



FINANCIAL STATEMENTS AND SUPPLEMENTAL
INFORMATION

FOR THE YEAR ENDED JUNE 30, 2019

WITH

INDEPENDENT AUDITOR'S REPORT

CITY OF CANNON BEACH, OREGON

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Financial Statements and Supplemental Information
For the Year Ended June 30, 2019

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INTRODUCTORY SECTION

CITY OF CANNON BEACH, OREGON

List of Elected and Appointed Officials

June 30, 2019

ELECTED OFFICIALS - CITY COUNCIL

Mayor	Sam Steidel
Councilor	Mike Benefield
Councilor	Nancy McCarthy
Councilor	Brandon Ogilvie
Councilor	Robin Risley

Mailing Address

PO Box 368
Cannon Beach, OR 97110

APPOINTED OFFICIALS

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

Mailing Address

PO Box 368
Cannon Beach, OR 97110

FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Cannon Beach, Oregon

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cannon Beach, Oregon, ("City") as of and for the year ended June 30, 2019, 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, 2019, 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, the Transient Room Tax 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, the Schedule of Pension Contributions, and the Schedule of Changes in Total OPEB Liability and Related Ratios 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 of resources and requirements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules of resources and requirements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and schedule of continuing disclosures related to general obligation bonds have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report on Other Legal and Regulatory Requirements

In accordance with the Minimum Standards of Audits of Oregon Municipal Corporations, we have issued our report dated December 13, 2019 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 13, 2019



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, 2019.

Financial Highlights

- The City's total assets at June 30, 2019 were \$28,840,353.
- The City's total deferred outflows at June 30, 2019 were \$1,868,949.
- The City's total liabilities at June 30, 2019 were \$8,574,437.
- The City's total deferred inflows at June 30, 2019 were \$321,465.
- The net position of the City at June 30, 2019 was \$21,813,400. Of this amount, \$1,032,656 represents unrestricted net position, which can be used to meet the government's ongoing obligations to citizens and creditors.
- At June 30, 2019, the City's governmental funds reported combined ending fund balances of \$3,968,272.
- At the end of the fiscal year, the City's total combined governmental funds had a non-spendable fund balance of \$26,447, a restricted fund balance of \$964,816, an assigned fund balance of \$1,328,807, and an unassigned fund balance of \$1,648,202.
- The General Fund's unassigned fund balance is \$1,648,202 at the end of the current fiscal year, or 32.6% of General Fund expenditures and transfers out.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Cannon Beach, total assets and deferred outflows exceeded total liabilities and deferred inflows by \$21,813,400 at the close of the most recent fiscal year.

By far, the largest portion, 90.9%, of the City of Cannon Beach's net position reflects its investment in capital assets, net of accumulated depreciation (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Cannon Beach uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Cannon Beach's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, 4.4%, represents resources that are subject to external restrictions on how they may be used. The remaining portion of total net position, 4.7% which is unrestricted, represents excess available to meet ongoing obligations.

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

City of Cannon Beach Net Position						
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 4,537,728	\$ 3,616,367	\$ 2,595,844	\$ 2,623,954	\$ 7,133,572	\$ 6,240,321
Capital assets, net	7,278,437	7,461,820	14,428,344	14,420,454	21,706,781	21,882,274
Total assets	11,816,165	11,078,187	17,024,188	17,044,408	28,840,353	28,122,595
Deferred outflows of resources	1,465,367	1,106,509	403,582	289,846	1,868,949	1,396,355
Noncurrent liabilities	6,960,513	6,798,472	951,409	779,134	7,911,922	7,577,606
Other liabilities	516,225	681,823	146,290	348,393	662,515	1,030,216
Total liabilities	7,476,738	7,480,295	1,097,699	1,127,527	8,574,437	8,607,822
Deferred inflows of resources	245,760	97,765	75,705	29,698	321,465	127,463
Net position:						
Net investment in capital assets	5,387,584	5,424,611	14,428,344	14,420,454	19,815,928	19,845,065
Restricted	964,816	606,745	-	-	964,816	606,745
Unrestricted	(793,366)	(1,424,720)	1,826,022	1,756,575	1,032,656	331,855
Total net position	\$ 5,559,034	\$ 4,606,636	\$ 16,254,366	\$ 16,177,029	\$ 21,813,400	\$ 20,783,665

The City's net position increased by \$1,029,735 during the current fiscal year.

The City's total assets at June 30, 2019 increased \$717,758 from \$28,122,595 to \$28,840,353, or 2.5% from the prior year. Cash increased by \$780,645, or 17.6% from the prior year. Receivables increased by \$97,380, or 6.3% from the prior year. Capital assets, net, decreased by \$175,493, or 1.0%, from the prior year. Deferred outflows increased \$480,567, or 33.8% from the prior year.

