt service:					
Principal	-	-	-	385,000	385,000
Interest	-	-	-	158,325	158,325
Capital outlay	76,901	-	102,568	-	179,469
Total expenditures	<u>3,991,346</u>	<u>277,485</u>	<u>843,761</u>	<u>735,282</u>	<u>5,847,874</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,323,391</u>	<u>96,186</u>	<u>(497,956)</u>	<u>(156,916)</u>	<u>764,705</u>
Other Financing Sources (Uses):					
Transfers in	-	-	579,000	563,458	1,142,458
Transfers out	<u>(1,667,983)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,667,983)</u>
Total other financing sources (uses)	<u>(1,667,983)</u>	<u>-</u>	<u>579,000</u>	<u>563,458</u>	<u>(525,525)</u>
Net change in fund balances	(344,592)	96,186	81,044	406,542	239,180
Fund Balances:					
Beginning of year	<u>1,641,372</u>	<u>167,689</u>	<u>154,883</u>	<u>672,900</u>	<u>2,636,844</u>
End of year	<u>\$ 1,296,780</u>	<u>\$ 263,875</u>	<u>\$ 235,927</u>	<u>\$ 1,079,442</u>	<u>\$ 2,876,024</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CANNON BEACH, OREGON

Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018

Net change in fund balances - governmental funds		\$ 239,180
Amounts reported for governmental activities in the statement of activities are different because:		
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		(1,857)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for capital assets	\$ 179,469	
Current year depreciation	<u>(268,712)</u>	
		(89,243)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Change in:		
Compensated absences payable	(5,399)	
Accrued interest	1,025	
Expenses related to pension obligations	(286,466)	
Expenses related to OPEB obligations	(830)	
Amortization of bond premiums	27,709	
Amortization of deferred charge on refunding	<u>(20,493)</u>	
		(284,454)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Principal repayments	<u>385,000</u>	
		385,000
The internal service funds are used by management to charge the costs of administrative services to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.		<u>16,469</u>
Change in net position of governmental activities		<u>\$ 265,095</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CANNON BEACH, OREGON**GENERAL FUND****Statement of Resources and Requirements**

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	\$ 1,325,000	\$ 1,325,000	\$ 1,641,372	\$ 316,372
Taxes and assessments	682,571	682,571	721,127	38,556
Transient room tax	3,747,358	3,747,358	3,896,875	149,517
Franchise fees	196,000	196,000	203,835	7,835
Licenses, permits and fees	239,893	239,893	248,873	8,980
Grants and donations	586,570	586,570	93,480	(493,090)
Interest income	40,000	40,000	78,389	38,389
Other	49,858	49,858	72,158	22,300
Total resources	<u>\$ 6,867,250</u>	<u>\$ 6,867,250</u>	<u>\$ 6,956,109</u>	<u>\$ 88,859</u>
Requirements:				
Executive	\$ 1,171,106	\$ 1,171,106	\$ 1,109,934	\$ 61,172
Planning	454,122	454,122	326,273	127,849
Public works	895,251	895,251	505,922	389,329
Public safety	1,674,954	1,674,954	1,569,040	105,914
Non-departmental	542,729	542,729	480,177	62,552
Transfers out	1,667,983	1,667,983	1,667,983	-
Contingency	236,908	236,908	-	236,908
Total expenditures	6,643,053	6,643,053	5,659,329	983,724
Ending fund balance	<u>224,197</u>	<u>224,197</u>	<u>1,296,780</u>	<u>(1,072,583)</u>
Total requirements	<u>\$ 6,867,250</u>	<u>\$ 6,867,250</u>	<u>\$ 6,956,109</u>	<u>\$ (88,859)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CANNON BEACH, OREGON

012 - TOURISM & ARTS FUND

Statement of Resources and Requirements

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	\$ -	\$ -	\$ 167,689	\$ 167,689
Transient room tax	<u>360,708</u>	<u>360,708</u>	<u>373,671</u>	<u>12,963</u>
Total resources	<u>\$ 360,708</u>	<u>\$ 360,708</u>	<u>\$ 541,360</u>	<u>\$ 180,652</u>
Requirements:				
Tourism and Arts Program:				
Materials and services	\$ 360,708	\$ 360,708	\$ 277,485	\$ 83,223
Ending fund balance	<u>-</u>	<u>-</u>	<u>263,875</u>	<u>(263,875)</u>
Total requirements	<u>\$ 360,708</u>	<u>\$ 360,708</u>	<u>\$ 541,360</u>	<u>\$ (180,652)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CANNON BEACH, OREGON**040 - ROAD FUND****Statement of Resources and Requirements****Budget and Actual (Budgetary Basis)****For the Year Ended June 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	\$ 75,000	\$ 75,000	\$ 154,883	\$ 79,883
Taxes and assessments	327,081	327,081	344,061	16,980
Interest income	-	-	83	83
Other	-	-	1,661	1,661
Local improvement districts	50,000	50,000	-	(50,000)
Transfers in	<u>579,000</u>	<u>579,000</u>	<u>579,000</u>	<u>-</u>
Total resources	<u>\$ 1,031,081</u>	<u>\$ 1,031,081</u>	<u>\$ 1,079,688</u>	<u>\$ 48,607</u>
Requirements:				
Roads Program:				
Personal services	\$ 205,568	\$ 221,486	\$ 185,423	\$ 36,063
Materials and services	680,804	662,886	555,770	107,116
Capital outlay	<u>50,000</u>	<u>50,000</u>	<u>102,568</u>	<u>(52,568)</u>
Total program-specific	936,372	934,372	843,761	90,611
Transfers out	-	2,000	-	2,000
Contingency	<u>94,709</u>	<u>94,709</u>	<u>-</u>	<u>94,709</u>
Total expenditures	1,031,081	1,031,081	843,761	187,320
Ending fund balance	<u>-</u>	<u>-</u>	<u>235,927</u>	<u>(235,927)</u>
Total requirements	<u>\$ 1,031,081</u>	<u>\$ 1,031,081</u>	<u>\$ 1,079,688</u>	<u>\$ (48,607)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CANNON BEACH, OREGON
PROPRIETARY FUNDS
Statement of Net Position
June 30, 2018

	Business-type Activities - Enterprise Funds						Governmental Activities
	Water Enterprise	Wastewater Enterprise	Storm Drain Enterprise	RV Park Enterprise	Recycling Enterprise	Total	Administrative Services Internal Service Fund
ASSETS							
Current assets:							
Cash and investments	\$ 616,832	\$ 650,079	\$ 46,401	\$ 673,209	\$ 130,970	\$ 2,117,491	\$ 23,201
Accounts receivable	113,465	116,204	12,902	-	18,376	260,947	-
Inventory	111,737	42,641	-	25,727	-	180,105	-
Prepaid expenses	49,514	15,897	-	-	-	65,411	-
Total current assets	<u>891,548</u>	<u>824,821</u>	<u>59,303</u>	<u>698,936</u>	<u>149,346</u>	<u>2,623,954</u>	<u>23,201</u>
Noncurrent assets:							
Capital assets:							
Nondepreciable assets	519,401	-	-	799,450	-	1,318,851	-
Depreciable, net	<u>3,658,577</u>	<u>7,037,584</u>	<u>603,797</u>	<u>1,663,890</u>	<u>137,755</u>	<u>13,101,603</u>	<u>94,523</u>
Total noncurrent assets	<u>4,177,978</u>	<u>7,037,584</u>	<u>603,797</u>	<u>2,463,340</u>	<u>137,755</u>	<u>14,420,454</u>	<u>94,523</u>
Total assets	5,069,526	7,862,405	663,100	3,162,276	287,101	17,044,408	117,724
DEFERRED OUTFLOWS OF RESOURCES							
Related to pensions	121,209	104,195	19,125	-	42,472	287,001	253,718
Related to OPEB	<u>969</u>	<u>1,301</u>	<u>284</u>	<u>-</u>	<u>291</u>	<u>2,845</u>	<u>1,781</u>
Total assets and deferred outflows	<u>5,191,704</u>	<u>7,967,901</u>	<u>682,509</u>	<u>3,162,276</u>	<u>329,864</u>	<u>17,334,254</u>	<u>373,223</u>
LIABILITIES							
Current liabilities:							
Accounts payable and accrued expenses	73,322	178,654	231	86,988	6,698	345,893	23,201
Deposits	2,500	-	-	-	-	2,500	-
Compensated absences	<u>18,084</u>	<u>9,809</u>	<u>2,798</u>	<u>135</u>	<u>6,896</u>	<u>37,722</u>	<u>45,282</u>
Total current liabilities	93,906	188,463	3,029	87,123	13,594	386,115	68,483
Noncurrent liabilities:							
Net pension liability	294,966	253,562	46,542	-	103,359	698,429	617,433
Net OPEB liability	<u>14,644</u>	<u>19,653</u>	<u>4,293</u>	<u>-</u>	<u>4,393</u>	<u>42,983</u>	<u>26,908</u>
Total liabilities	403,516	461,678	53,864	87,123	121,346	1,127,527	712,824
DEFERRED INFLOWS OF RESOURCES							
Related to pensions	11,577	9,951	1,827	-	4,057	27,412	24,232
Related to OPEB	<u>779</u>	<u>1,045</u>	<u>228</u>	<u>-</u>	<u>234</u>	<u>2,286</u>	<u>1,431</u>
Total liabilities and deferred inflows	<u>415,872</u>	<u>472,674</u>	<u>55,919</u>	<u>87,123</u>	<u>125,637</u>	<u>1,157,225</u>	<u>738,487</u>
NET POSITION							
Net investment in capital assets	4,177,978	7,037,584	603,797	2,463,340	137,755	14,420,454	94,523
Unrestricted	<u>597,854</u>	<u>457,643</u>	<u>22,793</u>	<u>611,813</u>	<u>66,472</u>	<u>1,756,575</u>	<u>(459,787)</u>
Total net position	<u>\$ 4,775,832</u>	<u>\$ 7,495,227</u>	<u>\$ 626,590</u>	<u>\$ 3,075,153</u>	<u>\$ 204,227</u>	<u>\$ 16,177,029</u>	<u>\$ (365,264)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CANNON BEACH, OREGON
PROPRIETARY FUNDS
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds						Governmental Activities
	Water Enterprise	Wastewater Enterprise	Storm Drain Enterprise	RV Park Enterprise	Recycling Enterprise	Total	Administrative Services Internal Service Fund
Operating Revenues:							
Charges for services	\$ 990,100	\$ 1,235,584	\$ 148,365	\$ 1,861,445	\$ 189,320	\$ 4,424,814	\$ 1,400,844
Other operating revenues	15,142	240	-	-	-	15,382	-
Total operating revenues	<u>1,005,242</u>	<u>1,235,824</u>	<u>148,365</u>	<u>1,861,445</u>	<u>189,320</u>	<u>4,440,196</u>	<u>1,400,844</u>
Operating Expenses:							
Personal services	359,563	344,444	65,601	2,012	124,322	895,942	940,597
Cost of operations	563,998	642,944	103,856	1,590,582	86,514	2,987,894	431,854
Depreciation	166,396	376,252	24,212	59,343	7,691	633,894	11,924
Total operating expenses	<u>1,089,957</u>	<u>1,363,640</u>	<u>193,669</u>	<u>1,651,937</u>	<u>218,527</u>	<u>4,517,730</u>	<u>1,384,375</u>
Operating income (loss)	(84,715)	(127,816)	(45,304)	209,508	(29,207)	(77,534)	16,469
Capital contributions	9,786	8,391	4,722	-	-	22,899	-
Transfers in	<u>250,000</u>	<u>275,525</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>525,525</u>	<u>-</u>
Change in net position	175,071	156,100	(40,582)	209,508	(29,207)	470,890	16,469
Net Position:							
Beginning of year, as restated	<u>4,600,761</u>	<u>7,339,127</u>	<u>667,172</u>	<u>2,865,645</u>	<u>233,434</u>	<u>15,706,139</u>	<u>(381,733)</u>
End of year	<u>\$ 4,775,832</u>	<u>\$ 7,495,227</u>	<u>\$ 626,590</u>	<u>\$ 3,075,153</u>	<u>\$ 204,227</u>	<u>\$ 16,177,029</u>	<u>\$ (365,264)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CANNON BEACH, OREGON
PROPRIETARY FUNDS
Statement of Cash Flows
For the Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds						Governmental Activities
	Water Enterprise	Wastewater Enterprise	Storm Drain Enterprise	RV Park Enterprise	Recycling Enterprise	Total	Administrative Services Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers	\$ 971,664	\$ 1,220,759	\$ 146,520	\$ 1,861,445	\$ 194,970	4,395,358	\$ -
Receipts from interfund services provided	-	-	-	-	-	-	1,400,844
Payments to suppliers and contractors	(253,186)	(313,451)	(74,322)	(1,469,934)	(38,833)	(2,149,726)	(420,290)
Payments to employees	(312,245)	(327,865)	(61,989)	(2,002)	(109,185)	(813,286)	(968,990)
Payments for interfund services used	(289,770)	(284,431)	(46,423)	(116,361)	(45,502)	(782,487)	-
Net cash provided (used) by operating activities	<u>116,463</u>	<u>295,012</u>	<u>(36,214)</u>	<u>273,148</u>	<u>1,450</u>	<u>649,859</u>	<u>11,564</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers in	250,000	275,525	-	-	-	525,525	-
Net cash provided by (used in) noncapital financing activities	<u>250,000</u>	<u>275,525</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>525,525</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Capital contributions	9,786	8,391	4,722	-	-	22,899	-
Acquisition and construction of capital assets	(39,949)	(207,878)	-	-	-	(247,827)	-
Net cash provided by (used in) capital and related financing activities	<u>(30,163)</u>	<u>(199,487)</u>	<u>4,722</u>	<u>-</u>	<u>-</u>	<u>(224,928)</u>	<u>-</u>
Net change in cash and investments	336,300	371,050	(31,492)	273,148	1,450	950,456	11,564
Cash and investments:							
Beginning of year	<u>280,532</u>	<u>279,029</u>	<u>77,893</u>	<u>400,061</u>	<u>129,520</u>	<u>1,167,035</u>	<u>11,637</u>
End of year	<u>\$ 616,832</u>	<u>\$ 650,079</u>	<u>\$ 46,401</u>	<u>\$ 673,209</u>	<u>\$ 130,970</u>	<u>\$ 2,117,491</u>	<u>\$ 23,201</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	\$ (84,715)	\$ (127,816)	\$ (45,304)	\$ 209,508	\$ (29,207)	\$ (77,534)	\$ 16,469
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation	166,396	376,252	24,212	59,343	7,691	633,894	11,924
Net increase (reduction) of expense under GASB 68	45,351	23,256	3,222	-	14,468	86,297	(41,405)
Net increase (reduction) of expense under GASB 75	126	167	36	-	37	366	230
(Increase) decrease in current assets:							
Receivables	(33,578)	(15,065)	(1,845)	-	5,650	(44,838)	-
Prepaid expenses	(9,985)	(15,897)	-	-	-	(25,882)	-
Inventory	20,756	(4,074)	-	(4,025)	-	12,657	-
Increase (decrease) in liabilities:							
Accounts payable and accrued expenses	9,371	65,033	(16,889)	8,312	2,179	68,006	11,564
Deposits	900	-	-	-	-	900	-
Compensated absences	1,841	(6,844)	354	10	632	(4,007)	12,782
Net cash provided (used) by operating activities	<u>\$ 116,463</u>	<u>\$ 295,012</u>	<u>\$ (36,214)</u>	<u>\$ 273,148</u>	<u>\$ 1,450</u>	<u>\$ 649,859</u>	<u>\$ 11,564</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2018

