



CITY OF CANNON BEACH

FINANCIAL STATEMENTS AND SUPPLEMENTAL
INFORMATION

FOR THE YEAR ENDED JUNE 30, 2016

WITH

INDEPENDENT AUDITOR'S REPORT

CITY OF CANNON BEACH, OREGON

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2016

WITH

INDEPENDENT AUDITOR'S REPORT

CITY OF CANNON BEACH, OREGON
Financial Statements and Supplemental Information
For the Year Ended June 30, 2016

Table of Contents

INTRODUCTORY SECTION

| | |
|---|---|
| List of Elected and Appointed Officials | i |
|---|---|

FINANCIAL SECTION

| | |
|--|---------|
| Independent Auditor's Report | 1 - 2 |
| Management's Discussion and Analysis | 3 - 13 |
| Basic Financial Statements: | |
| Government-wide Financial Statements: | |
| Statement of Net Position | 14 |
| Statement of Activities | 15 |
| Fund Financial Statements: | |
| Balance Sheet - Governmental Funds | 16 |
| Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position | 17 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds | 18 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 19 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual: | |
| General Fund | 20 |
| Tourism & Arts Fund | 21 |
| Road Fund | 22 |
| Statement of Net Position - Proprietary Funds | 23 |
| Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds | 24 |
| Statement of Cash Flows - Proprietary Funds | 25 |
| Notes to the Financial Statements | 26 - 42 |
| Required Supplementary Information: | |
| Schedule of the Proportionate Share of the Net Pension Liability | 43 |
| Schedule of Pension Contributions | 43 |
| Notes to Required Supplementary Information | 43 |
| Combining and Individual Fund Statements and Schedules: | |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual: | |
| Debt Service Fund | 44 |
| Nonmajor Governmental Funds: | |
| Combining Balance Sheet | 45 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances | 46 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual: | |
| Building Official Fund | 47 |
| General Repair and Replacement Reserve Fund | 48 |
| Road Repair and Replacement Reserve Fund | 49 |
| Ecola Forest Reserve Fund | 50 |
| Bridge Repair and Replacement Reserve Fund | 51 |

CITY OF CANNON BEACH, OREGON
Financial Statements and Supplemental Information
For the Year Ended June 30, 2016

Table of Contents, Continued

FINANCIAL SECTION, Continued

Combining and Individual Fund Statements and Schedules, Continued:

Enterprise Funds:

Water Enterprise:

| | |
|--|----|
| Combining Statement of Net Position | 52 |
| Combining Statement of Revenues, Expenses, and Changes in Net Position | 53 |
| Combining Statement of Cash Flows | 54 |

Wastewater Enterprise:

| | |
|--|----|
| Combining Statement of Net Position | 55 |
| Combining Statement of Revenues, Expenses, and Changes in Net Position | 56 |
| Combining Statement of Cash Flows | 57 |

Storm Drain Enterprise:

| | |
|--|----|
| Combining Statement of Net Position | 58 |
| Combining Statement of Revenues, Expenses, and Changes in Net Position | 59 |
| Combining Statement of Cash Flows | 60 |

RV Park Enterprise:

| | |
|--|----|
| Combining Statement of Net Position | 61 |
| Combining Statement of Revenues, Expenses, and Changes in Net Position | 62 |
| Combining Statement of Cash Flows | 63 |

Recycling Enterprise:

| | |
|--|----|
| Combining Statement of Net Position | 64 |
| Combining Statement of Revenues, Expenses, and Changes in Net Position | 65 |
| Combining Statement of Cash Flows | 66 |

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:

| | |
|---|----|
| Water Fund | 67 |
| Water Repair and Replacement Reserve Fund | 68 |
| Wastewater Fund | 69 |
| Wastewater Repair and Replacement Reserve Fund | 70 |
| Storm Drain Fund | 71 |
| Storm Drain Repair and Replacement Reserve Fund | 72 |
| RV Park Fund | 73 |
| RV Park Repair and Replacement Reserve Fund | 74 |
| Recycling Fund | 75 |
| Recycling Repair and Replacement Reserve Fund | 76 |

Internal Service Fund:

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:

| | |
|------------------------------|----|
| Administrative Services Fund | 77 |
|------------------------------|----|

COMPLIANCE SECTION

| | |
|---|---------|
| Independent Auditor's Report Required by Oregon State Regulations | 78 - 79 |
|---|---------|

INTRODUCTORY SECTION



CITY OF CANNON BEACH, OREGON

List of Elected and Appointed Officials

June 30, 2016

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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund, the Tourism and Arts Fund, and the Road Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of the Proportionate Share of the Net Pension Liability and the Schedule of Pension Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual fund financial statements and schedules and 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 are 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 16, 2016 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

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

Paul R Nielson, CPA, a member of the firm
Eugene, Oregon
December 16, 2016



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, 2016.

Financial Highlights

- The City's total assets at June 30, 2016 were \$26,820,382.
- The City's total deferred outflows at June 30, 2016 were \$554,756.
- The City's total liabilities at June 30, 2016 were \$7,327,710.
- The City's total deferred inflows at June 30, 2016 were \$334,992.
- The net position of the City at June 30, 2016 was \$19,712,436. Of this amount, \$39,423 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- At June 30, 2016, the City's governmental funds reported combined ending fund balances of \$2,382,694.
- At the end of the fiscal year, the City's total combined governmental funds had a restricted fund balance of \$191,987, an assigned fund balance of \$668,257, and an unassigned fund balance of \$1,522,370.
- The General Fund's unassigned fund balance is \$1,522,370 at the end of the current fiscal year, or 33.3% 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, building, planning, public works, and public safety. The business-type activities include a recreational vehicle (RV) park, recycling, water, wastewater and storm drainage services.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and 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. The City uses an internal service fund for services provided on behalf of the City. The internal service fund activity has been included within the governmental activities on the government-wide financial statements.

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

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

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including financial information and disclosures that are required by the GASB, but are not considered a part of the basic financial statements. 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 \$19,712,436 at the close of the most recent fiscal year.

By far, the largest portion, 98.8%, 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, 1.0%, represents resources that are subject to external restrictions on how they may be used. The remaining portion represents .2% 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 | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Current and other assets | \$ 3,021,846 | \$ 3,101,976 | \$ 1,982,354 | \$ 2,318,095 | \$ 5,004,200 | \$ 5,420,071 |
| Capital assets, net | 7,260,991 | 6,724,776 | 14,555,191 | 14,388,639 | 21,816,182 | 21,113,415 |
| Total assets | 10,282,837 | 9,826,752 | 16,537,545 | 16,706,734 | 26,820,382 | 26,533,486 |
| Deferred outflows of resources | 471,026 | 365,884 | 83,730 | 44,264 | 554,756 | 410,148 |
| Noncurrent liabilities | 6,198,096 | 5,555,846 | 367,747 | 35,035 | 6,565,843 | 5,590,881 |
| Other liabilities | 563,195 | 455,825 | 198,672 | 215,769 | 761,867 | 671,594 |
| Total liabilities | 6,761,291 | 6,011,671 | 566,419 | 250,804 | 7,327,710 | 6,262,475 |
| Deferred inflows of resources | 259,249 | 692,309 | 75,743 | 190,390 | 334,992 | 882,699 |
| Net position: | | | | | | |
| Net investment in capital assets | 4,954,107 | 4,283,249 | 14,526,919 | 14,388,639 | 19,481,026 | 18,671,888 |
| Restricted | 191,987 | 148,892 | - | - | 191,987 | 148,892 |
| Unrestricted | (1,412,771) | (943,485) | 1,452,194 | 1,921,165 | 39,423 | 977,680 |
| Total net position | \$ 3,733,323 | \$ 3,488,656 | \$ 15,979,113 | \$ 16,309,804 | \$ 19,712,436 | \$ 19,798,460 |

The government's net position decreased by \$86,024, during the current fiscal year.

The City's total assets at June 30, 2016 increased \$286,896 from \$26,533,486 to \$26,820,382, or 1.1% from the prior year. Cash decreased by \$226,719, or 6.2% from the prior year. Receivables increased by \$237,313, or 20.5% from the prior year. Capital assets, net, increased by \$702,767, or 3.3%, from the prior year. Net pension asset decreased by \$457,641, or 100% from the prior year. Deferred outflows increased \$144,608, or 35.3% from the prior year.

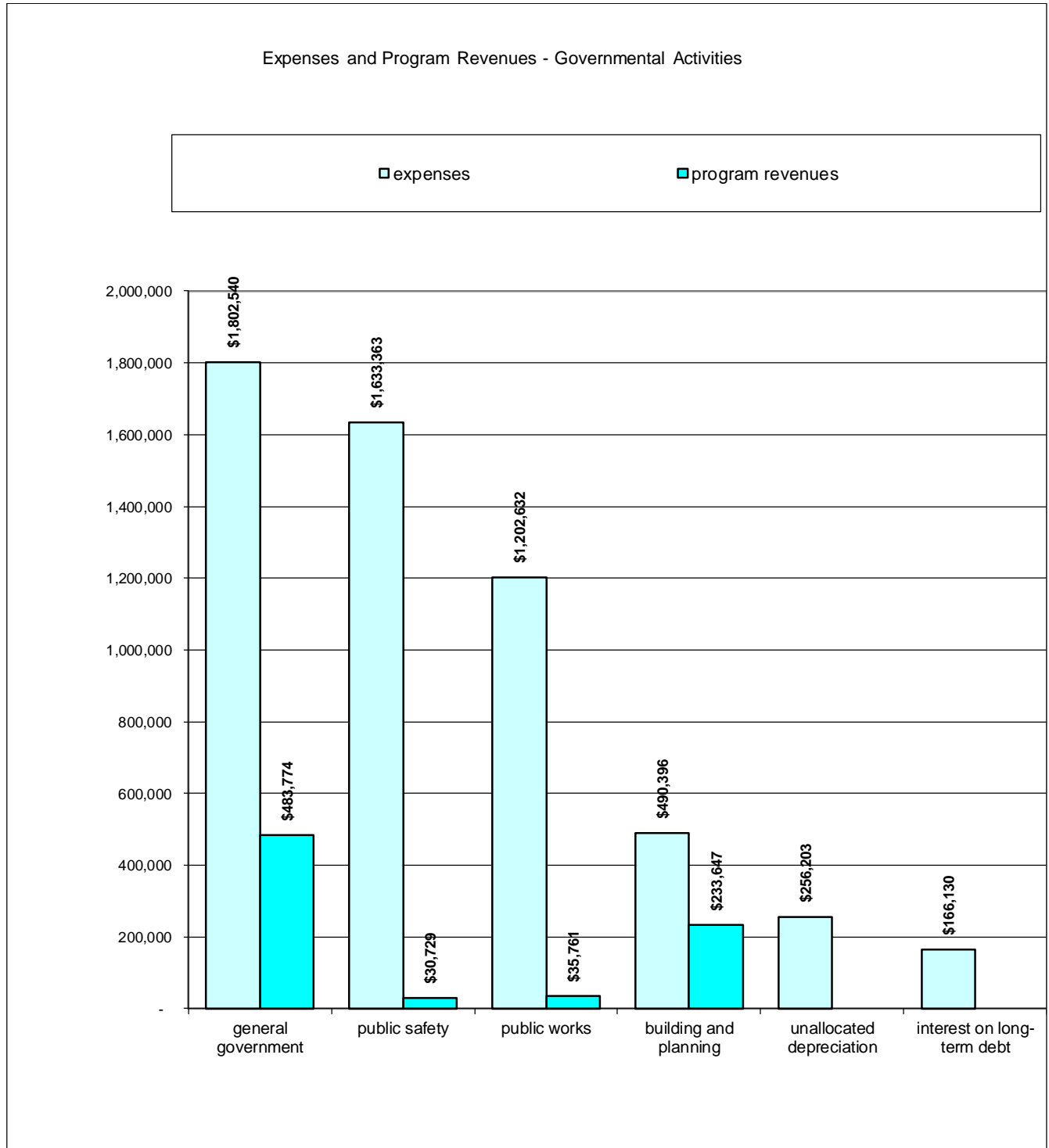
The City's total liabilities at June 30, 2016 increased by \$1,065,235, or 17.0%, from the prior year. Accounts payable increased \$447, or 0.0%, from the prior year. Accrued payroll increased \$95,144, or 2.74% at the end of the year as this amount was paid in the next fiscal year and comprises wages and benefits earned and expensed for the current period. The City's outstanding debt decreased \$352,785, or 7.8%. Net pension liability increased \$1,327,747.

| City of Cannon Beach Change in Net Position | | | | | | |
|--|-------------------------|---------------------|--------------------------|----------------------|----------------------|----------------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Fines, fees, and charges for services | \$ 443,437 | \$ 381,526 | \$ 3,822,745 | \$ 3,742,931 | \$ 4,266,182 | \$ 4,124,457 |
| Operating grants and contributions | 39,793 | 61,806 | - | 12,998 | 39,793 | 74,804 |
| Capital grants and contributions | 300,681 | - | 11,423 | 29,780 | 312,104 | 29,780 |
| General revenues: | | | | | | |
| Property taxes | 1,111,586 | 1,102,939 | | | 1,111,586 | 1,102,939 |
| Other taxes | 3,687,697 | 3,228,643 | - | - | 3,687,697 | 3,228,643 |
| Franchise fees | 194,150 | 185,701 | | | 194,150 | 185,701 |
| Unrestricted investment earnings | 18,587 | 12,577 | - | - | 18,587 | 12,577 |
| Other | - | - | - | - | - | - |
| Total revenues | 5,795,931 | 4,973,192 | 3,834,168 | 3,785,709 | 9,630,099 | 8,758,901 |
| Expenses: | | | | | | |
| General government | 1,802,540 | 1,138,760 | | | 1,802,540 | 1,138,760 |
| Building | 179,139 | 142,468 | | | 179,139 | 142,468 |
| Planning | 311,257 | 190,365 | | | 311,257 | 190,365 |
| Public Works | 1,202,632 | 741,144 | | | 1,202,632 | 741,144 |
| Public Safety | 1,633,363 | 993,592 | | | 1,633,363 | 993,592 |
| Unallocated depreciation | 256,203 | 236,850 | | | 256,203 | 236,850 |
| Interest on long-term liabilities | 166,130 | 176,247 | | | 166,130 | 176,247 |
| Water utility | | | 1,014,953 | 793,635 | 1,014,953 | 793,635 |
| Wastewater utility | | | 1,383,747 | 1,134,010 | 1,383,747 | 1,134,010 |
| Storm Drain | | | 165,141 | 300,693 | 165,141 | 300,693 |
| RV Park | | | 1,358,665 | 1,420,940 | 1,358,665 | 1,420,940 |
| Recycling | | | 242,353 | 155,739 | 242,353 | 155,739 |
| Total expenses | 5,551,264 | 3,619,426 | 4,164,859 | 3,805,017 | 9,716,123 | 7,424,443 |
| Increase in net position before transfers | 244,667 | 1,353,766 | (330,691) | (19,308) | (86,024) | 1,334,458 |
| Transfers | - | (150,000) | - | 150,000 | - | - |
| Increase (decrease) in net position | 244,667 | 1,203,766 | (330,691) | 130,692 | (86,024) | 1,334,458 |
| Net position, July 1 | 3,488,656 | 2,284,890 | 16,309,804 | 16,179,112 | 19,798,460 | 18,464,002 |
| Net position, June 30 | <u>\$ 3,733,323</u> | <u>\$ 3,488,656</u> | <u>\$ 15,979,113</u> | <u>\$ 16,309,804</u> | <u>\$ 19,712,436</u> | <u>\$ 19,798,460</u> |