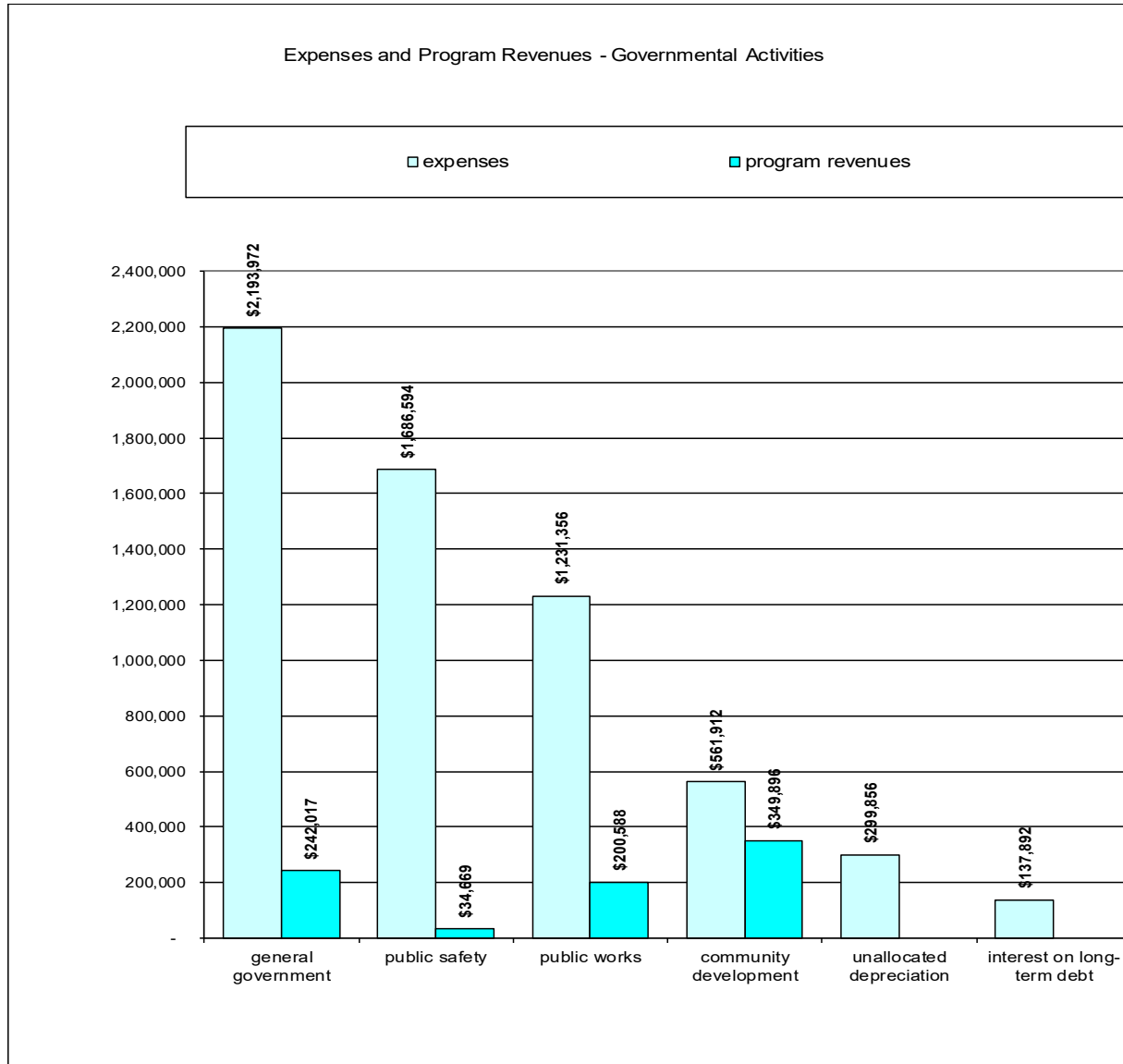
The City's total liabilities at June 30, 2019 decreased by \$33,385, or .4%, from the prior year. Accounts payable decreased \$346,870, or 44.3%, from the prior year. Accrued payroll decreased \$21,485, or 12.0% at the end of the year. The City's non-current liabilities increased \$334,316, or 4.4%.

City of Cannon Beach Change in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Fines, fees, and charges for services	\$ 631,944	\$ 554,910	\$ 4,882,874	\$ 4,440,196	\$ 5,514,818	\$ 4,995,106
Operating grants and contributions	164,402	203,566	-	-	164,402	203,566
Capital grants and contributions	30,824	-	34,028	22,899	64,852	22,899
General revenues:						
Property taxes	1,250,349	1,220,374	-	-	1,250,349	1,220,374
Transient room taxes	4,628,696	4,270,546	-	-	4,628,696	4,270,546
Franchise fees	202,173	203,835	-	-	202,173	203,835
Unrestricted state revenue sharing	97,871	79,019	-	-	-	79,019
Unrestricted investment earnings	140,326	78,472	-	-	140,326	78,472
Total revenues	7,146,585	6,610,722	4,916,902	4,463,095	12,063,487	11,073,817
Expenses:						
General government	2,193,972	1,858,411	-	-	2,193,972	1,858,411
Building	217,779	218,818	-	-	217,779	218,818
Community Development	344,133	352,511	-	-	344,133	352,511
Public Works	1,231,356	1,247,073	-	-	1,231,356	1,247,073
Public Safety	1,686,594	1,712,569	-	-	1,686,594	1,712,569
Unallocated depreciation	299,856	280,636	-	-	299,856	280,636
Interest on long-term liabilities	137,892	150,084	-	-	137,892	150,084
Water utility	-	-	1,190,495	1,089,957	1,190,495	1,089,957
Wastewater utility	-	-	1,506,319	1,363,640	1,506,319	1,363,640
Storm Drain	-	-	288,589	193,669	288,589	193,669
RV Park	-	-	1,708,404	1,651,937	1,708,404	1,651,937
Recycling	-	-	228,363	218,527	228,363	218,527
Total expenses	6,111,582	5,820,102	4,922,170	4,517,730	11,033,752	10,337,832
Increase in net position before transfers	1,035,003	790,620	(5,268)	(54,635)	1,029,735	735,985
Transfers	(82,605)	(525,525)	82,605	525,525	-	-
Increase (decrease) in net position	952,398	265,095	77,337	470,890	1,029,735	735,985
Net position, July 1	4,606,636	4,341,541	16,177,029	15,706,139	20,783,665	20,047,680
Net position, June 30	\$ 5,559,034	\$ 4,606,636	\$ 16,254,366	\$ 16,177,029	\$ 21,813,400	\$ 20,783,665

Governmental activities. Governmental activities increased the City's net position by \$952,398 from the prior year. The primary elements of the change in total net position are as follows:

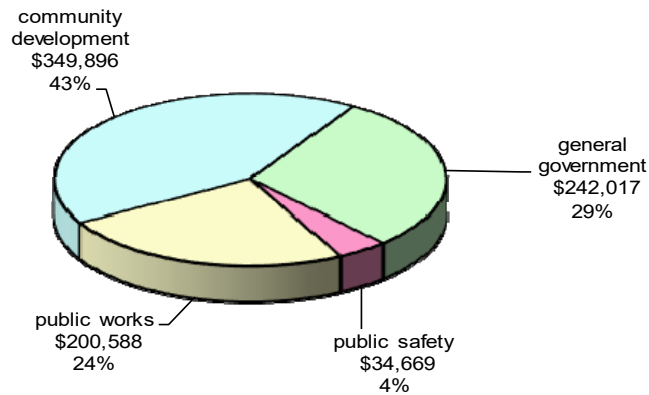
- Revenues overall increased \$535,863.
- Program revenues such as fines, fees, and charges for service increased \$77,034. This type of revenue is derived mostly from business licensing, court fines, community development fees, land leases, and other miscellaneous fees charged by the city.
- The other program revenues, operating and capital grants show decreases of \$8,340 as previous year grants were not replaced with new grants this year.
- General revenues such as Transient room taxes and property taxes show increases of \$358,150, and \$29,975, respectively. Transient room tax revenues are dependent upon tourism demand and property tax increases arise mostly from a yearly increase of 3% assessed value and new property builds and improvements.
- Other general revenues such as franchise fees show a decrease of \$1,662. Franchise fees are payments made to the city for the use of city right of ways by public utilities. The rest of the general revenues: unrestricted state revenue sharing and unrestricted investment earnings show increases of \$18,852 and \$61,854, respectively. Revenue sharing are distributions from tax collections by the State of Oregon and shared with cities in Oregon. Investment earnings are bank interest income. Interest rates fluctuate based on the economic conditions during the year. This fiscal year, interest rates ranged from 2.25% to 2.75%.
- Total expenses, increased by \$291,480 with two programs showing increases in the General Government and Unallocated Depreciation where those expenses increased by \$335,561 and \$19,220, respectively. All other programs had decreased expenses.
- Transfers out decreased by \$442,920.

