



CITY OF CANNON BEACH

FINANCIAL STATEMENTS AND SUPPLEMENTAL  
INFORMATION

FOR THE YEAR ENDED JUNE 30, 2015

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, 2015

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## INTRODUCTORY SECTION





**CITY OF CANNON BEACH, OREGON**

List of Elected and Appointed Officials

June 30, 2015

**ELECTED OFFICIALS - CITY COUNCIL**

Mayor	Sam Steidel
Councilor	Mike Benefield
Councilor	Melissa Cadwallader
Councilor	Wendy Higgins
Councilor	George Vetter

**APPOINTED OFFICIALS**

City Manager	Brant Kucera
City Attorney	Tamara Herdener



FINANCIAL SECTION





## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Cannon Beach, Oregon  
Cannon Beach, Oregon

An Independently Owned Member  
**McGLADREY ALLIANCE**



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, 2015, 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, 2015, 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.

### **Emphasis of Matter**

The City adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB No. 68*. Our opinion is not modified with respect to this matter.

Restatement of the comparative financial data for the prior period presented is not practical due to the unavailability of information from the pension plan, therefore the provisions of GASB Statements No. 68 and 71 were not applied to prior period. The cumulative effects of applying the provisions of GASB Statements No. 68 and 71 have been reported as a restatement of beginning net position for the year ended June 30, 2015 in accordance with the Statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### **Report on Other Legal and Regulatory Requirements**

In accordance with the Minimum Standards of Audits of Oregon Municipal Corporations, we have issued our report dated December 31, 2015 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 31, 2015



## **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, 2015.

### **Financial Highlights**

- The City's total assets at June 30, 2015 were \$26,533,486.
- The City's total liabilities at June 30, 2015 were \$6,262,475.
- The net position of the City at June 30, 2015 was \$19,798,460. Of this amount, \$977,680 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- At June 30, 2015, the City's governmental funds reported combined ending fund balances of \$2,209,503.
- At the end of the fiscal year, the City's total combined governmental funds had a restricted fund balance of \$148,892, an assigned fund balance of \$641,889, and an unassigned fund balance of \$1,418,722.
- The General Fund's unassigned fund balance is \$1,411,233 at the end of the current fiscal year, or 34.3% 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, public safety, highways and streets, culture and recreation, and community development. 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 change 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 four major funds, the General Fund, Tourism and Arts Fund, Road Fund, and Debt Service Fund. The City's nonmajor governmental funds are made up of the Building Official Fund, General Replacement Reserve Fund, Road Replacement Reserve Fund, Ecola Forest Reserve Fund, and the Bridge Repair and Replacement 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 each 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 are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Cannon Beach uses five enterprise funds to account for its water, wastewater, storm drain, recycling, and RV Park activities. All but the Recycling Fund are considered to be major funds. 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 can be found in the basic financial statements 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. Budgetary comparison schedules for major governmental funds are presented. The combining statements referred to earlier in connection with non-major governmental funds and budgetary comparison schedules for both the non-major governmental funds and the proprietary funds are presented.



## 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 \$19,798,460 at the close of the most recent fiscal year.

By far, the largest portion, 94.3%, of the City of Cannon Beach's net position reflects its investment in capital assets (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, 0.7%, represents resources that are subject to external restrictions on how they may be used. The remaining portion represents 5.0% of total net position, and may be used to meet the government's ongoing obligations to citizens and creditors.

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	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 3,101,976	\$ 2,611,112	\$ 2,318,095	\$ 1,900,917	\$ 5,420,071	\$ 4,512,029
Capital assets, net	6,724,776	6,373,986	14,388,639	14,623,692	21,113,415	20,997,678
Total assets	9,826,752	8,985,098	16,706,734	16,524,609	26,533,486	25,509,707
Deferred outflows of resources	365,884	225,423	44,264	-	410,148	225,423
Noncurrent liabilities	5,555,846	333,730	35,035	134,505	5,590,881	468,235
Other liabilities	455,825	5,929,722	215,769	28,888	671,594	5,958,610
Total liabilities	6,011,671	6,263,452	250,804	163,393	6,262,475	6,426,845
Deferred inflows of resources	692,309	-	190,390	-	882,699	-
Net position:						
Net investment in capital assets	4,283,249	3,795,853	14,388,639	14,623,692	18,671,888	18,419,545
Restricted	148,892	188,939	-	-	148,892	188,939
Unrestricted	(943,485)	(1,037,723)	1,921,165	1,737,524	977,680	699,801
Total net position	\$ 3,488,656	\$ 2,947,069	\$ 16,309,804	\$ 16,361,216	\$ 19,798,460	\$ 19,308,285

The government's net position increased by \$490,175, during the current fiscal year.

The City's total assets at June 30, 2015 increased \$1,023,779 from \$25,509,707 to \$26,533,486, or 4.0% from the prior year. Cash increased by \$362,317, or 11.1% from the prior year. Receivables increased by \$108,522, or 10.3% from the prior year. Capital assets, net, increased by \$115,737, or 0.6%, from the prior year. Net pension asset increased by \$457,641. This cost is recorded now as a requirement of GASB (Governmental Accounting Standards Board) Standard 68 which requires municipalities to record the assets, deferred outflows, and deferred inflows related to pension plans (Oregon PERS). Deferred outflows increased \$184,725 from the prior year.

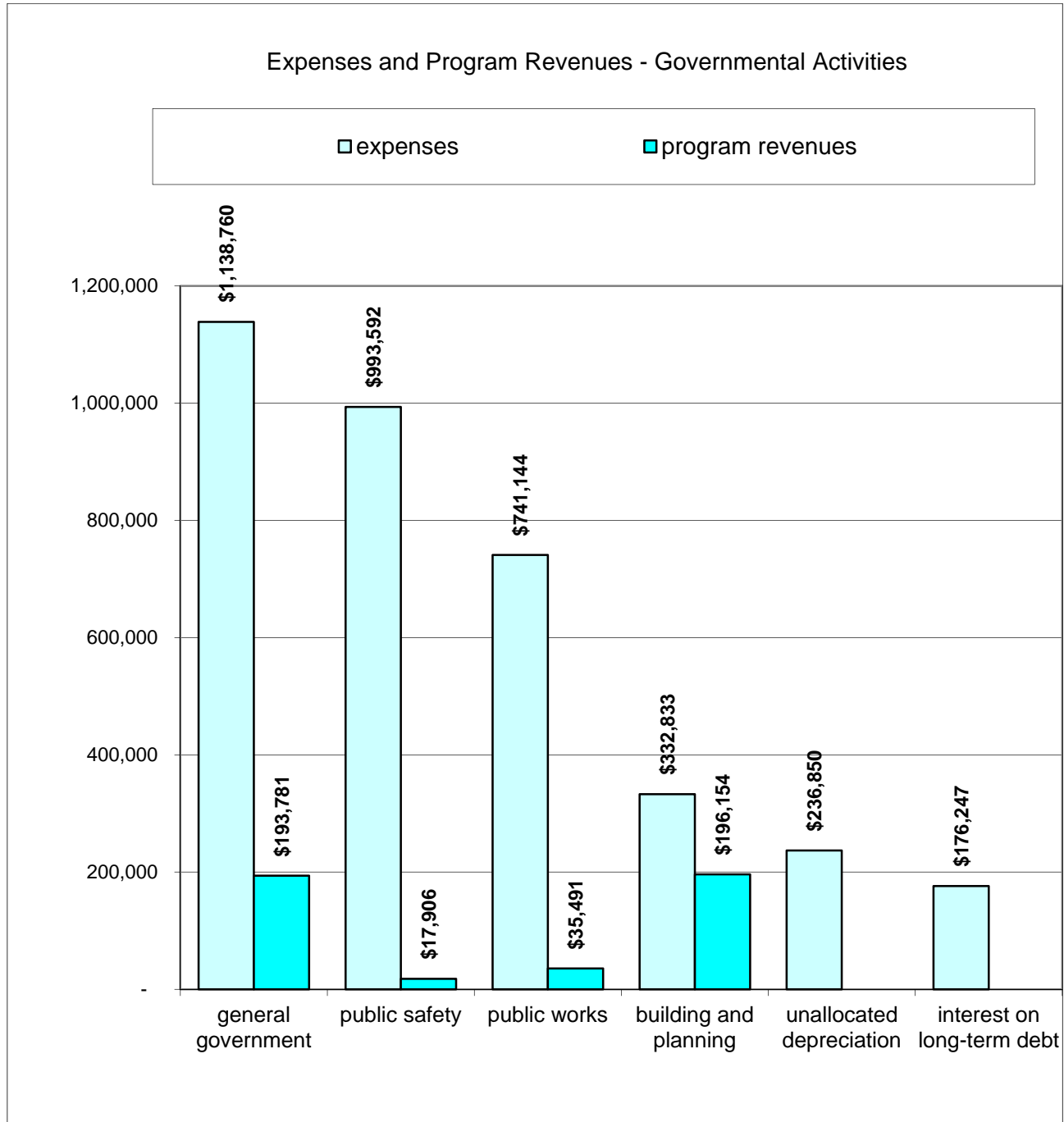
The City's total liabilities at June 30, 2015 decreased by \$164,370, or 2.6%, from the prior year. Accounts payable increased \$207,823, or 59.5%, from the prior year. The City's outstanding debt decreased \$402,408, or 6.9%.

City of Cannon Beach Change in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Fines, fees, and charges for services	\$ 381,526	\$ 293,893	\$ 3,742,931	\$ 3,533,243	\$ 4,124,457	\$ 3,827,136
Operating grants and contributions	61,806	125,995	12,998	-	74,804	125,995
Capital grants and contributions	-	-	29,780	-	29,780	-
General revenues:						
Property taxes	1,102,939	1,083,708			1,102,939	1,083,708
Other taxes	3,228,643	2,933,983	-	-	3,228,643	2,933,983
Franchise fees	185,701	187,730			185,701	187,730
Unrestricted investment earnings	12,577	8,204	-	-	12,577	8,204
Other	-	1,827	-	-	-	1,827
Total revenues	4,973,192	4,635,340	3,785,709	3,533,243	8,758,901	8,168,583
Expenses:						
General government	1,138,760	1,172,012			1,138,760	1,172,012
Building	142,468	88,579			142,468	88,579
Planning	190,365	151,018			190,365	151,018
Public Works	741,144	873,575			741,144	873,575
Public Safety	993,592	1,205,627			993,592	1,205,627
Unallocated depreciation	236,850	225,891			236,850	225,891
Interest on long-term liabilities	176,247	177,028			176,247	177,028
Water utility			793,635	883,296	793,635	883,296
Wastewater utility			1,134,010	1,248,069	1,134,010	1,248,069
Storm Drain			300,693	112,752	300,693	112,752
RV Park			1,420,940	1,331,489	1,420,940	1,331,489
Recycling			155,739	171,980	155,739	171,980
Total expenses	3,619,426	3,893,730	3,805,017	3,747,586	7,424,443	7,641,316
Increase in net position before transfers	1,353,766	741,610	(19,308)	(214,343)	1,334,458	527,267
Transfers	(150,000)	200,000	150,000	(200,000)	-	-
Increase (decrease) in net position	1,203,766	941,610	130,692	(414,343)	1,334,458	527,267
Net position, July 1 as restated	2,284,890	2,005,459	16,179,112	16,775,559	18,464,002	18,781,018
Net position, June 30	\$ 3,488,656	\$ 2,947,069	\$ 16,309,804	\$ 16,361,216	\$ 19,798,460	\$ 19,308,285

**Governmental activities.** Governmental activities increased the City's net position by \$541,587 from the prior year. The primary elements of the change in total net position are as follows:

- A restatement of net position, due to recording assets, deferred outflows, and deferred inflows related to pensions reduced net position by \$662,179.
- Revenues overall increased \$337,852 as fines, fees, and charges for service and transient room taxes show the biggest increases of \$87,633 and \$294,660, respectively.
- The increase in Fines, fees, and charges for service is mostly due to an increase in building permit revenue, up \$68,285 from last year and the increase in other taxes is mostly due to an increase in transient room tax, up \$283,949 from last year.
- Operating grants decreased \$64,189 from the prior year, mostly due to the Campbell property donation of \$90,000 going away this year. The residual difference is mostly made up from HRAP Friends donations in the amount of \$19,008.
- Transfers this year net to \$150,000 going out compared to last year's net amount of \$200,000 coming in which lessens the increase to net position.
- Total expenses decreased by \$274,304 with the largest decreases coming from Public Works and Public Safety in the amounts of \$132,431 and \$212,035, respectively, over the prior year.

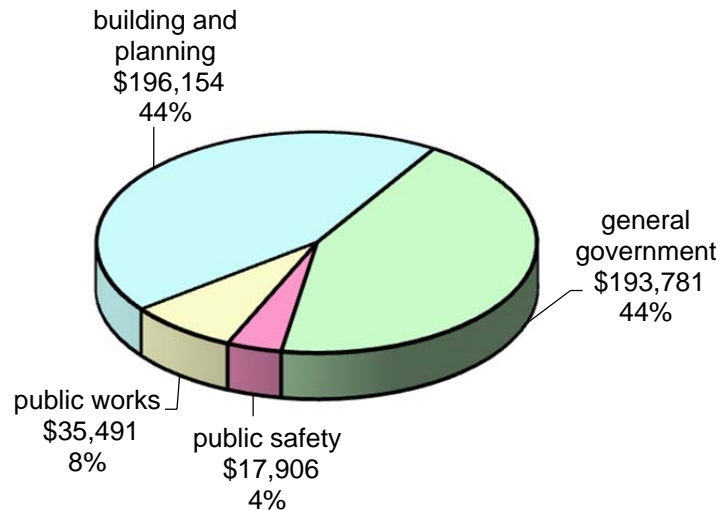
The following graph summarizes the 2014-2015 governmental activity program revenues and corresponding expenses. The revenues shown total \$443,332 an increase from the prior year of \$23,444, and are directly attributable to each activity (program revenues) and **do not** include property taxes, other taxes, franchise fees, investment earnings, other revenues, and other one-time or extraordinary revenue streams which are discretionary (general revenues). Discretionary revenues amount to \$4,529,860 and increased by \$314,408 from the prior year.