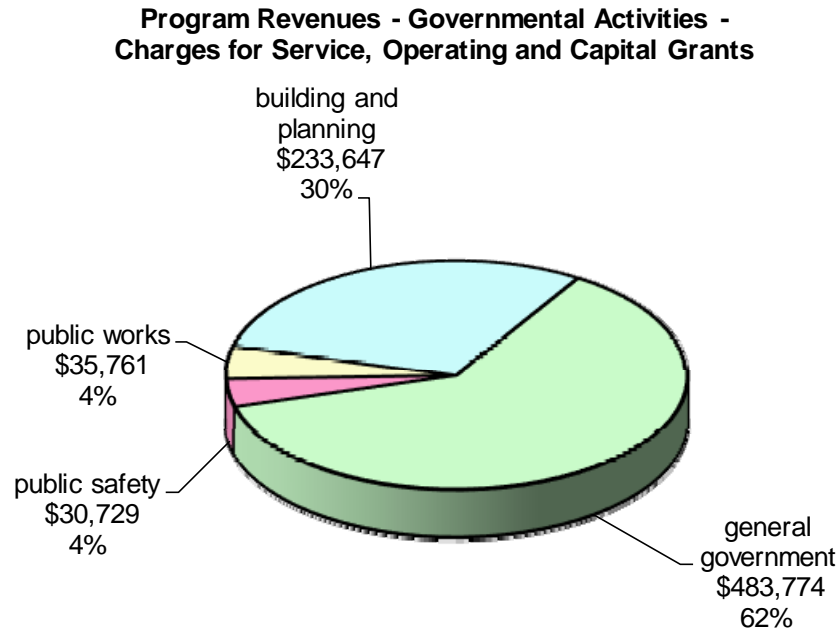
Governmental activities. Governmental activities increased the City's net position by \$244,667 from the prior year. The primary elements of the change in total net position are as follows:

- Revenues overall increased \$822,739 as transient room taxes and a capital grant show the biggest increases of \$459,054 and \$300,681, respectively.
- The increase in other taxes is mostly due to an increase in transient room tax as a 1% tax increase went into effect on October 1, 2015. The capital grant was the donation of a building on city owned property when the lease terminated.
- Total expenses increased by \$1,931,838 with the largest increase coming from pension expense due to the net pension liability of \$1,027,543 on the statement of net position.

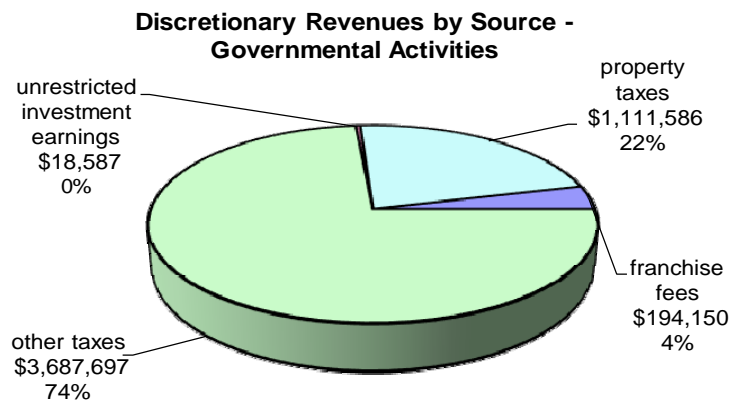
The following graph summarizes the 2015-2016 governmental activity program revenues and corresponding expenses. The revenues shown total \$783,911 an increase from the prior year of \$340,579, and are directly attributable to each activity (program revenues) and **do not** include property taxes, other taxes, franchise fees, investment earnings, other revenues, and other one-time or extraordinary revenue streams which are discretionary (general revenues). Discretionary revenues amount to \$5,012,020 and increased by \$482,160, from the prior year.



This next chart shows the 2015-2016 total functional revenues for each program in the amount of \$783,911 and the percentage of the total.



As the next chart reflects, most 2015-2016 governmental activities relied on general discretionary revenues to support the function. This graph shows total discretionary revenues in the amount of \$5,012,020 and the percentage in each category.

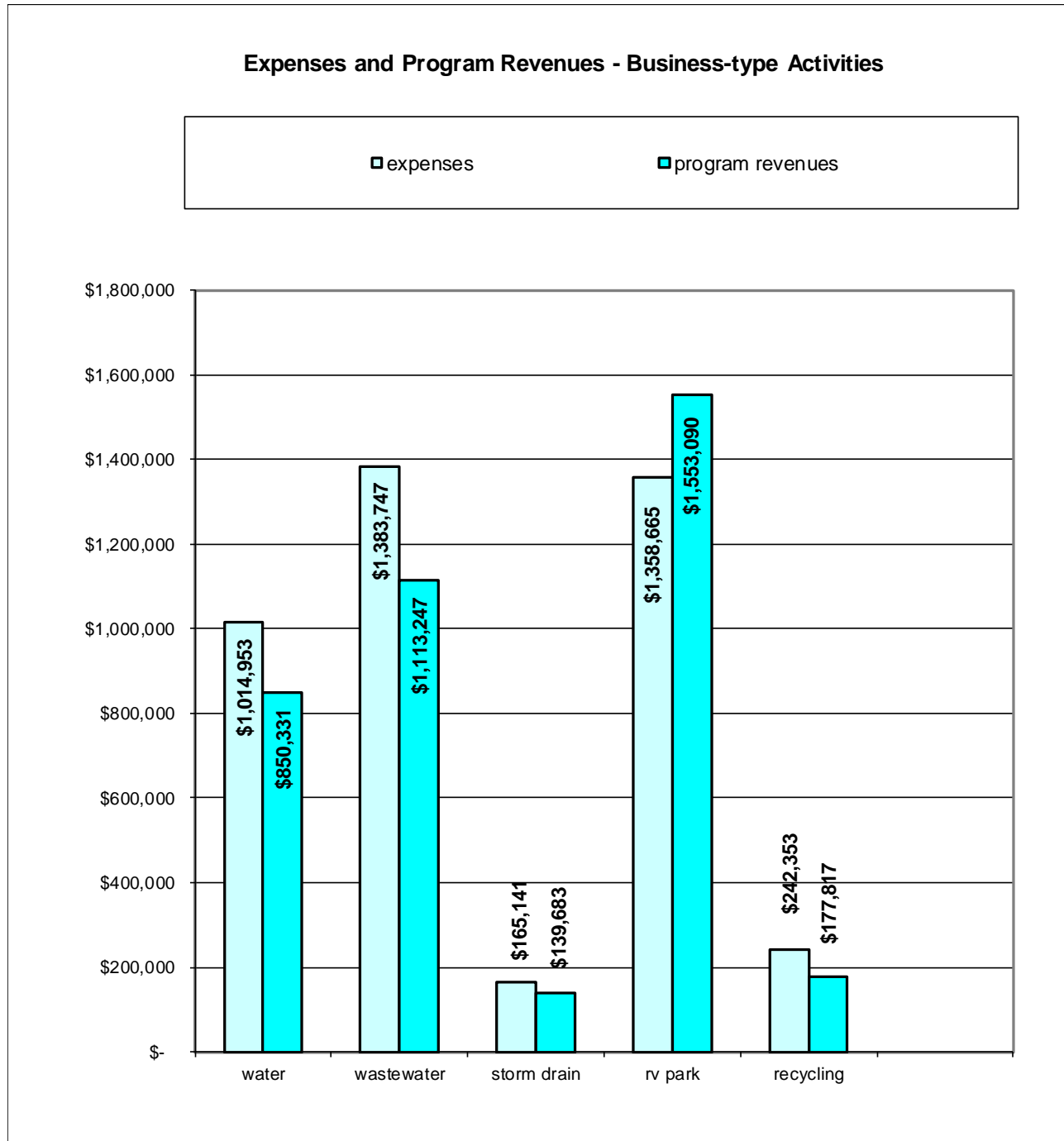


Business-type activities. Business-type activities decreased the City's net position by \$330,691. Key elements of this decrease are as follows:

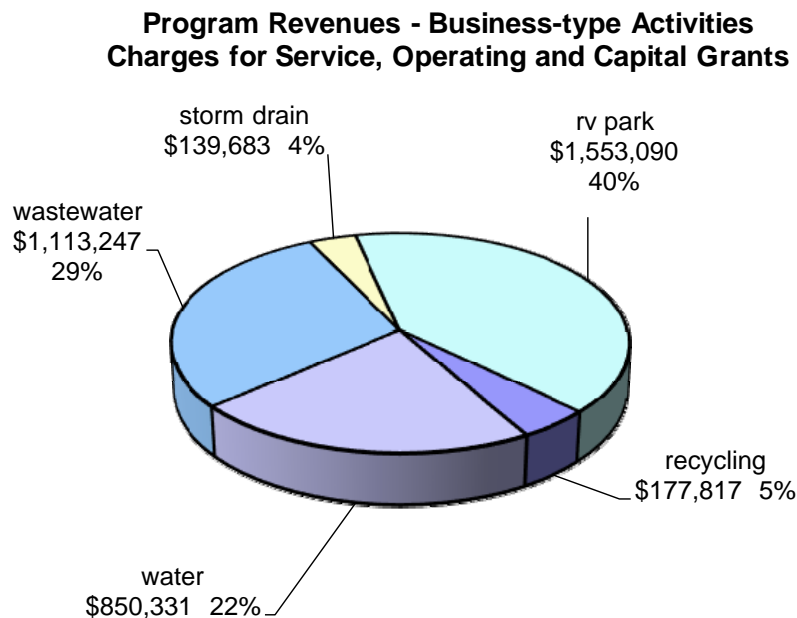
- Fines, fees, and charges for services include the utility revenue. Water, Wastewater, Storm Drain, Recycling and RV Park. All had increases in fees in the amounts of \$79,814 except the RV Park which had a decrease in revenue from the prior year of \$49,601.
- Water sales increased \$55,374 from the prior year. In the current year, 119,932,185 gallon of water were sold compared to the prior year amount of 113,827,751 and is a 5.4% increase.

- There were decreases in operating and capital grants in the amount of \$31,355 as some grants that ended were not replaced with new grants.
- Total operating expenses overall increased from the prior year in the amount of \$359,842 mostly due to the recording of pension expense.

Business-type activities of the City of Cannon Beach are supported by charges for utility service, capital contributions, development fees, and grants. The graph below summarizes the 2015-2016 expenses and revenues of those funds.



Total program revenues in the business-type activities of the City total \$3,834,168 as represented by the percentages in the chart below for 2015-2016.



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 \$2,382,694, an increase of \$173,191 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 \$1,522,370. 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 increased by \$111,217 during the current fiscal year. While revenues increased \$801,320, expenditures and transfers out increased by \$448,900. Key elements of the net increase to fund balance are as follows:

- Taxes and assessments increased by \$2,404 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 \$21,569 with the remainder being a decrease of \$19,165 in assessments.
- Transient room tax increased by \$468,731 and is due to a 1% increase in the tax rate from 7% to 8%.
- Licenses, permits, and fees increased \$33,017.

- Grants and donations increased by \$278,818 mostly due to a capital contribution of a building on city leased property reverting to the city upon the lease termination in the amount of \$300,681. Other grants and donations decreased by \$21,863 because some grants were either completed or not funded again.
- Other revenues increased \$18,350.
- Expenditures and other uses (transfers out) in the General Fund increased \$448,900 from the prior year. Most of the increase occurred in General Government (\$458,107). Planning, Public Works, Public Safety, increased in the amounts of \$63,896, \$60,313, \$16,752. Transfers out decreased by \$150,168.

The Tourism and Arts Fund has a total fund balance of \$89,551. The net increase in fund balance during the current year in the Fund was \$44,041. This fund's revenue comes solely from transient room tax and is distributed to tourism purposes.

- Transient room tax increased \$22,099.
- Total expenses for visitor and tourism purposes increased \$5,887.

The Roads Fund, has a total fund balance of \$52,200, all of which is restricted for road maintenance. The net decrease in fund balance during the current year in the fund was \$8,435 and is attributable to the following:

- Revenue, from all sources, decreased from the prior year by \$6,545 mainly from state highway funds.
- Transfers in from the General fund increased from the prior year by \$238,277.
- Loan proceeds were recorded for a portion of the purchase of a loader, in the amount of \$16,963.
- Expenditures increased \$175,205 from the prior year.

The Debt Service Fund has a total fund balance of \$64,950. The net increase in fund balance during the current year in the fund was \$57,461.

- Decreases in property tax were \$23,242 from the prior year.
- Transfers in increased \$57,874 from the prior year.
- Debt service expenditures to pay principal and interest total \$390,250 and 177,325, respectively in the current year. This is a decrease in total expenditures from the prior year of \$8,450.

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 \$255,566, those for the Wastewater Enterprise at the end of year amounted to \$223,199, those for the Storm Drain Enterprise at the end of year amounted to \$51,553, those for the RV Park Enterprise at the end of year amounted to \$828,349, and those for the Recycling Enterprise at the end of year amounted to \$93,527. The total decrease in net position for all enterprise funds was \$54,089. 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 | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Land | \$ 3,759,675 | \$ 3,759,675 | \$ 1,283,338 | \$ 1,283,338 | \$ 5,043,013 | \$ 5,043,013 |
| Buildings | 988,265 | 686,101 | 1,743,266 | 1,725,610 | 2,731,531 | 2,411,711 |
| Equipment and vehicles | 491,857 | 484,318 | 248,880 | 176,343 | 740,737 | 660,661 |
| Infrastructure | 1,890,715 | 1,761,031 | 11,179,583 | 11,144,340 | 13,070,298 | 12,905,371 |
| Construction in progress | 130,479 | 33,651 | 100,123 | 59,007 | 230,602 | 92,658 |
| Total | \$ 7,260,991 | \$ 6,724,776 | \$ 14,555,190 | \$ 14,388,638 | \$ 21,816,181 | \$ 21,113,414 |

Capital assets. The City of Cannon Beach's investment in capital assets for its governmental and business-type activities as of June 30, 2016, amounts to \$21,816,181 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, and bridges.

Net capital assets increased by \$702,767 during the year because capital asset additions of \$1,566,545 less current year depreciation, in the amount of \$863,778 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 Remodel, \$37,379
- Cannon Beach Children's Center Building, \$300,581
- Bus Shelter, \$10,501
- Welcome Man, \$10,000
- Parks and Trails Master Plan, \$33,311
- Spruce Street Sidewalk, \$67,776
- John Deere Tractor, \$25,315
- Trail Development, \$29,391
- Beach Stair Access, \$50,593
- Pavement Preservation, \$96,584
- Police 2015 Ford Explorer Equipment, \$15,339
- 910K Cat Wheel Loader, \$125,235
- PW 2015 Ford F250, \$28,927
- RV Park Bathroom Remodel, \$57,775
- RV Park Utility System Upgrade, \$329,847
- Wastewater Master Plan, \$39,119
- Main Pump Station Improvements, \$94,557
- Pacific Pump Station Improvements, \$60,682
- Water Master Plan, \$61,004

The above comprises 94.1% 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 \$5,238,096. Of this amount, \$5,037,097 comprises debt backed by the full faith and credit of the government. Loan payable obligations have been paid in full. New debt this year consists of a capital lease for the purchase of a Caterpillar loader. The purchase price was \$125,235 with a down payment of \$80,000 and principal outstanding of \$45,235. The remaining \$155,764 represents compensated absences liability (vacation and compensation pay accrued on behalf of the employees).

| City of Cannon Beach's Outstanding Debt | | | | | | |
|--|-------------------------|---------------------|--------------------------|------------------|---------------------|---------------------|
| General Obligation Bonds and Other Long-term Debt | | | | | | |
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| General Obligation Bonds | \$ 4,775,000 | \$ 5,125,000 | \$ - | \$ - | \$ 4,775,000 | \$ 5,125,000 |
| Original Issue Premium | 262,097 | 289,806 | | | 262,097 | 289,806 |
| Loans Payable | | 40,250 | | | - | 40,250 |
| Capital Lease Payable | 16,963 | | 28,272 | | 45,235 | - |
| Compensated Absences | 116,493 | 100,790 | 39,271 | 35,035 | 155,764 | 135,825 |
| Total | <u>\$ 5,170,553</u> | <u>\$ 5,555,846</u> | <u>\$ 67,543</u> | <u>\$ 35,035</u> | <u>\$ 5,238,096</u> | <u>\$ 5,590,881</u> |

The City of Cannon Beach's total long-term liabilities decreased by \$352,785 during the current fiscal year.