The following graph summarizes the 2018-2019 governmental activity program revenues and corresponding expenses. The revenues shown total \$827,170 (an increase from the prior year of \$68,694) and are directly attributable to each activity (program revenues) and **do not** include property taxes, transient room taxes, franchise fees, unrestricted state revenue sharing, unrestricted investment earnings, and other one-time or extraordinary revenue streams which are discretionary (general revenues). Discretionary revenues amount to \$6,319,415 and increased by \$467,169, from the prior year.



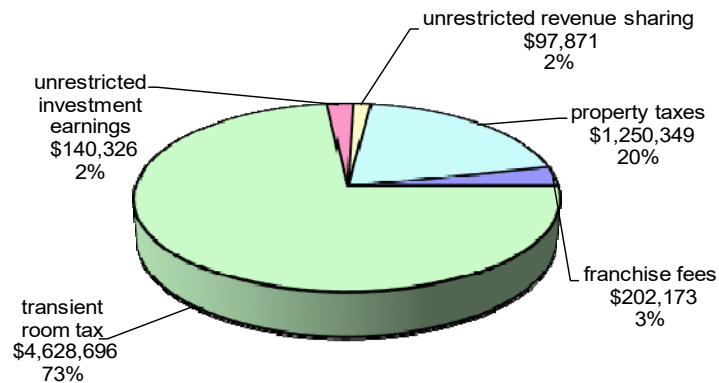
This next chart shows the 2018-2019 total functional revenues for each program in the amount of \$827,170 and the percentage of the total.

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



As the next chart reflects, most 2018-2019 governmental activities relied on general discretionary revenues to support the function. This graph shows total discretionary revenues in the amount of \$6,319,415 and the percentage in each category.

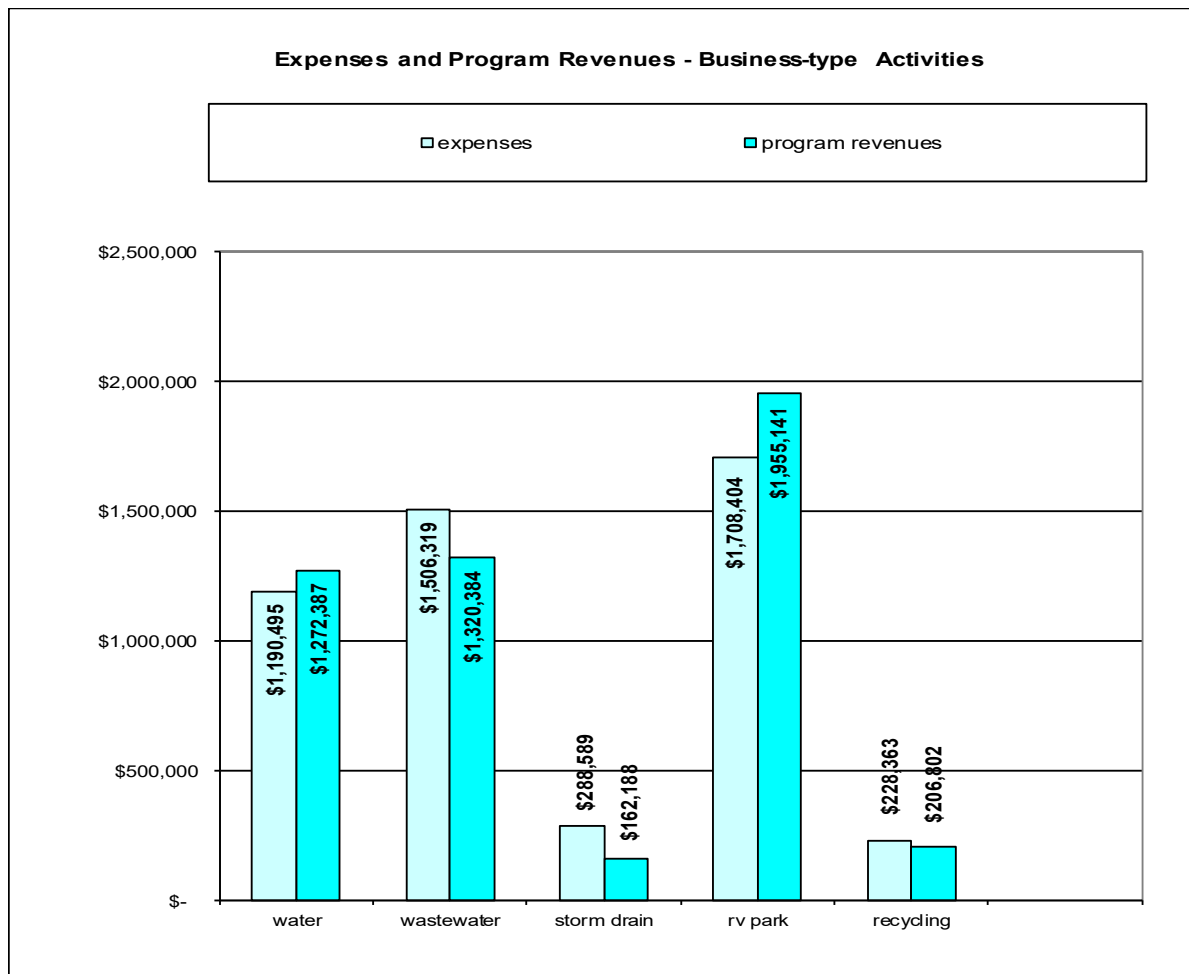
**Discretionary General Revenues by Source -
Governmental Activities**