This next chart shows the total functional revenues for each program in the amount of \$443,332 and the percentage of the total.

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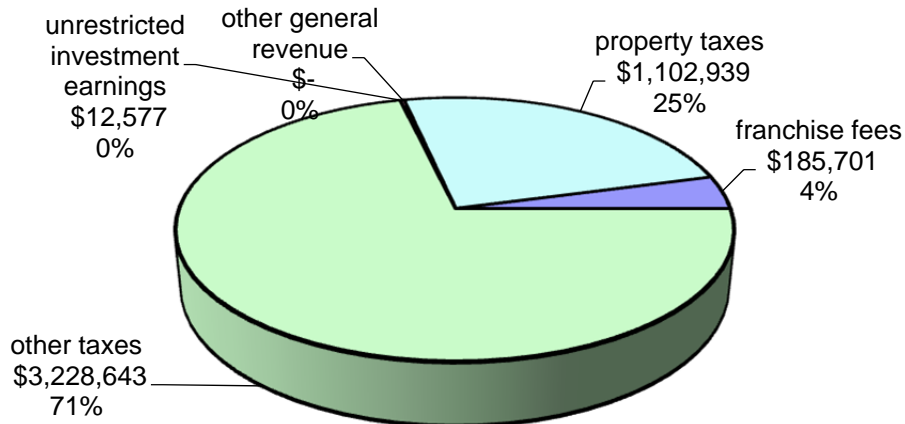
**Program Revenues - Governmental Activities - Charges for Service, Operating and Capital Grants**



As the next chart reflects, most 2014-2015 governmental activities relied on general discretionary revenues to support the function. This graph shows total discretionary revenues in the amount of \$4,529,860 and the percentage in each category.

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**Discretionary Revenues by Source - Governmental Activities**

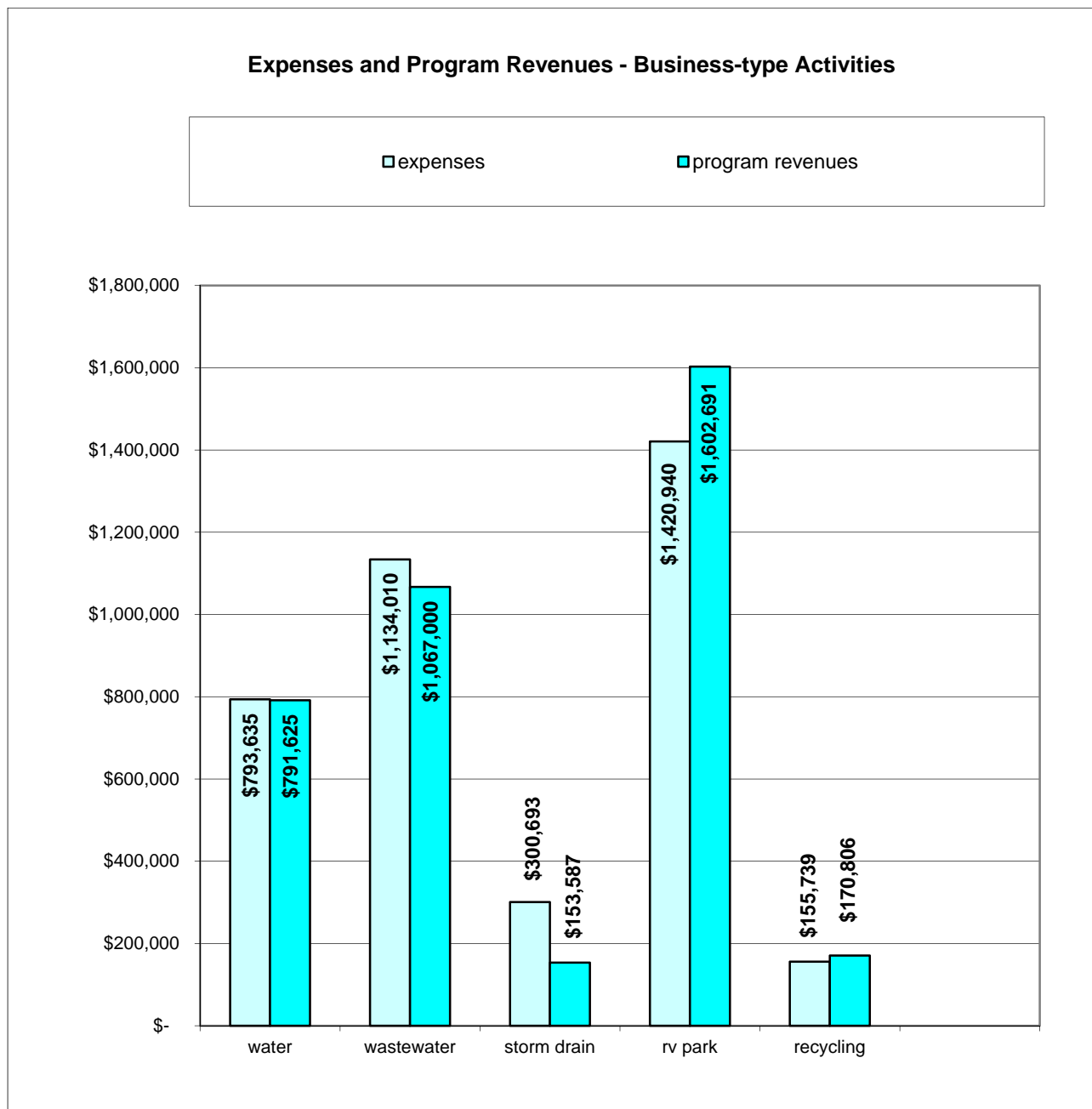


**Business-type activities.** Business-type activities decreased the City's net position by \$51,412. Key elements of this decrease are as follows:

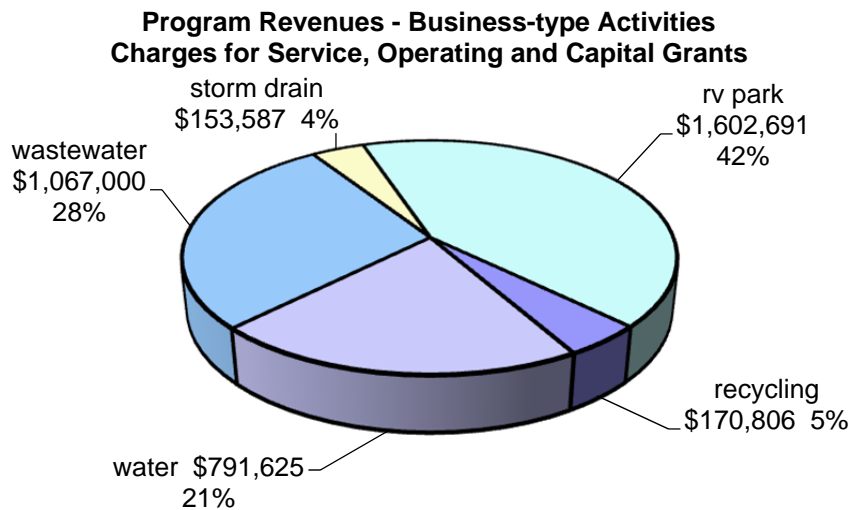
- A restatement of net position, due to recording assets, deferred outflows, and deferred inflows related to pensions reduced net position by \$182,104.

- Fines, fees, and charges for services had a net increase this year of \$209,688 from the prior year. These increased in the Water fund this year by \$8,423, they increased in the Sanitation Fund by \$39,299, they increased in the Storm Drain Fund by \$3,953, and they increased in the RV Park Fund by \$171,062, however, fees, fines, and charges for service decreased in the Recycling Fund by \$13,049.
- Combined operating and capital grants and contributions increased this year by \$42,778 and are due to a grant from DEQ for the Storm Drain, in the amount of \$12,998 and SDC (System Development Charges) revenue in the amount of \$29,780.
- Total business-type activity revenues increased by \$252,466.
- Total operating expenses overall increased from the prior year in the amount of \$57,431.

Business-type activities of the City of Cannon Beach are supported by charges for utility service, capital contributions, development fees, and other grants. The graph below summarizes the 2014-2015 expenses and revenues of those funds.



Total program revenues in the business-type activities of the City total \$3,785,709 as represented by the percentages in the chart below for 2014-2015.



#### 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 \$2,209,503, an increase of \$18,801 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 \$1,411,233. 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 \$241,203 during the current fiscal year. While revenues and transfers in decreased \$37,876, expenses and transfers out increased by \$446,465. Key elements of the net increase to fund balance are as follows:

- Taxes and assessments increased by \$15,197 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 \$13,140.
- Transient room tax increased by \$256,401.
- Licenses, permits, and fees increased \$16,636.
- Grants and donations decreased by \$64,339 due to Campbell property grant going away with some increases in HRAP donations amounting to \$19,000.
- Other revenues decreased \$11,771.
- Expenditures and other uses in the General Fund increased \$446,465 from the prior year. Most of the increase occurred in General Government (\$233,898) and Transfers out (\$493,954). Public works had decreases in total expenses in the amount of \$260,056.

The Tourism and Arts Fund has a total fund balance of \$45,510. The net increase in fund balance during the current year in the Fund was \$27,829.

- Transient room tax increased \$27,548.
- Total expenses for visitor and tourism purposes increased \$17,400.

The Roads Fund, has a total fund balance of \$60,635, all of which is restricted for road maintenance. The net decrease in fund balance during the current year in the fund was \$81,925 and is attributable to the following:

- Revenue, from all sources, increased from the prior year by \$13,750 mainly from property tax.
- Transfers in from the General fund decreased from the prior year by \$61,962.
- Expenditures increased \$78,537 from the prior year.

The Debt Service Fund has a total fund balance of \$7,489. The net increase in fund balance during the current year in the fund was \$44,018.

- Increases in property tax were \$11,080 from the prior year.
- Transfers in increased \$79,975 from the prior year.
- Debt service expenditures to pay principal and interest total \$559,125 in the current 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 year amounted to \$351,723, those for the Wastewater Enterprise at the end of year amounted to \$350,884, those for the Storm Drain Enterprise at the end of year amounted to \$68,788, those for the RV Park Enterprise at the end of year amounted to \$1,003,292, and those for the Recycling Enterprise at the end of year amounted to \$146,478. The total increase in net position for all enterprise funds was \$130,692. 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	
	2015	2014	2015	2014	2015	2014
Land	\$ 3,759,675	\$ 3,759,675	\$ 1,283,338	\$ 1,283,338	\$ 5,043,013	\$ 5,043,013
Buildings	686,101	612,174	1,725,610	1,814,712	2,411,711	2,426,886
Equipment and vehicles	484,318	415,520	176,343	143,483	660,661	559,003
Infrastructure	1,761,031	1,521,078	11,144,341	11,362,711	12,905,372	12,883,789
Construction in progress	33,651	65,539	59,007	19,448	92,658	84,987
Total	\$ 6,724,776	\$ 6,373,986	\$ 14,388,639	\$ 14,623,692	\$ 21,113,415	\$ 20,997,678

**Capital assets.** The City of Cannon Beach's investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounts to \$21,113,415 (net of accumulated depreciation). This investment in capital assets included land, buildings and systems, improvements, machinery and equipment, park facilities, roads, and bridges.

Net capital assets increased by \$115,737 during the year because capital asset additions of \$957,227 less current year depreciation, in the amount of \$841,490 net to the overall increase of capital assets at the end of the year.

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

- City Hall Kitchen and Bathroom improvements, \$118,923
- K-9 Start up costs, "Gunner", \$13,083
- Beach access improvements, \$117,529
- Cache site improvements, \$11,070
- Pavement preservation, \$79,389
- Ne Cus' trail development, \$67,945
- 2015 Peterbilt Dump Truck, \$91,639
- Spruce Street Stormceptors, \$45,776
- Police, HRAP, and Lifeguard vehicles in total, \$91,816
- Wastewater lagoon rehab, \$44,471
- Extend wastewater line, \$114,686
- Forest Lawn water line replacement, \$81,267

The above comprises 91.7% of the total additions 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 liabilities outstanding of \$5,590,881. Of this amount, \$5,414,806 comprises debt backed by the full faith and credit of the government. Loan payable obligations have a balance of \$40,250. The remaining \$135,825 represents compensated absences liability (vacation and compensation pay accrued on behalf of the employees).

<b>City of Cannon Beach's Outstanding Debt</b>						
<b>General Obligation Bonds and Other Long-term Debt</b>						
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	\$ 5,125,000	\$ 5,455,000	\$ -	\$ -	\$ 5,125,000	\$ 5,455,000
Original Issue Premium	289,806	321,964	-	-	289,806	321,964
Loans Payable	40,250	80,500	-	-	40,250	80,500
Compensated Absences	100,790	72,258	35,035	28,888	135,825	101,146
Total	\$ 5,555,846	\$ 5,929,722	\$ 35,035	\$ 28,888	\$ 5,590,881	\$ 5,958,610

The City of Cannon Beach's total long-term liabilities decreased by \$367,729 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
- An expected increase in property tax revenue of at least 3%
- An increase in water rates
- Cost of living adjustments to wages

All of these factors were considered in preparing the City of Cannon Beach's budget for the 2015 fiscal year.