Note I - Summary of significant accounting policies

A. Reporting Entity

The City of Cannon Beach, Oregon ("City") was incorporated in March 1957 as a municipal government under state law. The City operates under a council-city manager form of government. The governing body (City Council) consists of a mayor and four at-large councilors who serve four-year terms. The City Manager administers policies and coordinates the activities of the City. The City Manager reports to and is responsible to the City Council. The heads of various departments, formed to provide various services, are under the direct supervision of the City Manager.

B. Government-wide and fund financial statements

The government-wide financial statements display information about the City as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the statement of net position and the statement of activities.

The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as net position.

The statement of activities demonstrates the degree to which the direct and allocated indirect expenses of a given function or program are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or program. *Indirect expenses* are those costs, usually administrative in nature, that support all City functions and programs and enable direct services to be provided. *Program revenues* include: 1) fees, fines, and charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide and proprietary funds financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and *available*. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all of the financial operations of the City except those required to be accounted for in another fund. Principal sources of revenue are property taxes, transient room taxes, licenses and permits, and state shared revenues. Primary expenditures are for general government and public safety.

The *tourism and arts fund* accounts for tax revenues related to tourism levied by the City as stipulated by city ordinance and used for tourism related activities.

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2018

Note I - Summary of significant accounting policies, continued

C. Measurement focus, basis of accounting, and financial statement presentation, continued

The *road fund* accounts for tax revenues which are levied by the Cannon Beach Road District, revenues from state gasoline taxes which are to be expended as outlined in the Constitution of the State of Oregon, Article IX, Section 3, and for grants that are received for the construction, maintenance and repair of streets and roads.

Additionally, the City reports the following nonmajor funds within the governmental fund type:

Special revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

The *Debt service fund* accounts for the servicing of general long-term debt. Revenue sources are property taxes levied for general obligation bonds and other general governmental revenues.

Capital project funds account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by business-type or proprietary funds).

The City reports the following major proprietary funds:

The *water enterprise fund* (a combination of the operating and reserve funds) accounts for the costs of operating the water system of the City and paying for its costs and renovation. User fees provide the revenue.

The *wastewater enterprise fund* (a combination of the operating and reserve funds) accounts for the costs of operating the wastewater public utility. User fees provide the revenue.

The *storm drain enterprise fund* (a combination of the operating and reserve funds) accounts for the costs of operating the storm drain public utility. User fees provide the revenue.

The *RV park enterprise fund* (a combination of the operating and reserve funds) accounts for the costs of operating the RV park. User fees provide the revenue.

The *recycling enterprise fund* (a combination of the operating and reserve funds) accounts for the costs of operating the recycling operations. User fees provide the revenue.

Additionally, the City reports an *internal service fund* to account for the service of the Administrative Services Fund provided to other funds of the City.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. The City allocates charges as reimbursement for services provided by the general fund in support of those functions based on levels of service provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. These charges are included in direct program expenses.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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 funds are charges to customers for sales and services. Significant operating expenses include personnel, contracted services, repairs and maintenance, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, liabilities, deferred outflows/inflows of resources, and net position or fund balance

1. Deposits and investments

The government's cash and equivalents are considered to be cash on hand, demand deposits, investments in the State of Oregon Local Government Investment Pool ("LGIP"), and short-term investments with original maturities of eighteen months or less from the date of acquisition.

State statutes authorize the City to invest in obligations of the U.S. Treasury and agency debt obligations, commercial paper, corporate bonds, and repurchase agreements. Investments are reported at fair value.

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2018

Note I - Summary of significant accounting policies, continued

D. Assets, liabilities, deferred outflows/inflows of resources, and net position or fund balance, continued

2. Receivables and payables

Service and property taxes receivables that meet the measurable and available criteria for revenue recognition are accrued as revenue in the governmental funds financial statements. Receivables in the government-wide and proprietary fund financial statements are accrued as revenue when earned. In governmental funds any revenues not meeting the revenue recognition criteria are offset by unavailable revenue accounts. Receivables are stated net of any allowance for uncollectibles.

Assessments receivable in the governmental funds are recognized at the time the property owners are assessed for property improvements. In governmental funds assessments receivable are offset by unavailable revenue accounts and, accordingly, have not been recognized as revenue.

Property taxes are levied and become a lien on July 1st. Property taxes are assessed in October and tax payments are due November 15th of the same year. Under the partial payment schedule, the first one-third of taxes are due November 15th of the same year, the second one-third on February 15th, and the remaining one-third on May 15th. A three percent discount is allowed if full payment is made by November 15th and a two percent discount is allowed if two-thirds payment is made by November 15th. Taxes become delinquent if not paid by the due date and interest accrues after each trimester at a rate of one percent per month.

Revenues of the proprietary fund types are recorded when earned, including services earned but not billed. Management believes that the amount of uncollectible utility revenue receivables is immaterial. Therefore, no provision for uncollectible receivables has been recorded.

3. Inventories and prepaid items

Inventories of materials and supplies in the proprietary funds are stated at average cost, on a first-in, first-out basis, and charged to expense as used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Due to/from other funds

Activity between funds that is representative of informal short-term lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to" or "due from other funds."

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, street lights, etc.) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life beyond a single reporting period. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest costs were capitalized during the year ended June 30, 2018.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements	25
Infrastructure and utility systems	25 - 50
Vehicles	5 - 10
Equipment	7 - 25

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2018

Note I - Summary of significant accounting policies, continued

D. Assets, liabilities, deferred outflows/inflows of resources, and net position or fund balance, continued

6. *Deferred outflows/inflows of resources*

In addition to assets, the statements 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 a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports a deferred charge on refunding in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized as a component of interest expense. The City also reports on the government-wide and proprietary fund statements deferred outflows of resources related to pensions and OPEB.

In addition to liabilities, the statements 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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City reports two types of deferred inflows. Unavailable revenues, which arises only under a modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and local improvement districts (LIDs). These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The government-wide statements and the enterprise funds report deferred inflows of resources related to pensions and OPEB.

A detailed description of deferred outflows and inflows of resources related to pensions and how they are calculated can be found in note III E.

7. *Compensated absences*

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

8. *Long-term obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the bonds-outstanding method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. *Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2018

Note I - Summary of significant accounting policies, continued

D. Assets, liabilities, deferred outflows/inflows of resources, and net position or fund balance, continued

10. Net position flow assumption

Sometimes the City will fund outlays for a particular resource from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

11. Fund balance flow assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

12. Fund balance policies

In the fund financial statements, the fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The fund balance classifications are:

Nonspendable - resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories, prepaids and deposits, and assets held for sale.

Restricted - constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grants, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - the City Council passes an ordinance that places specific constraints on how the resources may be used. The City Council can modify or rescind the ordinance at any time through passage of an additional ordinance.

Assigned - resources that are constrained by the City's intent to use them for a specific purpose, but are neither restricted nor committed. Intent is expressed when the City Council approves which resources should be "reserved" during the adoption of the annual budget.

Unassigned - resources that have not been restricted, committed, or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

13. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Note II - Stewardship, compliance, and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with Oregon Revised Statutes (ORS 294 - Local Budget Law).

On or before June 30 of each year, the City enacts resolutions approving the budget, appropriating the expenditures, and levying the property taxes. Prior to enacting this resolution, the proposed budget is presented to a budget committee consisting of members of the City Council and a like number of interested citizens. The budget committee presents the budget to the City Council for budget hearings prior to enactment of the resolution.

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2018

Note II - Stewardship, compliance, and accountability, continued

A. Budgetary information, continued

The resolution authorizing appropriations for each fund sets the legal level of control by which expenditures cannot legally exceed appropriations. Total expenditures by department as established by the resolution are the legal level of control for the general and administrative services funds. Expenditure categories of fund program, debt service, transfers out and contingency are the legal levels of control for all other funds. The detail budget document, however, is required to contain more specific information for the above mentioned expenditure categories.

Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers, and adoption by the City Council. Management may modify original and supplemental budgets by the use of appropriation transfers between the legal levels of control within a fund. Such transfers require approval by the City Council. Management may not amend the budget without seeking approval of the Council. The City Council approved various transfer resolutions during the year.