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

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 2017 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, 2016

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|--------------------------|
| ASSETS | | | |
| Cash and investments | \$ 1,882,730 | \$ 1,531,032 | \$ 3,413,762 |
| Receivables | 1,139,036 | 257,825 | 1,396,861 |
| Prepaid expenses | 80 | - | 80 |
| Inventory | - | 193,497 | 193,497 |
| Capital assets: | | | |
| Nondepreciable assets | 3,890,154 | 1,383,461 | 5,273,615 |
| Depreciable assets (net of accumulated depreciation) | <u>3,370,837</u> | <u>13,171,730</u> | <u>16,542,567</u> |
| Total assets | <u>10,282,837</u> | <u>16,537,545</u> | <u>26,820,382</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred charge on refunding | 184,437 | - | 184,437 |
| Related to pensions | <u>286,589</u> | <u>83,730</u> | <u>370,319</u> |
| Total deferred outflows | <u>471,026</u> | <u>83,730</u> | <u>554,756</u> |
| Total assets and deferred outflows | <u>10,753,863</u> | <u>16,621,275</u> | <u>27,375,138</u> |
| LIABILITIES | | | |
| Accounts payable and accrued expenses | 361,261 | 196,242 | 557,503 |
| Accrued payroll | 129,930 | - | 129,930 |
| Deposits | - | 1,600 | 1,600 |
| Accrued interest payable | 14,604 | 830 | 15,434 |
| Unearned revenue | 57,400 | - | 57,400 |
| Noncurrent liabilities: | | | |
| Due within one year | 526,165 | 67,543 | 593,708 |
| Due in more than one year | 4,644,388 | - | 4,644,388 |
| Net pension liability | <u>1,027,543</u> | <u>300,204</u> | <u>1,327,747</u> |
| Total liabilities | 6,761,291 | 566,419 | 7,327,710 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Related to pensions | <u>259,249</u> | <u>75,743</u> | <u>334,992</u> |
| Total liabilities and deferred inflows | <u>7,020,540</u> | <u>642,162</u> | <u>7,662,702</u> |
| NET POSITION | | | |
| Net investment in capital assets | 4,954,107 | 14,526,919 | 19,481,026 |
| Restricted for: | | | |
| Building inspection program | 50,236 | - | 50,236 |
| Tourism | 89,551 | - | 89,551 |
| Road maintenance | 52,200 | - | 52,200 |
| Unrestricted | <u>(1,412,771)</u> | <u>1,452,194</u> | <u>39,423</u> |
| Total net position | <u>\$ 3,733,323</u> | <u>\$ 15,979,113</u> | <u>\$ 19,712,436</u> |

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

CITY OF CANNON BEACH, OREGON
Statement of Activities
For the Year Ended June 30, 2016

| 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 |
| Governmental activities: | | | | | | | |
| General government | \$ 2,363,134 | \$ (560,594) | \$ 158,631 | \$ 24,462 | \$ 300,681 | \$ (1,318,766) | \$ - |
| Building | 149,555 | 29,584 | 181,065 | - | - | 1,926 | - |
| Planning | 311,257 | - | 50,232 | 2,350 | - | (258,675) | - |
| Public works | 1,415,001 | (212,369) | 35,761 | - | - | (1,166,871) | - |
| Public safety | 1,633,363 | - | 17,748 | 12,981 | - | (1,602,634) | - |
| Unallocated depreciation | 256,203 | - | - | - | - | (256,203) | - |
| Interest on long-term liabilities | 166,130 | - | - | - | - | (166,130) | - |
| Total governmental activities | 6,294,643 | (743,379) | 443,437 | 39,793 | 300,681 | (4,767,353) | - |
| Business-type activities: | | | | | | | |
| Water | 741,578 | 273,375 | 845,832 | - | 4,499 | - | (164,622) |
| Wastewater | 1,111,194 | 272,553 | 1,108,212 | - | 5,035 | - | (270,500) |
| Storm drain | 121,672 | 43,469 | 137,794 | - | 1,889 | - | (25,458) |
| RV park | 1,250,770 | 107,895 | 1,553,090 | - | - | - | 194,425 |
| Recycling | 196,266 | 46,087 | 177,817 | - | - | - | (64,536) |
| Total business-type activities | 3,421,480 | 743,379 | 3,822,745 | - | 11,423 | - | (330,691) |
| Total activities | \$ 9,716,123 | \$ - | \$ 4,266,182 | \$ 39,793 | \$ 312,104 | (4,767,353) | (5,098,044) |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes | | | | | | 1,111,586 | - |
| Transient room taxes | | | | | | 3,535,882 | - |
| Other taxes | | | | | | 151,815 | - |
| Franchise fees | | | | | | 194,150 | - |
| Unrestricted investment earnings | | | | | | 18,587 | - |
| Total general revenues and transfers | | | | | | 5,012,020 | - |
| Change in net position | | | | | | 244,667 | (330,691) |
| Net position, beginning | | | | | | 3,488,656 | 16,309,804 |
| Net position, ending | | | | | | \$ 3,733,323 | \$ 15,979,113 |
| | | | | | | | \$ 19,712,436 |

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

CITY OF CANNON BEACH, OREGON
GOVERNMENTAL FUNDS
Balance Sheet
June 30, 2016

| | General Fund (010) | Tourism and Arts Fund (012) | Road Fund (040) | Debt Service Fund (030) | Total Nonmajor Funds | Total Governmental Funds |
|--|-----------------------|-----------------------------------|--------------------|-------------------------------|----------------------------|--------------------------------|
| ASSETS | | | | | | |
| Cash and investments | \$ 912,312 | \$ 160,272 | \$ 65,383 | \$ 58,493 | \$ 680,172 | \$ 1,876,632 |
| Receivables: | | | | | | |
| Room taxes | 960,716 | - | - | - | - | 960,716 |
| Accounts | 56,318 | - | 27,587 | - | - | 83,905 |
| Property taxes | 49,304 | - | 18,121 | 26,990 | - | 94,415 |
| Prepaid expenses | <u>80</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>80</u> |
| Total assets | <u>\$ 1,978,730</u> | <u>\$ 160,272</u> | <u>\$ 111,091</u> | <u>\$ 85,483</u> | <u>\$ 680,172</u> | <u>\$ 3,015,748</u> |
| LIABILITIES | | | | | | |
| Accounts payable and accrued expenses | \$ 242,374 | \$ 70,721 | \$ 26,414 | \$ - | 15,654 | 355,163 |
| Accrued payroll | 129,909 | - | 21 | - | - | 129,930 |
| Unearned revenue | <u>46,425</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>10,975</u> | <u>57,400</u> |
| Total liabilities | <u>418,708</u> | <u>70,721</u> | <u>26,435</u> | <u>-</u> | <u>26,629</u> | <u>542,493</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Unavailable revenues: | | | | | | |
| Property taxes | 37,572 | - | 13,808 | 20,533 | - | 71,913 |
| LIDs | <u>-</u> | <u>-</u> | <u>18,648</u> | <u>-</u> | <u>-</u> | <u>18,648</u> |
| Total deferred inflows of resources | <u>37,572</u> | <u>-</u> | <u>32,456</u> | <u>20,533</u> | <u>-</u> | <u>90,561</u> |
| FUND BALANCES | | | | | | |
| Nonspendable - prepaids | 80 | - | - | - | - | 80 |
| Restricted: | | | | | | |
| Building inspection | - | - | - | - | 50,236 | 50,236 |
| Road maintenance | - | - | 52,200 | - | - | 52,200 |
| Tourism and arts | - | 89,551 | - | - | - | 89,551 |
| Assigned: | | | | | | |
| Capital projects | - | - | - | - | 603,307 | 603,307 |
| Debt service | - | - | - | 64,950 | - | 64,950 |
| Unassigned | <u>1,522,370</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,522,370</u> |
| Total fund balances | <u>1,522,450</u> | <u>89,551</u> | <u>52,200</u> | <u>64,950</u> | <u>653,543</u> | <u>2,382,694</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 1,978,730</u> | <u>\$ 160,272</u> | <u>\$ 111,091</u> | <u>\$ 85,483</u> | <u>\$ 680,172</u> | <u>\$ 3,015,748</u> |

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

CITY OF CANNON BEACH, OREGON
Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Position
June 30, 2016

| | | |
|---|--------------------|---------------------|
| Fund balances - governmental funds | | \$ 2,382,694 |
| 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. | | 90,561 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds: | | |
| Nondepreciable assets | \$ 3,890,154 | |
| Depreciable assets | 6,990,941 | |
| Accumulated depreciation | <u>(3,644,698)</u> | |
| | | 7,236,397 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds: | | |
| General obligation bonds payable | (4,775,000) | |
| Deferred charges | 184,437 | |
| Issuance premiums | (262,097) | |
| Capital lease payable | (16,963) | |
| Compensated absences | (73,258) | |
| Accrued interest payable | <u>(14,604)</u> | |
| | | (4,957,485) |
| 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: | | |
| Deferred outflows of resources related to pensions | 188,307 | |
| Net pension liability | (675,159) | |
| Deferred inflows of resources related to pensions | <u>(170,343)</u> | |
| | | (657,195) |
| 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>(361,649)</u> |
| Net position of governmental activities | | <u>\$ 3,733,323</u> |

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

CITY OF CANNON BEACH, OREGON
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2016

| | General Fund (010) | Tourism and Arts Fund (012) | Road Fund (040) | Debt Service Fund (030) | Total Nonmajor Funds | Total Governmental Funds |
|--|-----------------------|-----------------------------------|--------------------|-------------------------------|----------------------------|--------------------------------|
| Revenues: | | | | | | |
| Taxes and assessments | \$ 654,142 | \$ - | \$ 310,636 | \$ 304,362 | \$ - | \$ 1,269,140 |
| Transient room taxes | 3,208,954 | 326,928 | - | - | - | 3,535,882 |
| Licenses, permits, and fees | 358,303 | - | - | - | 176,141 | 534,444 |
| Grants and donations | 340,474 | - | - | - | - | 340,474 |
| Other | 116,438 | - | 367 | - | 4,924 | 121,729 |
| Total revenues | <u>4,678,311</u> | <u>326,928</u> | <u>311,003</u> | <u>304,362</u> | <u>181,065</u> | <u>5,801,669</u> |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government | 1,642,386 | 282,887 | - | - | - | 1,925,273 |
| Building | - | - | - | - | 173,576 | 173,576 |
| Planning | 268,250 | - | - | - | - | 268,250 |
| Public works | 548,765 | - | 814,916 | - | - | 1,363,681 |
| Public safety | 1,330,178 | - | - | - | - | 1,330,178 |
| Debt service: | | | | | | |
| Principal | - | - | - | 390,250 | - | 390,250 |
| Interest | - | - | - | 177,325 | - | 177,325 |
| Capital outlay | - | - | - | - | 16,908 | 16,908 |
| Total expenditures | <u>3,789,579</u> | <u>282,887</u> | <u>814,916</u> | <u>567,575</u> | <u>190,484</u> | <u>5,645,441</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>888,732</u> | <u>44,041</u> | <u>(503,913)</u> | <u>(263,213)</u> | <u>(9,419)</u> | <u>156,228</u> |
| Other Financing Sources (Uses): | | | | | | |
| Transfers in | - | - | 478,515 | 320,674 | - | 799,189 |
| Transfers out | (777,515) | - | - | - | (21,674) | (799,189) |
| Loan proceeds | - | - | 16,963 | - | - | 16,963 |
| Total other financing sources (uses) | <u>(777,515)</u> | <u>-</u> | <u>495,478</u> | <u>320,674</u> | <u>(21,674)</u> | <u>16,963</u> |
| Net change in fund balances | 111,217 | 44,041 | (8,435) | 57,461 | (31,093) | 173,191 |
| Fund Balances: | | | | | | |
| Beginning 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> |
| End of year | <u>\$ 1,522,450</u> | <u>\$ 89,551</u> | <u>\$ 52,200</u> | <u>\$ 64,950</u> | <u>\$ 653,543</u> | <u>\$ 2,382,694</u> |

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

CITY OF CANNON BEACH, OREGON

Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2016

| | | |
|--|------------------|-------------------|
| Net change in fund balances - governmental funds | | \$ 173,191 |
| 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. | | (5,738) |
| 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 | \$ 792,418 | |
| Current year depreciation | <u>(250,331)</u> | |
| | | 542,087 |
| 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 | (4,139) | |
| Accrued interest | 3,979 | |
| Expenses related to pension obligations | (537,656) | |
| Amortization of bond premiums | 27,709 | |
| Amortization of deferred charge on refunding | <u>(20,493)</u> | |
| | | (530,600) |
| 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. | | |
| Capital lease obligations issued | (16,963) | |
| Principal repayments | <u>390,250</u> | |
| | | 373,287 |
| The internal service funds are used by management to charge the costs of administrative services to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities. | | <u>(307,560)</u> |
| Change in net position of governmental activities | | <u>\$ 244,667</u> |

The accompanying notes are an integral part of these 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, 2016

| | Original Budget | Final Budget | Actual | Variance |
|--|--------------------|-------------------|---------------------|-------------------|
| Revenues: | | | | |
| Taxes and assessments | \$ 599,400 | \$ 599,400 | \$ 654,142 | \$ 54,742 |
| Transient room taxes** | 2,834,160 | 2,834,160 | 3,208,954 | 374,794 |
| Licenses, permits and fees | 334,725 | 334,725 | 42,962 | (291,763) |
| Grants and donations | 262,200 | 267,200 | 340,474 | 73,274 |
| Other | <u>138,100</u> | <u>138,100</u> | <u>116,438</u> | <u>(21,662)</u> |
| Total revenues | <u>4,168,585</u> | <u>4,173,585</u> | <u>4,362,970</u> | <u>189,385</u> |
| Expenditures: | | | | |
| Executive | 935,186 | 919,186 | 897,313 | 21,873 |
| Planning | 397,895 | 268,895 | 268,250 | 645 |
| Public works | 747,410 | 684,410 | 548,765 | 135,645 |
| Public safety | 1,404,075 | 1,404,075 | 1,330,178 | 73,897 |
| Non-departmental | 411,275 | 411,275 | 444,492 | (33,217) |
| Contingency | <u>175,000</u> | <u>125,000</u> | <u>-</u> | <u>125,000</u> |
| Total expenditures | <u>4,070,841</u> | <u>3,812,841</u> | <u>3,488,998</u> | <u>323,843</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>97,744</u> | <u>360,744</u> | <u>873,972</u> | <u>513,228</u> |
| Other financing sources (uses): | | | | |
| Transfers out** | <u>(727,515)</u> | <u>(777,515)</u> | <u>(777,515)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>(727,515)</u> | <u>(777,515)</u> | <u>(777,515)</u> | <u>-</u> |
| Net change in fund balance | (629,771) | (416,771) | 96,457 | 513,228 |
| Fund Balance: | | | | |
| Beginning of year | <u>1,400,000</u> | <u>1,400,000</u> | <u>1,411,233</u> | <u>11,233</u> |
| End of year | <u>\$ 770,229</u> | <u>\$ 983,229</u> | <u>1,522,450</u> | <u>\$ 524,461</u> |
| Reconciliation to GAAP Basis: | | | | |
| Grants and donations - Cannon Beach CC Building | | | 300,581 | |
| Non-departmental/General government capital outlay | | | <u>(300,581)</u> | |
| GAAP Fund Balance - end of year | | | <u>\$ 1,522,450</u> | |