#### **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, 2015

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 1,779,624	\$ 1,860,857	\$ 3,640,481
Receivables	963,420	196,128	1,159,548
Inventory	-	162,401	162,401
Capital assets:			
Nondepreciable assets	3,793,326	1,342,345	5,135,671
Depreciable assets (net of accumulated depreciation)	2,931,450	13,046,294	15,977,744
Net pension asset	358,932	98,709	457,641
Total assets	<u>9,826,752</u>	<u>16,706,734</u>	<u>26,533,486</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	204,930	-	204,930
Related to pensions	160,954	44,264	205,218
Total deferred outflows	<u>365,884</u>	<u>44,264</u>	<u>410,148</u>
 Total assets and deferred outflows	 <u>10,192,636</u>	 <u>16,750,998</u>	 <u>26,943,634</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	360,109	196,947	557,056
Accrued payroll	21,708	13,078	34,786
Deposits	-	5,744	5,744
Accrued interest payable	18,583	-	18,583
Unearned revenue	55,425	-	55,425
Noncurrent liabilities:			
Due within one year	518,749	35,035	553,784
Due in more than one year	5,037,097	-	5,037,097
Total liabilities	<u>6,011,671</u>	<u>250,804</u>	<u>6,262,475</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pensions	692,309	190,390	882,699
 Total liabilities and deferred inflows	 <u>6,703,980</u>	 <u>441,194</u>	 <u>7,145,174</u>
<b>NET POSITION</b>			
Net investment in capital assets	4,283,249	14,388,639	18,671,888
Restricted for:			
Building inspection program	42,747	-	42,747
Tourism	45,510	-	45,510
Road maintenance	60,635	-	60,635
Unrestricted	(943,485)	1,921,165	977,680
Total net position	<u>\$ 3,488,656</u>	<u>\$ 16,309,804</u>	<u>\$ 19,798,460</u>

See accompanying notes to the financial statements

**CITY OF CANNON BEACH, OREGON**  
Statement of Activities  
For the Year Ended June 30, 2015

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	\$ 1,935,733	\$ (796,973)	\$ 154,600	\$ 39,181	\$ -	\$ (944,979)	\$ -	\$ (944,979)
Building	116,500	25,968	142,324	-	-	(144)	-	(144)
Planning	190,365	-	46,130	7,700	-	(136,535)	-	(136,535)
Public works	645,689	95,455	35,491	-	-	(705,653)	-	(705,653)
Public safety	993,592	-	2,981	14,925	-	(975,686)	-	(975,686)
Unallocated depreciation	236,850	-	-	-	-	(236,850)	-	(236,850)
Interest on long-term liabilities	176,247	-	-	-	-	(176,247)	-	(176,247)
Total governmental activities	4,294,976	(675,550)	381,526	61,806	-	(3,176,094)	-	(3,176,094)
Business-type activities:								
Water	541,506	252,129	780,208	-	11,417	-	(2,010)	(2,010)
Wastewater	882,422	251,588	1,055,253	-	11,747	-	(67,010)	(67,010)
Storm drain	259,751	40,942	133,973	12,998	6,616	-	(147,106)	(147,106)
RV park	1,331,313	89,627	1,602,691	-	-	-	181,751	181,751
Recycling	114,475	41,264	170,806	-	-	-	15,067	15,067
Total business-type activities	3,129,467	675,550	3,742,931	12,998	29,780	-	(19,308)	(19,308)
Total activities	\$ 7,424,443	\$ -	\$ 4,124,457	\$ 74,804	\$ 29,780	(3,176,094)	(19,308)	(3,195,402)
General revenues:								
Taxes:								
						1,102,939	-	1,102,939
						3,045,052	-	3,045,052
						183,591	-	183,591
						185,701	-	185,701
						12,577	-	12,577
						(150,000)	150,000	-
						4,379,860	150,000	4,529,860
						1,203,766	130,692	1,334,458
						2,284,890	16,179,112	18,464,002
						\$ 3,488,656	\$ 16,309,804	\$ 19,798,460

See accompanying notes to the financial statements

**CITY OF CANNON BEACH, OREGON**  
**GOVERNMENTAL FUNDS**  
Balance Sheet  
June 30, 2015

	General Fund (010)	Tourism and Arts Fund (012)	Road Fund (040)	Debt Service Fund (030)	Total Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and investments	\$ 788,379	\$ 114,760	\$ 132,810	\$ -	\$ 708,157	\$ 1,744,106
Receivables:						
Room taxes	783,007	-	-	-	-	783,007
Accounts	40,573	-	36,226	-	22	76,821
Property taxes	52,336	-	19,048	30,780	-	102,164
Total assets	<u>\$ 1,664,295</u>	<u>\$ 114,760</u>	<u>\$ 188,084</u>	<u>\$ 30,780</u>	<u>\$ 708,179</u>	<u>\$ 2,706,098</u>
<b>LIABILITIES</b>						
Accounts payable and accrued expenses	\$ 166,812	\$ 69,250	\$ 94,328	\$ -	\$ 14,481	\$ 344,871
Unearned revenues	46,363	-	-	-	9,062	55,425
Total liabilities	<u>213,175</u>	<u>69,250</u>	<u>94,328</u>	<u>-</u>	<u>23,543</u>	<u>400,296</u>
<b>DEFERED INFLOWS OF RESOURCES</b>						
Unavailable revenues:						
Property taxes	39,887	-	14,473	23,291	-	77,651
LIDs	-	-	18,648	-	-	18,648
Total deferred inflows of resources	<u>39,887</u>	<u>-</u>	<u>33,121</u>	<u>23,291</u>	<u>-</u>	<u>96,299</u>
<b>FUND BALANCES</b>						
Restricted:						
Building inspection	-	-	-	-	42,747	42,747
Road maintenance	-	-	60,635	-	-	60,635
Tourism and arts	-	45,510	-	-	-	45,510
Assigned:						
Capital projects	-	-	-	-	641,889	641,889
Unassigned	1,411,233	-	-	7,489	-	1,418,722
Total fund balances	<u>1,411,233</u>	<u>45,510</u>	<u>60,635</u>	<u>7,489</u>	<u>684,636</u>	<u>2,209,503</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 1,664,295</u>	 <u>\$ 114,760</u>	 <u>\$ 188,084</u>	 <u>\$ 30,780</u>	 <u>\$ 708,179</u>	 <u>\$ 2,706,098</u>

See accompanying notes to the financial statements

**CITY OF CANNON BEACH, OREGON**  
Reconciliation of the Balance Sheet of Governmental  
Funds to the Statement of Net Position  
June 30, 2015

Fund balances - governmental funds	\$ 2,209,503
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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.	96,299
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Nondepreciable assets	\$ 3,793,326	
Depreciable assets	6,316,600	
Accumulated depreciation	<u>(3,415,616)</u>	
		6,694,310

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

General obligation bonds payable	(5,125,000)	
Deferred charges	204,930	
Issuance premiums	(289,806)	
Loans payable	(40,250)	
Compensated absences	(69,119)	
Accrued interest payable	<u>(18,583)</u>	
		(5,337,828)

Assets, liabilities, deferred inflows and deferred outflows related to the City's portion of the State-wide pension plan are not current resources or requirements and therefore are not reported in the funds:

Net pension asset	248,844	
Deferred outflows of resources related to pensions	111,588	
Deferred inflows of resources related to pensions	<u>(479,971)</u>	
		(119,539)

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>(54,089)</u>
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Net position of governmental activities	<u>\$ 3,488,656</u>
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See accompanying notes to the financial statements

**CITY OF CANNON BEACH, OREGON**  
**GOVERNMENTAL FUNDS**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended June 30, 2015

	General Fund (010)	Tourism & Arts Fund (012)	Road Fund (040)	Debt Service Fund (030)	Total Nonmajor Funds	Total Governmental Funds
<b>Revenues:</b>						
Taxes and assessments	\$ 651,738	\$ -	\$ 316,900	\$ 327,604	\$ -	\$ 1,296,242
Transient room taxes	2,740,223	304,829	-	-	-	3,045,052
Licenses, permits, and fees	325,286	-	-	-	141,478	466,764
Grants and donations	61,656	-	-	-	-	61,656
Other	98,088	-	648	12,739	847	112,322
Total revenues	<u>3,876,991</u>	<u>304,829</u>	<u>317,548</u>	<u>340,343</u>	<u>142,325</u>	<u>4,982,036</u>
<b>Expenditures:</b>						
Current:						
General government	1,184,279	277,000	-	-	-	1,461,279
Building	-	-	-	-	146,888	146,888
Planning	204,354	-	-	-	-	204,354
Public works	488,452	-	639,711	-	-	1,128,163
Public safety	1,313,426	-	-	-	-	1,313,426
Debt service:						
Principal	-	-	-	370,250	-	370,250
Interest	-	-	-	188,875	-	188,875
Total expenditures	<u>3,190,511</u>	<u>277,000</u>	<u>639,711</u>	<u>559,125</u>	<u>146,888</u>	<u>4,813,235</u>
Excess (deficiency) of revenues over (under) expenditures	<u>686,480</u>	<u>27,829</u>	<u>(322,163)</u>	<u>(218,782)</u>	<u>(4,563)</u>	<u>168,801</u>
<b>Other Financing Sources (Uses):</b>						
Transfers in	-	-	240,238	262,800	314,895	817,933
Transfers out	<u>(927,683)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,250)</u>	<u>(967,933)</u>
Total other financing sources (uses)	<u>(927,683)</u>	<u>-</u>	<u>240,238</u>	<u>262,800</u>	<u>274,645</u>	<u>(150,000)</u>
Net change in fund balances	(241,203)	27,829	(81,925)	44,018	270,082	18,801
<b>Fund Balances:</b>						
Beginning of year	<u>1,652,436</u>	<u>17,681</u>	<u>142,560</u>	<u>(36,529)</u>	<u>414,554</u>	<u>2,190,702</u>
End of year	<u>\$ 1,411,233</u>	<u>\$ 45,510</u>	<u>\$ 60,635</u>	<u>\$ 7,489</u>	<u>\$ 684,636</u>	<u>\$ 2,209,503</u>

See accompanying notes to the 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, 2015

Net change in fund balances - governmental funds \$ 18,801

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. (9,927)

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	\$ 587,640	
Current year depreciation	<u>(230,978)</u>	
		356,662

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	(2,882)	
Accrued interest	963	
Expenses related to pension obligations	339,543	
Amortization of bond premiums	32,158	
Amortization of deferred charge on refunding	<u>(20,493)</u>	
		349,289

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>370,250</u>	
		370,250

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. 118,691

Change in net position of governmental activities \$ 1,203,766

See accompanying notes to the financial statements



**CITY OF CANNON BEACH, OREGON**

**GENERAL FUND**

**Statement of Revenues, Expenditures, and Changes in Fund Balance**

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Taxes and assessments	\$ 604,063	\$ 604,063	\$ 651,738	\$ 47,675
Transient room taxes**	2,529,000	2,529,000	2,740,223	211,223
Licenses, permits and fees	302,275	302,275	325,286	23,011
Grants and donations	62,200	62,200	61,656	(544)
Other	<u>112,923</u>	<u>112,923</u>	<u>98,088</u>	<u>(14,835)</u>
Total revenues	<u>3,610,461</u>	<u>3,610,461</u>	<u>3,876,991</u>	<u>266,530</u>
Expenditures:				
Executive	594,387	681,887	795,622	(113,735)
Planning	168,430	193,430	204,354	(10,924)
Public works	449,640	509,640	488,452	21,188
Public safety	1,361,628	1,331,628	1,313,426	18,202
Non-departmental	403,739	403,739	388,657	15,082
Contingency	<u>175,000</u>	<u>32,500</u>	<u>-</u>	<u>32,500</u>
Total expenditures	<u>3,152,824</u>	<u>3,152,824</u>	<u>3,190,511</u>	<u>(37,687)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>457,637</u>	<u>457,637</u>	<u>686,480</u>	<u>228,843</u>
Other financing sources (uses):				
Transfers out**	<u>(777,683)</u>	<u>(927,683)</u>	<u>(927,683)</u>	<u>-</u>
Total other financing sources (uses)	<u>(777,683)</u>	<u>(927,683)</u>	<u>(927,683)</u>	<u>-</u>
Net change in fund balance	(320,046)	(470,046)	(241,203)	228,843
Fund Balance:				
Beginning of year	<u>1,100,000</u>	<u>1,250,000</u>	<u>1,652,436</u>	<u>402,436</u>
End of year	<u>\$ 779,954</u>	<u>\$ 779,954</u>	<u>\$ 1,411,233</u>	<u>\$ 631,279</u>

\*\*\$282,000 of budgeted transfers out to the Tourism & Arts Fund are reported as an offset against Transient Room Taxes for reporting purposes and are not included in total transfers out in this statement.

See accompanying notes to financial statements

**CITY OF CANNON BEACH, OREGON**

**012 - TOURISM & ARTS FUND**

**Statement of Revenues, Expenditures, and Changes in Fund Balance**

**Budget and Actual (Budgetary Basis)**

**For the Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Transient room taxes**	\$ 282,000	\$ 282,000	\$ 304,829	\$ 22,829
Expenditures:				
Materials and services	<u>282,000</u>	<u>282,000</u>	<u>277,000</u>	<u>5,000</u>
Net change in fund balance	-	-	27,829	27,829
Fund Balance:				
Beginning of year	<u>-</u>	<u>-</u>	<u>17,681</u>	<u>17,681</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,510</u>	<u>\$ 45,510</u>

\*\*\$282,000 of budgeted transfers in from the General Fund are reported as Transient Room Taxes (revenue) for reporting purposes and are not included in total transfers in in this statement.