B. Excess of expenditures over appropriations

For the year ended June 30, 2018, expenditures exceeded appropriations as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
RV Park Fund - RV Park Program	\$ 1,592,693	\$ 1,596,609	\$ (3,916)

Note III - Detailed notes on all funds

A. Deposits and investments

The City maintains a cash and investment pool for its cash and cash equivalents in which each fund participates. Cash and investments are comprised of the following:

Petty cash	\$ 200
Deposits with financial institutions	230,382
Local Government Investment Pool	<u>4,205,702</u>
Total	<u>\$ 4,436,284</u>

Custodial Credit Risk - Deposits. There is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal policy for custodial credit risk, but follows the requirements of ORS 295. The City's cash is covered by federal depository insurance or by the Public Funds Collateralization Program (PFCP) of the State of Oregon. The PFCP is a shared liability structure for participating bank depositories. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of State Treasurer. In the event of bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities.

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2018

Note III - Detailed notes on all funds, continued

A. Deposits and investments, continued

Credit Risk - Investments. The City has no investment policy for credit risk, but in practice follows state statutes which authorize the City to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers acceptances, certain commercial papers and the State Treasurer's Investment Pool (LGIP), among others.

LGIP 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 Pool's investment policies. The State Treasurer is the investment officer for the Pool and is responsible for all funds in the Pool. 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 Funds Board, which establish diversification percentages and specify the types of maturities of investments. The Oregon Audits Division of the Secretary of State's Office audits the Pool annually. LGIP is not rated by a national rating service. The financial statements are available at www.ost.state.or.us.

Interest Rate Risk. In accordance with its investment policy, the City manages its exposure to declines in fair value by limiting the maximum maturity to the anticipated use of the cash or 18 months, whichever is shorter.

The weighted-average maturity of the LGIP is less than one year.

B. Capital assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,759,675	\$ -	\$ -	\$ 3,759,675
Total capital assets, not being depreciated	3,759,675	-	-	3,759,675
Capital assets, being depreciated:				
Buildings	2,432,084	63,903	-	2,495,987
Equipment and vehicles	1,600,014	54,684	-	1,654,698
Infrastructure	3,716,549	60,882	-	3,777,431
Total capital assets being depreciated	7,748,647	179,469	-	7,928,116
Less accumulated depreciation for:				
Buildings	(1,433,014)	(60,489)	-	(1,493,503)
Equipment and vehicles	(1,063,907)	(86,153)	-	(1,150,060)
Infrastructure	(1,448,414)	(133,994)	-	(1,582,408)
Total accumulated depreciation	(3,945,335)	(280,636)	-	(4,225,971)
Total capital assets, being depreciated, net	3,803,312	(101,167)	-	3,702,145
Governmental activities capital assets, net	\$ 7,562,987	\$ (101,167)	\$ -	\$ 7,461,820

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2018

Note III - Detailed notes on all funds, continued

B. Capital assets, continued

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,283,338	\$ -	\$ -	\$ 1,283,338
Construction in progress	<u>275,284</u>	<u>35,513</u>	<u>(275,284)</u>	<u>35,513</u>
Total capital assets, not being depreciated	<u>1,558,622</u>	<u>35,513</u>	<u>(275,284)</u>	<u>1,318,851</u>
Capital assets, being depreciated:				
Infrastructure	19,334,616	281,789	275,284	19,891,689
Buildings and improvements	2,690,145	-	-	2,690,145
Other equipment	<u>598,331</u>	<u>23,998</u>	<u>-</u>	<u>622,329</u>
Total capital assets being depreciated	22,623,092	305,787	275,284	23,204,163
Less accumulated depreciation for:				
Infrastructure	(8,154,554)	(550,973)	-	(8,705,527)
Buildings and improvements	(1,005,488)	(59,373)	-	(1,064,861)
Other equipment	<u>(308,624)</u>	<u>(23,548)</u>	<u>-</u>	<u>(332,172)</u>
Total accumulated depreciation	<u>(9,468,666)</u>	<u>(633,894)</u>	<u>-</u>	<u>(10,102,560)</u>
Total capital assets, being depreciated, net	<u>13,154,426</u>	<u>(328,107)</u>	<u>275,284</u>	<u>13,101,603</u>
Business-type activities capital assets, net	<u><u>\$ 14,713,048</u></u>	<u><u>\$ (292,594)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 14,420,454</u></u>

Depreciation was not charged to specific functions or programs of the City for governmental activities. Capital assets are used throughout the City and are therefore unallocated. Depreciation expense for governmental activities is recorded on the statement of activities as unallocated depreciation expense. Depreciation expense was charged to functions/programs of the City's business-type activities as follows:

Business-type activities:	
Water enterprise	\$ 166,396
Wastewater enterprise	376,252
Storm drain enterprise	24,212
RV park enterprise	59,343
Recycling enterprise	<u>7,691</u>
Total depreciation expense - business-type activities	<u><u>\$ 633,894</u></u>

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2018

Note III - Detailed notes on all funds, continued

C. Interfund transfers

The interfund transfer activity for the year ended June 30, 2018 was as follows:

Transfers In:	Transfers Out: General Fund
Road Fund	\$ 579,000
Nonmajor Governmental Funds	563,458
Water Enterprise	250,000
Wastewater Enterprise	<u>275,525</u>
	<u>\$ 1,667,983</u>

Interfund transfers are used to provide funds for debt service, to contribute towards the cost of capital projects, and to provide operational resources.

D. Long-term debt

Long-term debt outstanding at year end is as follows:

Purpose	Interest Rates	Amount
The general obligation bonds series 2010 were issued in the original amount of \$3,575,000 to finance the Ecola Creek Forest Reserve. These general obligation bonds are direct obligations and pledge the full faith and credit of the City. The debt service fund is used to liquidate these bonds. Original maturity of these 20-year bonds is June 1, 2031. In April of 2012, the City received a \$1,400,000 grant from the Oregon Watershed Enhancement Board which the City used to legally defease \$1,015,000 of the 2010 series bond principal, adjusting the maturity to January 1, 2027.	2.00% to 4.50%	\$ 1,980,000
The general obligation bonds series 2012 were issued in the original amount of \$2,845,000 to advance refund a portion of the 2005 Series general obligation bonds. These general obligation bonds are direct obligations and pledge the full faith and credit of the City. The debt service fund is used to liquidate these bonds. Final maturity of these bonds is June 1, 2025.	2.0% to 3.0%	<u>2,045,000</u>
Total debt outstanding		4,025,000
Current portion		<u>410,000</u>
Long-term portion		<u>\$ 3,615,000</u>

Annual debt service requirements to maturity at year end are as follows:

Year ending June 30,	Governmental Activities	
	Principal	Interest
2019	\$ 410,000	\$ 146,025
2020	480,000	135,025
2021	510,000	118,575
2022	535,000	99,825
2023	565,000	80,175
2024 - 2028	<u>1,525,000</u>	<u>115,500</u>
Total	<u>\$ 4,025,000</u>	<u>\$ 695,125</u>

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2018

Note III - Detailed notes on all funds, continued

D. Long-term debt, continued

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 4,410,000	\$ -	\$ (385,000)	\$ 4,025,000	\$ 410,000
Original issue premium	234,388	-	(27,709)	206,679	27,709
Totals bonds payable	4,644,388	-	(412,709)	4,231,679	437,709
Compensated absences	101,427	119,608	(101,427)	119,608	119,608
Governmental activities long-term liabilities	<u>\$ 4,745,815</u>	<u>\$ 119,608</u>	<u>\$ (514,136)</u>	<u>\$ 4,351,287</u>	<u>\$ 557,317</u>
Business-type activities:					
Compensated absences	<u>\$ 41,729</u>	<u>\$ 37,722</u>	<u>\$ (41,729)</u>	<u>\$ 37,722</u>	<u>\$ 37,722</u>

For governmental activities, compensated absences are generally liquidated by the general fund.

Advanced Refundings

2010 Series general obligation bonds. In 2012, the City defeased a portion of the 2010 Series general obligation bonds by placing the funds received from a State of Oregon Watershed Enhancement Board (OWEB) grant in an irrevocable trust account to provide for future debt service payments on the bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 2018 \$1,015,000 of defeased 2010 Series general obligation bonds remain outstanding.

E. Employee Retirement Plans

Employees of the City are provided with pensions through the Oregon Public Employees Retirement System (OPERS) a cost-sharing multiple-employer defined benefit pension plan. The Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available Comprehensive Annual Financial Report and Actuarial Valuation that can be obtained at <https://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>.

Risk Pooling

The City has elected to participate in the State and Local Government Rate Pool (SLGRP). Pooling allows separate employers to be part of one group for the purpose of determining employer pension costs and contribution rates. Pool participants share pension assets and future pension liabilities and surpluses. Employers in the pool jointly fund the future pension costs of all of the pooled participants.

Plan Benefits

1. Tier One/Tier Two Retirement Benefit (Chapter 238).

Pension Benefits

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2018

Note III - Detailed notes on all funds, continued

E. Employee Retirement Plans, continued

or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

Death Benefits

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- the member was employed by a PERS employer at the time of death,
- the member died within 120 days after termination of PERS-covered employment,
- the member died as a result of injury sustained while employed in a PERS-covered job, or
- the member was on an official leave of absence from a PERS-covered job at the time of death.

Disability Benefits

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

Benefit Changes

After Retirement Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

2. OPSRP Pension Program (OPSRP DB)

Pension Benefits.

The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

Police and Fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the OPSRP Pension Program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

Death Benefits

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability Benefits

A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2018

Note III - Detailed notes on all funds, continued

E. Employee Retirement Plans, continued

Benefit Changes After Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

3. OPSRP Individual Account Program (OPSRP IAP)

Pension Benefits

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Recordkeeping

OPERS contracts with VOYA Financial to maintain IAP participant records.

Contributions:

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation as subsequently modified by 2015 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2015. Employer contributions for the year ended June 30, 2018 were \$473,564. The rates in effect for the fiscal year ended June 30, 2018 were 19.26 percent for Tier One/Tier Two General Services, 11.73 percent for OPSRP Pension Program General Services, and 16.50 percent for OPSRP Police and Fire members and 6 percent for OPSRP Individual Account Program.

Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018 the City's proportionate share of the net pension liability is \$3,022,189. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of December 31, 2015 rolled forward to June 30, 2017. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the City's proportion was 0.02241974 percent, which was a change from its proportion measured as of June 30, 2016 of 0.02099759 percent.

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2018

Note III - Detailed notes on all funds, continued

E. Employee Retirement Plans, continued

For the year ended June 30, 2018 the City recognized pension expense of \$662,660. At June 30, 2018 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 146,154	\$ -
Change in assumptions	550,891	-
Net difference between projected and actual earnings on pension plan investments	31,136	-
Changes in proportionate share	124,480	87,917
Differences between City contributions and proportionate share of contributions	62,799	30,694
Subtotal before post-measurement date contributions	915,460	118,611
City contributions subsequent to the measurement date	326,431	-
Total	<u>\$ 1,241,891</u>	<u>\$ 118,611</u>

Deferred outflows of resources related to pensions of \$326,431 resulting from the City's contributions subsequent to the measurement date will be recognized as either a reduction of the net pension liability or an increase in the net pension asset in the year ended June 30, 2019. Other net deferred outflows (inflows) of resources of \$796,849 will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2019	\$ 154,611
2020	399,997
2021	274,879
2022	(46,241)
2023	13,603
Total	<u>\$ 796,849</u>

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2018

Note III - Detailed notes on all funds, continued

E. Employee Retirement Plans, continued

Actuarial Methods and Assumptions:

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2015
Measurement Date	June 30, 2017
Experience Study Report	2014, published September 2015
Actuarial Cost Method	Entry Age normal
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Long-Term Expected Rate of Return	7.50 percent
Discount Rate	7.50 percent
Project Salary Increases	3.50 percent overall payroll growth
Cost Living Adjustments (COLA)	Blend of 2.00% COLA and Grade COLA
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation. Active Members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct statistic, generational per Scale BB, disabled mortality table.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

Long-term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model. For more information on the Plan's portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS' audited financial statements at:

http://www.oregon.gov/pers/docs/financial_reports/2016_cafr.pdf

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2018

Note III - Detailed notes on all funds, continued

E. Employee Retirement Plans, continued

Depletion Date Projection

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for PERS:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is our independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.50 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50)%	1% Increase (8.50%)
Proportionate Share of Net Pension Liability (Asset)	\$ 5,150,363	\$ 3,022,189	\$ 1,242,643

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2018

Note III - Detailed notes on all funds, continued

E. Employee Retirement Plans, continued

Changes in Assumptions and Other Inputs

Changes in actuarial methods and assumptions implemented since the December 31, 2013 valuation are described in the 2014 Experience Study (Study), published September 2015.