**\$283,850 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.

The accompanying notes are an integral part of these 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, 2016

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|----------------------------|------------------------|---------------------|------------------|------------------|
| Revenues: | | | | |
| Transient room taxes** | \$ 283,850 | \$ 283,850 | \$ 326,928 | \$ 43,078 |
| Expenditures: | | | | |
| Materials and services | <u>283,850</u> | <u>283,850</u> | <u>282,887</u> | <u>963</u> |
| Net change in fund balance | - | - | 44,041 | 44,041 |
| Fund Balance: | | | | |
| Beginning of year | <u>-</u> | <u>-</u> | <u>45,510</u> | <u>45,510</u> |
| End of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 89,551</u> | <u>\$ 89,551</u> |

**\$283,850 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.

CITY OF CANNON BEACH, OREGON**040 - ROAD FUND****Schedule of Revenues, Expenditures, and Changes in Fund Balance****Budget and Actual (Budgetary Basis)****For the Year Ended June 30, 2016**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--|------------------------|---------------------|------------------|------------------|
| Revenues: | | | | |
| Taxes and assessments | \$ 297,500 | \$ 297,500 | \$ 310,636 | \$ 13,136 |
| Local improvement districts | 50,000 | 50,000 | - | (50,000) |
| Other | <u>-</u> | <u>-</u> | <u>367</u> | <u>367</u> |
| Total revenues | <u>347,500</u> | <u>347,500</u> | <u>311,003</u> | <u>(36,497)</u> |
| Expenditures: | | | | |
| Personal services | 198,525 | 233,525 | 228,944 | 4,581 |
| Materials and services | 354,490 | 369,490 | 364,649 | 4,841 |
| Capital outlay | <u>273,000</u> | <u>223,000</u> | <u>221,323</u> | <u>1,677</u> |
| Total expenditures | <u>826,015</u> | <u>826,015</u> | <u>814,916</u> | <u>11,099</u> |
| Excess (deficiency) of revenues over (under) expenditures | (478,515) | (478,515) | (503,913) | (25,398) |
| Other financing sources (uses): | | | | |
| Transfers in | 478,515 | 478,515 | 478,515 | - |
| Loan proceeds | <u>-</u> | <u>-</u> | <u>16,963</u> | <u>16,963</u> |
| Total other financing sources (uses) | <u>478,515</u> | <u>478,515</u> | <u>495,478</u> | <u>16,963</u> |
| Net change in fund balance | - | - | (8,435) | (8,435) |
| Fund Balance: | | | | |
| Beginning of year | <u>-</u> | <u>-</u> | <u>60,635</u> | <u>60,635</u> |
| End of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 52,200</u> | <u>\$ 52,200</u> |

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

CITY OF CANNON BEACH, OREGON
PROPRIETARY FUNDS
Statement of Net Position
June 30, 2016

| | Business-type Activities - Enterprise Funds | | | | | | Governmental Activities |
|--|---|--------------------------|---------------------------|-----------------------|-------------------------|----------------------|--|
| | Water Enterprise | Wastewater Enterprise | Storm Drain Enterprise | RV Park Enterprise | Recycling Enterprise | Total | Administrative Services Internal Service Fund |
| ASSETS | | | | | | | |
| Current assets: | | | | | | | |
| Cash and investments | \$ 233,255 | \$ 229,044 | \$ 48,188 | \$ 886,818 | \$ 133,727 | \$ 1,531,032 | \$ 6,098 |
| Accounts receivable | 69,955 | 156,414 | 11,256 | - | 20,200 | 257,825 | - |
| Inventory | 131,115 | 38,352 | - | 24,030 | - | 193,497 | - |
| Total current assets | <u>434,325</u> | <u>423,810</u> | <u>59,444</u> | <u>910,848</u> | <u>153,927</u> | <u>1,982,354</u> | <u>6,098</u> |
| Noncurrent assets: | | | | | | | |
| Capital assets: | | | | | | | |
| Nondepreciable assets | 544,892 | 39,119 | - | 799,450 | - | 1,383,461 | - |
| Depreciable, net | <u>3,801,512</u> | <u>7,342,856</u> | <u>651,456</u> | <u>1,222,769</u> | <u>153,137</u> | <u>13,171,730</u> | <u>24,594</u> |
| Total noncurrent assets | <u>4,346,404</u> | <u>7,381,975</u> | <u>651,456</u> | <u>2,022,219</u> | <u>153,137</u> | <u>14,555,191</u> | <u>24,594</u> |
| Total assets | <u>4,780,729</u> | <u>7,805,785</u> | <u>710,900</u> | <u>2,933,067</u> | <u>307,064</u> | <u>16,537,545</u> | <u>30,692</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | | |
| Related to pensions | <u>34,884</u> | <u>33,440</u> | <u>1,815</u> | <u>-</u> | <u>13,591</u> | <u>83,730</u> | <u>98,282</u> |
| Total assets and deferred outflows | <u>4,815,613</u> | <u>7,839,225</u> | <u>712,715</u> | <u>2,933,067</u> | <u>320,655</u> | <u>16,621,275</u> | <u>128,974</u> |
| LIABILITIES | | | | | | | |
| Current liabilities: | | | | | | | |
| Accounts payable and accrued expenses | 39,093 | 69,627 | 319 | 82,499 | 4,704 | 196,242 | 6,098 |
| Accrued interest payable | 498 | 199 | 133 | - | - | 830 | - |
| Deposits | 1,600 | - | - | - | - | 1,600 | - |
| Compensated absences | 15,822 | 14,079 | 1,106 | - | 8,264 | 39,271 | 43,235 |
| Loans payable - current | <u>16,963</u> | <u>6,785</u> | <u>4,524</u> | <u>-</u> | <u>-</u> | <u>28,272</u> | <u>-</u> |
| Total current liabilities | <u>73,976</u> | <u>90,690</u> | <u>6,082</u> | <u>82,499</u> | <u>12,968</u> | <u>266,215</u> | <u>49,333</u> |
| Noncurrent liabilities: | | | | | | | |
| Net pension liability | <u>125,074</u> | <u>119,896</u> | <u>6,506</u> | <u>-</u> | <u>48,728</u> | <u>300,204</u> | <u>352,384</u> |
| Total liabilities | <u>199,050</u> | <u>210,586</u> | <u>12,588</u> | <u>82,499</u> | <u>61,696</u> | <u>566,419</u> | <u>401,717</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Related to pensions | <u>31,556</u> | <u>30,250</u> | <u>1,642</u> | <u>-</u> | <u>12,295</u> | <u>75,743</u> | <u>88,906</u> |
| Total liabilities and deferred inflows | <u>230,606</u> | <u>240,836</u> | <u>14,230</u> | <u>82,499</u> | <u>73,991</u> | <u>642,162</u> | <u>490,623</u> |
| NET POSITION | | | | | | | |
| Net investment in capital assets | 4,329,441 | 7,375,190 | 646,932 | 2,022,219 | 153,137 | 14,526,919 | 24,594 |
| Unrestricted | <u>255,566</u> | <u>223,199</u> | <u>51,553</u> | <u>828,349</u> | <u>93,527</u> | <u>1,452,194</u> | <u>(386,243)</u> |
| Total net position | <u>\$ 4,585,007</u> | <u>\$ 7,598,389</u> | <u>\$ 698,485</u> | <u>\$ 2,850,568</u> | <u>\$ 246,664</u> | <u>\$ 15,979,113</u> | <u>\$ (361,649)</u> |

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

CITY OF CANNON BEACH, OREGON
PROPRIETARY FUNDS
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2016

| | Business-type Activities - Enterprise Funds | | | | | | Governmental Activities |
|---|---|--------------------------|---------------------------|-----------------------|-------------------------|----------------------|--|
| | Water Enterprise | Wastewater Enterprise | Storm Drain Enterprise | RV Park Enterprise | Recycling Enterprise | Total | Administrative Services Internal Service Fund |
| Operating Revenues: | | | | | | | |
| Charges for services | \$ 823,943 | \$ 1,108,212 | \$ 137,794 | \$ 1,553,090 | \$ 176,709 | \$ 3,799,748 | \$ 1,324,551 |
| Other operating revenues | 21,889 | - | - | - | 1,108 | 22,997 | 1,505 |
| Total operating revenues | <u>845,832</u> | <u>1,108,212</u> | <u>137,794</u> | <u>1,553,090</u> | <u>177,817</u> | <u>3,822,745</u> | <u>1,326,056</u> |
| Operating Expenses: | | | | | | | |
| Personal services | 372,087 | 409,247 | 23,417 | - | 147,551 | 952,302 | 1,261,696 |
| Cost of operations | 477,972 | 603,689 | 114,763 | 1,324,511 | 83,217 | 2,604,152 | 366,048 |
| Capital outlay | - | - | - | - | - | - | - |
| Depreciation | <u>164,396</u> | <u>370,612</u> | <u>26,828</u> | <u>34,154</u> | <u>11,585</u> | <u>607,575</u> | <u>5,872</u> |
| Total operating expenses | <u>1,014,455</u> | <u>1,383,548</u> | <u>165,008</u> | <u>1,358,665</u> | <u>242,353</u> | <u>4,164,029</u> | <u>1,633,616</u> |
| Operating income (loss) | (168,623) | (275,336) | (27,214) | 194,425 | (64,536) | (341,284) | (307,560) |
| Nonoperating Revenues (Expenses): | | | | | | | |
| Interest expense | <u>(498)</u> | <u>(199)</u> | <u>(133)</u> | <u>-</u> | <u>-</u> | <u>(830)</u> | <u>-</u> |
| Income (loss) before contributions and transfers | (169,121) | (275,535) | (27,347) | 194,425 | (64,536) | (342,114) | (307,560) |
| Capital contributions | <u>4,499</u> | <u>5,035</u> | <u>1,889</u> | <u>-</u> | <u>-</u> | <u>11,423</u> | <u>-</u> |
| Change in net position | (164,622) | (270,500) | (25,458) | 194,425 | (64,536) | (330,691) | (307,560) |
| Net Position: | | | | | | | |
| Beginning 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> |
| End of year | <u>\$ 4,585,007</u> | <u>\$ 7,598,389</u> | <u>\$ 698,485</u> | <u>\$ 2,850,568</u> | <u>\$ 246,664</u> | <u>\$ 15,979,113</u> | <u>\$ (361,649)</u> |

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

CITY OF CANNON BEACH, OREGON
PROPRIETARY FUNDS
Statement of Cash Flows
For the Year Ended June 30, 2016

| | Business-type Activities - Enterprise Funds | | | | | | Governmental Activities |
|---|---|--------------------------|---------------------------|-----------------------|-------------------------|---------------------|--|
| | Water Enterprise | Wastewater Enterprise | Storm Drain Enterprise | RV Park Enterprise | Recycling Enterprise | Total | Administrative Services Internal Service Fund |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | |
| Receipts from customers | \$ 835,935 | \$ 1,054,880 | \$ 141,755 | \$ 1,553,090 | \$ 175,388 | 3,761,048 | \$ - |
| Receipts from interfund services provided | - | - | - | - | - | - | 1,327,484 |
| Payments to suppliers and contractors | (209,869) | (337,723) | (88,258) | (1,226,040) | (34,828) | (1,896,718) | (375,188) |
| Payments to employees | (273,143) | (318,704) | (17,466) | - | (107,031) | (716,344) | (981,716) |
| Payments for interfund services used | (273,375) | (272,553) | (43,469) | (107,895) | (46,087) | (743,379) | - |
| Net cash provided (used) by operating activities | <u>79,548</u> | <u>125,900</u> | <u>(7,438)</u> | <u>219,155</u> | <u>(12,558)</u> | <u>404,607</u> | <u>(29,420)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | | |
| Proceeds from debt | 16,963 | 6,785 | 4,524 | - | - | 28,272 | - |
| Capital contributions | 4,499 | 5,035 | 1,889 | - | - | 11,423 | - |
| Acquisition and construction of capital assets | (112,894) | (234,582) | (23,129) | (403,522) | - | (774,127) | - |
| Net cash provided by (used in) capital and related financing activities | <u>(91,432)</u> | <u>(222,762)</u> | <u>(16,716)</u> | <u>(403,522)</u> | <u>-</u> | <u>(734,432)</u> | <u>-</u> |
| Net change in cash and investments | (11,884) | (96,862) | (24,154) | (184,367) | (12,558) | (329,825) | (29,420) |
| Cash and investments: | | | | | | | |
| Beginning 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> |
| End of year | <u>\$ 233,255</u> | <u>\$ 229,044</u> | <u>\$ 48,188</u> | <u>\$ 886,818</u> | <u>\$ 133,727</u> | <u>\$ 1,531,032</u> | <u>\$ 6,098</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | | | | |
| Operating income (loss) | \$ (168,623) | \$ (275,336) | \$ (27,214) | \$ 194,425 | \$ (64,536) | \$ (341,284) | \$ (307,560) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | | | |
| Depreciation | 164,396 | 370,612 | 26,828 | 34,154 | 11,585 | 607,575 | 5,872 |
| Net increase (reduction) of expense under GASB 68 | 103,205 | 94,714 | 5,829 | - | 41,052 | 244,800 | 290,124 |
| (Increase) decrease in current assets: | | | | | | | |
| Receivables | (9,897) | (53,332) | 3,961 | - | (2,429) | (61,697) | 1,428 |
| Inventory | (23,778) | (2,486) | - | (4,832) | - | (31,096) | - |
| Increase (decrease) in liabilities: | | | | | | | |
| Accounts payable and accrued expenses | 22,650 | (4,101) | (16,964) | (4,592) | 2,302 | (705) | (9,140) |
| Accrued payroll | (5,401) | (6,088) | (49) | - | (1,540) | (13,078) | (21,708) |
| Deposits | (4,144) | - | - | - | - | (4,144) | - |
| Compensated absences | 1,140 | 1,917 | 171 | - | 1,008 | 4,236 | 11,564 |
| Net cash provided (used) by operating activities | <u>\$ 79,548</u> | <u>\$ 125,900</u> | <u>\$ (7,438)</u> | <u>\$ 219,155</u> | <u>\$ (12,558)</u> | <u>\$ 404,607</u> | <u>\$ (29,420)</u> |

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

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2016

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, 2016

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.