See accompanying notes to financial statements

**CITY OF CANNON BEACH, OREGON**

040 - ROAD FUND

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Taxes and assessments	\$ 298,577	\$ 298,577	\$ 316,900	\$ 18,323
Grants and donations	50,000	50,000	-	(50,000)
Local improvement districts	50,000	50,000	-	(50,000)
Other	<u>-</u>	<u>-</u>	<u>648</u>	<u>648</u>
Total revenues	<u>398,577</u>	<u>398,577</u>	<u>317,548</u>	<u>(81,029)</u>
Expenditures:				
Personal services	185,826	204,826	206,315	(1,489)
Materials and services	360,615	341,615	279,706	61,909
Capital outlay	<u>215,000</u>	<u>215,000</u>	<u>153,690</u>	<u>61,310</u>
Total expenditures	<u>761,441</u>	<u>761,441</u>	<u>639,711</u>	<u>121,730</u>
Excess (deficiency) of revenues over (under) expenditures	(362,864)	(362,864)	(322,163)	40,701
Other financing sources (uses):				
Transfers in	<u>240,238</u>	<u>240,238</u>	<u>240,238</u>	<u>-</u>
Net change in fund balance	(122,626)	(122,626)	(81,925)	40,701
Fund Balance:				
Beginning of year	<u>122,626</u>	<u>122,626</u>	<u>142,560</u>	<u>19,934</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,635</u>	<u>\$ 60,635</u>

See accompanying notes to financial statements

**CITY OF CANNON BEACH, OREGON**  
**PROPRIETARY FUNDS**  
Statement of Net Position  
June 30, 2015

	Business-type Activities - Enterprise Funds						Governmental Activities
	Water Enterprise	Wastewater Enterprise	Storm Drain Enterprise	RV Park Enterprise	Nonmajor Fund - Recycling Enterprise	Total	Administrative Services Internal Service Fund
<b>ASSETS</b>							
Current assets:							
Cash and investments	\$ 245,139	\$ 325,906	\$ 72,342	\$ 1,071,185	\$ 146,285	\$ 1,860,857	\$ 35,518
Accounts receivables	60,058	103,082	15,217	-	17,771	196,128	1,428
Inventory	107,337	35,866	-	19,198	-	162,401	-
Total current assets	<u>412,534</u>	<u>464,854</u>	<u>87,559</u>	<u>1,090,383</u>	<u>164,056</u>	<u>2,219,386</u>	<u>36,946</u>
Noncurrent assets:							
Capital assets:							
Nondepreciable assets	483,888	59,007	-	799,450	-	1,342,345	-
Depreciable, net	3,914,018	7,458,998	655,155	853,401	164,722	13,046,294	30,466
Net pension asset	38,597	45,779	1,050	-	13,283	98,709	110,088
Total noncurrent assets	<u>4,436,503</u>	<u>7,563,784</u>	<u>656,205</u>	<u>1,652,851</u>	<u>178,005</u>	<u>14,487,348</u>	<u>140,554</u>
Total assets	4,849,037	8,028,638	743,764	2,743,234	342,061	16,706,734	177,500
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Related to pensions	17,308	20,529	471	-	5,956	44,264	49,366
Total assets & deferred outflows	<u>4,866,345</u>	<u>8,049,167</u>	<u>744,235</u>	<u>2,743,234</u>	<u>348,017</u>	<u>16,750,998</u>	<u>226,866</u>
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable and accrued expenses	16,443	73,728	17,283	87,091	2,402	196,947	15,238
Accrued payroll	5,401	6,088	49	-	1,540	13,078	21,708
Deposits	5,744	-	-	-	-	5,744	-
Compensated absences	14,682	12,162	935	-	7,256	35,035	31,671
Total liabilities	42,270	91,978	18,267	87,091	11,198	250,804	68,617
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Related to pensions	74,446	88,300	2,025	-	25,619	190,390	212,338
Total liabilities & deferred inflows	<u>116,716</u>	<u>180,278</u>	<u>20,292</u>	<u>87,091</u>	<u>36,817</u>	<u>441,194</u>	<u>280,955</u>
<b>NET POSITION</b>							
Net investment in capital assets	4,397,906	7,518,005	655,155	1,652,851	164,722	14,388,639	30,466
Unrestricted	351,723	350,884	68,788	1,003,292	146,478	1,921,165	(84,555)
Total net position	<u>\$ 4,749,629</u>	<u>\$ 7,868,889</u>	<u>\$ 723,943</u>	<u>\$ 2,656,143</u>	<u>\$ 311,200</u>	<u>\$ 16,309,804</u>	<u>\$ (54,089)</u>

See accompanying notes to the financial statements

**CITY OF CANNON BEACH, OREGON**  
**PROPRIETARY FUNDS**  
Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds						Governmental Activities
	Water Enterprise	Wastewater Enterprise	Storm Drain Enterprise	RV Park Enterprise	Nonmajor Fund - Recycling Enterprise	Total	Administrative Services Internal Service Fund
Operating Revenues:							
Charges for services	\$ 767,933	\$ 1,053,686	\$ 133,949	\$ 1,602,691	\$ 170,683	\$ 3,728,942	\$ 1,182,469
Other operating revenues	12,275	1,567	24	-	123	13,989	1,269
Total operating revenues	<u>780,208</u>	<u>1,055,253</u>	<u>133,973</u>	<u>1,602,691</u>	<u>170,806</u>	<u>3,742,931</u>	<u>1,183,738</u>
Operating Expenses:							
Personal services	196,826	219,564	16,197	-	61,808	494,395	585,592
Cost of operations	433,037	546,041	257,669	1,386,786	82,450	2,705,983	473,583
Depreciation	163,772	368,405	26,827	34,154	11,481	604,639	5,872
Total operating expenses	<u>793,635</u>	<u>1,134,010</u>	<u>300,693</u>	<u>1,420,940</u>	<u>155,739</u>	<u>3,805,017</u>	<u>1,065,047</u>
Operating income (loss)	(13,427)	(78,757)	(166,720)	181,751	15,067	(62,086)	118,691
Nonoperating Revenues (Expenses):							
Intergovernmental	-	-	12,998	-	-	12,998	-
Income (loss) before contributions and transfers	(13,427)	(78,757)	(153,722)	181,751	15,067	(49,088)	118,691
Capital contributions	11,417	11,747	6,616	-	-	29,780	-
Transfers in	-	70,000	80,000	-	-	150,000	-
Change in net position	(2,010)	2,990	(67,106)	181,751	15,067	130,692	118,691
Net Position:							
Beginning of year, as restated	<u>4,751,639</u>	<u>7,865,899</u>	<u>791,049</u>	<u>2,474,392</u>	<u>296,133</u>	<u>16,179,112</u>	<u>(172,780)</u>
End of year	<u>\$ 4,749,629</u>	<u>\$ 7,868,889</u>	<u>\$ 723,943</u>	<u>\$ 2,656,143</u>	<u>\$ 311,200</u>	<u>\$ 16,309,804</u>	<u>\$ (54,089)</u>

See accompanying notes to the financial statements

**CITY OF CANNON BEACH, OREGON**  
**PROPRIETARY FUNDS**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2015**

	Business-type Activities - Enterprise Funds						Governmental Activities
	Water Enterprise	Wastewater Enterprise	Storm Drain Enterprise	RV Park Enterprise	Nonmajor Fund - Recycling Enterprise	Total	Administrative Services Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Receipts from customers	\$ 784,174	\$ 1,047,844	\$ 132,732	\$ 1,609,812	\$ 170,099	\$ 3,744,661	\$ -
Receipts from interfund services provided	-	-	-	-	-	-	1,182,310
Payments to suppliers and contractors	(209,638)	(286,313)	(200,204)	(1,207,976)	(42,498)	(1,946,629)	(478,454)
Payments to employees	(245,350)	(284,640)	(17,218)	-	(76,441)	(623,649)	(710,119)
Payments for interfund services used	(252,129)	(251,588)	(40,942)	(89,626)	(41,264)	(675,549)	-
Net cash provided (used) by operating activities	<u>77,057</u>	<u>225,303</u>	<u>(125,632)</u>	<u>312,210</u>	<u>9,896</u>	<u>498,834</u>	<u>(6,263)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Operating grants	-	-	12,998	-	-	12,998	-
Transfers in	-	70,000	80,000	-	-	150,000	-
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>70,000</u>	<u>92,998</u>	<u>-</u>	<u>-</u>	<u>162,998</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Capital contributions	11,417	11,747	6,616	-	-	29,780	-
Acquisition and construction of capital assets	(121,505)	(234,270)	-	-	(13,812)	(369,587)	-
Net cash provided by (used in) capital and related financing activities	<u>(110,088)</u>	<u>(222,523)</u>	<u>6,616</u>	<u>-</u>	<u>(13,812)</u>	<u>(339,807)</u>	<u>-</u>
Net change in cash and investments	(33,031)	72,780	(26,018)	312,210	(3,916)	322,025	(6,263)
Cash and investments:							
Beginning of year	<u>278,170</u>	<u>253,126</u>	<u>98,360</u>	<u>758,975</u>	<u>150,201</u>	<u>1,538,832</u>	<u>41,781</u>
End of year	<u>\$ 245,139</u>	<u>\$ 325,906</u>	<u>\$ 72,342</u>	<u>\$ 1,071,185</u>	<u>\$ 146,285</u>	<u>\$ 1,860,857</u>	<u>\$ 35,518</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>							
Operating income (loss)	\$ (13,427)	\$ (78,757)	\$ (166,720)	\$ 181,751	\$ 15,067	\$ (62,086)	\$ 118,691
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation	163,772	368,405	26,827	34,154	11,481	604,639	5,872
Net reduction of expense under GASB 68	(52,664)	(62,464)	(1,433)	-	(18,125)	(134,686)	(150,213)
(Increase) decrease in current assets:							
Accounts receivable	3,966	(7,409)	(1,241)	7,121	(707)	1,730	(1,428)
Inventory	(4,822)	(897)	-	7,545	-	1,826	-
Net pension asset	-	-	-	-	-	-	-
(Increase) decrease in deferred outflows	-	-	-	-	-	-	-
Increase (decrease) in liabilities:							
Accounts payable and accrued expenses	(25,285)	9,037	16,523	81,639	(1,312)	80,602	(4,871)
Accrued payroll	863	(1,131)	(123)	-	(324)	(715)	36
Deposits	1,377	-	-	-	-	1,377	-
Compensated absences	3,277	(1,481)	535	-	3,816	6,147	25,650
Net pension liability	-	-	-	-	-	-	-
Increase (decrease) in deferred inflows	-	-	-	-	-	-	-
Net cash provided (used) by operating activities	<u>\$ 77,057</u>	<u>\$ 225,303</u>	<u>\$ (125,632)</u>	<u>\$ 312,210</u>	<u>\$ 9,896</u>	<u>\$ 498,834</u>	<u>\$ (6,263)</u>

See accompanying notes to the financial statements

# CITY OF CANNON BEACH, OREGON

## Notes to the Financial Statements

June 30, 2015

### **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, net outflows of resources, liabilities, and net 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, 2015

#### **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.

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.

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.

*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.

Additionally, the City reports the recycling fund as a non-major proprietary fund and 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.

###### **2. Receivables and payables**

Service and property taxes receivable 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.



# CITY OF CANNON BEACH, OREGON

## Notes to the Financial Statements

June 30, 2015

### 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, continued**

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/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, 2015.

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, 2015

### **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.

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.

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. *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.

##### **10. *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.

## CITY OF CANNON BEACH, OREGON

### Notes to the Financial Statements

June 30, 2015

#### **Note I - Summary of significant accounting policies, continued**

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

###### **11. 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 Commission passes an ordinance that places specific constraints on how the resources may be used. The City Commission 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 Commission 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.

###### **12. 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 a resolution 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.

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 fund. Expenditure categories of personal services, materials and services, capital outlay, debt service, 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.

# CITY OF CANNON BEACH, OREGON

## Notes to the Financial Statements

June 30, 2015

### Note II - Stewardship, compliance, and accountability, continued

#### **B. Excess of expenditures over appropriations**

For the year ended June 30, 2015, expenditures exceeded appropriations as follows:

	Final Budget	Actual	Variance
General Fund - Executive	\$ 681,887	\$ 795,622	\$ (113,735)
General Fund - Planning	193,430	204,354	(10,924)
Road Fund - Personal Services	204,826	206,315	(1,489)
Building Official Fund - Materials and Services	126,907	132,708	(5,801)
Water Fund - Personal Services	238,930	246,213	(7,283)
Water Fund - Capital Outlay	97,000	120,245	(23,245)
Wastewater Fund - Capital Outlay	217,000	233,009	(16,009)
Storm Drain Fund - Materials and Services	151,387	175,534	(24,147)
Storm Drain Fund - Capital Outlay	70,000	82,135	(12,135)
Administrative Services Fund - Materials and Services	442,603	462,272	(19,669)

### 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	\$ 150
Deposits with financial institutions	1,791,162
Local government investment pool	<u>1,849,169</u>
Total	<u>\$ 3,640,481</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.

*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](http://www.ost.state.or.us).

# CITY OF CANNON BEACH, OREGON

## Notes to the Financial Statements

June 30, 2015

### **Note III - Detailed notes on all funds, continued**

#### **A. Deposits and investments, continued**

*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, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 3,759,675	\$ -	\$ -	\$ -	\$ 3,759,675
Construction in progress	65,539	33,651	-	(65,539)	33,651
Total capital assets, not being depreciated	<u>3,825,214</u>	<u>33,651</u>	<u>-</u>	<u>(65,539)</u>	<u>3,793,326</u>
Capital assets, being depreciated:					
Buildings	1,890,564	118,924	-	-	2,009,488
Equipment and vehicles	1,229,023	169,074	(38,107)	-	1,359,990
Infrastructure	2,666,492	265,991	-	65,539	2,998,022
Total capital assets being depreciated	5,786,079	553,989	(38,107)	65,539	6,367,500
Less accumulated depreciation for:					
Buildings	(1,278,390)	(44,997)	-	-	(1,323,387)
Equipment and vehicles	(813,503)	(100,276)	38,107	-	(875,672)
Infrastructure	(1,145,414)	(91,577)	-	-	(1,236,991)
Total accumulated depreciation	<u>(3,237,307)</u>	<u>(236,850)</u>	<u>38,107</u>	<u>-</u>	<u>(3,436,050)</u>
Total capital assets, being depreciated, net	<u>2,548,772</u>	<u>317,139</u>	<u>-</u>	<u>65,539</u>	<u>2,931,450</u>
Governmental activities capital assets, net	<u>\$ 6,373,986</u>	<u>\$ 350,790</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,724,776</u>