Changes in assumptions from that Study are reported in the table of actuarial methods and assumptions, modifications to the allocation of actuarial accrued liabilities, administrative expense assumptions, healthcare cost inflation, and mortality tables can be found in the Study at:

<https://www.oregon.gov/PERS/Documents/Financials/Actuarial/2015/Experience-Study.pdf>.

Changes in Plan Provisions Subsequent to Measurement Date

At its July 28, 2017 meeting, the PERS Board lowered the assumed earning rate from 7.5% to 7.2%.

F. Other Postemployment Benefits (OPEB)

Plan Description

The City provides an implicit rate subsidy for retiree health insurance premiums. The City's single-employer defined benefit postemployment healthcare plan is administered by City County Insurance Services. Benefit provisions are established through negotiations between the City and representatives of collective bargaining units or through resolutions passed by the City. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Financial Statement Presentation

The amounts on the financial statements relate to the plans as follows:

Deferred outflow of resources:	
Contributions after measurement date	\$ 11,013
Net OPEB liability	(166,408)
Deferred inflow of resources:	
Change in assumptions	(8,852)

Deferred outflows of resources related to OPEB of \$11,013 resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2019	\$ (1,230)
2020	(1,230)
2021	(1,230)
2022	(1,230)
2023	(1,230)
Thereafter	(2,702)
	<u>\$ (8,852)</u>

Benefits Provided

The plan provides eligible retirees and their dependents under age 65 the same health care coverage at the same premium rates as offered to active employees. The retiree is responsible for the premiums. As of the valuation date of July 1, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	2
Active employees	<u>35</u>
Total	<u>37</u>

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2018

Note III - Detailed notes on all funds, continued

F. Other Postemployment Benefits (OPEB), continued

Total OPEB Liability and OPEB Expense

The City's total OPEB liability of \$166,408 was measured as of June 30, 2017, and was determined by an actuarial valuation as of July 1, 2016.

For the fiscal year ended June 30, 2018, the City recognized OPEB expense from this plan of \$22,522.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2016 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry age normal
Inflation	2.5 percent
Annual pay increases	3.5 percent
Mortality	RP-2000 healthy white collar male and female mortality tables, set back one year for males. Mortality is projected on a generational basis using Scale BB for males and females.
Discount rate	3.58 percent (change from 2.58 percent in previous measurement period)
Health Care Cost Trend	7 percent per year decreasing to 5.25 percent

The discount rate was based on Bond Buyer 20-Year General Obligation Bond Index.

Changes in the Total OPEB Liability

Balance as of June 30, 2017	\$ 165,663
Changes for the year	
Service cost	18,681
Interest on total OPEB liability	5,071
Effect of assumptions changes or inputs	(10,082)
Benefit payments	(12,925)
Balance as of June 30, 2018	<u>\$ 166,408</u>

Changes in assumptions is the result of the change in the discount rate from 2.85 to 3.58.

Sensitivity of the Total OPEB Liability

The following presents the City's total OPEB liability, as well as what the liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current discount rate. A similar sensitivity analysis is then presented for changes in the healthcare trend assumption.

	1% Decrease	Current Discount/Trend Rate	1 % Increase
Discount Rate - Total OPEB Liability	179,737	166,408	154,144
Healthcare Trend Rate - Total OPEB Liability	149,131	166,408	186,852

G. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There has been no significant reduction in insurance coverage from the prior year and settled claims have not reached the level of commercial coverage in any of the past three fiscal years.

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2018

Note III - Detailed notes on all funds, continued

H. Contingent liabilities

The City is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations and capital projects. Management intends to contest these matters and does not believe their ultimate resolution will have a material effect upon the City's financial position, results of operations or cash flows.

I. Change in Accounting Principle

In implementing GASB Statement No. 75, the City has restated beginning net position in order to recognize the correct Total OPEB Liability for the City's Implicit Rate Subsidy plan and to recognize the City's proportionate share of the Net OPEB Asset of the Oregon Public Employees Retirement Systems (OPERS). The City had previously reported a Net OPEB Obligation in accordance with GASB Statement No. 45 related to the Implicit Rate Subsidy plan, which has been replaced with the Total OPEB Liability. The restatement also recognizes a deferred outflow of resources related to OPEB for contributions from each plan made after the June 30, 2017 measurement date. The City restated beginning net position as follows:

Opinion Unit	Beginning Net Position	Cumulative Effect of Change in Accounting Principle	Restated Beginning Net Position
Governmental Activities	\$ 4,462,304	\$ (120,763)	\$ 4,341,541
Business-type Activities	15,748,197	(42,058)	15,706,139
Water Enterprise	4,615,089	(14,328)	4,600,761
Wastewater Enterprise	7,358,357	(19,230)	7,339,127
Storm Drain Enterprise	671,373	(4,201)	667,172
Recycling Enterprise	2,865,645	(4,299)	2,861,346
Administrative Services	(355,405)	(26,328)	(381,733)

REQUIRED SUPPLEMENTARY INFORMATION



CITY OF CANNON BEACH, OREGON
Oregon Public Employees Retirement System
June 30, 2018

Schedule of the Proportionate Share of the Net Pension Liability

	2018	2017	2016	2015	2014
Proportion of the net pension liability (asset)	0.02241974 %	0.02099759 %	0.02312559 %	0.02011880 %	0.02011880 %
Proportionate share of the net pension liability (asset)	\$ 3,152,226	\$ 3,152,226	\$ 1,327,747	\$ (456,036)	\$ 1,026,692
Covered payroll	\$ 2,617,450	\$ 2,422,025	\$ 2,343,341	\$ 2,051,308	\$ 1,983,297
Proportionate share of the pension liability (asset) as a percentage of its covered employee payroll	120.43 %	130.15 %	56.66 %	(22.23)%	51.77 %
Plan net position as a percentage of the total pension liability	80.50 %	80.50 %	91.90 %	103.59 %	92.00 %

Schedule of Pension Contributions

	2018	2017	2016	2015	2014
Contractually required contribution	\$ 473,564	\$ 403,664	\$ 380,236	\$ 297,474	\$ 302,166
Contributions in relation to the contractually required contribution	<u>473,564</u>	<u>403,664</u>	<u>380,236</u>	<u>297,474</u>	<u>302,166</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 2,617,450	\$ 2,422,025	\$ 2,343,341	\$ 2,051,308	\$ 1,983,297
Contributions as a percentage of covered employee payroll	18.09 %	16.67 %	16.23 %	14.50 %	15.24 %

Notes to Required Supplementary Information

Note I - Measurement Period

Amounts presented are for the measurement period reported during the fiscal year, which for FY 2018 is July 1, 2016 - June 30, 2017.

Note II - Changes in Benefit Terms

The Oregon Supreme Court on April 30, 2015, ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive COLA tied to the Consumer Price Index that normally results in a 2% increase annually. OPERS will make restoration payments to those benefit recipients.

OPERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire.

This change in benefit terms was not included in the net pension liability (asset) proportionate shares provided by OPERS for the year ending June 30, 2015.

Note III - Change in Assumptions

Details and a comprehensive list of changes in methods and assumptions can be found in the 2012 and 2014 Experience Study for the System, which were published on September 18, 2013 and September 23, 2015. These reports can be found at: <https://www.oregon.gov/pers/Pages/Financials/Actuarial-Presentations-and-Reports.aspx>.

CITY OF CANNON BEACH, OREGON

Schedule of Changes in Total OPEB Liability and Related Ratios

June 30, 2018

	<u>2018</u>
Balance at beginning of year	\$ 165,663
Service costs	18,681
Interest on total OPEB liability	5,071
Effect of assumptions changes or inputs	(10,082)
Benefit payments	<u>(12,925)</u>
Balance at end of year	166,408
Covered payroll	<u>2,617,450</u>
Total OPEB liability as a percentage of covered payroll	<u><u>6.36 %</u></u>

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES



NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds account for revenues derived from specific tax or other earmarked revenue sources, including federal and state grant awards, which are restricted to finance particular functions or activities. Funds included in this fund category are:

Building Official Fund - Accounts for the activities of the Building Division, which is responsible for the enforcement of building, plumbing, mechanical, and fire and life safety codes of the State of Oregon.

Affordable Housing Fund - Accounts for the activities of the Cannon Beach Affordable Housing program, which is funded by a construction excise tax. The tax collected on residential permits is authorized to be used 50% on builder/developer incentives, 35% on housing programs of the City and 15% is distributed to the Oregon Department of Housing and Community Services. The tax collected on commercial permits is authorized to be used 100% on housing programs of the City.

Capital Project Funds are used to account for the acquisition or construction of major capital facilities. Funds included in this category are:

General Repair and Replacement Reserve Fund - Accounts for resources dedicated for future general capital asset replacement.

Ecola Forest Reserve Fund - Accounts for resources dedicated for future capital improvements in the Ecola Forest.

Bridge Repair and Replacement Reserve Fund - Accounts for resources dedicated for future capital improvements for bridges.

Debt Service Funds account for the accumulation of resources for and payment of general long-term debt principal and interest. Funds included in this category are:

Debt Service Fund - Accounts for the payment of principal and interest on the general obligation bonds.



CITY OF CANNON BEACH, OREGON
NONMAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2018

	Special Revenue Funds		Debt Service Fund	Capital Projects Funds			Total Nonmajor Governmental Funds
	Building Official Fund (015)	Affordable Housing Fund (018)	Debt Service Fund (030)	General Reserve Fund (059)	Ecola Forest Reserve Fund (053)	Bridge Reserve Fund (055)	
ASSETS							
Cash and investments	\$ 66,734	\$ 44,000	\$ 37,998	\$ 913,821	\$ 6,394	\$ 8,592	\$ 1,077,539
Receivables:							
Property taxes	-	-	26,216	-	-	-	26,216
Total assets	<u>\$ 66,734</u>	<u>\$ 44,000</u>	<u>\$ 64,214</u>	<u>\$ 913,821</u>	<u>\$ 6,394</u>	<u>\$ 8,592</u>	<u>\$ 1,103,755</u>
LIABILITIES							
Accounts payable and accrued expenses	\$ 2,572	\$ 1,219	\$ -	\$ -	\$ -	\$ -	3,791
Total liabilities	<u>2,572</u>	<u>1,219</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,791</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenues:							
Property taxes	-	-	20,522	-	-	-	20,522
FUND BALANCES							
Restricted:							
Building inspection	64,162	-	-	-	-	-	64,162
Affordable housing		42,781	-				42,781
Assigned:							
Capital projects	-	-	-	913,821	6,394	8,592	928,807
Debt service	-	-	43,692	-	-	-	43,692
Total fund balances	<u>64,162</u>	<u>42,781</u>	<u>43,692</u>	<u>913,821</u>	<u>6,394</u>	<u>8,592</u>	<u>1,079,442</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 66,734</u>	<u>\$ 44,000</u>	<u>\$ 64,214</u>	<u>\$ 913,821</u>	<u>\$ 6,394</u>	<u>\$ 8,592</u>	<u>\$ 1,103,755</u>

CITY OF CANNON BEACH, OREGON
NONMAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2018