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Significant operating expenses include personnel, contracted services, repairs and maintenance, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

1. Deposits and investments

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

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

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2016

Note I - Summary of significant accounting policies, continued

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

2. Receivables and payables

Service and property taxes 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.

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, 2016.

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, 2016

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. *Pensions*

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

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2016

Note I - Summary of significant accounting policies, continued

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

10. Net position flow assumption

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

11. Fund balance flow assumption

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

12. Fund balance policies

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

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

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

Committed - the City 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.

13. Use of estimates

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

Note II - Stewardship, compliance, and accountability

A. Budgetary information

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

On or before June 30 of each year, the City enacts 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.

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2016

Note II - Stewardship, compliance, and accountability, continued

A. Budgetary information, continued

The resolution authorizing appropriations for each fund sets the legal level of control by which expenditures cannot legally exceed appropriations. Total expenditures by department as established by the resolution are the legal level of control for the general 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.

B. Excess of expenditures over appropriations

For the year ended June 30, 2016, expenditures exceeded appropriations as follows:

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--|---------------------|---------------|-----------------|
| General Fund - Non-departmental | \$ 411,275 | \$ 444,492 | \$ (33,217) |
| Water Fund - Materials and Services | 479,835 | 501,750 | (21,915) |
| Wastewater Fund - Personal Services | 285,785 | 312,616 | (26,831) |
| Wastewater Fund - Materials and Services | 558,960 | 606,176 | (47,216) |
| Wastewater Fund - Capital Outlay | 195,000 | 234,582 | (39,582) |
| RV Park Fund - Capital Outlay | 400,880 | 403,522 | (2,642) |

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 | 77,743 |
| Local government investment pool | <u>3,335,869</u> |
| Total | <u>\$ 3,413,762</u> |

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

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2016

Note III - Detailed notes on all funds, continued

A. Deposits and investments, continued

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

LGIP is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon Revised Statutes and the Oregon Investment Council govern the Pool's investment policies. The State Treasurer is the investment officer for the Pool and is responsible for all funds in the Pool. These funds must be invested and the investments managed as a prudent investor would, exercising reasonable care, skill and caution. Investments in the fund are further governed by portfolio guidelines issued by the Oregon Short-term Funds Board, which establish diversification percentages and specify the types of maturities of investments. The Oregon Audits Division of the Secretary of State's Office audits the Pool annually. LGIP is not rated by a national rating service. The financial statements are available at www.ost.state.or.us.

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

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

B. Capital assets

Capital asset activity for the year ended June 30, 2016 was as follows:

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|--|----------------------|-------------------|---------------|-----------------|---------------------|
| Governmental activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 3,759,675 | \$ - | \$ - | \$ - | \$ 3,759,675 |
| Construction in progress | 33,651 | 130,479 | - | (33,651) | 130,479 |
| Total capital assets, not being depreciated | <u>3,793,326</u> | <u>130,479</u> | <u>-</u> | <u>(33,651)</u> | <u>3,890,154</u> |
| Capital assets, being depreciated: | | | | | |
| Buildings | 2,009,488 | 348,461 | - | 6,031 | 2,363,980 |
| Equipment and vehicles | 1,359,990 | 109,616 | (21,248) | 1,695 | 1,450,053 |
| Infrastructure | <u>2,998,022</u> | <u>203,862</u> | <u>-</u> | <u>25,925</u> | <u>3,227,809</u> |
| Total capital assets being depreciated | 6,367,500 | 661,939 | (21,248) | 33,651 | 7,041,842 |
| Less accumulated depreciation for: | | | | | |
| Buildings | (1,323,387) | (52,328) | - | - | (1,375,715) |
| Equipment and vehicles | (875,672) | (103,772) | 21,248 | - | (958,196) |
| Infrastructure | <u>(1,236,991)</u> | <u>(100,103)</u> | <u>-</u> | <u>-</u> | <u>(1,337,094)</u> |
| Total accumulated depreciation | <u>(3,436,050)</u> | <u>(256,203)</u> | <u>21,248</u> | <u>-</u> | <u>(3,671,005)</u> |
| Total capital assets, being depreciated, net | <u>2,931,450</u> | <u>405,736</u> | <u>-</u> | <u>33,651</u> | <u>3,370,837</u> |
| Governmental activities capital assets, net | <u>\$ 6,724,776</u> | <u>\$ 536,215</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 7,260,991</u> |

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2016

Note III - Detailed notes on all funds, continued

B. Capital assets, continued

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|--|----------------------|-------------------|-------------|-------------|---------------------|
| Business-type activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 1,283,338 | \$ - | \$ - | \$ - | \$ 1,283,338 |
| Construction in progress | 59,007 | 100,123 | - | (59,007) | 100,123 |
| Total capital assets, not being depreciated | 1,342,345 | 100,123 | - | (59,007) | 1,383,461 |
| Capital assets, being depreciated: | | | | | |
| Infrastructure | 18,236,514 | 509,131 | - | 59,007 | 18,804,652 |
| Buildings and improvements | 2,616,471 | 73,674 | - | - | 2,690,145 |
| Other equipment | 444,565 | 91,200 | - | - | 535,765 |
| Total capital assets being depreciated | 21,297,550 | 674,005 | - | 59,007 | 22,030,562 |
| Less accumulated depreciation for: | | | | | |
| Infrastructure | (7,092,174) | (532,895) | - | - | (7,625,069) |
| Buildings and improvements | (890,861) | (56,018) | - | - | (946,879) |
| Other equipment | (268,222) | (18,662) | - | - | (286,884) |
| Total accumulated depreciation | (8,251,257) | (607,575) | - | - | (8,858,832) |
| Total capital assets, being depreciated, net | 13,046,293 | 66,430 | - | 59,007 | 13,171,730 |
| Business-type activities capital assets, net | <u>\$14,388,638</u> | <u>\$ 166,553</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$14,555,191</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 | \$ 164,396 |
| Wastewater enterprise | 370,612 |
| Storm drain enterprise | 26,828 |
| RV park enterprise | 34,154 |
| Recycling enterprise | 11,585 |
| Total depreciation expense - business-type activities | <u>\$ 607,575</u> |

C. Interfund transfers

The interfund transfer activity for the year ended June 30, 2016 was as follows:

| | Transfers Out: | | |
|-------------------|-------------------|-----------------------------------|-------------------|
| | General Fund | Nonmajor Governmental Funds | Totals |
| Transfers In: | | | |
| Road Fund | \$ 478,515 | \$ - | \$ 478,515 |
| Debt Service Fund | 299,000 | 21,674 | 320,674 |
| | <u>\$ 777,515</u> | <u>\$ 21,674</u> | <u>\$ 799,189</u> |

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

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2016

Note III - Detailed notes on all funds, continued

D. Leases

Capital Leases

The City has entered into a lease agreement as lessee for financing equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The asset acquired through a capital lease is as follows:

| | Governmental Activities | Business-type Activities | Total |
|--------------------------------|----------------------------|-----------------------------|-------------------|
| Asset: | | | |
| 910K Cat Wheel Loader | \$ 46,963 | \$ 78,272 | \$ 125,235 |
| Less: accumulated depreciation | - | - | - |
| Total | <u>\$ 46,963</u> | <u>\$ 78,272</u> | <u>\$ 125,235</u> |

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016, are as follows:

| | <u>Future Minimum Lease Payments</u> | | |
|-----------------------------|--------------------------------------|-----------------|------------------|
| <u>Year ending June 30,</u> | <u>Present Value</u> | <u>Interest</u> | <u>Total</u> |
| 2017 | \$ 45,235 | \$ 1,448 | \$ 46,683 |
| Total | <u>\$ 45,235</u> | <u>\$ 1,448</u> | <u>\$ 46,683</u> |

The net present value of these minimum lease payments is reported under both governmental activities and business-type activities as follows:

| | |
|--------------------------|------------------|
| Governmental activities | \$ 16,963 |
| Business-type activities | 28,272 |
| Total | <u>\$ 45,235</u> |

E. Long-term debt

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

| <u>Purpose</u> | <u>Interest Rates</u> | <u>Amount</u> |
|--|-----------------------|---------------------|
| 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% | \$ 2,220,000 |
| 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>2,555,000</u> |
| Total debt outstanding | | 4,775,000 |
| Current portion | | <u>365,000</u> |
| Long-term portion | | <u>\$ 4,410,000</u> |

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2016

Note III - Detailed notes on all funds, continued

E. Long-term debt, continued

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

| Year ending June 30, | Governmental Activities | |
|----------------------|-------------------------|---------------------|
| | Principal | Interest |
| 2017 | \$ 365,000 | \$ 169,275 |
| 2018 | 385,000 | 158,325 |
| 2019 | 410,000 | 146,025 |
| 2020 | 480,000 | 135,025 |
| 2021 | 510,000 | 118,575 |
| 2022 - 2026 | 2,500,000 | 295,500 |
| 2027 | 125,000 | - |
| Total | <u>\$ 4,775,000</u> | <u>\$ 1,022,725</u> |

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2016 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|----------------------|------------------|---------------------|---------------------|------------------------|
| Governmental activities: | | | | | |
| Bonds payable: | | | | | |
| General obligation bonds | \$ 5,125,000 | \$ - | \$ (350,000) | \$ 4,775,000 | \$ 365,000 |
| Original issue premium | 289,806 | - | (27,709) | 262,097 | 27,709 |
| Totals bonds payable | 5,414,806 | - | (377,709) | 5,037,097 | 392,709 |
| Loans payable | 40,250 | - | (40,250) | - | - |
| Capital lease payable | - | 16,963 | - | 16,963 | 16,963 |
| Compensated absences | 100,790 | 15,703 | - | 116,493 | 116,493 |
| Governmental activities long-term liabilities | <u>\$ 5,555,846</u> | <u>\$ 32,666</u> | <u>\$ (417,959)</u> | <u>\$ 5,170,553</u> | <u>\$ 526,165</u> |
| Business-type activities: | | | | | |
| Capital lease payable | \$ - | \$ 28,272 | \$ - | \$ 28,272 | \$ 28,272 |
| Compensated absences | 35,035 | 4,236 | - | 39,271 | 39,271 |
| Business-type activities long-term liabilities | <u>\$ 35,035</u> | <u>\$ 32,508</u> | <u>\$ -</u> | <u>\$ 67,543</u> | <u>\$ 67,543</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, 2016 \$1,015,000 of defeased 2010 Series general obligation bonds remain outstanding.

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2016

Note III - Detailed notes on all funds, continued

F. Employee Retirement Plans

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

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, 2016

Note III - Detailed notes on all funds, continued

F. 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 age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

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

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

Death Benefits

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

Disability Benefits

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

Benefit Changes After Retirement

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

3. OPSRP Individual Account Program (OPSRP IAP)

Pension Benefits

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

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

Death Benefits

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

Recordkeeping

OPERS contracts with VOYA Financial to maintain IAP participant records.

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2016

Note III - Detailed notes on all funds, continued

F. 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. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation as subsequently modified by 2015 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2015. Employer contributions for the year ended June 30, 2016 were \$380,236. The rates in effect for the fiscal year ended June 30, 2016 were 15.07 percent for Tier One/Tier Two General Services, 8.60 percent for OPSRP Pension Program General Services, and 12.71 percent for OPSRP Police and Fire members and 6 percent for OPSRP Individual Account Program.

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

At June 30, 2016 the City's proportionate share of the net pension liability is \$1,327,747. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of December 31, 2013 rolled forward to June 30, 2015. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015, the City's proportion was 0.02312559 percent, which was a change from its proportion measured as of June 30, 2014 of 0.02011880 percent.

For the year ended June 30, 2016, the City's recognized pension expense (income) of \$1,319,676. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|----------------------------------|
| Difference between expected and actual experience | \$ 71,599 | \$ - |
| Net difference between projected and actual earnings on pension plan investments | - | 278,326 |
| Changes in proportionate share | 51,624 | - |
| Differences between City contributions and proportionate share of contributions | - | 56,666 |
| City contributions subsequent to the measurement date | 247,096 | - |
| Total | <u>\$ 370,319</u> | <u>\$ 334,992</u> |

Deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30, | Deferred Outflows | Deferred Inflows |
|------------------------|----------------------|---------------------|
| 2017 | \$ 205,959 | \$ 186,312 |
| 2018 | 205,959 | 186,312 |
| 2019 | 205,959 | 186,312 |
| 2020 | (236,642) | (214,067) |
| 2021 | (10,916) | (9,877) |
| Total | <u>\$ 370,319</u> | <u>\$ 334,992</u> |

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2016

Note III - Detailed notes on all funds, continued

F. Employee Retirement Plans, continued

Actuarial Valuations:

The employer contribution rates effective July 1, 2013, through June 30, 2015, and effective July 1, 2015 through June 30, 2017, 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.

The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions:

| | |
|-----------------------------------|--|
| Valuation Date | December 31, 2013 |
| Measurement Date | June 30, 2015 |
| Experience Study Report | 2014, published September 18, 2015 |
| Actuarial Cost Method | Entry Age normal |
| Actuarial Assumptions: | |
| Inflation Rate | 2.75 percent |
| Long-Term Expected Rate of Return | 7.75 percent |
| Discount Rate | 7.75 percent |
| Project Salary Increases | 3.75 percent overall payroll growth |
| Cost Living Adjustments (COLA) | Blend of 2.00% COLA and Grade COLA |
| Mortality | Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale 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(65% for males, 90% for females) of the RP-2000 statistic combined disabled mortality sex-distinct table. |

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

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2016

Note III - Detailed notes on all funds, continued

F. Employee Retirement Plans, continued

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.

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> |

| <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 %

Depletion Date Projection

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

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2016

Note III - Detailed notes on all funds, continued

F. Employee Retirement Plans, continued

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

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

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

Discount Rate

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

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) | \$ 3,204,468 | \$ 1,327,747 | \$ (253,836) |

Pension Plan Fiduciary Net Position

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

Changes in Plan Provisions During the Measurement Period

The Oregon Supreme Court on April 30, 2015, ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive 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 periods of the 2013 legislation will have a blended COLA rate when they retire.

This change in benefit terms were reflected in the current valuation.

Changes in Plan Provisions Subsequent to Measurement Date

There were no changes subsequent to the June 30, 2015 measurement date.

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2016

G. Risk management

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

H. Contingent liabilities

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



REQUIRED SUPPLEMENTARY INFORMATION



CITY OF CANNON BEACH, OREGON

Required Supplementary Information

June 30, 2016

Schedule of the Proportionate Share of the Net Pension Liability

Oregon Public Employees Retirement System

| | 2016 | 2015 | 2014 |
|--|--------------|--------------|--------------|
| Proportion of the net pension liability (asset) | 0.02312559 % | 0.02011880 % | 0.02011880 % |
| Proportionate share of the net pension liability (asset) | \$ 1,327,747 | \$ (456,036) | \$ 1,026,692 |
| Covered payroll | \$ 2,343,341 | \$ 2,051,308 | \$ 1,983,297 |
| Proportionate share of the pension liability (asset) as a percentage of its covered employee payroll | 56.66 % | (22.23)% | 51.77 % |
| Plan net position as a percentage of the total pension liability | 91.88 % | 103.59 % | 92.00 % |

Schedule of Pension Contributions

Oregon Public Employees Retirement System

| | 2016 | 2015 | 2014 |
|--|--------------|--------------|--------------|
| Contractually required contribution | \$ 380,236 | \$ 297,474 | \$ 302,166 |
| Contributions in relation to the contractually required contribution | 380,236 | 297,474 | 302,166 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - |
| Covered employee payroll | \$ 2,343,341 | \$ 2,051,308 | \$ 1,983,297 |
| Contributions as a percentage of covered employee payroll | 16.23 % | 14.50 % | 15.24 % |

Notes to Required Supplementary InformationNote I - Changes in Benefit Terms

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

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

This change in benefit terms was not included in the net pension liability (asset) proportionate shares provided by OPERS for the years ending June 30, 2015 and June 30, 2014.