# CITY OF CANNON BEACH, OREGON

## Notes to the Financial Statements

June 30, 2015

### Note III - Detailed notes on all funds, continued

#### **B. Capital assets, continued**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 1,283,338	\$ -	\$ -	\$ -	\$ 1,283,338
Construction in progress	<u>19,448</u>	<u>59,007</u>	<u>-</u>	<u>(19,448)</u>	<u>59,007</u>
Total capital assets, not being depreciated	<u>1,302,786</u>	<u>59,007</u>	<u>-</u>	<u>(19,448)</u>	<u>1,342,345</u>
Capital assets, being depreciated:					
Infrastructure	17,982,944	234,123	-	19,448	18,236,515
Buildings and improvements	2,595,254	21,217	-	-	2,616,471
Other equipment	<u>389,326</u>	<u>55,239</u>	<u>-</u>	<u>-</u>	<u>444,565</u>
Total capital assets being depreciated	20,967,524	310,579	-	19,448	21,297,551
Less accumulated depreciation for:					
Infrastructure	(6,566,245)	(525,929)	-	-	(7,092,174)
Buildings and improvements	(834,530)	(56,331)	-	-	(890,861)
Other equipment	<u>(245,843)</u>	<u>(22,379)</u>	<u>-</u>	<u>-</u>	<u>(268,222)</u>
Total accumulated depreciation	<u>(7,646,618)</u>	<u>(604,639)</u>	<u>-</u>	<u>-</u>	<u>(8,251,257)</u>
Total capital assets, being depreciated, net	<u>13,320,906</u>	<u>(294,060)</u>	<u>-</u>	<u>19,448</u>	<u>13,046,294</u>
Business-type activities capital assets, net	<u>\$14,623,692</u>	<u>\$ (235,053)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$14,388,639</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	\$ 163,772
Wastewater enterprise	368,405
Storm drain enterprise	26,827
RV park enterprise	34,154
Recycling enterprise	<u>11,481</u>
Total depreciation expense - business-type activities	<u>\$ 604,639</u>

# CITY OF CANNON BEACH, OREGON

## Notes to the Financial Statements

June 30, 2015

### Note III - Detailed notes on all funds, continued

#### C. Interfund transfers

The interfund transfer activity for the year ended June 30, 2015 was as follows:

	Transfers Out:		Totals
	General Fund	Nonmajor Governmental Funds	
Transfers In:			
Road Fund	\$ 240,238	\$ -	\$ 240,238
Debt Service Fund	262,800	-	262,800
Nonmajor Governmental Funds	274,645	40,250	314,895
Wastewater Enterprise	70,000	-	70,000
Storm Drain Enterprise	80,000	-	80,000
	<u>\$ 927,683</u>	<u>\$ 40,250</u>	<u>\$ 967,933</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 State of Oregon loan in the original amount of \$402,500 was used to cover the City's share of the construction to improve the intersection of US 101 at the north entrance to the City. The City agreed to pay \$40,250 annually for a ten year period. The road reserve fund is used to liquidate this loan.	0%	\$ 40,250
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%	2,325,000
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>2,800,000</u>
Total debt outstanding		5,165,250
Current portion		<u>390,250</u>
Long-term portion		<u>\$ 4,775,000</u>

The total debt outstanding is reported in the schedule of changes in long-term liabilities as follows:

	Ending Balance	Due Within One Year
Governmental activities - general obligation bonds	\$ 5,125,000	\$ 350,000
Governmental activities - loans payable	40,250	40,250
	<u>\$ 5,165,250</u>	<u>\$ 390,250</u>

# CITY OF CANNON BEACH, OREGON

## Notes to the Financial Statements

June 30, 2015

### Note III - Detailed notes on all funds, continued

#### **D. Long-term debt, continued**

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

Year ending June 30,	Governmental Activities	
	Principal	Interest
2016	\$ 390,250	\$ 177,325
2017	365,000	169,275
2018	385,000	158,325
2019	410,000	146,025
2020	480,000	135,025
2021 - 2025	2,830,000	394,725
2026 - 2028	305,000	19,350
Total	<u>\$ 5,165,250</u>	<u>\$ 1,200,050</u>

#### Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 5,455,000	\$ -	\$ (330,000)	\$ 5,125,000	\$ 350,000
Original issue premium	321,964	-	(32,158)	289,806	27,709
Totals bonds payable	5,776,964	-	(362,158)	5,414,806	377,709
Loans payable	80,500	-	(40,250)	40,250	40,250
Compensated absences	72,258	28,532	-	100,790	100,790
Governmental activities long-term liabilities	<u>\$ 5,929,722</u>	<u>\$ 28,532</u>	<u>\$ (402,408)</u>	<u>\$ 5,555,846</u>	<u>\$ 518,749</u>
Business-type activities:					
Compensated absences	<u>\$ 28,888</u>	<u>\$ 6,147</u>	<u>\$ -</u>	<u>\$ 35,035</u>	<u>\$ 35,035</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, 2015 \$1,015,000 of defeased 2010 Series general obligation bonds remain outstanding.

**2005 Series general obligation bonds.** In 2013, the City defeased a portion of the 2005 Series general obligation bonds by placing the proceeds of the 2012 Series general obligation bonds in an irrevocable trust account to provide for future debt service payments on the bonds. The trust account assets were used during the year ended June 30, 2015 to pay \$2,780,000 of defeased 2005 Series general obligation bonds. The bond was paid in full in 2015.



# CITY OF CANNON BEACH, OREGON

## Notes to the Financial Statements

June 30, 2015

### **Note III - Detailed notes on all funds, continued**

#### **E. Employee Retirement Plans**

The City is a participating employer in the Oregon Public Employees Retirement System ("OPERS"), a single cost-sharing multiple employer defined benefit retirement plans. Oregon PERS produces an independently audited CAFR which can be found at [http://www.oregon.gov/pers/Pages/section/financial\\_reports/financials.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financials.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**

All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. The authority to establish and amend the benefit provisions of the plan rests with the Oregon Legislature.

##### *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 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.

## CITY OF CANNON BEACH, OREGON

### Notes to the Financial Statements

June 30, 2015

#### **Note III - Detailed notes on all funds, continued**

##### **E. Employee Retirement Plans, continued**

###### **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 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.

###### *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.

# CITY OF CANNON BEACH, OREGON

## Notes to the Financial Statements

June 30, 2015

### Note III - Detailed notes on all funds, continued

#### **E. Employee Retirement Plans, continued**

##### **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.

##### *1. Member contributions*

Beginning January 1, 2004, all member contributions, except judge members, were placed in the OPSRP Individual Account Program. Prior to that date, all member contributions were credited to the Defined Benefit Pension Plan. Member contributions are set by statute at 6.0 to 7.0 percent of salary and are remitted by participating employers, who may agree to make member contributions on the member's behalf. The contributions are either deducted from member salaries or paid by the employers. The City has elected to make payments on behalf of its employees, who pay 6.0% of their salary to the IAP.

##### *2. Employer contributions*

Employer contribution rates during the period were based on the December 31, 2011 actuarial valuation as subsequently modified by 2013 legislated changes in benefit provisions. The rates, based on a percentage of payroll, first became effective July 1, 2013. The state of Oregon and certain schools, community colleges, and political subdivisions, including the City, have made lump sum payments to establish side accounts, and their rates have been reduced.

The City's contributions for the year ended June 30, 2015 were \$297,474. The rates in effect for the fiscal year ended June 30, 2015 were 12.38 percent for Tier One/Tier Two General Services, 9.37 percent for OPSRP Pension Program General Services, and 12.10 percent for OPSRP Police and Fire members.

A 10 year schedule of Defined Benefit Pension Plan Contributions can be found beginning on page 58 of the June 30, 2014 PERS CAFR.

##### **Pension Plan CAFR:**

Oregon PERS produces an independently audited CAFR which can be found at:

[http://www.oregon.gov/pers/Pages/section/financial\\_reports/financials.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx).

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

At June 30, 2015 the City's proportionate share of the net pension asset is \$457,641. The net pension asset was measured as of June 30, 2014, and the total pension asset used to calculate the net pension asset was determined by actuarial valuation as of December 31, 2012 rolled forward to June 30, 2014. The City's proportion of the net pension asset 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, 2014, the City's proportion was 0.02011880 percent, which was unchanged from its proportion measured as of June 30, 2013.

At June 30, 2015, 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
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 879,964
Changes in proportion and differences between City contributions and proportionate share of contributions	-	2,735
City contributions subsequent to the measurement date	205,218	-
Total	<u>\$ 205,218</u>	<u>\$ 882,699</u>

Deferred outflows of resources related to pensions of \$205,218 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ending June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

# CITY OF CANNON BEACH, OREGON

## Notes to the Financial Statements

June 30, 2015

### Note III - Detailed notes on all funds, continued

#### **E. Employee Retirement Plans, continued**

Year Ended June 30,	Difference of Projected and Actual Investment Earnings	Change in Employer Proportion and Differences Between Employer Contributions and Proportionate Share of Contribution	Total
2016	\$ 219,901	\$ 684	\$ 220,585
2017	219,901	684	220,585
2018	219,902	683	220,585
2019	219,902	683	220,585
2020	358	1	359
Total	<u>\$ 879,964</u>	<u>\$ 2,735</u>	<u>\$ 882,699</u>

#### **Actuarial Valuations:**

The employer contribution rates effective July 1, 2013, through June 30, 2015, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

#### **Actuarial Methods and Assumptions Used in Developing Total Pension Liability:**

Valuation Date	December 31, 2012, rolled forward to June 30, 2014
Experience Study Report	2012, published September 18, 2013
Actuarial Cost Method	Entry Age normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization based over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2.75 percent
Investment Rate of Return	7.75 percent
Project Salary Increases	3.75 percent overall payroll growth
Mortality	Health retirees and beneficiaries: PF-2000 Sex-distinct, generational per Scale AA, 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 of the RP-2000 statistic combined disabled mortality sex-distinct table.

# CITY OF CANNON BEACH, OREGON

## Notes to the Financial Statements

June 30, 2015

### Note III - Detailed notes on all funds, continued

#### **E. Employee Retirement Plans, continued**

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 2012 Experience Study which reviewed experience for the four-year period ending on December 31, 2012.

#### **Discount Rate**

The discount rate used to measure the total pension liability was 7.75 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.

#### **Assumed Asset Allocation**

<u>Asset Class/Strategy</u>	<u>Low Range</u>	<u>High Range</u>	<u>OIC Target</u>
Cash	0.0 %	3.0 %	0.0 %
Debt Securities	15.0 %	25.0 %	20.0
Public Equity	32.5 %	42.5 %	37.5
Private Equity	16.0 %	24.0 %	20.0
Real Estate	9.5 %	15.5 %	12.5
Alternative Equity	0.0 %	10.0 %	10.0
Opportunity Portfolio	0.0 %	3.0 %	0.0
Total			<u>100.0 %</u>

#### **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 2013 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. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. 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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Compounded Annual Return (Geometric)</u>
Core Fixed Income	7.20 %	4.50 %
Short-Term Bonds	8.00 %	3.70 %
Intermediate-Term Bonds	3.00 %	4.10 %
High Yield Bonds	1.80 %	6.66 %
Large Cap US Equities	11.65 %	7.20 %
Mid Cap US Equities	3.88 %	7.30 %
Small Cap US Equities	2.27 %	7.45 %
Developed Foreign Equities	14.21 %	6.90 %
Emerging Foreign Equities	5.49 %	7.40 %
Private Equities	20.00 %	8.26 %
Opportunity Funds/Absolute Return	5.00 %	6.01 %
Real Estate (Property)	13.75 %	6.51 %
Real Estate (REITS)	2.50 %	6.76 %
Commodities	1.25 %	6.07 %
Total	<u>100.00 %</u>	
Assumed Inflation - Mean		2.75 %

# CITY OF CANNON BEACH, OREGON

## Notes to the Financial Statements

June 30, 2015

### Note III - Detailed notes on all funds, continued

#### **E. Employee Retirement Plans, continued**

##### **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 7.75 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 (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
Proportionate Share of Net Pension Liability (Asset)	\$ 965,719	\$ (457,641)	\$ (1,658,507)

##### **Changes in Plan Provisions Subsequent to Measurement Date**

The Oregon Supreme Court on April 30, 2015, ruled in the Moro decision, 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 a 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 is a change in benefit terms subsequent to the measurement date of June 30, 2014, which will be reflected in the next year's actuarial valuations. The impact of the Moro decision has not been fully determined. However, the change in benefit terms is estimated to change the City's proportionate share of the net pension (asset)/liability by \$990,789 as shown in the following table.

	Prior to Moro	After Moro (Estimated)	Change
Total pension liability	\$ 12,701,964	\$ 13,690,843	\$ (988,879)
Fiduciary net position	13,159,605	13,157,695	1,910
Net pension (asset)/liability	<u>\$ (457,641)</u>	<u>\$ 533,148</u>	<u>\$ (990,789)</u>

#### **F. 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.

#### **G. 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.

# CITY OF CANNON BEACH, OREGON

## Notes to the Financial Statements

June 30, 2015

### Note III - Detailed notes on all funds, continued

#### H. Restatement of Net Position

The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, as Amended* during the year ended June 30, 2015. In accordance with the implementation guidance of GASB No. 68, the statement was applied retroactively by restating the City's beginning net position as follows:

Opinion Unit	Beginning Net Position	Deferred Outflows of Resources Related to Pensions	Net Pension Liability	Restated Beginning Net Position
Governmental Activities	\$ 2,947,069	\$ 143,083	\$ (805,262)	\$ 2,284,890
Business-type Activities	16,361,216	39,328	(221,432)	16,179,112
Water Enterprise	4,822,845	15,377	(86,583)	4,751,639
Wastewater Enterprise	7,950,355	18,241	(102,697)	7,865,899
Storm Drain Enterprise	792,986	420	(2,357)	791,049
Recycling Enterprise	320,638	5,290	(29,795)	296,133





REQUIRED SUPPLEMENTARY INFORMATION



**CITY OF CANNON BEACH, OREGON**

## Required Supplementary Information

June 30, 2015

**Schedule of the Proportionate Share of the Net Pension Liability**

## Oregon Public Employees Retirement System

	<u>2015</u>	<u>2014</u>	<u>2013 and Prior</u>
Proportion of the net pension liability (asset)	0.02011880 %	0.02011880 %	N/A
Proportionate share of the net pension liability (asset)	\$ (456,036)	\$ 1,026,692	N/A
Covered payroll	\$ 2,051,308	\$ 1,983,297	N/A
Proportionate share of the pension liability (asset) as a percentage of its covered employee payroll	(22.23)%	51.77 %	N/A
Plan net position as a percentage of the total pension liability	103.59 %	92.00 %	N/A

**Schedule of Pension Contributions**

## Oregon Public Employees Retirement System

	<u>2015</u>	<u>2014</u>	<u>2013 and Prior</u>
Contractually required contribution	\$ 297,474	\$ 302,166	N/A
Contributions in relation to the contractually required contribution	<u>297,474</u>	<u>302,166</u>	N/A
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	N/A
Covered employee payroll	\$ 2,051,308	\$ 1,983,297	N/A
Contributions as a percentage of covered employee payroll	14.50 %	15.24 %	N/A



COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES



**CITY OF CANNON BEACH, OREGON**

030 - DEBT SERVICE FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Taxes and assessments	\$ 342,000	\$ 342,000	\$ 327,604	\$ (14,396)
Other	<u>-</u>	<u>-</u>	<u>12,739</u>	<u>12,739</u>
Total revenues	<u>342,000</u>	<u>342,000</u>	<u>340,343</u>	<u>(1,657)</u>
Expenditures:				
Debt service:				
Principal	370,250	370,250	370,250	-
Interest	<u>234,550</u>	<u>234,550</u>	<u>188,875</u>	<u>45,675</u>
Total expenditures	<u>604,800</u>	<u>604,800</u>	<u>559,125</u>	<u>45,675</u>
Excess (deficiency) of revenues over (under) expenditures	(262,800)	(262,800)	(218,782)	44,018
Other financing sources (uses):				
Transfers in	<u>262,800</u>	<u>262,800</u>	<u>262,800</u>	<u>-</u>
Net change in fund balances	-	-	44,018	44,018
Fund Balance:				
Beginning of year	<u>-</u>	<u>-</u>	<u>(36,529)</u>	<u>(36,529)</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,489</u>	<u>\$ 7,489</u>





### **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.

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

***General Replacement Fund*** - Accounts for resources dedicated for future general capital asset replacement.

***Road Repair and Replacement Fund*** - Accounts for resources dedicated for future capital improvements for roads.

***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.



**CITY OF CANNON BEACH, OREGON**  
**NONMAJOR GOVERNMENTAL FUNDS**  
Combining Balance Sheet  
June 30, 2015

	Special Revenue Fund	Capital Projects Funds					
	Building Official Fund (015)	General Replacement Fund (059)	Road Repair and Replacement Fund (051)	Ecola Forest Reserve Fund (053)	Bridge Repair & Replacement Reserve Fund (055)	Total Nonmajor Governmental Funds	
<b>ASSETS</b>							
Cash and investments	\$ 66,268	\$ 513,821	\$ 21,674	\$ 6,394	\$ 100,000	\$ 708,157	
Receivables:							
Accounts receivable	22	-	-	-	-	22	
Total assets	<u>\$ 66,290</u>	<u>\$ 513,821</u>	<u>\$ 21,674</u>	<u>\$ 6,394</u>	<u>\$ 100,000</u>	<u>\$ 708,179</u>	
<b>LIABILITIES</b>							
Accounts payable and accrued expenses	\$ 14,481	\$ -	\$ -	\$ -	\$ -	\$ 14,481	
Unearned revenues	9,062	-	-	-	-	9,062	
Total liabilities	<u>23,543</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,543</u>	
<b>FUND BALANCES</b>							
Restricted:							
Building inspection program	42,747	-	-	-	-	42,747	
Assigned:							
Capital projects	-	513,821	21,674	6,394	100,000	641,889	
Total fund balances	<u>42,747</u>	<u>513,821</u>	<u>21,674</u>	<u>6,394</u>	<u>100,000</u>	<u>684,636</u>	
 Total liabilities and fund balances	<u>\$ 66,290</u>	<u>\$ 513,821</u>	<u>\$ 21,674</u>	<u>\$ 6,394</u>	<u>\$ 100,000</u>	<u>\$ 708,179</u>	

**CITY OF CANNON BEACH, OREGON**  
**NONMAJOR GOVERNMENTAL FUNDS**  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended June 30, 2015

	Special Revenue Fund	Capital Projects Funds				
	Building Official Fund (015)	General Replacement Fund (059)	Road Repair and Replacement Fund (051)	Ecola Forest Reserve Fund (053)	Bridge Repair & Replacement Reserve Fund (055)	Total Nonmajor Governmental Funds
Revenues:						
Licenses and permits	\$ 141,478	\$ -	\$ -	\$ -	\$ -	\$ 141,478
Other	<u>847</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>847</u>
Total revenues	142,325	-	-	-	-	142,325
Expenditures:						
Current:						
Building	<u>146,888</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>146,888</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,563)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,563)</u>
Other Financing Sources (Uses):						
Transfers in	-	314,895	-	-	-	314,895
Transfers out	<u>-</u>	<u>-</u>	<u>(40,250)</u>	<u>-</u>	<u>-</u>	<u>(40,250)</u>
Total other financing sources (uses)	<u>-</u>	<u>314,895</u>	<u>(40,250)</u>	<u>-</u>	<u>-</u>	<u>274,645</u>
Net change in fund balance	(4,563)	314,895	(40,250)	-	-	270,082
Fund Balances:						
Beginning of year	<u>47,310</u>	<u>198,926</u>	<u>61,924</u>	<u>6,394</u>	<u>100,000</u>	<u>414,554</u>
End of year	<u>\$ 42,747</u>	<u>\$ 513,821</u>	<u>\$ 21,674</u>	<u>\$ 6,394</u>	<u>\$ 100,000</u>	<u>\$ 684,636</u>

**CITY OF CANNON BEACH, OREGON****015 - BUILDING OFFICIAL FUND****Schedule of Revenues, Expenditures, and Changes in Fund Balance****Budget and Actual (Budgetary Basis)****For the Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Licenses, permits and fees	\$ 146,796	\$ 146,796	\$ 141,478	\$ (5,318)
Other	<u>-</u>	<u>-</u>	<u>847</u>	<u>847</u>
Total revenues	<u>146,796</u>	<u>146,796</u>	<u>142,325</u>	<u>(4,471)</u>
Expenditures:				
Personal services	20,596	20,596	14,180	6,416
Materials and services	<u>126,907</u>	<u>126,907</u>	<u>132,708</u>	<u>(5,801)</u>
Total expenditures	<u>147,503</u>	<u>147,503</u>	<u>146,888</u>	<u>615</u>
Net change in fund balance	(707)	(707)	(4,563)	(3,856)
Fund Balance:				
Beginning of year	<u>5,000</u>	<u>5,000</u>	<u>47,310</u>	<u>42,310</u>
End of year	<u>\$ 4,293</u>	<u>\$ 4,293</u>	<u>\$ 42,747</u>	<u>\$ 38,454</u>

**CITY OF CANNON BEACH, OREGON**

**059 - GENERAL REPLACEMENT FUND**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance**

**Budget and Actual (Budgetary Basis)**

**For the Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Expenditures:				
Other financing sources (uses):				
Transfers in	<u>\$ 314,895</u>	<u>\$ 314,895</u>	<u>\$ 314,895</u>	<u>\$ -</u>
Net change in fund balance	314,895	314,895	314,895	-
Fund Balance:				
Beginning of year	<u>198,925</u>	<u>198,925</u>	<u>198,926</u>	<u>1</u>
End of year	<u>\$ 513,820</u>	<u>\$ 513,820</u>	<u>\$ 513,821</u>	<u>\$ 1</u>

**CITY OF CANNON BEACH, OREGON**  
**051 - ROAD REPAIR AND REPLACEMENT FUND**  
Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Expenditures:				
Capital outlay	\$ 15,500	\$ 15,500	\$ -	\$ 15,500
Other financing sources (uses):				
Transfers out	<u>(40,250)</u>	<u>(40,250)</u>	<u>(40,250)</u>	<u>-</u>
Net change in fund balance	(55,750)	(55,750)	(40,250)	15,500
Fund Balance:				
Beginning of year	<u>61,000</u>	<u>61,000</u>	<u>61,924</u>	<u>924</u>
End of year	<u>\$ 5,250</u>	<u>\$ 5,250</u>	<u>\$ 21,674</u>	<u>\$ 16,424</u>

**CITY OF CANNON BEACH, OREGON**

**053 - ECOLA FOREST RESERVE FUND**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance**

**Budget and Actual (Budgetary Basis)**

**For the Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Expenditures:				
Fund Balance:				
Beginning of year	<u>\$        6,000</u>	<u>\$        6,000</u>	<u>\$        6,394</u>	<u>\$          394</u>
End of year	<u>\$        6,000</u>	<u>\$        6,000</u>	<u>\$        6,394</u>	<u>\$          394</u>



**CITY OF CANNON BEACH, OREGON**  
**055 - BRIDGE REPAIR & REPLACEMENT RESERVE FUND**  
Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Expenditures:				
Fund Balance:				
Beginning of year	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
End of year	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 100,000</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, 2015

	Water Fund (024)	Water Reserve Fund (054)	Total Water Enterprise
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 63,629	\$ 181,510	\$ 245,139
Accounts receivable	60,058	-	60,058
Inventory	<u>107,337</u>	<u>-</u>	<u>107,337</u>
Total current assets	<u>231,024</u>	<u>181,510</u>	<u>412,534</u>
Noncurrent assets:			
Capital assets:			
Nondepreciable assets	483,888	-	483,888
Depreciable, net	3,914,018	-	3,914,018
Net pension asset	<u>38,597</u>	<u>-</u>	<u>38,597</u>
Total noncurrent assets	<u>4,436,503</u>	<u>-</u>	<u>4,436,503</u>
Total assets	4,667,527	181,510	4,849,037
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pensions	<u>17,308</u>	<u>-</u>	<u>17,308</u>
Total assets and deferred outflows	<u>4,684,835</u>	<u>181,510</u>	<u>4,866,345</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	16,443	-	16,443
Accrued payroll	5,401	-	5,401
Deposits	5,744	-	5,744
Compensated absences	<u>14,682</u>	<u>-</u>	<u>14,682</u>
Total liabilities	42,270	-	42,270
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pensions	<u>74,446</u>	<u>-</u>	<u>74,446</u>
Total liabilities and deferred inflows	<u>116,716</u>	<u>-</u>	<u>116,716</u>
<b>NET POSITION</b>			
Net investment in capital assets	4,397,906	-	4,397,906
Unrestricted	<u>170,213</u>	<u>181,510</u>	<u>351,723</u>
Total net position	<u>\$ 4,568,119</u>	<u>\$ 181,510</u>	<u>\$ 4,749,629</u>

**CITY OF CANNON BEACH, OREGON**

**WATER ENTERPRISE**

Combining Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended June 30, 2015

	Water Fund (024)	Water Reserve Fund (054)	Total Water Enterprise
Operating Revenues:			
Charges for services	\$ 767,933	\$ -	\$ 767,933
Other operating revenues	<u>12,275</u>	<u>-</u>	<u>12,275</u>
Total operating revenues	<u>780,208</u>	<u>-</u>	<u>780,208</u>
Operating Expenses:			
Personal services	196,826	-	196,826
Cost of operations	433,037	-	433,037
Depreciation	<u>163,772</u>	<u>-</u>	<u>163,772</u>
Total operating expenses	<u>793,635</u>	<u>-</u>	<u>793,635</u>
Operating income (loss)	(13,427)	-	(13,427)
Capital contributions	<u>11,417</u>	<u>-</u>	<u>11,417</u>
Change in net position	(2,010)	-	(2,010)
Net Position:			
Beginning of year, as restated	<u>4,570,129</u>	<u>181,510</u>	<u>4,751,639</u>
End of year	<u>\$ 4,568,119</u>	<u>\$ 181,510</u>	<u>\$ 4,749,629</u>

**CITY OF CANNON BEACH, OREGON**  
**WATER ENTERPRISE**  
Combining Statement of Cash Flows  
For the Year Ended June 30, 2015

	Water Fund (024)	Water Reserve Fund (054)	Total Water Enterprise
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 784,174	\$ -	\$ 784,174
Payments to suppliers and contractors	(209,638)	-	(209,638)
Payments to employees	(245,350)	-	(245,350)
Payments for interfund services used	(252,129)	-	(252,129)
Net cash provided by operating activities	<u>77,057</u>	<u>-</u>	<u>77,057</u>
<b>CASH FLOWS USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital contributions	11,417	-	11,417
Acquisition and construction of capital assets	(121,505)	-	(121,505)
Net cash used by capital and related financing activities	<u>(110,088)</u>	<u>-</u>	<u>(110,088)</u>
Net change in cash and investments	(33,031)	-	(33,031)
Cash and investments:			
Beginning of year	<u>96,660</u>	<u>181,510</u>	<u>278,170</u>
End of year	<u>\$ 63,629</u>	<u>\$ 181,510</u>	<u>\$ 245,139</u>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>			
Operating income (loss)	\$ (13,427)	\$ -	\$ (13,427)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	163,772	-	163,772
Net reduction of expense under GASB 68	(52,664)	-	(52,664)
(Increase) decrease in assets:			
Accounts receivable	3,966	-	3,966
Inventory	(4,822)	-	(4,822)
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	(25,285)	-	(25,285)
Accrued payroll	863	-	863
Deposits	1,377	-	1,377
Compensated absences	<u>3,277</u>	<u>-</u>	<u>3,277</u>
Net cash provided by operating activities	<u>\$ 77,057</u>	<u>\$ -</u>	<u>\$ 77,057</u>

**CITY OF CANNON BEACH, OREGON**  
**WASTEWATER ENTERPRISE**  
Combining Statement of Net Position  
June 30, 2015

	Wastewater Fund (026)	Wastewater Reserve Fund (056)	Total Wastewater Enterprise
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 243,931	\$ 81,975	\$ 325,906
Accounts receivable	103,082	-	103,082
Inventory	<u>35,866</u>	<u>-</u>	<u>35,866</u>
Total current assets	<u>382,879</u>	<u>81,975</u>	<u>464,854</u>
Noncurrent assets:			
Capital assets:			
Nondepreciable assets	59,007	-	59,007
Depreciable, net	7,458,998	-	7,458,998
Net pension asset	<u>45,779</u>	<u>-</u>	<u>45,779</u>
Total noncurrent assets	<u>7,563,784</u>	<u>-</u>	<u>7,563,784</u>
Total assets	7,946,663	81,975	8,028,638
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pensions	<u>20,529</u>	<u>-</u>	<u>20,529</u>
Total assets and deferred outflows	<u>7,967,192</u>	<u>81,975</u>	<u>8,049,167</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	73,728	-	73,728
Accrued payroll	6,088	-	6,088
Compensated absences	<u>12,162</u>	<u>-</u>	<u>12,162</u>
Total liabilities	91,978	-	91,978
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pensions	<u>88,300</u>	<u>-</u>	<u>88,300</u>
Total liabilities and deferred inflows	<u>180,278</u>	<u>-</u>	<u>180,278</u>
<b>NET POSITION</b>			
Net investment in capital assets	7,518,005	-	7,518,005
Unrestricted	<u>268,909</u>	<u>81,975</u>	<u>350,884</u>
Total net position	<u>\$ 7,786,914</u>	<u>\$ 81,975</u>	<u>\$ 7,868,889</u>