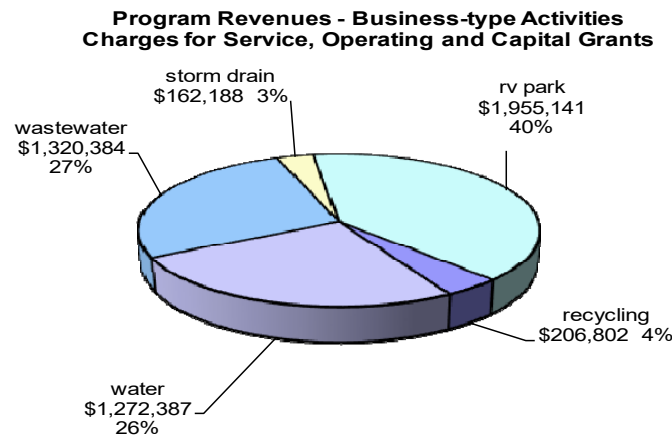
Business-type activities. Business-type activities increased the City's net position by \$77,337. Business-type activities' main source of revenue comes from charges for service. Key elements of this increase are as follows:

- Fines, fees, and charges for services include the utility revenue in the Water, Wastewater, Storm Drain, Recycling and RV Park enterprises. There was a net increase in fees in the amount of \$442,678. Of this amount the Water, Wastewater, Storm Drain, RV Park, and Recycling funds had increases of \$254,098, \$71,134, \$6,268, and \$93,696, respectively.
- In the current year, 120,470,782 gallons of water were sold compared to the prior year amount of 118,016,431 and is a 2.0% increase.
- There were no rate increases in Water, Wastewater, and Storm Drain utilities this fiscal year.
- There were increases in total capital grants, which consist of system development charges, in the amount of \$11,129.
- Total operating expenses overall increased from the prior year in the amount of \$404,440.

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 2018-2019 expenses and revenues of those funds.



Total program revenues in the business-type activities of the City total \$4,916,902 as represented by the percentages in the chart below for 2018-2019.



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 \$3,968,272, an increase of \$1,092,248 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 \$1,648,202. 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 \$372,047 during the current fiscal year. Key elements of the net decrease to fund balance are as follows:

- Taxes and assessments increased by \$26,186 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 marijuana tax in the amount of \$13,084 and an increase of \$7,333 in property tax.
- Transient room tax decreased by \$117,913. This revenue decreased due to posting the restricted portion in a separate fund beginning this year. The city's room tax rate is 8%.
- Licenses, permits, and fees increased by \$10,371.
- Grants and donations decreased by \$71,901. Decreases came from non-recurring grants in the amount of \$59,459 and a decrease in Haystack Rock Awareness Program (HRAP) donations in the amount of \$21,815. The rest of the activity were small donations that increased and decreased during the year.
- Interest income increased by \$61,816.
- Other revenues increased \$3,576.

- Expenditures and other uses (transfers out) in the General Fund decreased \$606,166 from the prior year. Most of the decreases occurred in the executive department, community development, public works, and transfers out in the amounts of \$275,538, \$27,283, \$11,494, and \$417,736, respectively. Increases occurred in Public Safety and Non-departmental in the amounts of \$31,373 and \$94,512, respectively.

The Tourism and Arts Fund has a total fund balance of \$364,210. The net increase in fund balance during the current year in the fund was \$100,335. This fund's revenue comes solely from transient room tax and is distributed to tourism purposes.

- Transient room tax increased \$27,128.
- Total expenses for visitor and tourism purposes increased \$22,979.

The Transient Room Tax Fund was formed this year and has a total fund balance of \$2,447. This revenue was originally reported in the General Fund. This fund will isolate the activity as restricted income related to tourism purposes. The net increase in fund balance during the current year in the fund was \$2,447. This fund's revenue comes solely from transient room tax and is distributed to tourism purposes during the year.

- Transient room tax increased \$400,799.
- Total expenses for visitor and tourism purposes increased \$398,352.

The Roads Fund has a total fund balance of \$331,560, all of which is restricted for road maintenance. The net increase in fund balance during the current year in the fund was \$95,633 and is attributable to the following:

- Total revenue decreased from the prior year by \$132,037 mostly from decreases in transfers in, in the amount of \$187,002. There were corresponding increases in property taxes, interest income, capital contributions, and miscellaneous income in the amounts of \$19,796, \$38, \$30,824, and \$4,307, respectively.
- Expenditures decreased \$146,626 from the prior year.

The General Reserve Fund has a total fund balance of \$1,313,821, all of which is restricted for use by council. The net increase in fund balance during the current year in the fund was \$400,000 and is attributable to the following:

- Total revenue increased from the prior year by \$400,000 as a transfer in from the General Fund.
- There were no expenditures from this fund in the current year.

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

Unrestricted net position of the Water Enterprise at the end of the year amounted to \$452,044, those for the Wastewater Enterprise at the end of the year amounted to \$652,663, those for the Storm Drain Enterprise at the end of the year amounted to \$7,463, those for the RV Park Enterprise at the end of the year amounted to \$727,750, and those for the Recycling Enterprise at the end of the year amounted to a negative \$13,898. The total increase in net position for all enterprise funds was \$77,337. 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	
	2019	2018	2019	2018	2019	2018
Land	\$ 3,759,675	\$ 3,759,675	\$ 1,283,338	\$ 1,283,338	\$ 5,043,013	\$ 5,043,013
Buildings	948,116	1,002,484	1,632,411	1,625,284	2,580,527	2,627,768
Equipment and vehicles	506,298	504,638	305,792	290,157	812,090	794,795
Infrastructure	2,064,348	2,195,023	11,108,734	11,186,162	13,173,082	13,381,185
Construction in progress	-	-	98,069	35,513	98,069	35,513
Total	\$ 7,278,437	\$ 7,461,820	\$ 14,428,344	\$ 14,420,454	\$ 21,706,781	\$ 21,882,274

Capital assets. The City of Cannon Beach's investment in capital assets for its governmental and business-type activities as of June 30, 2019, amounts to \$21,706,781 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, and bridges.

Net capital assets decreased by \$175,493 during the year because capital asset additions of \$780,976 less current year depreciation in the amount of \$956,469 net to the overall decrease of capital assets at the end of the year.

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

- Enclosure for headworks/UV, \$45,172
- Police vehicle, \$62,598
- New siding on Recycle Building, \$66,500
- Sand filter bed media, \$106,472
- Waterline replacements, \$322,578

The above 5 items comprise 77.3% of the total dollar value of additions this year or \$603,320. There were a total of 14 acquisitions this year.

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

Long-term debt. At the end of the fiscal year, the City of Cannon Beach had total long-term debt outstanding of \$3,793,970, which is debt backed by the full faith and credit of the government.