Note II - Change in Assumptions

Details and a comprehensive list of changes in methods and assumptions can be found in the 2012 and 2014 Experience Study for the System, which were published on September 18, 2013 and September 23, 2015. These reports can be found at: http://www.oregon.gov/pers/Pages/section/financial_reports/mercereports.aspx.



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, 2016**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--|------------------------|---------------------|-------------------|--------------------|
| Revenues: | | | | |
| Taxes and assessments | <u>\$ 324,000</u> | <u>\$ 324,000</u> | <u>\$ 304,362</u> | <u>\$ (19,638)</u> |
| Expenditures: | | | | |
| Debt service: | | | | |
| Principal | 390,250 | 390,250 | 390,250 | - |
| Interest | <u>223,000</u> | <u>223,000</u> | <u>177,325</u> | <u>45,675</u> |
| Total expenditures | <u>613,250</u> | <u>613,250</u> | <u>567,575</u> | <u>45,675</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(289,250)</u> | <u>(289,250)</u> | <u>(263,213)</u> | <u>26,037</u> |
| Other financing sources (uses): | | | | |
| Transfers in | <u>\$ 289,250</u> | <u>\$ 289,250</u> | <u>\$ 320,674</u> | <u>\$ 31,424</u> |
| Net change in fund balance | - | - | 57,461 | 57,461 |
| Fund Balance: | | | | |
| Beginning of year | <u>-</u> | <u>-</u> | <u>7,489</u> | <u>7,489</u> |
| End of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 64,950</u> | <u>\$ 64,950</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 Repair and Replacement Reserve Fund - Accounts for resources dedicated for future general capital asset replacement.

Road Repair and Replacement Reserve 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, 2016

| | Special Revenue Fund | Capital Projects Funds | | | | |
|--|------------------------------------|---|--|---|--|---|
| | Building Official Fund (015) | General Repair and Replacement Reserve Fund (059) | Road Repair and Replacement Reserve Fund (051) | Ecoloa Forest Reserve Fund (053) | Bridge Repair and Replacement Reserve Fund (055) | Total Nonmajor Governmental Funds |
| ASSETS | | | | | | |
| Cash and investments | \$ 69,595 | \$ 513,821 | \$ - | \$ 6,394 | \$ 90,362 | \$ 680,172 |
| Total assets | <u>\$ 69,595</u> | <u>\$ 513,821</u> | <u>\$ -</u> | <u>\$ 6,394</u> | <u>\$ 90,362</u> | <u>\$ 680,172</u> |
| LIABILITIES | | | | | | |
| Accounts payable and accrued expenses | \$ 8,384 | \$ - | \$ - | \$ - | \$ 7,270 | 15,654 |
| Unearned revenue | <u>10,975</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>10,975</u> |
| Total liabilities | <u>19,359</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>7,270</u> | <u>26,629</u> |
| FUND BALANCES | | | | | | |
| Restricted: | | | | | | |
| Building inspection | 50,236 | - | - | - | - | 50,236 |
| Assigned: | | | | | | |
| Capital projects | <u>-</u> | <u>513,821</u> | <u>-</u> | <u>6,394</u> | <u>83,092</u> | <u>603,307</u> |
| Total fund balances | <u>50,236</u> | <u>513,821</u> | <u>-</u> | <u>6,394</u> | <u>83,092</u> | <u>653,543</u> |
| Total liabilities and fund balances | <u>\$ 69,595</u> | <u>\$ 513,821</u> | <u>\$ -</u> | <u>\$ 6,394</u> | <u>\$ 90,362</u> | <u>\$ 680,172</u> |

CITY OF CANNON BEACH, OREGON
NONMAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2016

| | Special Revenue Fund | Capital Projects Funds | | | | |
|--|----------------------------|---|--|---|--|---|
| | | General Repair and Replacement Reserve Fund (059) | Road Repair and Replacement Reserve Fund (051) | Ecoloa Forest Reserve Fund (053) | Bridge Repair and Replacement Reserve Fund (055) | Total Nonmajor Governmental Funds |
| Revenues: | | | | | | |
| Licenses, permits, and fees | \$ 176,141 | \$ - | \$ - | \$ - | \$ - | \$ 176,141 |
| Other | 4,924 | - | - | - | - | 4,924 |
| Total revenues | <u>181,065</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>181,065</u> |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Building | 173,576 | - | - | - | - | 173,576 |
| Capital outlay | - | - | - | - | 16,908 | 16,908 |
| Total expenditures | <u>173,576</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>16,908</u> | <u>190,484</u> |
| Excess (deficiency) of revenues over (under) expenditures | 7,489 | - | - | - | (16,908) | (9,419) |
| Other Financing Sources (Uses): | | | | | | |
| Transfers out | - | - | (21,674) | - | - | (21,674) |
| Net change in fund balances | 7,489 | - | (21,674) | - | (16,908) | (31,093) |
| Fund Balances: | | | | | | |
| Beginning of year | 42,747 | 513,821 | 21,674 | 6,394 | 100,000 | 684,636 |
| End of year | <u>\$ 50,236</u> | <u>\$ 513,821</u> | <u>\$ -</u> | <u>\$ 6,394</u> | <u>\$ 83,092</u> | <u>\$ 653,543</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, 2016

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|----------------------------|------------------------|---------------------|------------------|------------------|
| Revenues: | | | | |
| Licenses, permits and fees | \$ 144,740 | \$ 144,740 | \$ 176,141 | \$ 31,401 |
| Other | <u>2,000</u> | <u>2,000</u> | <u>4,924</u> | <u>2,924</u> |
| Total revenues | <u>146,740</u> | <u>146,740</u> | <u>181,065</u> | <u>34,325</u> |
| Expenditures: | | | | |
| Personal services | 23,530 | 23,530 | 21,995 | 1,535 |
| Materials and services | <u>127,720</u> | <u>167,720</u> | <u>151,581</u> | <u>16,139</u> |
| Total expenditures | <u>151,250</u> | <u>191,250</u> | <u>173,576</u> | <u>17,674</u> |
| Net change in fund balance | (4,510) | (44,510) | 7,489 | 51,999 |
| Fund Balance: | | | | |
| Beginning of year | <u>5,000</u> | <u>5,000</u> | <u>42,747</u> | <u>37,747</u> |
| End of year | <u>\$ 490</u> | <u>\$ (39,510)</u> | <u>\$ 50,236</u> | <u>\$ 89,746</u> |

CITY OF CANNON BEACH, OREGON

059 - GENERAL REPAIR AND REPLACEMENT RESERVE FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2016

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|-------------------|------------------------|---------------------|-------------------|-----------------|
| Revenues: | | | | |
| Expenditures: | | | | |
| Fund Balance: | | | | |
| Beginning of year | <u>\$ 513,820</u> | <u>\$ 513,820</u> | <u>\$ 513,821</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 RESERVE FUND
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2016

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--|------------------------|---------------------|-----------------|-------------------|
| Revenues: | | | | |
| Expenditures: | | | | |
| Capital outlay | <u>\$ 15,500</u> | <u>\$ 15,500</u> | <u>\$ -</u> | <u>\$ 15,500</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(15,500)</u> | <u>(15,500)</u> | <u>-</u> | <u>15,500</u> |
| Other financing sources (uses): | | | | |
| Transfers out | <u>40,250</u> | <u>40,250</u> | <u>21,674</u> | <u>(18,576)</u> |
| Net change in fund balance | <u>(55,750)</u> | <u>(55,750)</u> | <u>(21,674)</u> | <u>34,076</u> |
| Fund Balance: | | | | |
| Beginning of year | <u>61,000</u> | <u>61,000</u> | <u>21,674</u> | <u>(39,326)</u> |
| End of year | <u>\$ 5,250</u> | <u>\$ 5,250</u> | <u>\$ -</u> | <u>\$ (5,250)</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, 2016

| | <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 AND REPLACEMENT RESERVE FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2016

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|-----------------------------|------------------------|---------------------|-------------------|-----------------|
| Revenues: | | | | |
| Expenditures: | | | | |
| Capital outlay | <u>\$ -</u> | <u>\$ 26,500</u> | <u>\$ 16,908</u> | <u>\$ 9,592</u> |
| Net change in fund balances | - | (26,500) | (16,908) | 9,592 |
| Fund Balance: | | | | |
| Beginning of year | <u>\$ 100,000</u> | <u>\$ 100,000</u> | <u>\$ 100,000</u> | <u>\$ -</u> |
| End of year | <u>\$ 100,000</u> | <u>\$ 73,500</u> | <u>\$ 83,092</u> | <u>\$ 9,592</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, 2016

| | Water Fund (024) | Water Repair and Replacement Reserve Fund (054) | Total Water Enterprise |
|--|---------------------|--|---------------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and investments | \$ 51,745 | \$ 181,510 | \$ 233,255 |
| Accounts receivable | 69,955 | - | 69,955 |
| Inventory | 131,115 | - | 131,115 |
| Total current assets | <u>252,815</u> | <u>181,510</u> | <u>434,325</u> |
| Noncurrent assets: | | | |
| Capital assets: | | | |
| Nondepreciable assets | 544,892 | - | 544,892 |
| Depreciable, net | <u>3,801,512</u> | <u>-</u> | <u>3,801,512</u> |
| Total noncurrent assets | <u>4,346,404</u> | <u>-</u> | <u>4,346,404</u> |
| Total assets | 4,599,219 | 181,510 | 4,780,729 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Related to pensions | <u>34,884</u> | <u>-</u> | <u>34,884</u> |
| Total assets and deferred outflows | <u>4,634,103</u> | <u>181,510</u> | <u>4,815,613</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable and accrued expenses | 39,093 | - | 39,093 |
| Accrued interest payable | 498 | - | 498 |
| Deposits | 1,600 | - | 1,600 |
| Compensated absences | 15,822 | - | 15,822 |
| Loans payable - current | <u>16,963</u> | <u>-</u> | <u>16,963</u> |
| Total current liabilities | 73,976 | - | 73,976 |
| Noncurrent liabilities: | | | |
| Net pension liability | <u>125,074</u> | <u>-</u> | <u>125,074</u> |
| Total liabilities | 199,050 | - | 199,050 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Related to pensions | <u>31,556</u> | <u>-</u> | <u>31,556</u> |
| Total liabilities and deferred inflows | <u>230,606</u> | <u>-</u> | <u>230,606</u> |
| NET POSITION | | | |
| Net investment in capital assets | 4,329,441 | - | 4,329,441 |
| Unrestricted | <u>74,056</u> | <u>181,510</u> | <u>255,566</u> |
| Total net position | <u>\$ 4,403,497</u> | <u>\$ 181,510</u> | <u>\$ 4,585,007</u> |

CITY OF CANNON BEACH, OREGON
WATER ENTERPRISE
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2016

| | Water Fund (024) | Water Repair and Replacement Reserve Fund (054) | Total Water Enterprise |
|---|---------------------|---|---------------------------|
| Operating Revenues: | | | |
| Charges for services | \$ 823,943 | \$ - | \$ 823,943 |
| Other operating revenues | <u>21,889</u> | <u>-</u> | <u>21,889</u> |
| Total operating revenues | <u>845,832</u> | <u>-</u> | <u>845,832</u> |
| Operating Expenses: | | | |
| Personal services | 372,087 | - | 372,087 |
| Cost of operations | 477,972 | - | 477,972 |
| Depreciation | <u>164,396</u> | <u>-</u> | <u>164,396</u> |
| Total operating expenses | <u>1,014,455</u> | <u>-</u> | <u>1,014,455</u> |
| Operating income (loss) | (168,623) | - | (168,623) |
| Nonoperating Revenues (Expenses): | | | |
| Interest expense | <u>(498)</u> | <u>-</u> | <u>(498)</u> |
| Income (loss) before contributions and transfers | (169,121) | - | (169,121) |
| Capital contributions | <u>4,499</u> | <u>-</u> | <u>4,499</u> |
| Change in net position | (164,622) | - | (164,622) |
| Net Position: | | | |
| Beginning of year | <u>4,568,119</u> | <u>181,510</u> | <u>4,749,629</u> |
| End of year | <u>\$ 4,403,497</u> | <u>\$ 181,510</u> | <u>\$ 4,585,007</u> |

CITY OF CANNON BEACH, OREGON
WATER ENTERPRISE
Combining Statement of Cash Flows
For the Year Ended June 30, 2016

| | Water Fund (024) | Water Repair and Replacement Reserve Fund (054) | Total Water Enterprise |
|---|---------------------|---|---------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | \$ 835,935 | \$ - | \$ 835,935 |
| Payments to suppliers and contractors | (209,869) | - | (209,869) |
| Payments to employees | (273,143) | - | (273,143) |
| Payments for interfund services used | (273,375) | - | (273,375) |
| Net cash provided (used) by operating activities | <u>79,548</u> | <u>-</u> | <u>79,548</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Proceeds from debt | 16,963 | - | 16,963 |
| Capital contributions | 4,499 | - | 4,499 |
| Acquisition and construction of capital assets | (112,894) | - | (112,894) |
| Net cash provided by (used in) capital and related financing activities | <u>(91,432)</u> | <u>-</u> | <u>(91,432)</u> |
| Net change in cash and investments | (11,884) | - | (11,884) |
| Cash and investments: | | | |
| Beginning of year | <u>63,629</u> | <u>181,510</u> | <u>245,139</u> |
| End of year | <u>\$ 51,745</u> | <u>\$ 181,510</u> | <u>\$ 233,255</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | |
| Operating income (loss) | \$ (168,623) | \$ - | \$ (168,623) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | |
| Depreciation | 164,396 | - | 164,396 |
| Net increase (reduction) of expense under GASB 68 | 103,205 | - | 103,205 |
| (Increase) decrease in current assets: | | | |
| Receivables | (9,897) | - | (9,897) |
| Inventory | (23,778) | - | (23,778) |
| Increase (decrease) in liabilities: | | | |
| Accounts payable and accrued expenses | 22,650 | - | 22,650 |
| Accrued payroll | (5,401) | - | (5,401) |
| Deposits | (4,144) | - | (4,144) |
| Compensated absences | <u>1,140</u> | <u>-</u> | <u>1,140</u> |
| Net cash provided (used) by operating activities | <u>\$ 79,548</u> | <u>\$ -</u> | <u>\$ 79,548</u> |