**CITY OF CANNON BEACH, OREGON**  
**WASTEWATER ENTERPRISE**  
Combining Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended June 30, 2015

	Wastewater Fund (026)	Wastewater Reserve Fund (056)	Total Wastewater Enterprise
Operating Revenues:			
Charges for services	\$ 1,053,686	\$ -	\$ 1,053,686
Other operating revenues	<u>1,567</u>	<u>-</u>	<u>1,567</u>
Total operating revenues	<u>1,055,253</u>	<u>-</u>	<u>1,055,253</u>
Operating Expenses:			
Personal services	219,564	-	219,564
Cost of operations	546,041	-	546,041
Depreciation	<u>368,405</u>	<u>-</u>	<u>368,405</u>
Total operating expenses	<u>1,134,010</u>	<u>-</u>	<u>1,134,010</u>
Operating income (loss)	(78,757)	-	(78,757)
Capital contributions	11,747	-	11,747
Transfers in	<u>70,000</u>	<u>-</u>	<u>70,000</u>
Change in net assets	2,990	-	2,990
Net Position:			
Beginning of year, as restated	<u>7,783,924</u>	<u>81,975</u>	<u>7,865,899</u>
End of year	<u>\$ 7,786,914</u>	<u>\$ 81,975</u>	<u>\$ 7,868,889</u>

**CITY OF CANNON BEACH, OREGON**  
**WASTEWATER ENTERPRISE**  
Combining Statement of Cash Flows  
For the Year Ended June 30, 2015

	Wastewater Fund (026)	Wastewater Reserve Fund (056)	Total Wastewater Enterprise
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 1,047,844	\$ -	\$ 1,047,844
Payments to suppliers and contractors	(286,313)	-	(286,313)
Payments to employees	(284,640)	-	(284,640)
Payments for interfund services used	(251,588)	-	(251,588)
Net cash provided by operating activities	<u>225,303</u>	<u>-</u>	<u>225,303</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers in	<u>70,000</u>	<u>-</u>	<u>70,000</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital contributions	11,747	-	11,747
Acquisition and construction of capital assets	(234,270)	-	(234,270)
Net cash used by capital and related financing activities	<u>(222,523)</u>	<u>-</u>	<u>(222,523)</u>
Net change in cash and investments	72,780	-	72,780
Cash and investments:			
Beginning of year	<u>171,151</u>	<u>81,975</u>	<u>253,126</u>
End of year	<u>\$ 243,931</u>	<u>\$ 81,975</u>	<u>\$ 325,906</u>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>			
Operating income (loss)	\$ (78,757)	\$ -	\$ (78,757)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	368,405	-	368,405
Net reduction of expense under GASB 68	(62,464)	-	(62,464)
(Increase) decrease in current assets:			
Accounts receivable	(7,409)	-	(7,409)
Inventory	(897)	-	(897)
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	9,037	-	9,037
Accrued payroll	(1,131)	-	(1,131)
Compensated absences	(1,481)	-	(1,481)
Net cash provided by operating activities	<u>\$ 225,303</u>	<u>\$ -</u>	<u>\$ 225,303</u>

**CITY OF CANNON BEACH, OREGON**  
**STORM DRAIN ENTERPRISE**  
Combining Statement of Net Position  
June 30, 2015

	Storm Drain Fund (028)	Storm Drain Reserve Fund (058)	Total Storm Drain Enterprise
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 65,227	\$ 7,115	\$ 72,342
Accounts receivable	<u>15,217</u>	<u>-</u>	<u>15,217</u>
Total current assets	<u>80,444</u>	<u>7,115</u>	<u>87,559</u>
Noncurrent assets:			
Capital assets:			
Depreciable, net	655,155	-	655,155
Net pension asset	<u>1,050</u>	<u>-</u>	<u>1,050</u>
Total noncurrent assets	<u>656,205</u>	<u>-</u>	<u>656,205</u>
Total assets	736,649	7,115	743,764
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pensions	<u>471</u>	<u>-</u>	<u>471</u>
Total assets and deferred outflows	<u>737,120</u>	<u>7,115</u>	<u>744,235</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	17,283	-	17,283
Accrued payroll	49	-	49
Compensated absences	<u>935</u>	<u>-</u>	<u>935</u>
Total liabilities	18,267	-	18,267
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pensions	<u>2,025</u>	<u>-</u>	<u>2,025</u>
Total liabilities and deferred inflows	<u>20,292</u>	<u>-</u>	<u>20,292</u>
<b>NET POSITION</b>			
Net investment in capital assets	655,155	-	655,155
Unrestricted	<u>61,673</u>	<u>7,115</u>	<u>68,788</u>
Total net position	<u>\$ 716,828</u>	<u>\$ 7,115</u>	<u>\$ 723,943</u>

**CITY OF CANNON BEACH, OREGON**  
**STORM DRAIN ENTERPRISE**  
Combining Statement of Revenue, Expenses, and Changes in Net Position  
For the Year Ended June 30, 2015

	Storm Drain Fund (028)	Storm Drain Reserve Fund (058)	Total Storm Drain Enterprise
Operating Revenues:			
Charges for services	\$ 133,949	\$ -	\$ 133,949
Other operating revenues	<u>24</u>	<u>-</u>	<u>24</u>
Total operating revenues	<u>133,973</u>	<u>-</u>	<u>133,973</u>
Operating Expenses:			
Personal services	16,197	-	16,197
Cost of operations	257,669	-	257,669
Depreciation	<u>26,827</u>	<u>-</u>	<u>26,827</u>
Total operating expenses	<u>300,693</u>	<u>-</u>	<u>300,693</u>
Operating income (loss)	(166,720)	-	(166,720)
Nonoperating Revenues (Expenses):			
Intergovernmental	<u>12,998</u>	<u>-</u>	<u>12,998</u>
Income (loss) before contributions and transfers	(153,722)	-	(153,722)
Capital contributions	6,616	-	6,616
Transfers in	<u>80,000</u>	<u>-</u>	<u>80,000</u>
Change in net position	(67,106)	-	(67,106)
Net Position:			
Beginning of year, as restated	<u>783,934</u>	<u>7,115</u>	<u>791,049</u>
End of year	<u>\$ 716,828</u>	<u>\$ 7,115</u>	<u>\$ 723,943</u>

**CITY OF CANNON BEACH, OREGON**  
**STORM DRAIN ENTERPRISE**  
Combining Statement of Cash Flows  
For the Year Ended June 30, 2015

	Storm Drain Fund (028)	Storm Drain Reserve Fund (058)	Total Storm Drain Enterprise
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 132,732	\$ -	\$ 132,732
Payments to suppliers and contractors	(200,204)	-	(200,204)
Payments to employees	(17,218)	-	(17,218)
Payments for interfund services used	(40,942)	-	(40,942)
Net cash used in operating activities	<u>(125,632)</u>	<u>-</u>	<u>(125,632)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating grants	12,998	-	12,998
Transfers in	80,000	-	80,000
Net cash provided by (used in) noncapital financing activities	<u>92,998</u>	<u>-</u>	<u>92,998</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital contributions	6,616	-	6,616
Net change in cash and investments	(26,018)	-	(26,018)
Cash and investments:			
Beginning of year	91,245	7,115	98,360
End of year	<u>\$ 65,227</u>	<u>\$ 7,115</u>	<u>\$ 72,342</u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>			
Operating income (loss)	\$ (166,720)	\$ -	\$ (166,720)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	26,827	-	26,827
Net reduction of expense under GASB 68	(1,433)	-	(1,433)
(Increase) decrease in current assets:			
Accounts receivable	(1,241)	-	(1,241)
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	16,523	-	16,523
Accrued payroll	(123)	-	(123)
Compensated absences	535	-	535
Net cash used in by operating activities	<u>\$ (125,632)</u>	<u>\$ -</u>	<u>\$ (125,632)</u>

**CITY OF CANNON BEACH, OREGON**  
**RV PARK ENTERPRISE**  
Combining Statement of Net Position  
June 30, 2015

	RV Park Fund (020)	RV Park Reserve Fund (050)	Total RV Park Enterprise
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 911,700	\$ 159,485	\$ 1,071,185
Inventory	19,198	-	19,198
Total current assets	<u>930,898</u>	<u>159,485</u>	<u>1,090,383</u>
Noncurrent assets:			
Capital assets:			
Nondepreciable assets	799,450	-	799,450
Depreciable, net	853,401	-	853,401
Total noncurrent assets	<u>1,652,851</u>	<u>-</u>	<u>1,652,851</u>
Total assets	<u>2,583,749</u>	<u>159,485</u>	<u>2,743,234</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	<u>87,091</u>	-	<u>87,091</u>
Total liabilities	<u>87,091</u>	<u>-</u>	<u>87,091</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,652,851	-	1,652,851
Unrestricted	<u>843,807</u>	<u>159,485</u>	<u>1,003,292</u>
Total net position	<u>\$ 2,496,658</u>	<u>\$ 159,485</u>	<u>\$ 2,656,143</u>

**CITY OF CANNON BEACH, OREGON**  
**RV PARK ENTERPRISE**  
Combining Statement of Revenue, Expenses, and Changes in Net Position  
For the Year Ended June 30, 2015

	RV Park Fund (020)	RV Park Reserve Fund (050)	Total RV Park Enterprise
Operating Revenues:			
Charges for services	<u>\$ 1,602,691</u>	<u>\$ -</u>	<u>\$ 1,602,691</u>
Operating Expenses:			
Cost of operations	1,386,786	-	1,386,786
Depreciation	<u>34,154</u>	<u>-</u>	<u>34,154</u>
Total operating expenses	<u>1,420,940</u>	<u>-</u>	<u>1,420,940</u>
Change in net position	181,751	-	181,751
Net Position:			
Beginning of year	<u>2,314,907</u>	<u>159,485</u>	<u>2,474,392</u>
End of year	<u><u>\$ 2,496,658</u></u>	<u><u>\$ 159,485</u></u>	<u><u>\$ 2,656,143</u></u>

**CITY OF CANNON BEACH, OREGON**  
**RV PARK ENTERPRISE**  
Combining Statement of Cash Flows  
For the Year Ended June 30, 2015

	RV Park Fund (020)	RV Park Reserve Fund (050)	Total RV Park Enterprise
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 1,609,812	\$ -	\$ 1,609,812
Payments to suppliers and contractors	(1,207,976)	-	(1,207,976)
Payments for interfund services used	<u>(89,626)</u>	<u>-</u>	<u>(89,626)</u>
Net cash provided by operating activities	<u>312,210</u>	<u>-</u>	<u>312,210</u>
Net change in cash and investments	312,210	-	312,210
Cash and investments:			
Beginning of year	<u>599,490</u>	<u>159,485</u>	<u>758,975</u>
End of year	<u>\$ 911,700</u>	<u>\$ 159,485</u>	<u>\$ 1,071,185</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 181,751	\$ -	\$ 181,751
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	34,154	-	34,154
(Increase) decrease in current assets:			
Accounts receivable	7,121	-	7,121
Inventory	7,545	-	7,545
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	<u>81,639</u>	<u>-</u>	<u>81,639</u>
Net cash provided by operating activities	<u>\$ 312,210</u>	<u>\$ -</u>	<u>\$ 312,210</u>



**CITY OF CANNON BEACH, OREGON**  
**NONMAJOR ENTERPRISE FUND - RECYCLING ENTERPRISE**  
Combining Statement of Net Position  
June 30, 2015

	Recycling Fund (022)	Recycling Reserve Fund (052)	Total Recycling Enterprise
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 69,959	\$ 76,326	\$ 146,285
Accounts receivable	<u>17,771</u>	<u>-</u>	<u>17,771</u>
Total current assets	<u>87,730</u>	<u>76,326</u>	<u>164,056</u>
Noncurrent assets:			
Capital assets:			
Depreciable, net	164,722	-	164,722
Net pension asset	<u>13,283</u>	<u>-</u>	<u>13,283</u>
Total noncurrent assets	<u>178,005</u>	<u>-</u>	<u>178,005</u>
Total assets	265,735	76,326	342,061
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pensions	<u>5,956</u>	<u>-</u>	<u>5,956</u>
Total assets and deferred outflows	<u>271,691</u>	<u>76,326</u>	<u>348,017</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	2,402	-	2,402
Accrued payroll	1,540	-	1,540
Compensated absences	<u>7,256</u>	<u>-</u>	<u>7,256</u>
Total liabilities	11,198	-	11,198
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pensions	<u>25,619</u>	<u>-</u>	<u>25,619</u>
Total liabilities and deferred inflows	<u>36,817</u>	<u>-</u>	<u>36,817</u>
<b>NET POSITION</b>			
Net investment in capital assets	164,722	-	164,722
Unrestricted	<u>70,152</u>	<u>76,326</u>	<u>146,478</u>
Total net position	<u>234,874</u>	<u>76,326</u>	<u>311,200</u>

**CITY OF CANNON BEACH, OREGON**  
**NONMAJOR ENTERPRISE FUND - RECYCLING ENTERPRISE**  
Combining Statement of Revenue, Expenses, and Changes in Net Position  
For the Year Ended June 30, 2015