	Special Revenue Funds		Debt Service Fund	Capital Projects Funds			Total Nonmajor Governmental Funds
	Building Official Fund (015)	Affordable Housing Fund (018)	Debt Service Fund (030)	General Reserve Fund (059)	Ecoloa Forest Reserve Fund (053)	Bridge Reserve Fund (055)	
Revenues:							
Taxes and assessments	\$ -	\$ 46,286	\$ 346,147	\$ -	\$ -	\$ -	\$ 392,433
Licenses, permits, and fees	<u>185,933</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>185,933</u>
Total revenues	<u>185,933</u>	<u>46,286</u>	<u>346,147</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>578,366</u>
Expenditures:							
Current:							
Building	188,452	3,505	-	-	-	-	191,957
Debt service:							
Principal	-	-	385,000	-	-	-	385,000
Interest	<u>-</u>	<u>-</u>	<u>158,325</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>158,325</u>
Total expenditures	<u>188,452</u>	<u>3,505</u>	<u>543,325</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>735,282</u>
Excess (deficiency) of revenues over (under) expenditures	(2,519)	42,781	(197,178)	-	-	-	(156,916)
Other Financing Sources (Uses):							
Transfers in	<u>-</u>	<u>-</u>	<u>163,458</u>	<u>400,000</u>	<u>-</u>	<u>-</u>	<u>563,458</u>
Net change in fund balances	(2,519)	42,781	(33,720)	400,000	-	-	406,542
Fund Balances:							
Beginning of year	<u>66,681</u>	<u>-</u>	<u>77,412</u>	<u>513,821</u>	<u>6,394</u>	<u>8,592</u>	<u>672,900</u>
End of year	<u>\$ 64,162</u>	<u>\$ 42,781</u>	<u>\$ 43,692</u>	<u>\$ 913,821</u>	<u>\$ 6,394</u>	<u>\$ 8,592</u>	<u>\$ 1,079,442</u>

CITY OF CANNON BEACH, OREGON

015 - BUILDING OFFICIAL FUND

Schedule of Resources and Requirements

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	\$ 55,000	\$ 55,000	\$ 66,681	\$ 11,681
Licenses, permits and fees	<u>188,000</u>	<u>188,000</u>	<u>185,933</u>	<u>(2,067)</u>
Total resources	<u>\$ 243,000</u>	<u>\$ 243,000</u>	<u>\$ 252,614</u>	<u>\$ 9,614</u>
Requirements:				
Debt Service Program:				
Personal services	\$ 152,251	\$ 152,251	\$ 141,201	\$ 11,050
Materials and services	<u>68,201</u>	<u>68,201</u>	<u>47,251</u>	<u>20,950</u>
Total program-specific	220,452	220,452	188,452	32,000
Contingency	22,548	22,548	-	22,548
Ending fund balance	<u>-</u>	<u>-</u>	<u>64,162</u>	<u>(64,162)</u>
Total requirements	<u>\$ 243,000</u>	<u>\$ 243,000</u>	<u>\$ 252,614</u>	<u>\$ (9,614)</u>

CITY OF CANNON BEACH, OREGON**018 - AFFORDABLE HOUSING FUND****Schedule of Resources and Requirements****Budget and Actual (Budgetary Basis)****For the Year Ended June 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Taxes and assessments	\$ 92,750	\$ 92,750	\$ 46,286	\$ (46,464)
Rents	32,000	32,000	-	(32,000)
Loan proceeds	<u>305,000</u>	<u>305,000</u>	<u>-</u>	<u>(305,000)</u>
Total resources	<u>\$ 429,750</u>	<u>\$ 429,750</u>	<u>\$ 46,286</u>	<u>\$ (383,464)</u>
Requirements:				
Building Program:				
Materials and services	\$ 77,097	\$ 77,097	\$ 3,505	\$ 73,592
Capital outlay	<u>295,000</u>	<u>295,000</u>	<u>-</u>	<u>295,000</u>
Total program-specific	<u>372,097</u>	<u>372,097</u>	<u>3,505</u>	<u>368,592</u>
Debt service	45,325	45,325	-	45,325
Contingency	<u>12,328</u>	<u>12,328</u>	<u>-</u>	<u>12,328</u>
Total expenditures	429,750	429,750	3,505	426,245
Ending fund balance	<u>-</u>	<u>-</u>	<u>42,781</u>	<u>(42,781)</u>
Total requirements	<u>\$ 429,750</u>	<u>\$ 429,750</u>	<u>\$ 46,286</u>	<u>\$ 383,464</u>

CITY OF CANNON BEACH, OREGON

030 - DEBT SERVICE FUND

Schedule of Resources and Requirements

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	\$ 55,000	\$ 55,000	\$ 77,412	\$ 22,412
Taxes and assessments	339,867	339,867	346,147	6,280
Transfers in	<u>163,458</u>	<u>163,458</u>	<u>163,458</u>	<u>-</u>
Total resources	<u>\$ 558,325</u>	<u>\$ 558,325</u>	<u>\$ 587,017</u>	<u>\$ 28,692</u>
Requirements:				
Debt service	<u>\$ 543,325</u>	<u>\$ 543,325</u>	<u>\$ 543,325</u>	<u>\$ -</u>
Total expenditures	543,325	543,325	543,325	-
Ending fund balance	<u>15,000</u>	<u>15,000</u>	<u>43,692</u>	<u>(28,692)</u>
Total requirements	<u>\$ 558,325</u>	<u>\$ 558,325</u>	<u>\$ 587,017</u>	<u>\$ (28,692)</u>

CITY OF CANNON BEACH, OREGON

059 - GENERAL REPAIR AND REPLACEMENT RESERVE FUND

Schedule of Resources and Requirements

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	\$ 513,820	\$ 513,820	\$ 513,821	\$ 1
Transfers in	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>-</u>
Total resources	<u>\$ 913,820</u>	<u>\$ 913,820</u>	<u>\$ 913,821</u>	<u>\$ 1</u>
Requirements:				
Ending fund balance	<u>913,820</u>	<u>913,820</u>	<u>913,821</u>	<u>(1)</u>
Total requirements	<u>\$ 913,820</u>	<u>\$ 913,820</u>	<u>\$ 913,821</u>	<u>\$ (1)</u>

CITY OF CANNON BEACH, OREGON

053 - ECOLA FOREST RESERVE FUND

Schedule of Resources and Requirements

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	<u>\$ 6,393</u>	<u>\$ 6,393</u>	<u>\$ 6,394</u>	<u>\$ 1</u>
Total resources	<u><u>\$ 6,393</u></u>	<u><u>\$ 6,393</u></u>	<u><u>\$ 6,394</u></u>	<u><u>\$ 1</u></u>
Requirements:				
Ecola Forest Program:				
Capital outlay	<u>\$ 6,393</u>	<u>\$ 6,393</u>	<u>\$ -</u>	<u>\$ 6,393</u>
Total program-specific	<u>6,393</u>	<u>6,393</u>	<u>-</u>	<u>6,393</u>
Total expenditures	<u>6,393</u>	<u>6,393</u>	<u>-</u>	<u>6,393</u>
Ending fund balance	<u>-</u>	<u>-</u>	<u>6,394</u>	<u>(6,394)</u>
Total requirements	<u><u>\$ 6,393</u></u>	<u><u>\$ 6,393</u></u>	<u><u>\$ 6,394</u></u>	<u><u>\$ (1)</u></u>

CITY OF CANNON BEACH, OREGON

055 - BRIDGE REPAIR AND REPLACEMENT RESERVE FUND

Schedule of Resources and Requirements

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	\$ 8,592	\$ 8,592	\$ 8,592	\$ -
Total resources	<u>\$ 8,592</u>	<u>\$ 8,592</u>	<u>\$ 8,592</u>	<u>\$ -</u>
Requirements:				
Roads Program:				
Capital outlay	\$ 8,592	\$ 8,592	\$ -	\$ 8,592
Ending fund balance	<u>-</u>	<u>-</u>	<u>8,592</u>	<u>(8,592)</u>
Total requirements	<u>\$ 8,592</u>	<u>\$ 8,592</u>	<u>\$ 8,592</u>	<u>\$ -</u>

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing services are financed or recovered primarily through user charges. Funds included in this category are:

Water Fund - Accounts for the operation, maintenance and improvements of the water public utility.

Water Repair and Replacement Reserve Fund - Accumulates money for major maintenance and capital improvement projects.

Wastewater Fund - Accounts for the operation, maintenance, and improvements of the wastewater public utility.

Wastewater Repair and Replacement Reserve Fund - Accumulates money for major maintenance and capital improvement projects.

Storm Drain Fund - Accounts for the operation, maintenance and improvements of the storm drainage utility.

Storm Drain Repair and Replacement Reserve Fund - Accumulates money for major maintenance and capital improvement projects.

RV Park Fund - Accounts for the operation, maintenance and improvements of the RV park.

RV Park Repair and Replacement Reserve Fund - Accumulates money for major maintenance and capital improvement projects.

Recycling Fund - Accounts for the operation, maintenance and improvements of the City's recycling operations.

Recycling Repair and Replacement Reserve Fund - Accumulates money for major maintenance and capital improvement projects.



CITY OF CANNON BEACH, OREGON
WATER ENTERPRISE
Combining Statement of Net Position
June 30, 2018

	Water Fund (024)	Water Reserve Fund (054)	Total Water Enterprise
ASSETS			
Current assets:			
Cash and investments	\$ 297,715	\$ 319,117	\$ 616,832
Accounts receivable	113,465	-	113,465
Inventory	111,737	-	111,737
Prepaid expenses	9,985	39,529	49,514
Total current assets	<u>532,902</u>	<u>358,646</u>	<u>891,548</u>
Noncurrent assets:			
Capital assets:			
Nondepreciable assets	519,401	-	519,401
Depreciable, net	<u>3,658,577</u>	<u>-</u>	<u>3,658,577</u>
Total noncurrent assets	<u>4,177,978</u>	<u>-</u>	<u>4,177,978</u>
Total assets	4,710,880	358,646	5,069,526
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	121,209	-	121,209
Related to OPEB	<u>969</u>	<u>-</u>	<u>969</u>
Total assets and deferred outflows	<u>4,833,058</u>	<u>358,646</u>	<u>5,191,704</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	31,449	41,873	73,322
Deposits	2,500	-	2,500
Compensated absences	<u>18,084</u>	<u>-</u>	<u>18,084</u>
Total current liabilities	52,033	41,873	93,906
Noncurrent liabilities:			
Net pension liability	294,966	-	294,966
Net OPEB liability	<u>14,644</u>	<u>-</u>	<u>14,644</u>
Total liabilities	361,643	41,873	403,516
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	11,577	-	11,577
Related to OPEB	<u>779</u>	<u>-</u>	<u>779</u>
Total liabilities and deferred inflows	<u>373,999</u>	<u>41,873</u>	<u>415,872</u>
NET POSITION			
Net investment in capital assets	4,177,978	-	4,177,978
Unrestricted	<u>281,081</u>	<u>316,773</u>	<u>597,854</u>
Total net position	<u>\$ 4,459,059</u>	<u>\$ 316,773</u>	<u>\$ 4,775,832</u>

CITY OF CANNON BEACH, OREGON

WATER ENTERPRISE

Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2018

	Water Fund (024)	Water Reserve Fund (054)	Total Water Enterprise
Operating Revenues:			
Charges for services	\$ 990,100	\$ -	\$ 990,100
Other operating revenues	15,142	-	15,142
Total operating revenues	<u>1,005,242</u>	<u>-</u>	<u>1,005,242</u>
Operating Expenses:			
Personal services	359,563	-	359,563
Cost of operations	563,998	-	563,998
Depreciation	166,396	-	166,396
Total operating expenses	<u>1,089,957</u>	<u>-</u>	<u>1,089,957</u>
Operating income (loss)	(84,715)	-	(84,715)
Capital contributions	9,786	-	9,786
Capital transfers, net	35,513	(35,513)	-
Transfers in	<u>-</u>	<u>250,000</u>	<u>250,000</u>
Change in net position	(39,416)	214,487	175,071
Net Position:			
Beginning of year, as restated	<u>4,498,475</u>	<u>102,286</u>	<u>4,600,761</u>
End of year	<u>\$ 4,459,059</u>	<u>\$ 316,773</u>	<u>\$ 4,775,832</u>

CITY OF CANNON BEACH, OREGON
WATER ENTERPRISE
Combining Statement of Cash Flows
For the Year Ended June 30, 2018