City of Cannon Beach's Outstanding Debt						
General Obligation Bonds						
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
General Obligation Bonds	\$ 3,615,000	\$ 4,025,000	\$ -	\$ -	\$ 3,615,000	\$ 4,025,000
Original Issue Premium	178,970	206,679			178,970	206,679
Total	\$ 3,793,970	\$ 4,231,679	\$ -	\$ -	\$ 3,793,970	\$ 4,231,679

The City of Cannon Beach's total long-term debt decreased by \$437,709 during the current fiscal year.

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

Economic Factors and Next Year's Budgets and Rates

- An expected increase in room tax revenue of 5%.
- An expected increase in property tax revenue of at least 3%.
- Zero utility rate increases in the 2020 fiscal year end.
- Cost of living adjustments to wages

All of these factors were considered in preparing the City of Cannon Beach's budget for the 2020 fiscal year end.

Requests for information

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

BASIC FINANCIAL STATEMENTS

CITY OF CANNON BEACH, OREGON

Statement of Net Position

June 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 3,131,103	\$ 2,085,826	\$ 5,216,929
Receivables	1,377,907	277,994	1,655,901
Prepaid expenses	28,718	34,911	63,629
Inventory	-	197,113	197,113
Capital assets:			
Nondepreciable assets	3,759,675	1,381,407	5,141,082
Depreciable assets (net of accumulated depreciation)	<u>3,518,762</u>	<u>13,046,937</u>	<u>16,565,699</u>
Total assets	<u>11,816,165</u>	<u>17,024,188</u>	<u>28,840,353</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	122,958	-	122,958
Related to pensions	1,340,154	402,797	1,742,951
Related to OPEB	<u>2,255</u>	<u>785</u>	<u>3,040</u>
Total deferred outflows	<u>1,465,367</u>	<u>403,582</u>	<u>1,868,949</u>
 Total assets and deferred outflows	 <u>13,281,532</u>	 <u>17,427,770</u>	 <u>30,709,302</u>
LIABILITIES			
Accounts payable and accrued expenses	292,252	144,290	436,542
Accrued payroll	157,375	-	157,375
Deposits	-	2,000	2,000
Accrued interest payable	11,252	-	11,252
Unearned revenue	55,346	-	55,346
Noncurrent liabilities:			
Due within one year	640,799	35,141	675,940
Due in more than one year	3,286,261	-	3,286,261
Net pension liability	2,938,341	883,146	3,821,487
Net OPEB liability	<u>95,112</u>	<u>33,122</u>	<u>128,234</u>
Total liabilities	<u>7,476,738</u>	<u>1,097,699</u>	<u>8,574,437</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	207,179	62,269	269,448
Related to OPEB	<u>38,581</u>	<u>13,436</u>	<u>52,017</u>
Total deferred inflows	<u>245,760</u>	<u>75,705</u>	<u>321,465</u>
 Total liabilities and deferred inflows	 <u>7,722,498</u>	 <u>1,173,404</u>	 <u>8,895,902</u>
NET POSITION			
Net investment in capital assets	5,387,584	14,428,344	19,815,928
Restricted for:			
Building inspection program	95,902	-	95,902
Affordable housing	95,999	-	95,999
Tourism and arts	414,793	-	414,793
Road maintenance	326,320	-	326,320
Debt service	31,802	-	31,802
Unrestricted	<u>(793,366)</u>	<u>1,826,022</u>	<u>1,032,656</u>
Total net position	<u>\$ 5,559,034</u>	<u>\$ 16,254,366</u>	<u>\$ 21,813,400</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, 2019

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position		
	Expenses	Indirect Expense Allocation	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:								
General government	\$ 2,937,578	\$ (743,606)	\$ 220,015	\$ 22,002	\$ -	\$ (1,951,955)	\$ -	\$ (1,951,955)
Building	179,199	38,580	226,683	-	-	8,904	-	8,904
Community development	344,133	-	123,213	-	-	(220,920)	-	(220,920)
Public works	1,464,828	(233,472)	44,028	125,736	30,824	(1,030,768)	-	(1,030,768)
Public safety	1,686,594	-	18,005	16,664	-	(1,651,925)	-	(1,651,925)
Unallocated depreciation	299,856	-	-	-	-	(299,856)	-	(299,856)
Interest on long-term liabilities	137,892	-	-	-	-	(137,892)	-	(137,892)
Total governmental activities	7,050,080	(938,498)	631,944	164,402	30,824	(5,284,412)	-	(5,284,412)
Business-type activities:								
Water	844,355	346,140	1,259,340	-	13,047	-	81,892	81,892
Wastewater	1,163,988	342,331	1,306,958	-	13,426	-	(185,935)	(185,935)
Storm drain	233,499	55,090	154,633	-	7,555	-	(126,401)	(126,401)
RV park	1,570,027	138,377	1,955,141	-	-	-	246,737	246,737
Recycling	171,803	56,560	206,802	-	-	-	(21,561)	(21,561)
Total business-type activities	3,983,672	938,498	4,882,874	-	34,028	-	(5,268)	(5,268)
Total activities	\$ 11,033,752	\$ -	\$ 5,514,818	\$ 164,402	\$ 64,852	(5,284,412)	(5,268)	(5,289,680)
General revenues:								
Taxes:								
Property taxes								
Transient room taxes								
Franchise fees								
Unrestricted State revenue sharing								
Unrestricted investment earnings								
Transfers								
Total general revenues and transfers								
Change in net position								
Net position, beginning								
Net position, ending								