CITY OF CANNON BEACH, OREGON
WASTEWATER ENTERPRISE
Combining Statement of Net Position
June 30, 2016

| | Wastewater Fund (026) | Wastewater Repair and Replacement Reserve Fund (056) | Total Wastewater Enterprise |
|--|--------------------------|--|-----------------------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and investments | \$ 147,069 | \$ 81,975 | \$ 229,044 |
| Accounts receivable | 156,414 | - | 156,414 |
| Inventory | 38,352 | - | 38,352 |
| Total current assets | <u>341,835</u> | <u>81,975</u> | <u>423,810</u> |
| Noncurrent assets: | | | |
| Capital assets: | | | |
| Nondepreciable assets | 39,119 | - | 39,119 |
| Depreciable, net | <u>7,342,856</u> | <u>-</u> | <u>7,342,856</u> |
| Total noncurrent assets | <u>7,381,975</u> | <u>-</u> | <u>7,381,975</u> |
| Total assets | 7,723,810 | 81,975 | 7,805,785 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Related to pensions | <u>33,440</u> | <u>-</u> | <u>33,440</u> |
| Total assets and deferred outflows | <u>7,757,250</u> | <u>81,975</u> | <u>7,839,225</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable and accrued expenses | 69,627 | - | 69,627 |
| Accrued interest payable | 199 | - | 199 |
| Compensated absences | 14,079 | - | 14,079 |
| Loans payable - current | <u>6,785</u> | <u>-</u> | <u>6,785</u> |
| Total current liabilities | 90,690 | - | 90,690 |
| Noncurrent liabilities: | | | |
| Net pension liability | <u>119,896</u> | <u>-</u> | <u>119,896</u> |
| Total liabilities | 210,586 | - | 210,586 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Related to pensions | <u>30,250</u> | <u>-</u> | <u>30,250</u> |
| Total liabilities and deferred inflows | <u>240,836</u> | <u>-</u> | <u>240,836</u> |
| NET POSITION | | | |
| Net investment in capital assets | 7,375,190 | - | 7,375,190 |
| Unrestricted | <u>141,224</u> | <u>81,975</u> | <u>223,199</u> |
| Total net position | <u>\$ 7,516,414</u> | <u>\$ 81,975</u> | <u>\$ 7,598,389</u> |

CITY OF CANNON BEACH, OREGON
WASTEWATER ENTERPRISE
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2016

| | Wastewater Fund (026) | Wastewater Repair and Replacement Reserve Fund (056) | Total Wastewater Enterprise |
|---|--------------------------|--|-----------------------------------|
| Operating Revenues: | | | |
| Charges for services | \$ 1,108,212 | \$ - | \$ 1,108,212 |
| Operating Expenses: | | | |
| Personal services | 409,247 | - | 409,247 |
| Cost of operations | 603,689 | - | 603,689 |
| Depreciation | 370,612 | - | 370,612 |
| Total operating expenses | 1,383,548 | - | 1,383,548 |
| Operating income (loss) | (275,336) | - | (275,336) |
| Nonoperating Revenues (Expenses): | | | |
| Interest expense | (199) | - | (199) |
| Income (loss) before contributions and transfers | (275,535) | - | (275,535) |
| Capital contributions | 5,035 | - | 5,035 |
| Change in net position | (270,500) | - | (270,500) |
| Net Position: | | | |
| Beginning of year | 7,786,914 | 81,975 | 7,868,889 |
| End of year | \$ 7,516,414 | \$ 81,975 | \$ 7,598,389 |

CITY OF CANNON BEACH, OREGON
WASTEWATER ENTERPRISE
Combining Statement of Cash Flows
For the Year Ended June 30, 2016

| | Wastewater Fund (026) | Wastewater Repair and Replacement Reserve Fund (056) | Total Wastewater Enterprise |
|---|--------------------------|--|-----------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | \$ 1,054,880 | \$ - | \$ 1,054,880 |
| Payments to suppliers and contractors | (337,723) | - | (337,723) |
| Payments to employees | (318,704) | - | (318,704) |
| Payments for interfund services used | (272,553) | - | (272,553) |
| Net cash provided (used) by operating activities | <u>125,900</u> | <u>-</u> | <u>125,900</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Proceeds from debt | 6,785 | - | 6,785 |
| Capital contributions | 5,035 | - | 5,035 |
| Acquisition and construction of capital assets | (234,582) | - | (234,582) |
| Net cash provided by (used in) capital and related financing activities | <u>(222,762)</u> | <u>-</u> | <u>(222,762)</u> |
| Net change in cash and investments | (96,862) | - | (96,862) |
| Cash and investments: | | | |
| Beginning of year | <u>243,931</u> | <u>81,975</u> | <u>325,906</u> |
| End of year | <u>\$ 147,069</u> | <u>\$ 81,975</u> | <u>\$ 229,044</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | |
| Operating income (loss) | \$ (275,336) | \$ - | \$ (275,336) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | |
| Depreciation | 370,612 | - | 370,612 |
| Net increase (reduction) of expense under GASB 68 | 94,714 | - | 94,714 |
| (Increase) decrease in current assets: | | | |
| Receivables | (53,332) | - | (53,332) |
| Inventory | (2,486) | - | (2,486) |
| Increase (decrease) in liabilities: | | | |
| Accounts payable and accrued expenses | (4,101) | - | (4,101) |
| Accrued payroll | (6,088) | - | (6,088) |
| Compensated absences | <u>1,917</u> | <u>-</u> | <u>1,917</u> |
| Net cash provided (used) by operating activities | <u>\$ 125,900</u> | <u>\$ -</u> | <u>\$ 125,900</u> |

CITY OF CANNON BEACH, OREGON
STORM DRAIN ENTERPRISE
Combining Statement of Net Position
June 30, 2016

| | Storm Drain Fund (028) | Storm Drain Repair and Replacement Reserve Fund (058) | Total Storm Drain Enterprise |
|--|---------------------------|---|------------------------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and investments | \$ 41,073 | \$ 7,115 | \$ 48,188 |
| Accounts receivable | <u>11,256</u> | <u>-</u> | <u>11,256</u> |
| Total current assets | 52,329 | 7,115 | 59,444 |
| Noncurrent assets: | | | |
| Capital assets: | | | |
| Depreciable, net | <u>651,456</u> | <u>-</u> | <u>651,456</u> |
| Total assets | 703,785 | 7,115 | 710,900 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Related to pensions | <u>1,815</u> | <u>-</u> | <u>1,815</u> |
| Total assets and deferred outflows | <u>705,600</u> | <u>7,115</u> | <u>712,715</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable and accrued expenses | 319 | - | 319 |
| Accrued interest payable | 133 | - | 133 |
| Compensated absences | 1,106 | - | 1,106 |
| Loans payable - current | <u>4,524</u> | <u>-</u> | <u>4,524</u> |
| Total current liabilities | 6,082 | - | 6,082 |
| Noncurrent liabilities: | | | |
| Net pension liability | <u>6,506</u> | <u>-</u> | <u>6,506</u> |
| Total liabilities | 12,588 | - | 12,588 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Related to pensions | <u>1,642</u> | <u>-</u> | <u>1,642</u> |
| Total liabilities and deferred inflows | <u>14,230</u> | <u>-</u> | <u>14,230</u> |
| NET POSITION | | | |
| Net investment in capital assets | 646,932 | - | 646,932 |
| Unrestricted | <u>44,438</u> | <u>7,115</u> | <u>51,553</u> |
| Total net position | <u>\$ 691,370</u> | <u>\$ 7,115</u> | <u>\$ 698,485</u> |

CITY OF CANNON BEACH, OREGON
STORM DRAIN ENTERPRISE
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2016

| | Storm Drain Fund (028) | Storm Drain Repair and Replacement Reserve Fund (058) | Total Storm Drain Enterprise |
|---|---------------------------|---|------------------------------------|
| Operating Revenues: | | | |
| Charges for services | \$ 137,794 | \$ - | \$ 137,794 |
| Operating Expenses: | | | |
| Personal services | 23,417 | - | 23,417 |
| Cost of operations | 114,763 | - | 114,763 |
| Depreciation | 26,828 | - | 26,828 |
| Total operating expenses | 165,008 | - | 165,008 |
| Operating income (loss) | (27,214) | - | (27,214) |
| Nonoperating Revenues (Expenses): | | | |
| Interest expense | (133) | - | (133) |
| Income (loss) before contributions and transfers | (27,347) | - | (27,347) |
| Capital contributions | 1,889 | - | 1,889 |
| Change in net position | (25,458) | - | (25,458) |
| Net Position: | | | |
| Beginning of year | 716,828 | 7,115 | 723,943 |
| End of year | \$ 691,370 | \$ 7,115 | \$ 698,485 |

CITY OF CANNON BEACH, OREGON
STORM DRAIN ENTERPRISE
Combining Statement of Cash Flows
For the Year Ended June 30, 2016

| | Storm Drain Fund (028) | Storm Drain Repair and Replacement Reserve Fund (058) | Total Storm Drain Enterprise |
|---|---------------------------|---|------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | \$ 141,755 | \$ - | \$ 141,755 |
| Payments to suppliers and contractors | (88,258) | - | (88,258) |
| Payments to employees | (17,466) | - | (17,466) |
| Payments for interfund services used | (43,469) | - | (43,469) |
| Net cash provided (used) by operating activities | (7,438) | - | (7,438) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Proceeds from debt | 4,524 | - | 4,524 |
| Capital contributions | 1,889 | - | 1,889 |
| Acquisition and construction of capital assets | (23,129) | - | (23,129) |
| Net cash provided by (used in) capital and related financing activities | (16,716) | - | (16,716) |
| Net change in cash and investments | (24,154) | - | (24,154) |
| Cash and investments: | | | |
| Beginning of year | 65,227 | 7,115 | 72,342 |
| End of year | <u>\$ 41,073</u> | <u>\$ 7,115</u> | <u>\$ 48,188</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | |
| Operating income (loss) | \$ (27,214) | \$ - | \$ (27,214) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | |
| Depreciation | 26,828 | - | 26,828 |
| Net increase (reduction) of expense under GASB 68 | 5,829 | - | 5,829 |
| (Increase) decrease in current assets: | | | |
| Receivables | 3,961 | - | 3,961 |
| Increase (decrease) in liabilities: | | | |
| Accounts payable and accrued expenses | (16,964) | - | (16,964) |
| Accrued payroll | (49) | - | (49) |
| Compensated absences | 171 | - | 171 |
| Net cash provided (used) by operating activities | <u>\$ (7,438)</u> | <u>\$ -</u> | <u>\$ (7,438)</u> |

CITY OF CANNON BEACH, OREGON
RV PARK ENTERPRISE
Combining Statement of Net Position
June 30, 2016

| | | RV Park Repair and Replacement Reserve Fund (050) | RV Park Fund (020) | Total RV Park Enterprise |
|---------------------------------------|----|---|-----------------------|-----------------------------|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and investments | \$ | 727,333 | \$ | 159,485 |
| Inventory | | 24,030 | - | 24,030 |
| Total current assets | | <u>751,363</u> | <u>159,485</u> | <u>910,848</u> |
| Noncurrent assets: | | | | |
| Capital assets: | | | | |
| Nondepreciable assets | | 799,450 | - | 799,450 |
| Depreciable, net | | <u>1,222,769</u> | <u>-</u> | <u>1,222,769</u> |
| Total noncurrent assets | | <u>2,022,219</u> | <u>-</u> | <u>2,022,219</u> |
| Total assets | | <u>2,773,582</u> | <u>159,485</u> | <u>2,933,067</u> |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued expenses | | <u>82,499</u> | <u>-</u> | <u>82,499</u> |
| Total liabilities | | <u>82,499</u> | <u>-</u> | <u>82,499</u> |
| NET POSITION | | | | |
| Net investment in capital assets | | 2,022,219 | - | 2,022,219 |
| Unrestricted | | <u>668,864</u> | <u>159,485</u> | <u>828,349</u> |
| Total net position | \$ | <u>2,691,083</u> | \$ | <u>2,850,568</u> |

CITY OF CANNON BEACH, OREGON
RV PARK ENTERPRISE
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2016

| | RV Park Fund (020) | RV Park Repair and Replacement Reserve Fund (050) | Total RV Park Enterprise |
|--------------------------|-----------------------|---|-----------------------------|
| Operating Revenues: | | | |
| Charges for services | \$ 1,553,090 | \$ - | \$ 1,553,090 |
| Operating Expenses: | | | |
| Cost of operations | 1,324,511 | - | 1,324,511 |
| Depreciation | 34,154 | - | 34,154 |
| Total operating expenses | 1,358,665 | - | 1,358,665 |
| Change in net position | 194,425 | - | 194,425 |
| Net Position: | | | |
| Beginning of year | 2,496,658 | 159,485 | 2,656,143 |
| End of year | \$ 2,691,083 | \$ 159,485 | \$ 2,850,568 |

CITY OF CANNON BEACH, OREGON
RV PARK ENTERPRISE
Combining Statement of Cash Flows
For the Year Ended June 30, 2016

| | RV Park Repair and Replacement | | |
|---|--------------------------------------|-----------------------|-----------------------------|
| | RV Park Fund (020) | Reserve Fund (050) | Total RV Park Enterprise |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | \$ 1,553,090 | \$ - | \$ 1,553,090 |
| Payments to suppliers and contractors | (1,226,040) | - | (1,226,040) |
| Payments for interfund services used | (107,895) | - | (107,895) |
| Net cash provided (used) by operating activities | <u>219,155</u> | <u>-</u> | <u>219,155</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisition and construction of capital assets | (403,522) | - | (403,522) |
| Net cash provided by (used in) capital and related financing activities | <u>(403,522)</u> | <u>-</u> | <u>(403,522)</u> |
| Net change in cash and investments | (184,367) | - | (184,367) |
| Cash and investments: | | | |
| Beginning of year | 911,700 | 159,485 | 1,071,185 |
| End of year | <u>\$ 727,333</u> | <u>\$ 159,485</u> | <u>\$ 886,818</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | |
| Operating income (loss) | \$ 194,425 | \$ - | \$ 194,425 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | |
| Depreciation | 34,154 | - | 34,154 |
| (Increase) decrease in current assets: | | | |
| Inventory | (4,832) | - | (4,832) |
| Increase (decrease) in liabilities: | | | |
| Accounts payable and accrued expenses | (4,592) | - | (4,592) |
| Net cash provided (used) by operating activities | <u>\$ 219,155</u> | <u>\$ -</u> | <u>\$ 219,155</u> |

CITY OF CANNON BEACH, OREGON
RECYCLING ENTERPRISE
Combining Statement of Net Position
June 30, 2016

| | Recycling Fund (022) | Recycling Repair and Replacement Reserve Fund (052) | Total Recycling Enterprise |
|--|-------------------------|---|----------------------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and investments | \$ 57,401 | \$ 76,326 | \$ 133,727 |
| Accounts receivable | <u>20,200</u> | <u>-</u> | <u>20,200</u> |
| Total current assets | <u>77,601</u> | <u>76,326</u> | <u>153,927</u> |
| Noncurrent assets: | | | |
| Capital assets: | | | |
| Depreciable, net | <u>153,137</u> | <u>-</u> | <u>153,137</u> |
| Total noncurrent assets | <u>153,137</u> | <u>-</u> | <u>153,137</u> |
| Total assets | 230,738 | 76,326 | 307,064 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Related to pensions | <u>13,591</u> | <u>-</u> | <u>13,591</u> |
| Total assets and deferred outflows | <u>244,329</u> | <u>76,326</u> | <u>320,655</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable and accrued expenses | 4,704 | - | 4,704 |
| Compensated absences | <u>8,264</u> | <u>-</u> | <u>8,264</u> |
| Total current liabilities | 12,968 | - | 12,968 |
| Noncurrent liabilities: | | | |
| Net pension liability | <u>48,728</u> | <u>-</u> | <u>48,728</u> |
| Total liabilities | 61,696 | - | 61,696 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Related to pensions | <u>12,295</u> | <u>-</u> | <u>12,295</u> |
| Total liabilities and deferred inflows | <u>73,991</u> | <u>-</u> | <u>73,991</u> |
| NET POSITION | | | |
| Net investment in capital assets | 153,137 | - | 153,137 |
| Unrestricted | <u>17,201</u> | <u>76,326</u> | <u>93,527</u> |
| Total net position | <u>\$ 170,338</u> | <u>\$ 76,326</u> | <u>\$ 246,664</u> |