	Water Fund (024)	Water Repair and Replacement Reserve Fund (054)	Total Water Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 971,664	\$ -	\$ 971,664
Payments to suppliers and contractors	(253,186)	-	(253,186)
Payments to employees	(312,245)	-	(312,245)
Payments for interfund services used	(289,770)	-	(289,770)
Net cash provided (used) by operating activities	<u>116,463</u>	<u>-</u>	<u>116,463</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	<u>-</u>	<u>250,000</u>	<u>250,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	9,786	-	9,786
Acquisition and construction of capital assets	(6,780)	(33,169)	(39,949)
Net cash provided by (used in) capital and related financing activities	<u>3,006</u>	<u>(33,169)</u>	<u>(30,163)</u>
Net change in cash and investments	119,469	216,831	336,300
Cash and investments:			
Beginning of year	178,246	102,286	280,532
End of year	<u>\$ 297,715</u>	<u>\$ 319,117</u>	<u>\$ 616,832</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (84,715)	\$ -	\$ (84,715)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	166,396	-	166,396
Net increase (reduction) of expense under GASB 68	45,351	-	45,351
Net increase (reduction) of expense under GASB 75	126	-	126
(Increase) decrease in current assets:			
Receivables	(33,578)	-	(33,578)
Prepaid expenses	(9,985)	-	(9,985)
Inventory	20,756	-	20,756
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	9,371	-	9,371
Deposits	900	-	900
Compensated absences	1,841	-	1,841
Net cash provided (used) by operating activities	<u>\$ 116,463</u>	<u>\$ -</u>	<u>\$ 116,463</u>
Schedule of noncash transactions:			
Capital assets transferred between funds	<u>\$ 79,224</u>	<u>\$ (79,224)</u>	<u>\$ -</u>

CITY OF CANNON BEACH, OREGON
WASTEWATER ENTERPRISE
Combining Statement of Net Position
June 30, 2018

	Wastewater Fund (026)	Wastewater Reserve Fund (056)	Total Wastewater Enterprise
ASSETS			
Current assets:			
Cash and investments	\$ 463,868	\$ 186,211	\$ 650,079
Accounts receivable	116,204	-	116,204
Inventory	42,641	-	42,641
Prepaid expenses	15,897	-	15,897
Total current assets	<u>638,610</u>	<u>186,211</u>	<u>824,821</u>
Noncurrent assets:			
Capital assets:			
Depreciable, net	<u>7,037,584</u>	-	<u>7,037,584</u>
Total noncurrent assets	<u>7,037,584</u>	-	<u>7,037,584</u>
Total assets	7,676,194	186,211	7,862,405
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	104,195	-	104,195
Related to OPEB	<u>1,301</u>	-	<u>1,301</u>
Total assets and deferred outflows	<u>7,781,690</u>	<u>186,211</u>	<u>7,967,901</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	87,526	91,128	178,654
Compensated absences	<u>9,809</u>	-	<u>9,809</u>
Total current liabilities	97,335	91,128	188,463
Noncurrent liabilities:			
Net pension liability	253,562	-	253,562
Net OPEB liability	<u>19,653</u>	-	<u>19,653</u>
Total liabilities	370,550	91,128	461,678
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	9,951	-	9,951
Related to OPEB	<u>1,045</u>	-	<u>1,045</u>
Total liabilities and deferred inflows	<u>381,546</u>	<u>91,128</u>	<u>472,674</u>
NET POSITION			
Net investment in capital assets	7,037,584	-	7,037,584
Unrestricted	<u>362,560</u>	<u>95,083</u>	<u>457,643</u>
Total net position	<u>\$ 7,400,144</u>	<u>\$ 95,083</u>	<u>\$ 7,495,227</u>

CITY OF CANNON BEACH, OREGON
WASTEWATER ENTERPRISE
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2018

	Wastewater Fund (026)	Wastewater Reserve Fund (056)	Total Wastewater Enterprise
Operating Revenues:			
Charges for services	\$ 1,235,584	\$ -	\$ 1,235,584
Other operating revenues	240	-	240
Total operating revenues	<u>1,235,824</u>	<u>-</u>	<u>1,235,824</u>
Operating Expenses:			
Personal services	344,444	-	344,444
Cost of operations	642,944	-	642,944
Depreciation	376,252	-	376,252
Total operating expenses	<u>1,363,640</u>	<u>-</u>	<u>1,363,640</u>
Operating income (loss)	(127,816)	-	(127,816)
Capital contributions	8,391	-	8,391
Capital transfers, net	262,417	(262,417)	-
Transfers in	<u>-</u>	<u>275,525</u>	<u>275,525</u>
Change in net position	142,992	13,108	156,100
Net Position:			
Beginning of year, as restated	<u>7,257,152</u>	<u>81,975</u>	<u>7,339,127</u>
End of year	<u>\$ 7,400,144</u>	<u>\$ 95,083</u>	<u>\$ 7,495,227</u>

CITY OF CANNON BEACH, OREGON
WASTEWATER ENTERPRISE
Combining Statement of Cash Flows
For the Year Ended June 30, 2018

	Wastewater Fund (026)	Wastewater Reserve Fund (056)	Total Wastewater Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,220,759	\$ -	\$ 1,220,759
Payments to suppliers and contractors	(313,450)	(1)	(313,451)
Payments to employees	(327,865)	-	(327,865)
Payments for interfund services used	(284,431)	-	(284,431)
Net cash provided (used) by operating activities	<u>295,013</u>	<u>(1)</u>	<u>295,012</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	-	275,525	275,525
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>275,525</u>	<u>275,525</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	8,391	-	8,391
Acquisition and construction of capital assets	(36,590)	(171,288)	(207,878)
Net cash provided by (used in) capital and related financing activities	<u>(28,199)</u>	<u>(171,288)</u>	<u>(199,487)</u>
Net change in cash and investments	266,814	104,236	371,050
Cash and investments:			
Beginning of year	197,054	81,975	279,029
End of year	<u>\$ 463,868</u>	<u>\$ 186,211</u>	<u>\$ 650,079</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (127,816)	\$ -	\$ (127,816)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	376,252	-	376,252
Net increase (reduction) of expense under GASB 68	23,256	-	23,256
Net increase (reduction) of expense under GASB 75	167	-	167
(Increase) decrease in current assets:			
Receivables	(15,065)	-	(15,065)
Prepaid expenses	(15,897)	-	(15,897)
Inventory	(4,074)	-	(4,074)
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	65,034	(1)	65,033
Compensated absences	(6,844)	-	(6,844)
Net cash provided (used) by operating activities	<u>\$ 295,013</u>	<u>\$ (1)</u>	<u>\$ 295,012</u>

CITY OF CANNON BEACH, OREGON
STORM DRAIN ENTERPRISE
Combining Statement of Net Position
June 30, 2018

	Storm Drain Fund (028)	Storm Drain Reserve Fund (058)	Total Storm Drain Enterprise
ASSETS			
Current assets:			
Cash and investments	\$ 39,286	\$ 7,115	\$ 46,401
Accounts receivable	<u>12,902</u>	<u>-</u>	<u>12,902</u>
Total current assets	52,188	7,115	59,303
Noncurrent assets:			
Capital assets:			
Depreciable, net	<u>603,797</u>	<u>-</u>	<u>603,797</u>
Total noncurrent assets	<u>603,797</u>	<u>-</u>	<u>603,797</u>
Total assets	655,985	7,115	663,100
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	19,125	-	19,125
Related to OPEB	<u>284</u>	<u>-</u>	<u>284</u>
Total assets and deferred outflows	<u>675,394</u>	<u>7,115</u>	<u>682,509</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	231	-	231
Compensated absences	<u>2,798</u>	<u>-</u>	<u>2,798</u>
Total current liabilities	3,029	-	3,029
Noncurrent liabilities:			
Net pension liability	46,542	-	46,542
Net OPEB liability	<u>4,293</u>	<u>-</u>	<u>4,293</u>
Total liabilities	53,864	-	53,864
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	1,827	-	1,827
Related to OPEB	<u>228</u>	<u>-</u>	<u>228</u>
Total liabilities and deferred inflows	<u>55,919</u>	<u>-</u>	<u>55,919</u>
NET POSITION			
Net investment in capital assets	603,797	-	603,797
Unrestricted	<u>15,678</u>	<u>7,115</u>	<u>22,793</u>
Total net position	<u>\$ 619,475</u>	<u>\$ 7,115</u>	<u>\$ 626,590</u>

CITY OF CANNON BEACH, OREGON
STORM DRAIN ENTERPRISE
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2018

	Storm Drain Fund (028)	Storm Drain Reserve Fund (058)	Total Storm Drain Enterprise
Operating Revenues:			
Charges for services	\$ 148,365	\$ -	\$ 148,365
Operating Expenses:			
Personal services	65,601	-	65,601
Cost of operations	103,856	-	103,856
Depreciation	<u>24,212</u>	<u>-</u>	<u>24,212</u>
Total operating expenses	<u>193,669</u>	<u>-</u>	<u>193,669</u>
Operating income (loss)	(45,304)	-	(45,304)
Capital contributions	<u>4,722</u>	<u>-</u>	<u>4,722</u>
Change in net position	(40,582)	-	(40,582)
Net Position:			
Beginning of year, as restated	<u>660,057</u>	<u>7,115</u>	<u>667,172</u>
End of year	<u>\$ 619,475</u>	<u>\$ 7,115</u>	<u>\$ 626,590</u>

CITY OF CANNON BEACH, OREGON
STORM DRAIN ENTERPRISE
Combining Statement of Cash Flows
For the Year Ended June 30, 2018

	Storm Drain Fund (028)	Storm Drain Reserve Fund (058)	Total Storm Drain Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 146,520	\$ -	\$ 146,520
Payments to suppliers and contractors	(74,322)	-	(74,322)
Payments to employees	(61,989)	-	(61,989)
Payments for interfund services used	(46,423)	-	(46,423)
Net cash provided (used) by operating activities	(36,214)	-	(36,214)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	4,722	-	4,722
Net cash provided by (used in) capital and related financing activities	4,722	-	4,722
Net change in cash and investments	(31,492)	-	(31,492)
Cash and investments:			
Beginning of year	70,778	7,115	77,893
End of year	<u>\$ 39,286</u>	<u>\$ 7,115</u>	<u>\$ 46,401</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (45,304)	\$ -	\$ (45,304)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	24,212	-	24,212
Net increase (reduction) of expense under GASB 68	3,222	-	3,222
Net increase (reduction) of expense under GASB 75	36	-	36
(Increase) decrease in current assets:			
Receivables	(1,845)	-	(1,845)
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	(16,889)	-	(16,889)
Compensated absences	354	-	354
Net cash provided (used) by operating activities	<u>\$ (36,214)</u>	<u>\$ -</u>	<u>\$ (36,214)</u>

CITY OF CANNON BEACH, OREGON
RV PARK ENTERPRISE
Combining Statement of Net Position
June 30, 2018

	RV Park Fund (020)	RV Park Reserve Fund (050)	Total RV Park Enterprise
ASSETS			
Current assets:			
Cash and investments	\$ 657,286	\$ 15,923	\$ 673,209
Inventory	<u>25,727</u>	<u>-</u>	<u>25,727</u>
Total current assets	<u>683,013</u>	<u>15,923</u>	<u>698,936</u>
Noncurrent assets:			
Capital assets:			
Nondepreciable assets	799,450	-	799,450
Depreciable, net	<u>1,663,890</u>	<u>-</u>	<u>1,663,890</u>
Total noncurrent assets	<u>2,463,340</u>	<u>-</u>	<u>2,463,340</u>
Total assets	<u>3,146,353</u>	<u>15,923</u>	<u>3,162,276</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	86,988	-	86,988
Compensated absences	<u>135</u>	<u>-</u>	<u>135</u>
Total liabilities	<u>87,123</u>	<u>-</u>	<u>87,123</u>
NET POSITION			
Net investment in capital assets	2,463,340	-	2,463,340
Unrestricted	<u>595,890</u>	<u>15,923</u>	<u>611,813</u>
Total net position	<u>\$ 3,059,230</u>	<u>\$ 15,923</u>	<u>\$ 3,075,153</u>