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

CITY OF CANNON BEACH, OREGON

GOVERNMENTAL FUNDS

Balance Sheet

June 30, 2019

	General Fund (010)	Tourism and Arts Fund (012)	Transient Room Tax Fund (013)	Road Fund (040)	General Reserve Fund (059)	Nonmajor Funds	Total Governmental Funds
ASSETS							
Cash and investments	\$ 898,849	\$ 334,928	\$ 46	\$ 334,182	\$ 1,313,821	\$ 237,049	\$ 3,118,875
Receivables:							
Room taxes	985,131	104,398	104,398	-	-	48,136	1,242,063
Accounts	39,496	-	-	11,395	-	2,250	53,141
Property taxes	42,713	-	-	15,662	-	24,278	82,653
Other	50	-	-	-	-	-	50
Prepaid expenses	20,625	-	-	5,240	-	582	26,447
 Total assets	<u>\$ 1,986,864</u>	<u>\$ 439,326</u>	<u>\$ 104,444</u>	<u>\$ 366,479</u>	<u>\$ 1,313,821</u>	<u>\$ 312,295</u>	<u>\$ 4,523,229</u>
LIABILITIES							
Accounts payable and accrued expenses	\$ 72,034	\$ 75,116	\$ 101,997	\$ 22,720	\$ -	5,886	277,753
Accrued payroll	157,375	-	-	-	-	-	157,375
Unearned revenue	55,346	-	-	-	-	-	55,346
 Total liabilities	<u>284,755</u>	<u>75,116</u>	<u>101,997</u>	<u>22,720</u>	<u>-</u>	<u>5,886</u>	<u>490,474</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenues:							
Property taxes	33,282	-	-	12,199	-	19,002	64,483
Total deferred inflows of resources	<u>33,282</u>	<u>-</u>	<u>-</u>	<u>12,199</u>	<u>-</u>	<u>19,002</u>	<u>64,483</u>
FUND BALANCES							
Nonspendable - prepaids	20,625	-	-	5,240	-	582	26,447
Restricted:							
Building inspection	-	-	-	-	-	95,902	95,902
Affordable housing	-	-	-	-	-	95,999	95,999
Road maintenance	-	-	-	326,320	-	-	326,320
Tourism and arts	-	364,210	2,447	-	-	48,136	414,793
Debt service	-	-	-	-	-	31,802	31,802
Assigned:							
Reserves	-	-	-	-	1,313,821	14,986	1,328,807
Unassigned	1,648,202	-	-	-	-	-	1,648,202
 Total fund balances	<u>1,668,827</u>	<u>364,210</u>	<u>2,447</u>	<u>331,560</u>	<u>1,313,821</u>	<u>287,407</u>	<u>3,968,272</u>
 Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,986,864</u>	<u>\$ 439,326</u>	<u>\$ 104,444</u>	<u>\$ 366,479</u>	<u>\$ 1,313,821</u>	<u>\$ 312,295</u>	<u>\$ 4,523,229</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, 2019

Fund balances - governmental funds		\$ 3,968,272
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.		64,483
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Nondepreciable assets	\$ 3,759,675	
Depreciable assets	7,890,994	
Accumulated depreciation	<u>(4,465,927)</u>	
		7,184,742
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
General obligation bonds payable	(3,615,000)	
Deferred charges	122,958	
Issuance premiums	(178,970)	
Compensated absences	(70,573)	
Accrued interest payable	(11,252)	
Net pension liability	(2,157,611)	
Net OPEB liability	<u>(74,377)</u>	
		(5,984,825)
Deferred inflows and deferred outflows related are not current resources or requirements and therefore are not reported in the funds:		
Deferred outflows of resources related to pensions	984,069	
Deferred outflows of resources related to OPEB	1,763	
Deferred inflows of resources related to pensions	(152,131)	
Deferred inflows of resources related to OPEB	<u>(30,170)</u>	
		803,531
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>(477,169)</u>
Net position of governmental activities		<u><u>\$ 5,559,034</u></u>

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

CITY OF CANNON BEACH, OREGON
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2019

	General Fund	Tourism and Arts Fund (012)	Transient Room Tax Fund (013)	Road Fund (040)	General Reserve Fund (059)	Nonmajor Funds	Total Governmental Funds
	(010)						
Revenues:							
Taxes & assessments	\$ 747,313	\$ -	\$ -	\$ 363,858	\$ -	\$ 450,394	\$ 1,561,565
Transient room taxes	3,778,962	400,799	400,799	-	-	48,136	4,628,696
Franchise fees	202,173	-	-	-	-	-	202,173
Licenses, permits, and fees	259,244	-	-	-	-	226,414	485,658
Grants and donations	39,166	-	-	-	-	-	39,166
Investment earnings	140,205	-	-	121	-	-	140,326
Other revenue	58,147	-	-	5,967	-	269	64,383
Capital contributions	-	-	-	30,824	-	-	30,824
Total revenues	<u>5,225,210</u>	<u>400,799</u>	<u>400,799</u>	<u>400,770</u>	<u>-</u>	<u>725,213</u>	<u>7,152,791</u>
Expenditures:							
Current:							
General government	1,399,390	300,464	398,352	-	-	-	2,098,206
Building	-	-	-	-	-	194,361	194,361
Community development	298,990	-	-	-	-	28,685	327,675
Public works	479,894	-	-	682,459	-	-	1,162,353
Public safety	1,537,815	-	-	-	-	-	1,537,815
Debt service:							
Principal	-	-	-	-	-	410,000	410,000
Interest	-	-	-	-	-	146,025	146,025
Capital outlay	<u>86,827</u>	<u>-</u>	<u>-</u>	<u>14,676</u>	<u>-</u>	<u>-</u>	<u>101,503</u>
Total expenditures	<u>3,802,916</u>	<u>300,464</u>	<u>398,352</u>	<u>697,135</u>	<u>-</u>	<u>779,071</u>	<u>5,977,938</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,422,294</u>	<u>100,335</u>	<u>2,447</u>	<u>(296,365)</u>	<u>-</u>	<u>(53,858)</u>	<u>1,174,853</u>
Other Financing Sources (Uses):							
Transfers in	200,000	-	-	391,998	400,000	175,644	1,167,642
Transfers out	<u>(1,250,247)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,250,247)</u>
Total other financing sources (uses)	<u>(1,050,247)</u>	<u>-</u>	<u>-</u>	<u>391,998</u>	<u>400,000</u>	<u>175,644</u>	<u>(82,605)</u>
Net change in fund balances	372,047	100,335	2,447	95,633	400,000	121,786	1,092,248
Fund Balances:							
Beginning of year	<u>1,296,780</u>	<u>263,875</u>	<u>-</u>	<u>235,927</u>	<u>913,821</u>	<u>165,621</u>	<u>2,876,024</u>
End of year	<u>\$ 1,668,827</u>	<u>\$ 364,210</u>	<u>\$ 2,447</u>	<u>\$ 331,560</u>	<u>\$ 1,313,821</u>	<u>\$ 287,407</u>	<u>\$ 3,968,272</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, 2019

Net change in fund balances - governmental funds		\$ 1,092,248
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.		(6,206)
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	\$ 101,503	
Current year depreciation	<u>(284,058)</u>	
		(182,555)
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	3,753	
Accrued interest	917	
Expenses related to pension obligations	(253,551)	
Expenses related to OPEB obligations	(7,519)	
Amortization of bond premiums	27,709	
Amortization of deferred charge on refunding	<u>(20,493)</u>	
		(249,184)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Principal repayments	<u>410,000</u>	
		410,000
The internal service funds are used by management to charge the costs of administrative services to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.		<u>(111,905)</u>
Change in net position of governmental activities		<u>\$ 952,398</u>