	Recycling Fund (022)	Recycling Reserve Fund (052)	Total Recycling Enterprise
Operating Revenues:			
Charges for services	\$ 170,683	\$ -	\$ 170,683
Other operating revenues	<u>123</u>	<u>-</u>	<u>123</u>
Total operating revenues	<u>170,806</u>	<u>-</u>	<u>170,806</u>
Operating Expenses:			
Personal services	61,808	-	61,808
Cost of operations	82,450	-	82,450
Depreciation	<u>11,481</u>	<u>-</u>	<u>11,481</u>
Total operating expenses	<u>155,739</u>	<u>-</u>	<u>155,739</u>
Change in net position	15,067	-	15,067
Net Position:			
Beginning of year, as restated	<u>219,807</u>	<u>76,326</u>	<u>296,133</u>
End of year	<u>\$ 234,874</u>	<u>\$ 76,326</u>	<u>\$ 311,200</u>

**CITY OF CANNON BEACH, OREGON**  
**NONMAJOR ENTERPRISE FUND - RECYCLING ENTERPRISE**  
Combining Statement of Cash Flows  
For the Year Ended June 30, 2015

	Recycling Fund (022)	Recycling Reserve Fund (052)	Total Recycling Enterprise
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 170,099	\$ -	\$ 170,099
Payments to suppliers and contractors	(42,498)	-	(42,498)
Payments to employees	(76,441)	-	(76,441)
Payments for interfund services used	(41,264)	-	(41,264)
Net cash provided by operating activities	9,896	-	9,896
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(13,812)	-	(13,812)
Net change in cash and investments	(3,916)	-	(3,916)
Cash and investments:			
Beginning of year	73,875	76,326	150,201
End of year	<u>\$ 69,959</u>	<u>\$ 76,326</u>	<u>\$ 146,285</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ 15,067	\$ -	\$ 15,067
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	11,481	-	11,481
Net reduction of expense under GASB 68	(18,125)	-	(18,125)
(Increase) decrease in current assets:			
Accounts receivable	(707)	-	(707)
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	(1,312)	-	(1,312)
Accrued payroll	(324)	-	(324)
Compensated absences	3,816	-	3,816
Net cash provided by operating activities	<u>\$ 9,896</u>	<u>\$ -</u>	<u>\$ 9,896</u>

**CITY OF CANNON BEACH, OREGON**

024 - WATER FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 736,000	\$ 736,000	\$ 767,933	\$ 31,933
Capital contributions	2,000	2,000	11,417	9,417
Other	<u>1,500</u>	<u>1,500</u>	<u>12,275</u>	<u>10,775</u>
Total revenues	<u>739,500</u>	<u>739,500</u>	<u>791,625</u>	<u>52,125</u>
Expenditures:				
Personal services	238,930	238,930	246,213	(7,283)
Materials and services	450,513	450,513	439,120	11,393
Capital outlay	<u>97,000</u>	<u>97,000</u>	<u>120,245</u>	<u>(23,245)</u>
Total expenditures	<u>786,443</u>	<u>786,443</u>	<u>805,578</u>	<u>(19,135)</u>
Net change in fund balance	(46,943)	(46,943)	(13,953)	32,990
Fund Balance:				
Beginning of year	<u>127,500</u>	<u>127,500</u>	<u>110,052</u>	<u>(17,448)</u>
End of year	<u>\$ 80,557</u>	<u>\$ 80,557</u>	<u>96,099</u>	<u>\$ 15,542</u>
Reconciliation to GAAP Basis:				
Inventory			107,337	
Capital assets			4,397,906	
Compensated absences			(14,682)	
Net pension asset			38,597	
Deferred outflows of resources related to pensions			17,308	
Deferred inflows of resources related to pensions			<u>(74,446)</u>	
GAAP Net Position - end of year			<u>\$ 4,568,119</u>	

**CITY OF CANNON BEACH, OREGON**

**054 - WATER RESERVE FUND**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance**

**Budget and Actual (Budgetary Basis)**

**For the Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Expenditures:				
Fund Balance:				
Beginning of year	<u>\$ 181,510</u>	<u>\$ 181,510</u>	<u>\$ 181,510</u>	<u>\$ -</u>
End of year	<u>\$ 181,510</u>	<u>\$ 181,510</u>	<u>\$ 181,510</u>	<u>\$ -</u>

**CITY OF CANNON BEACH, OREGON**

026 - WASTEWATER FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 975,000	\$ 975,000	\$ 1,053,686	\$ 78,686
Capital contributions	-	-	11,747	11,747
Other	-	-	1,567	1,567
Total revenues	<u>975,000</u>	<u>975,000</u>	<u>1,067,000</u>	<u>92,000</u>
Expenditures:				
Personal services	284,089	284,089	283,510	579
Materials and services	560,240	560,240	548,197	12,043
Capital outlay	<u>147,000</u>	<u>217,000</u>	<u>233,009</u>	<u>(16,009)</u>
Total expenditures	<u>991,329</u>	<u>1,061,329</u>	<u>1,064,716</u>	<u>(3,387)</u>
Excess (deficiency) of revenues over (under) expenditures	(16,329)	(86,329)	2,284	88,613
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>70,000</u>	<u>70,000</u>	<u>-</u>
Net change in fund balance	(16,329)	(16,329)	72,284	88,613
Fund Balance:				
Beginning of year	<u>147,210</u>	<u>147,210</u>	<u>194,914</u>	<u>47,704</u>
End of year	<u>\$ 130,881</u>	<u>\$ 130,881</u>	<u>267,198</u>	<u>\$ 136,317</u>
Reconciliation to GAAP Basis:				
Inventory			35,866	
Capital assets			7,518,004	
Compensated absences			(12,162)	
Net pension asset			45,779	
Deferred outflows of resources related to pensions			20,529	
Deferred inflows of resources related to pensions			<u>(88,300)</u>	
			<u>\$ 7,786,914</u>	

**CITY OF CANNON BEACH, OREGON**

**056 - WASTEWATER RESERVE FUND**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance**

**Budget and Actual (Budgetary Basis)**

**For the Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Expenditures:				
Fund Balance:				
Beginning of year	<u>\$ 81,975</u>	<u>\$ 81,975</u>	<u>\$ 81,975</u>	<u>\$ -</u>
End of year	<u>\$ 81,975</u>	<u>\$ 81,975</u>	<u>\$ 81,975</u>	<u>\$ -</u>

**CITY OF CANNON BEACH, OREGON**

**028 - STORM DRAIN FUND**

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 136,000	\$ 136,000	\$ 133,949	\$ (2,051)
Grants and donations	30,000	30,000	12,998	(17,002)
Capital contributions	-	-	6,616	6,616
Other	<u>-</u>	<u>-</u>	<u>24</u>	<u>24</u>
Total revenues	<u>166,000</u>	<u>166,000</u>	<u>153,587</u>	<u>(12,413)</u>
Expenditures:				
Personal services	19,719	19,719	17,095	2,624
Materials and services	71,387	151,387	175,534	(24,147)
Capital outlay	<u>70,000</u>	<u>70,000</u>	<u>82,135</u>	<u>(12,135)</u>
Total expenditures	<u>161,106</u>	<u>241,106</u>	<u>274,764</u>	<u>(33,658)</u>
Excess (deficiency) of revenues over (under) expenditures	4,894	(75,106)	(121,177)	(46,071)
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>80,000</u>	<u>80,000</u>	<u>-</u>
Net change in fund balance	4,894	4,894	(41,177)	(46,071)
Fund Balance:				
Beginning of year	<u>57,792</u>	<u>57,792</u>	<u>104,288</u>	<u>46,496</u>
End of year	<u>\$ 62,686</u>	<u>\$ 62,686</u>	<u>63,112</u>	<u>\$ 425</u>
Reconciliation to GAAP Basis:				
Capital assets			655,155	
Compensated absences			(935)	
Net pension asset			1,050	
Deferred outflows of resources related to pensions			471	
Deferred inflows of resources related to pensions			<u>(2,025)</u>	
GAAP Net Position - end of year			<u>\$ 716,828</u>	



**CITY OF CANNON BEACH, OREGON**

**058 - STORM DRAIN RESERVE FUND**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance**

**Budget and Actual (Budgetary Basis)**

**For the Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Expenditures:				
Fund Balance:				
Beginning of year	\$ 7,115	\$ 7,115	\$ 7,115	\$ -
End of year	<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 Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	<u>\$ 1,400,000</u>	<u>\$ 1,400,000</u>	<u>\$ 1,602,691</u>	<u>\$ 202,691</u>
Expenditures:				
Materials and services	1,378,757	1,378,757	1,365,539	13,218
Capital outlay	15,000	15,000	6,581	8,419
Contingency	<u>145,000</u>	<u>145,000</u>	<u>-</u>	<u>145,000</u>
Total expenditures	<u>1,538,757</u>	<u>1,538,757</u>	<u>1,372,120</u>	<u>166,637</u>
Excess (deficiency) of revenues over (under) expenditures	(138,757)	(138,757)	230,571	369,328
Other financing sources (uses):				
Transfers out	<u>(82,512)</u>	<u>(82,512)</u>	<u>-</u>	<u>82,512</u>
Net change in fund balance	(221,269)	(221,269)	230,571	451,840
Fund Balance:				
Beginning of year	<u>430,000</u>	<u>430,000</u>	<u>594,038</u>	<u>164,038</u>
End of year	<u>\$ 208,731</u>	<u>\$ 208,731</u>	<u>824,609</u>	<u>\$ 615,878</u>
Reconciliation to GAAP Basis:				
Inventory			19,198	
Capital assets			<u>1,652,851</u>	
GAAP Net Position - end of year			<u>\$ 2,496,658</u>	

**CITY OF CANNON BEACH, OREGON**

**050 - RV PARK RESERVE FUND**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance**

**Budget and Actual (Budgetary Basis)**

**For the Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Expenditures:				
Transfers in	\$ 82,512	\$ 82,512	\$ -	\$ (82,512)
Fund Balance:				
Beginning of year	<u>159,485</u>	<u>159,485</u>	<u>159,485</u>	<u>-</u>
End of year	<u>\$ 241,997</u>	<u>\$ 241,997</u>	<u>\$ 159,485</u>	<u>\$ (82,512)</u>

**CITY OF CANNON BEACH, OREGON**

022 - RECYCLING FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 157,250	\$ 157,250	\$ 170,683	\$ 13,433
Other	<u>-</u>	<u>-</u>	<u>123</u>	<u>123</u>
Total revenues	<u>157,250</u>	<u>157,250</u>	<u>170,806</u>	<u>13,556</u>
Expenditures:				
Personal services	88,631	88,631	76,117	12,514
Materials and services	102,633	101,833	83,509	18,324
Capital outlay	<u>12,000</u>	<u>12,800</u>	<u>12,753</u>	<u>47</u>
Total expenditures	<u>203,264</u>	<u>203,264</u>	<u>172,379</u>	<u>30,885</u>
Net change in fund balance	(46,014)	(46,014)	(1,573)	44,441
Fund Balance:				
Beginning of year	<u>64,039</u>	<u>64,039</u>	<u>85,361</u>	<u>21,322</u>
End of year	<u>\$ 18,025</u>	<u>\$ 18,025</u>	<u>83,788</u>	<u>\$ 65,763</u>
Reconciliation to GAAP Basis:				
Capital assets			164,722	
Compensated absences			(7,256)	
Net pension asset			13,283	
Deferred outflows of resources related to pensions			5,956	
Deferred inflows of resources related to pensions			<u>(25,619)</u>	
GAAP Net Position - end of year			<u>\$ 234,874</u>	

**CITY OF CANNON BEACH, OREGON**

**052 - RECYCLING RESERVE FUND**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance**

**Budget and Actual (Budgetary Basis)**

**For the Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Expenditures:				
Fund Balance:				
Beginning of year	<u>\$ 76,325</u>	<u>\$ 76,325</u>	<u>\$ 76,326</u>	<u>\$ 1</u>
End of year	<u>\$ 76,325</u>	<u>\$ 76,325</u>	<u>\$ 76,326</u>	<u>\$ 1</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 Revenues, Expenditures, and Changes in Fund Balance****Budget and Actual (Budgetary Basis)****For the Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 1,264,370	\$ 1,264,370	\$ 1,182,469	\$ (81,901)
Other	<u>-</u>	<u>-</u>	<u>1,269</u>	<u>1,269</u>
Total revenues	<u>1,264,370</u>	<u>1,264,370</u>	<u>1,183,738</u>	<u>(80,632)</u>
Expenditures:				
Personal services	794,127	784,127	710,155	73,972
Materials and services	424,603	442,603	462,272	(19,669)
Capital outlay	<u>45,640</u>	<u>37,640</u>	<u>11,311</u>	<u>26,329</u>
Total expenditures	<u>1,264,370</u>	<u>1,264,370</u>	<u>1,183,738</u>	<u>80,632</u>
Net change in fund balance	-	-	-	-
Fund Balance:				
Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Reconciliation to GAAP Basis:				
Capital assets			30,466	
Compensated absences			(31,671)	
Net pension asset			110,088	
Deferred outflows of resources related to pensions			49,366	
Deferred inflows of resources related to pensions			<u>(212,338)</u>	
GAAP Net Position - end of year			<u>\$ (54,089)</u>	



COMPLIANCE SECTION





An Independently Owned Member  
**McGLADREY ALLIANCE**



## **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, 2015 and have issued our report thereon dated December 31, 2015. 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.
2. Resolution No. 15-10, *For the Purpose of Authorizing Fiscal Year 2014-15 Budget Amendments and Transfers*, provided for an increase in transfers out of the general fund without an equal amount of transfers in in the Storm Drain and Wastewater Funds. The error was corrected in the presentation of budget to actual statements in the audited financial statements.
3. Resolution No. 15-10, *For the Purpose of Authorizing Fiscal Year 2014-15 Budget Amendments and Transfers*, does not state the need for the transfer or the purpose for the authorized expenditures embodied in the appropriation.

4. The following items relate to the preparation of the 2015/2016 budget:
- Resources do not equal requirements for the 2011/2012 and 2012/2013 actual columns.
  - Excess of actual revenues over actual expenditures in the second preceding year (2011/2012) do not equal the beginning balance in the first preceding year (2012/2013).
  - 2011-2012 actual beginning fund balance in the general fund and RV Park do not agree to the audited financial statements.
  - 2012-2013 actual total personal services for the Administrative Services Fund does not agree to the audited 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.



by Paul R Nielson, CPA, a member of the firm  
Eugene, Oregon  
December 31, 2015