CITY OF CANNON BEACH, OREGON
RV PARK ENTERPRISE
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2018

	RV Park Fund (020)	RV Park Reserve Fund (050)	Total RV Park Enterprise
Operating Revenues:			
Charges for services	\$ 1,861,445	\$ -	\$ 1,861,445
Operating Expenses:			
Personal services	2,012	-	2,012
Cost of operations	1,590,582	-	1,590,582
Depreciation	59,343	-	59,343
Total operating expenses	1,651,937	-	1,651,937
Operating income (loss)	209,508	-	209,508
Transfers within enterprise, net	(6,438)	6,438	-
Change in net position	203,070	6,438	209,508
Net Position:			
Beginning of year	2,856,160	9,485	2,865,645
End of year	\$ 3,059,230	\$ 15,923	\$ 3,075,153

CITY OF CANNON BEACH, OREGON
RV PARK ENTERPRISE
Combining Statement of Cash Flows
For the Year Ended June 30, 2018

	RV Park Fund (020)	RV Park Reserve Fund (050)	Total RV Park Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,861,445	\$ -	\$ 1,861,445
Payments to suppliers and contractors	(1,469,934)	-	(1,469,934)
Payments to employees	(2,002)	-	(2,002)
Payments for interfund services used	(116,361)	-	(116,361)
Net cash provided (used) by operating activities	<u>273,148</u>	<u>-</u>	<u>273,148</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers within enterprise	(6,438)	6,438	-
Net cash provided by (used in) noncapital financing activities	<u>(6,438)</u>	<u>6,438</u>	<u>-</u>
Net change in cash and investments	266,710	6,438	273,148
Cash and investments:			
Beginning of year	390,576	9,485	400,061
End of year	<u>\$ 657,286</u>	<u>\$ 15,923</u>	<u>\$ 673,209</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 209,508	\$ -	\$ 209,508
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	59,343	-	59,343
(Increase) decrease in current assets:			
Inventory	(4,025)	-	(4,025)
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	8,312	-	8,312
Compensated absences	10	-	10
Net cash provided (used) by operating activities	<u>\$ 273,148</u>	<u>\$ -</u>	<u>\$ 273,148</u>
Schedule of noncash transactions:			
Capital assets transferred between funds	<u>\$ 340,000</u>	<u>\$ (340,000)</u>	<u>\$ -</u>

CITY OF CANNON BEACH, OREGON
RECYCLING ENTERPRISE
Combining Statement of Net Position
June 30, 2018

	Recycling Fund (022)	Recycling Reserve Fund (052)	Total Recycling Enterprise
ASSETS			
Current assets:			
Cash and investments	\$ 54,644	\$ 76,326	\$ 130,970
Accounts receivable	<u>18,376</u>	<u>-</u>	<u>18,376</u>
Total current assets	73,020	76,326	149,346
Noncurrent assets:			
Capital assets:			
Depreciable, net	<u>137,755</u>	<u>-</u>	<u>137,755</u>
Total noncurrent assets	<u>137,755</u>	<u>-</u>	<u>137,755</u>
Total assets	210,775	76,326	287,101
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	42,472	-	42,472
Related to OPEB	<u>291</u>	<u>-</u>	<u>291</u>
Total assets and deferred outflows	<u>253,538</u>	<u>76,326</u>	<u>329,864</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	6,698	-	6,698
Compensated absences	<u>6,896</u>	<u>-</u>	<u>6,896</u>
Total current liabilities	13,594	-	13,594
Noncurrent liabilities:			
Net pension liability	103,359	-	103,359
Net OPEB liability	<u>4,393</u>	<u>-</u>	<u>4,393</u>
Total liabilities	121,346	-	121,346
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	4,057	-	4,057
Related to OPEB	<u>234</u>	<u>-</u>	<u>234</u>
Total liabilities and deferred inflows	<u>125,637</u>	<u>-</u>	<u>125,637</u>
NET POSITION			
Net investment in capital assets	137,755	-	137,755
Unrestricted	<u>(9,854)</u>	<u>76,326</u>	<u>66,472</u>
Total net position	<u>\$ 127,901</u>	<u>\$ 76,326</u>	<u>\$ 204,227</u>

CITY OF CANNON BEACH, OREGON
RECYCLING ENTERPRISE
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2018

	Recycling Fund (022)	Recycling Reserve Fund (052)	Total Recycling Enterprise
Operating Revenues:			
Charges for services	\$ 189,320	\$ -	\$ 189,320
Operating Expenses:			
Personal services	124,322	-	124,322
Cost of operations	86,514	-	86,514
Depreciation	7,691	-	7,691
Total operating expenses	218,527	-	218,527
Change in net position	(29,207)	-	(29,207)
Net Position:			
Beginning of year, as restated	157,108	76,326	233,434
End of year	\$ 127,901	\$ 76,326	\$ 204,227

CITY OF CANNON BEACH, OREGON
RECYCLING ENTERPRISE
Combining Statement of Cash Flows
For the Year Ended June 30, 2018

	Recycling Fund (022)	Reserve Fund (052)	Total Recycling Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 194,970	\$ -	\$ 194,970
Payments to suppliers and contractors	(38,833)	-	(38,833)
Payments to employees	(109,185)	-	(109,185)
Payments for interfund services used	(45,502)	-	(45,502)
Net cash provided (used) by operating activities	<u>1,450</u>	<u>-</u>	<u>1,450</u>
Net change in cash and investments	1,450	-	1,450
Cash and investments:			
Beginning of year	<u>53,194</u>	<u>76,326</u>	<u>129,520</u>
End of year	<u>\$ 54,644</u>	<u>\$ 76,326</u>	<u>\$ 130,970</u>
 Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (29,207)	\$ -	\$ (29,207)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	7,691	-	7,691
Net increase (reduction) of expense under GASB 68	14,468	-	14,468
Net increase (reduction) of expense under GASB 75	37	-	37
(Increase) decrease in current assets:			
Receivables	5,650	-	5,650
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	2,179	-	2,179
Compensated absences	<u>632</u>	<u>-</u>	<u>632</u>
Net cash provided (used) by operating activities	<u>\$ 1,450</u>	<u>\$ -</u>	<u>\$ 1,450</u>

CITY OF CANNON BEACH, OREGON

024 - WATER FUND

Schedule of Resources and Requirements

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	\$ 120,000	\$ 120,000	\$ 234,455	\$ 114,455
Charges for services	857,000	857,000	990,100	133,100
Other	20,000	20,000	15,142	(4,858)
Capital contributions	<u>5,000</u>	<u>5,000</u>	<u>9,786</u>	<u>4,786</u>
Total resources	<u>\$ 1,002,000</u>	<u>\$ 1,002,000</u>	<u>\$ 1,249,483</u>	<u>\$ 247,483</u>
Requirements:				
Water Program:				
Personal services	\$ 297,971	\$ 321,378	\$ 312,245	\$ 9,133
Materials and services	584,070	577,113	543,242	33,871
Capital outlay	-	-	6,780	(6,780)
Total program-specific	<u>882,041</u>	<u>898,491</u>	<u>862,267</u>	<u>36,224</u>
Contingency	<u>119,959</u>	<u>103,509</u>	<u>-</u>	<u>103,509</u>
Total expenditures	1,002,000	1,002,000	862,267	139,733
Ending fund balance	<u>-</u>	<u>-</u>	<u>387,216</u>	<u>(387,216)</u>
Total requirements	<u>\$ 1,002,000</u>	<u>\$ 1,002,000</u>	<u>\$ 1,249,483</u>	<u>\$ (247,483)</u>

Reconciliation to GAAP Basis:

Ending fund balance - budget basis	\$ 387,216
Inventory	111,737
Capital assets - net	4,177,978
Deferred outflows related to pensions	121,209
Deferred outflows related to OPEB	969
Compensated absences	(18,084)
Net pension liability	(294,966)
Net OPEB liability	(14,644)
Deferred Inflows Related to Pensions	(11,577)
Deferred inflows related to OPEB	<u>(779)</u>
Ending net position - GAAP basis	<u>\$ 4,459,059</u>

CITY OF CANNON BEACH, OREGON

054 - WATER REPAIR AND REPLACEMENT RESERVE FUND

Schedule of Resources and Requirements

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	\$ -	\$ -	\$ 102,286	\$ 102,286
Transfers in	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Total resources	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ 352,286</u>	<u>\$ 102,286</u>
Requirements:				
Water Program:				
Capital outlay	\$ 225,000	\$ 225,000	\$ 35,513	\$ 189,487
Contingency	25,000	25,000	-	25,000
Ending fund balance	<u>-</u>	<u>-</u>	<u>316,773</u>	<u>(316,773)</u>
Total requirements	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ 352,286</u>	<u>\$ (102,286)</u>

CITY OF CANNON BEACH, OREGON

026 - WASTEWATER FUND

Schedule of Resources and Requirements

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	\$ 140,000	\$ 140,000	\$ 275,701	\$ 135,701
Charges for services	1,134,500	1,134,500	1,235,584	101,084
Other	-	-	240	240
Capital contributions	<u>5,035</u>	<u>5,035</u>	<u>8,391</u>	<u>3,356</u>
Total resources	<u>\$ 1,279,535</u>	<u>\$ 1,279,535</u>	<u>\$ 1,519,916</u>	<u>\$ 240,381</u>

Requirements:				
Wastewater Program:				
Personal services	\$ 343,236	\$ 371,208	\$ 327,865	\$ 43,343
Materials and services	743,359	715,387	647,017	68,370
Capital outlay	-	-	36,591	(36,591)
Total program-specific	<u>1,086,595</u>	<u>1,086,595</u>	<u>1,011,473</u>	<u>75,122</u>
Contingency	<u>192,940</u>	<u>192,940</u>	<u>-</u>	<u>192,940</u>
Total expenditures	1,279,535	1,279,535	1,011,473	268,062
Ending fund balance	-	-	508,443	(508,443)
Total requirements	<u>\$ 1,279,535</u>	<u>\$ 1,279,535</u>	<u>\$ 1,519,916</u>	<u>\$ (240,381)</u>

Reconciliation to GAAP Basis:	
Ending fund balance - budget basis	\$ 508,443
Inventory	42,641
Capital assets - net	7,037,584
Deferred outflows related to pensions	104,195
Deferred outflows related to OPEB	1,301
Compensated absences	(9,809)
Net pension liability	(253,562)
Net OPEB liability	(19,653)
Deferred Inflows Related to Pensions	(9,951)
Deferred inflows related to OPEB	<u>(1,045)</u>
Ending net position - GAAP basis	<u>\$ 7,400,144</u>

CITY OF CANNON BEACH, OREGON**056 - WASTEWATER REPAIR AND REPLACEMENT RESERVE FUND****Schedule of Resources and Requirements****Budget and Actual (Budgetary Basis)****For the Year Ended June 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	\$ 81,975	\$ 81,975	\$ 81,975	\$ -
Transfers in	<u>275,525</u>	<u>275,525</u>	<u>275,525</u>	<u>-</u>
Total resources	<u>\$ 357,500</u>	<u>\$ 357,500</u>	<u>\$ 357,500</u>	<u>\$ -</u>
Requirements:				
Wastewater Program:				
Capital outlay	<u>\$ 325,000</u>	<u>\$ 325,000</u>	<u>\$ 262,417</u>	<u>\$ 62,583</u>
Total program-specific	<u>325,000</u>	<u>325,000</u>	<u>262,417</u>	<u>62,583</u>
Contingency	<u>32,500</u>	<u>32,500</u>	<u>-</u>	<u>32,500</u>
Total expenditures	<u>357,500</u>	<u>357,500</u>	<u>262,417</u>	<u>95,083</u>
Ending fund balance	<u>-</u>	<u>-</u>	<u>95,083</u>	<u>(95,083)</u>
Total requirements	<u>\$ 357,500</u>	<u>\$ 357,500</u>	<u>\$ 357,500</u>	<u>\$ -</u>