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

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

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance
Resources:				
Beginning fund balance	\$ 900,000	\$ 900,000	\$ 1,296,780	\$ 396,780
Taxes and assessments	719,813	719,813	747,313	27,500
Transient room tax	3,626,760	3,626,760	3,778,962	152,202
Franchise fees	215,000	215,000	202,173	(12,827)
Licenses, permits and fees	250,510	250,510	259,244	8,734
Grants and donations	350,250	350,250	39,166	(311,084)
Investment earnings	60,000	60,000	140,205	80,205
Other revenue	49,290	49,290	58,147	8,857
Transfers in	200,000	200,000	200,000	-
Total resources	<u>\$ 6,371,623</u>	<u>\$ 6,371,623</u>	<u>\$ 6,721,990</u>	<u>\$ 350,367</u>
Requirements:				
Executive	\$ 871,980	\$ 871,980	\$ 834,396	\$ 37,584
Planning	555,612	555,612	298,990	256,622
Public works	530,333	530,333	494,428	35,905
Public safety	2,007,849	2,007,849	1,600,413	407,436
Non-departmental	653,924	653,924	574,689	79,235
Transfers out	1,250,247	1,250,247	1,250,247	-
Contingency	359,223	359,223	-	359,223
Total expenditures	6,229,168	6,229,168	5,053,163	1,176,005
Ending fund balance	142,455	142,455	1,668,827	(1,526,372)
Total requirements	<u>\$ 6,371,623</u>	<u>\$ 6,371,623</u>	<u>\$ 6,721,990</u>	<u>\$ (350,367)</u>

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

CITY OF CANNON BEACH, OREGON

012 - TOURISM & ARTS FUND

Statement of Resources and Requirements

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	\$ 167,689	\$ 167,689	\$ 263,875	\$ 96,186
Transient room tax	<u>384,655</u>	<u>384,655</u>	<u>400,799</u>	<u>16,144</u>
Total resources	<u>\$ 552,344</u>	<u>\$ 552,344</u>	<u>\$ 664,674</u>	<u>\$ 112,330</u>
Requirements:				
Tourism and Arts Program:				
Materials and services	\$ 384,655	\$ 384,655	\$ 300,464	\$ 84,191
Ending fund balance	<u>167,689</u>	<u>167,689</u>	<u>364,210</u>	<u>(196,521)</u>
Total requirements	<u>\$ 552,344</u>	<u>\$ 552,344</u>	<u>\$ 664,674</u>	<u>\$ (112,330)</u>

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

CITY OF CANNON BEACH, OREGON

013 - TRANSIENT ROOM TAX FUND

Statement of Resources and Requirements

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	\$ -	\$ -	\$ -	\$ -
Transient room tax	<u>384,655</u>	<u>384,655</u>	<u>400,799</u>	<u>16,144</u>
Total resources	<u><u>\$ 384,655</u></u>	<u><u>\$ 384,655</u></u>	<u><u>\$ 400,799</u></u>	<u><u>\$ 16,144</u></u>
Requirements:				
Transient Room Tax Program:				
Materials and services	\$ 384,655	\$ 384,655	\$ 398,352	\$ (13,697)
Ending fund balance	<u>-</u>	<u>-</u>	<u>2,447</u>	<u>(2,447)</u>
Total requirements	<u><u>\$ 384,655</u></u>	<u><u>\$ 384,655</u></u>	<u><u>\$ 400,799</u></u>	<u><u>\$ (16,144)</u></u>

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

CITY OF CANNON BEACH, OREGON**040 - ROAD FUND****Schedule of Resources and Requirements****Budget and Actual (Budgetary Basis)****For the Year Ended June 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	\$ 175,000	\$ 175,000	\$ 235,927	\$ 60,927
Taxes and assessments	359,651	359,651	363,858	4,207
Investment earnings	-	-	121	121
Other revenue	-	-	5,967	5,967
Capital contributions	-	-	30,824	30,824
Transfers in	<u>391,998</u>	<u>391,998</u>	<u>391,998</u>	<u>-</u>
Total resources	<u>\$ 926,649</u>	<u>\$ 926,649</u>	<u>\$ 1,028,695</u>	<u>\$ 102,046</u>
Requirements:				
Roads Program:				
Personal services	\$ 215,091	\$ 215,091	\$ 177,245	\$ 37,846
Materials and services	612,317	612,317	505,214	107,103
Capital outlay	<u>15,000</u>	<u>15,000</u>	<u>14,676</u>	<u>324</u>
Total program-specific	842,408	842,408	697,135	145,273
Contingency	84,241	84,241	-	84,241
Ending fund balance	<u>-</u>	<u>-</u>	<u>331,560</u>	<u>(331,560)</u>
Total requirements	<u>\$ 926,649</u>	<u>\$ 926,649</u>	<u>\$ 1,028,695</u>	<u>\$ (102,046)</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, 2019