CITY OF CANNON BEACH, OREGON
RECYCLING ENTERPRISE
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2016

| | Recycling Fund (022) | Recycling Repair and Replacement Reserve Fund (052) | Total Recycling Enterprise |
|--------------------------|-------------------------|---|-------------------------------|
| Operating Revenues: | | | |
| Charges for services | \$ 176,709 | \$ - | \$ 176,709 |
| Other operating revenues | <u>1,108</u> | <u>-</u> | <u>1,108</u> |
| Total operating revenues | <u>177,817</u> | <u>-</u> | <u>177,817</u> |
| Operating Expenses: | | | |
| Personal services | 147,551 | - | 147,551 |
| Cost of operations | 83,217 | - | 83,217 |
| Depreciation | <u>11,585</u> | <u>-</u> | <u>11,585</u> |
| Total operating expenses | <u>242,353</u> | <u>-</u> | <u>242,353</u> |
| Change in net position | (64,536) | - | (64,536) |
| Net Position: | | | |
| Beginning of year | <u>234,874</u> | <u>76,326</u> | <u>311,200</u> |
| End of year | <u>\$ 170,338</u> | <u>\$ 76,326</u> | <u>\$ 246,664</u> |

CITY OF CANNON BEACH, OREGON
RECYCLING ENTERPRISE
Combining Statement of Cash Flows
For the Year Ended June 30, 2016

| | Recycling Fund (022) | Recycling Repair and Replacement Reserve Fund (052) | Total Recycling Enterprise |
|---|-------------------------|---|----------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | \$ 175,388 | \$ - | \$ 175,388 |
| Payments to suppliers and contractors | (34,828) | - | (34,828) |
| Payments to employees | (107,031) | - | (107,031) |
| Payments for interfund services used | (46,087) | - | (46,087) |
| Net cash provided (used) by operating activities | (12,558) | - | (12,558) |
| Net change in cash and investments | (12,558) | - | (12,558) |
| Cash and investments: | | | |
| Beginning of year | 69,959 | 76,326 | 146,285 |
| End of year | <u>\$ 57,401</u> | <u>\$ 76,326</u> | <u>\$ 133,727</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | |
| Operating income (loss) | \$ (64,536) | \$ - | \$ (64,536) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | |
| Depreciation | 11,585 | - | 11,585 |
| Net increase (reduction) of expense under GASB 68 | 41,052 | - | 41,052 |
| (Increase) decrease in current assets: | | | |
| Receivables | (2,429) | - | (2,429) |
| Increase (decrease) in liabilities: | | | |
| Accounts payable and accrued expenses | 2,302 | - | 2,302 |
| Accrued payroll | (1,540) | - | (1,540) |
| Compensated absences | 1,008 | - | 1,008 |
| Net cash provided (used) by operating activities | <u>\$ (12,558)</u> | <u>\$ -</u> | <u>\$ (12,558)</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, 2016

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--|------------------------|---------------------|---------------------|------------------|
| Revenues: | | | | |
| Charges for services | \$ 798,000 | \$ 798,000 | \$ 823,943 | \$ 25,943 |
| Capital contributions | 5,000 | 5,000 | 4,499 | (501) |
| Other | <u>3,000</u> | <u>3,000</u> | <u>21,889</u> | <u>18,889</u> |
| Total revenues | <u>806,000</u> | <u>806,000</u> | <u>850,331</u> | <u>44,331</u> |
| Expenditures: | | | | |
| Personal services | 242,845 | 272,845 | 267,742 | 5,103 |
| Materials and services | 454,835 | 479,835 | 501,750 | (21,915) |
| Capital outlay | <u>220,000</u> | <u>165,000</u> | <u>112,894</u> | <u>52,106</u> |
| Total expenditures | <u>917,680</u> | <u>917,680</u> | <u>882,386</u> | <u>35,294</u> |
| Excess (deficiency) of revenues over (under) expenditures | (111,680) | (111,680) | (32,055) | 79,625 |
| Other financing sources (uses): | | | | |
| Loan proceeds | <u>-</u> | <u>-</u> | <u>16,963</u> | <u>16,963</u> |
| Net change in fund balance | (111,680) | (111,680) | (15,092) | 96,588 |
| Fund Balance: | | | | |
| Beginning of year | <u>150,000</u> | <u>150,000</u> | <u>96,099</u> | <u>(53,901)</u> |
| End of year | <u>\$ 38,320</u> | <u>\$ 38,320</u> | <u>81,007</u> | <u>\$ 42,687</u> |
| Reconciliation to GAAP Basis: | | | | |
| Inventory | | | 131,115 | |
| Capital assets | | | 4,346,404 | |
| Accrued interest payable | | | (498) | |
| Compensated absences | | | (15,822) | |
| Deferred outflows of resources related to pensions | | | 34,884 | |
| Capital lease payable | | | (16,963) | |
| Net pension liability | | | (125,074) | |
| Deferred inflows of resources related to pensions | | | <u>(31,556)</u> | |
| GAAP Net Position - end of year | | | <u>\$ 4,403,497</u> | |

CITY OF CANNON BEACH, OREGON

054 - WATER REPAIR AND REPLACEMENT RESERVE FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2016

| | <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, 2016

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--|------------------------|---------------------|---------------------|------------------|
| Revenues: | | | | |
| Charges for services | \$ 1,031,400 | \$ 1,031,400 | \$ 1,108,212 | \$ 76,812 |
| Capital contributions | <u>3,000</u> | <u>3,000</u> | <u>5,035</u> | <u>2,035</u> |
| Total revenues | <u>1,034,400</u> | <u>1,034,400</u> | <u>1,113,247</u> | <u>78,847</u> |
| Expenditures: | | | | |
| Personal services | 285,785 | 285,785 | 312,616 | (26,831) |
| Materials and services | 558,960 | 558,960 | 606,176 | (47,216) |
| Capital outlay | <u>195,000</u> | <u>195,000</u> | <u>234,582</u> | <u>(39,582)</u> |
| Total expenditures | <u>1,039,745</u> | <u>1,039,745</u> | <u>1,153,374</u> | <u>(113,629)</u> |
| Excess (deficiency) of revenues over (under) expenditures | (5,345) | (5,345) | (40,127) | (34,782) |
| Other financing sources (uses): | | | | |
| Loan proceeds | <u>-</u> | <u>-</u> | <u>6,785</u> | <u>6,785</u> |
| Net change in fund balance | (5,345) | (5,345) | (33,342) | (27,997) |
| Fund Balance: | | | | |
| Beginning of year | <u>150,000</u> | <u>150,000</u> | <u>267,198</u> | <u>117,198</u> |
| End of year | <u>\$ 144,655</u> | <u>\$ 144,655</u> | <u>233,856</u> | <u>\$ 89,201</u> |
| Reconciliation to GAAP Basis: | | | | |
| Inventory | | | 38,352 | |
| Capital assets | | | 7,381,975 | |
| Accrued interest payable | | | (199) | |
| Compensated absences | | | (14,079) | |
| Deferred outflows of resources related to pensions | | | 33,440 | |
| Capital lease payable | | | (6,785) | |
| Net pension liability | | | (119,896) | |
| Deferred inflows of resources related to pensions | | | <u>(30,250)</u> | |
| | | | <u>\$ 7,516,414</u> | |

CITY OF CANNON BEACH, OREGON

056 - WASTEWATER REPAIR AND REPLACEMENT RESERVE FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2016

| | <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, 2016

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--|------------------------|---------------------|-------------------|------------------|
| Revenues: | | | | |
| Charges for services | \$ 138,000 | \$ 138,000 | \$ 137,794 | \$ (206) |
| Capital contributions | <u>1,500</u> | <u>1,500</u> | <u>1,889</u> | <u>389</u> |
| Total revenues | <u>139,500</u> | <u>139,500</u> | <u>139,683</u> | <u>183</u> |
| Expenditures: | | | | |
| Personal services | 22,440 | 22,440 | 17,417 | 5,023 |
| Materials and services | 120,415 | 120,415 | 114,763 | 5,652 |
| Capital outlay | <u>31,000</u> | <u>31,000</u> | <u>23,129</u> | <u>7,871</u> |
| Total expenditures | <u>173,855</u> | <u>173,855</u> | <u>155,309</u> | <u>18,546</u> |
| Excess (deficiency) of revenues over (under) expenditures | (34,355) | (34,355) | (15,626) | 18,729 |
| Other financing sources (uses): | | | | |
| Loan proceeds | <u>-</u> | <u>-</u> | <u>4,524</u> | <u>4,524</u> |
| Net change in fund balance | (34,355) | (34,355) | (11,102) | 23,253 |
| Fund Balance: | | | | |
| Beginning of year | <u>55,000</u> | <u>55,000</u> | <u>63,112</u> | <u>8,112</u> |
| End of year | <u>\$ 20,645</u> | <u>\$ 20,645</u> | 52,010 | <u>\$ 31,365</u> |
| Reconciliation to GAAP Basis: | | | | |
| Capital assets | | | 651,456 | |
| Accrued interest payable | | | (133) | |
| Compensated absences | | | (1,106) | |
| Deferred outflows of resources related to pensions | | | 1,815 | |
| Capital lease payable | | | (4,524) | |
| Net pension liability | | | (6,506) | |
| Deferred inflows of resources related to pensions | | | <u>(1,642)</u> | |
| GAAP Net Position - end of year | | | <u>\$ 691,370</u> | |

CITY OF CANNON BEACH, OREGON

058 - STORM DRAIN REPAIR AND REPLACEMENT RESERVE FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2016

| | <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, 2016**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---------------------------------|------------------------|---------------------|---------------------|-------------------|
| Revenues: | | | | |
| Charges for services | <u>\$ 1,406,000</u> | <u>\$ 1,406,000</u> | <u>\$ 1,553,090</u> | <u>\$ 147,090</u> |
| Expenditures: | | | | |
| Materials and services | 1,280,575 | 1,380,575 | 1,329,343 | 51,232 |
| Capital outlay | 313,200 | 400,880 | 403,522 | (2,642) |
| Contingency | <u>87,680</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total expenditures | <u>1,681,455</u> | <u>1,781,455</u> | <u>1,732,865</u> | <u>48,590</u> |
| Net change in fund balance | (275,455) | (375,455) | (179,775) | 195,680 |
| Fund Balance: | | | | |
| Beginning of year | <u>460,000</u> | <u>460,000</u> | <u>824,609</u> | <u>364,609</u> |
| End of year | <u>\$ 184,545</u> | <u>\$ 84,545</u> | <u>644,834</u> | <u>\$ 560,289</u> |
| Reconciliation to GAAP Basis: | | | | |
| Inventory | | | 24,030 | |
| Capital assets | | | <u>2,022,219</u> | |
| GAAP Net Position - end of year | | | <u>\$ 2,691,083</u> | |

CITY OF CANNON BEACH, OREGON

050 - RV PARK REPAIR AND REPLACEMENT RESERVE FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2016

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|-------------------|------------------------|---------------------|-------------------|-----------------|
| Revenues: | | | | |
| Expenditures: | | | | |
| Fund Balance: | | | | |
| Beginning of year | <u>\$ 159,485</u> | <u>\$ 159,485</u> | <u>\$ 159,485</u> | <u>\$ -</u> |
| End of year | <u>\$ 159,485</u> | <u>\$ 159,485</u> | <u>\$ 159,485</u> | <u>\$ -</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, 2016

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--|------------------------|---------------------|-------------------|------------------|
| Revenues: | | | | |
| Charges for services | \$ 161,000 | \$ 161,000 | \$ 176,709 | \$ 15,709 |
| Other | <u>-</u> | <u>-</u> | <u>1,108</u> | <u>1,108</u> |
| Total revenues | <u>161,000</u> | <u>161,000</u> | <u>177,817</u> | <u>16,817</u> |
| Expenditures: | | | | |
| Personal services | 112,825 | 112,825 | 105,491 | 7,334 |
| Materials and services | 101,685 | 101,685 | 83,217 | 18,468 |
| Capital outlay | <u>10,000</u> | <u>10,000</u> | <u>-</u> | <u>10,000</u> |
| Total expenditures | <u>224,510</u> | <u>224,510</u> | <u>188,708</u> | <u>35,802</u> |
| Net change in fund balance | (63,510) | (63,510) | (10,891) | 52,619 |
| Fund Balance: | | | | |
| Beginning of year | <u>64,000</u> | <u>64,000</u> | <u>83,788</u> | <u>19,788</u> |
| End of year | <u>\$ 490</u> | <u>\$ 490</u> | <u>72,897</u> | <u>\$ 72,407</u> |
| Reconciliation to GAAP Basis: | | | | |
| Capital assets | | | 153,137 | |
| Compensated absences | | | (8,264) | |
| Deferred outflows of resources related to pensions | | | 13,591 | |
| Net pension liability | | | (48,728) | |
| Deferred inflows of resources related to pensions | | | <u>(12,295)</u> | |
| GAAP Net Position - end of year | | | <u>\$ 170,338</u> | |

CITY OF CANNON BEACH, OREGON

052 - RECYCLING REPAIR AND REPLACEMENT RESERVE FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2016

| | <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, 2016

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--|------------------------|---------------------|---------------------|------------------|
| Revenues: | | | | |
| Charges for services | \$ 1,263,180 | \$ 1,263,180 | \$ 1,324,551 | \$ 61,371 |
| Other | <u>-</u> | <u>-</u> | <u>1,505</u> | <u>1,505</u> |
| Total revenues | <u>1,263,180</u> | <u>1,263,180</u> | <u>1,326,056</u> | <u>62,876</u> |
| Expenditures: | | | | |
| Personal services | 935,275 | 963,275 | 960,008 | 3,267 |
| Materials and services | <u>327,905</u> | <u>372,905</u> | <u>366,048</u> | <u>6,857</u> |
| Total expenditures | <u>1,263,180</u> | <u>1,336,180</u> | <u>1,326,056</u> | <u>10,124</u> |
| Net change in fund balance | - | (73,000) | - | 73,000 |
| Fund Balance: | | | | |
| Beginning of year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| End of year | <u>\$ -</u> | <u>\$ (73,000)</u> | <u>-</u> | <u>\$ 73,000</u> |
| Reconciliation to GAAP Basis: | | | | |
| Capital assets | | | 24,594 | |
| Compensated absences | | | (43,235) | |
| Deferred outflows of resources related to pensions | | | 98,282 | |
| Net pension liability | | | (352,384) | |
| Deferred inflows of resources related to pensions | | | <u>(88,906)</u> | |
| GAAP Net Position - end of year | | | <u>\$ (361,649)</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, 2016 and have issued our report thereon dated December 16, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

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

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

- **Deposit of public funds with financial institutions (ORS Chapter 295)**
- **Indebtedness limitations, restrictions, and repayment**
- **Budgets legally required (ORS Chapter 294)**
- **Insurance and fidelity bonds in force or required by law**
- **Programs funded from outside sources**
- **Highway revenues used for public highways, roads, and streets**
- **Authorized investment of surplus funds (ORS Chapter 294)**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)**

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

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

OAR 162-10-0230 Internal Control

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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

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

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

by Paul R Nielson, CPA, a member of the firm
Eugene, Oregon
December 16, 2016