CITY OF CANNON BEACH, OREGON

028 - STORM DRAIN FUND

Schedule of Resources and Requirements

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	\$ 70,000	\$ 70,000	\$ 64,715	\$ (5,285)
Charges for services	146,000	146,000	148,365	2,365
Capital contributions	<u>1,889</u>	<u>1,889</u>	<u>4,722</u>	<u>2,833</u>
Total resources	<u>\$ 217,889</u>	<u>\$ 217,889</u>	<u>\$ 217,802</u>	<u>\$ (87)</u>
Requirements:				
Storm Drain Program:				
Personal services	\$ 70,912	\$ 74,657	\$ 61,989	\$ 12,668
Materials and services	<u>118,457</u>	<u>114,712</u>	<u>103,856</u>	<u>10,856</u>
Total program-specific	189,369	189,369	165,845	23,524
Contingency	<u>28,520</u>	<u>28,520</u>	<u>-</u>	<u>28,520</u>
Total expenditures	217,889	217,889	165,845	52,044
Ending fund balance	<u>-</u>	<u>-</u>	<u>51,957</u>	<u>(51,957)</u>
Total requirements	<u>\$ 217,889</u>	<u>\$ 217,889</u>	<u>\$ 217,802</u>	<u>\$ 87</u>

Reconciliation to GAAP Basis:

Ending fund balance - budget basis	\$ 51,957
Capital assets - net	603,797
Deferred outflows related to pensions	19,125
Deferred outflows related to OPEB	284
Compensated absences	(2,798)
Net pension liability	(46,542)
Net OPEB liability	(4,293)
Deferred Inflows Related to Pensions	(1,827)
Deferred inflows related to OPEB	<u>(228)</u>
Ending net position - GAAP basis	<u>\$ 619,475</u>

CITY OF CANNON BEACH, OREGON
058 - STORM DRAIN REPAIR AND REPLACEMENT RESERVE FUND
Schedule of Resources and Requirements
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	\$ 7,115	\$ 7,115	\$ 7,115	\$ -
Total resources	<u>\$ 7,115</u>	<u>\$ 7,115</u>	<u>\$ 7,115</u>	<u>\$ -</u>
Requirements:				
Storm Drain Program:				
Capital outlay	\$ 7,115	\$ 7,115	\$ -	\$ 7,115
Total program-specific	7,115	7,115	-	7,115
Total expenditures	7,115	7,115	-	7,115
Ending fund balance	<u>-</u>	<u>-</u>	<u>7,115</u>	<u>(7,115)</u>
Total requirements	<u>\$ 7,115</u>	<u>\$ 7,115</u>	<u>\$ 7,115</u>	<u>\$ -</u>

CITY OF CANNON BEACH, OREGON

020 - RV PARK FUND

Schedule of Resources and Requirements

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	\$ 100,000	\$ 100,000	\$ 311,900	\$ 211,900
Charges for services	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,861,445</u>	<u>361,445</u>
Total resources	<u>\$ 1,600,000</u>	<u>\$ 1,600,000</u>	<u>\$ 2,173,345</u>	<u>\$ 573,345</u>
Requirements:				
RV Park Program:				
Personal services	\$ 5,212	\$ 5,212	\$ 2,002	\$ 3,210
Materials and services	<u>1,443,481</u>	<u>1,587,481</u>	<u>1,594,607</u>	<u>(7,126)</u>
Total program-specific	<u>1,448,693</u>	<u>1,592,693</u>	<u>1,596,609</u>	<u>(3,916)</u>
Transfers out	6,438	6,438	6,438	-
Contingency	<u>144,869</u>	<u>869</u>	<u>-</u>	<u>869</u>
Total expenditures	1,600,000	1,600,000	1,603,047	(3,047)
Ending fund balance	<u>-</u>	<u>-</u>	<u>570,298</u>	<u>(570,298)</u>
Total requirements	<u>\$ 1,600,000</u>	<u>\$ 1,600,000</u>	<u>\$ 2,173,345</u>	<u>\$ (573,345)</u>

Reconciliation to GAAP Basis:

Ending fund balance - budget basis	\$ 570,298
Inventory	25,727
Capital assets - net	2,463,340
Compensated absences	<u>(135)</u>
Ending net position - GAAP basis	<u>\$ 3,059,230</u>

CITY OF CANNON BEACH, OREGON

050 - RV PARK REPAIR AND REPLACEMENT RESERVE FUND

Schedule of Resources and Requirements

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	\$ -	\$ -	\$ 9,485	\$ 9,485
Transfers in	<u>6,438</u>	<u>6,438</u>	<u>6,438</u>	<u>-</u>
Total resources	<u><u>\$ 6,438</u></u>	<u><u>\$ 6,438</u></u>	<u><u>\$ 15,923</u></u>	<u><u>\$ 9,485</u></u>
Requirements:				
Ending fund balance	<u>\$ 6,438</u>	<u>\$ 6,438</u>	<u>\$ 15,923</u>	<u>\$ (9,485)</u>
Total requirements	<u><u>\$ 6,438</u></u>	<u><u>\$ 6,438</u></u>	<u><u>\$ 15,923</u></u>	<u><u>\$ (9,485)</u></u>

CITY OF CANNON BEACH, OREGON

022 - RECYCLING FUND

Schedule of Resources and Requirements

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	\$ 30,000	\$ 30,000	\$ 72,701	\$ 42,701
Charges for services	181,400	181,400	189,320	7,920
Transfers in	-	2,000	-	(2,000)
Total resources	<u>\$ 211,400</u>	<u>\$ 213,400</u>	<u>\$ 262,021</u>	<u>\$ 48,621</u>

Requirements:				
Recycling Program:				
Personal services	\$ 110,389	\$ 116,943	\$ 109,184	\$ 7,759
Materials and services	97,995	96,441	86,515	9,926
Total program-specific	208,384	213,384	195,699	17,685
Contingency	3,016	16	-	16
Total expenditures	211,400	213,400	195,699	17,701
Ending fund balance	-	-	66,322	(66,322)
Total requirements	<u>\$ 211,400</u>	<u>\$ 213,400</u>	<u>\$ 262,021</u>	<u>\$ (48,621)</u>

Reconciliation to GAAP Basis:	
Ending fund balance - budget basis	\$ 66,322
Capital assets - net	137,755
Deferred outflows related to pensions	42,472
Deferred outflows related to OPEB	291
Compensated absences	(6,896)
Net pension liability	(103,359)
Net OPEB liability	(4,393)
Deferred Inflows Related to Pensions	(4,057)
Deferred inflows related to OPEB	(234)
Ending net position - GAAP basis	<u>\$ 127,901</u>

CITY OF CANNON BEACH, OREGON
052 - RECYCLING REPAIR AND REPLACEMENT RESERVE FUND
Schedule of Resources and Requirements
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	<u>\$ 76,325</u>	<u>\$ 76,325</u>	<u>\$ 76,326</u>	<u>\$ 1</u>
Total resources	<u><u>\$ 76,325</u></u>	<u><u>\$ 76,325</u></u>	<u><u>\$ 76,326</u></u>	<u><u>\$ 1</u></u>
Requirements:				
Recycling Program:				
Capital outlay	<u>\$ 76,325</u>	<u>\$ 76,325</u>	<u>\$ -</u>	<u>\$ 76,325</u>
Total program-specific	<u>76,325</u>	<u>76,325</u>	<u>-</u>	<u>76,325</u>
Total expenditures	<u>76,325</u>	<u>76,325</u>	<u>-</u>	<u>76,325</u>
Ending fund balance	<u>-</u>	<u>-</u>	<u>76,326</u>	<u>(76,326)</u>
Total requirements	<u><u>\$ 76,325</u></u>	<u><u>\$ 76,325</u></u>	<u><u>\$ 76,326</u></u>	<u><u>\$ (1)</u></u>



INTERNAL SERVICE FUND

Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis. Funds included in this category are:

Administrative Services Fund - Accounts for expenditures related to city-wide functions, including executive, finance, and central services expenditures.



CITY OF CANNON BEACH, OREGON**060 - ADMINISTRATIVE SERVICES FUND****Schedule of Resources and Requirements****Budget and Actual (Budgetary Basis)****For the Year Ended June 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Charges for services	<u>\$ 1,553,946</u>	<u>\$ 1,553,946</u>	<u>\$ 1,400,844</u>	<u>\$ (153,102)</u>
Total resources	<u>\$ 1,553,946</u>	<u>\$ 1,553,946</u>	<u>\$ 1,400,844</u>	<u>\$ (153,102)</u>
Requirements:				
Executive	\$ 496,851	\$ 496,851	\$ 430,239	\$ 66,612
Finance	397,499	397,499	343,059	54,440
IT	187,786	187,786	178,563	9,223
Central Services	189,662	189,662	177,263	12,399
Public Works	<u>282,148</u>	<u>282,148</u>	<u>271,719</u>	<u>10,429</u>
Total expenditures	1,553,946	1,553,946	1,400,843	153,103
Ending fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total requirements	<u>\$ 1,553,946</u>	<u>\$ 1,553,946</u>	<u>\$ 1,400,843</u>	<u>\$ 153,103</u>

Reconciliation to GAAP Basis:

Ending fund balance - budget basis	\$ -
Capital assets - net	94,523
Deferred outflows related to pensions	253,718
Deferred outflows related to OPEB	1,781
Compensated absences	(45,282)
Net pension liability	(617,433)
Net OPEB liability	(26,908)
Deferred Inflows Related to Pensions	(24,232)
Deferred inflows related to OPEB	<u>(1,431)</u>
Ending net position - GAAP basis	<u>\$ (365,264)</u>



COMPLIANCE SECTION



**SCHEDULE OF CONTINUING DISCLOSURES
RELATED TO GENERAL OBLIGATION BONDS**

TOP TEN TAXPAYERS - 2017

Georgia Pacific Consumer Products
Lewis & Clark Tree Farms LLC
WorldMark The Club
Pacificorp
Northwest Natural Gas Co.
Hampton Lumber Mills Inc.
Charter Communications
Western Generation Agency
Weyerhaeuser Columbia Timberlands LLC
Georgia Pacific Consumer Products LP

Source: Fiscal Year 2018-2019 Budget In Brief, Clatsop County, Oregon

TAXABLE PROPERTY VALUES

Assessed Value 2017-18 - City of Cannon Beach	\$ 913,777,685
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Source: 2017-2018 Tax Rate Summary, Clatsop County

TAX COLLECTION RECORD AND REPRESENTATIVE LEVY RATE

Fiscal Year	2010 G.O. Bond Tax Collections	2012 G.O Bond Representative Levy Rate
2017-18	\$ 134,163	0.23283
2016-17	147,579	0.27231
2015-16	114,134	0.22473
2014-15	114,863	0.07227
2013-14	114,215	0.07629
2012-13	112,418	0.04495
2011-12	135,432	n/a

Sources: Calculated from City of Cannon Beach Annual Budgets, Financial Reports, and
Clatsop County Tax Table 4a.



INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

To the Honorable Mayor, Members of the City Council
City of Cannon Beach, Oregon

We have audited the basic financial statements of the City of Cannon Beach, Oregon (City), as of and for the year ended June 30, 2018 and have issued our report thereon dated December 14, 2018. 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 City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- **Deposit of public funds with financial institutions (ORS Chapter 295)**
- **Indebtedness limitations, restrictions, and repayment**
- **Budgets legally required (ORS Chapter 294)**
- **Insurance and fidelity bonds in force or required by law**
- **Programs funded from outside sources**
- **Highway revenues used for public highways, roads, and streets**
- **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 City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except as follows:

1. Expenditures exceeded budgeted amounts as described in Note II. B. to the financial statements.

OAR 162-10-0230 Internal Control

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's 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 City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended for the information of management, the City Council and the Secretary of State, Audits Division, of the State of Oregon. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Paul R. Nielson". The signature is written in a cursive, flowing style.

by Paul R Nielson, CPA, a member of the firm
Eugene, Oregon
December 14, 2018