	Business-type Activities - Enterprise Funds						Governmental
	Major Funds				Nonmajor		Activities
	Water	Wastewater	RV Park	Recycling	Storm Drain	Total	Administrative
	Enterprise	Enterprise	Enterprise	Enterprise	Enterprise		Services Fund
ASSETS							
Current assets:							
Cash and investments	\$ 471,899	\$ 729,281	\$ 786,337	\$ 53,656	\$ 44,653	\$ 2,085,826	\$ 12,228
Accounts receivable	120,604	121,921	-	23,038	12,431	277,994	-
Inventory	120,872	38,417	37,824	-	-	197,113	-
Prepaid expenses	12,029	19,331	58	2,911	582	34,911	2,271
Total current assets	<u>725,404</u>	<u>908,950</u>	<u>824,219</u>	<u>79,605</u>	<u>57,666</u>	<u>2,595,844</u>	<u>14,499</u>
Noncurrent assets:							
Capital assets:							
Nondepreciable assets	510,101	71,856	799,450	-	-	1,381,407	-
Depreciable, net	3,981,510	6,684,774	1,594,690	196,564	589,399	13,046,937	93,695
Total noncurrent assets	<u>4,491,611</u>	<u>6,756,630</u>	<u>2,394,140</u>	<u>196,564</u>	<u>589,399</u>	<u>14,428,344</u>	<u>93,695</u>
Total assets	5,217,015	7,665,580	3,218,359	276,169	647,065	17,024,188	108,194
DEFERRED OUTFLOWS OF RESOURCES							
Related to pensions	170,112	146,234	-	59,608	26,843	402,797	356,085
Related to OPEB	<u>268</u>	<u>359</u>	<u>-</u>	<u>80</u>	<u>78</u>	<u>785</u>	<u>492</u>
Total assets and deferred outflows	<u>5,387,395</u>	<u>7,812,173</u>	<u>3,218,359</u>	<u>335,857</u>	<u>673,986</u>	<u>17,427,770</u>	<u>464,771</u>
LIABILITIES							
Current liabilities:							
Accounts payable and accrued expenses	8,351	30,228	96,339	3,179	6,193	144,290	14,499
Deposits	2,000	-	-	-	-	2,000	-
Compensated absences	<u>18,252</u>	<u>8,136</u>	<u>130</u>	<u>5,343</u>	<u>3,280</u>	<u>35,141</u>	<u>62,517</u>
Total current liabilities	28,603	38,364	96,469	8,522	9,473	181,431	77,016
Noncurrent liabilities:							
Net pension liability	372,977	320,623	-	130,695	58,851	883,146	780,730
Net OPEB liability	<u>11,285</u>	<u>15,144</u>	<u>-</u>	<u>3,385</u>	<u>3,308</u>	<u>33,122</u>	<u>20,735</u>
Total liabilities	412,865	374,131	96,469	142,602	71,632	1,097,699	878,481
DEFERRED INFLOWS OF RESOURCES							
Related to pensions	26,297	22,606	-	9,216	4,150	62,269	55,048
Related to OPEB	<u>4,578</u>	<u>6,143</u>	<u>-</u>	<u>1,373</u>	<u>1,342</u>	<u>13,436</u>	<u>8,411</u>
Total liabilities and deferred inflows	<u>443,740</u>	<u>402,880</u>	<u>96,469</u>	<u>153,191</u>	<u>77,124</u>	<u>1,173,404</u>	<u>941,940</u>
NET POSITION							
Net investment in capital assets	4,491,611	6,756,630	2,394,140	196,564	589,399	14,428,344	93,695
Unrestricted	<u>452,044</u>	<u>652,663</u>	<u>727,750</u>	<u>(13,898)</u>	<u>7,463</u>	<u>1,826,022</u>	<u>(570,864)</u>
Total net position	<u>\$ 4,943,655</u>	<u>\$ 7,409,293</u>	<u>\$ 3,121,890</u>	<u>\$ 182,666</u>	<u>\$ 596,862</u>	<u>\$ 16,254,366</u>	<u>\$ (477,169)</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, 2019

	Business-type Activities - Enterprise Funds						Governmental
	Major Funds					Total	Activities
	Water Enterprise	Wastewater Enterprise	RV Park Enterprise	Recycling Enterprise	Nonmajor Storm Drain Enterprise		Administrative Services Fund
Operating Revenues:							
Charges for services	\$ 1,234,143	\$ 1,305,774	\$ 1,955,132	\$ 206,072	\$ 154,150	\$ 4,855,271	\$ 1,684,239
Other operating revenues	25,197	1,184	9	730	483	27,603	-
Total operating revenues	<u>1,259,340</u>	<u>1,306,958</u>	<u>1,955,141</u>	<u>206,802</u>	<u>154,633</u>	<u>4,882,874</u>	<u>1,684,239</u>
Operating Expenses:							
Personal services	346,470	308,737	2,063	125,633	70,028	852,931	1,247,855
Cost of operations	672,928	813,170	1,637,141	95,039	194,348	3,412,626	532,491
Depreciation	171,097	384,412	69,200	7,691	24,213	656,613	15,798
Total operating expenses	<u>1,190,495</u>	<u>1,506,319</u>	<u>1,708,404</u>	<u>228,363</u>	<u>288,589</u>	<u>4,922,170</u>	<u>1,796,144</u>
Operating income (loss)	68,845	(199,361)	246,737	(21,561)	(133,956)	(39,296)	(111,905)
Capital contributions	13,047	13,426	-	-	7,555	34,028	-
Transfers in	85,932	100,000	-	-	96,673	282,605	-
Transfers out	-	-	(200,000)	-	-	(200,000)	-
Change in net position	167,824	(85,935)	46,737	(21,561)	(29,728)	77,337	(111,905)
Net Position:							
Beginning of year	<u>4,775,831</u>	<u>7,495,228</u>	<u>3,075,153</u>	<u>204,227</u>	<u>626,590</u>	<u>16,177,029</u>	<u>(365,264)</u>
End of year	<u>\$ 4,943,655</u>	<u>\$ 7,409,293</u>	<u>\$ 3,121,890</u>	<u>\$ 182,666</u>	<u>\$ 596,862</u>	<u>\$ 16,254,366</u>	<u>\$ (477,169)</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, 2019

	Business-type Activities - Enterprise Funds						Governmental
	Major Funds					Nonmajor	Activities
	Water Enterprise	Wastewater Enterprise	RV Park Enterprise	Recycling Enterprise	Storm Drain Enterprise	Total	Administrative Services Fund
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers	\$ 1,252,201	\$ 1,301,241	\$ 1,955,141	\$ 202,140	\$ 155,104	4,865,827	\$ -
Receipts from interfund services provided	-	-	-	-	-	-	1,684,239
Payments to suppliers and contractors	(365,428)	(543,562)	(1,501,568)	(44,909)	(133,878)	(2,589,345)	(543,464)
Payments to employees	(301,333)	(271,202)	(2,068)	(111,485)	(62,297)	(748,385)	(1,136,778)
Payments for interfund services used	(346,140)	(342,331)	(138,377)	(56,560)	(55,090)	(938,498)	-
Net cash provided (used) by operating activities	<u>239,300</u>	<u>144,146</u>	<u>313,128</u>	<u>(10,814)</u>	<u>(96,161)</u>	<u>589,599</u>	<u>3,997</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers in	85,932	100,000	-	-	96,673	282,605	-
Transfers out	-	-	(200,000)	-	-	(200,000)	-
Net cash provided by (used in) noncapital financing activities	<u>85,932</u>	<u>100,000</u>	<u>(200,000)</u>	<u>-</u>	<u>96,673</u>	<u>82,605</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Capital contributions	13,047	13,426	-	-	7,555	34,028	-
Acquisition and construction of capital assets	(483,212)	(178,370)	-	(66,500)	(9,815)	(737,897)	(14,970)
Net cash provided by (used in) capital and related financing activities	<u>(470,165)</u>	<u>(164,944)</u>	<u>-</u>	<u>(66,500)</u>	<u>(2,260)</u>	<u>(703,869)</u>	<u>(14,970)</u>
Net change in cash and investments	(144,933)	79,202	113,128	(77,314)	(1,748)	(31,665)	(10,973)
Cash and investments:							
Beginning of year	<u>616,832</u>	<u>650,079</u>	<u>673,209</u>	<u>130,970</u>	<u>46,401</u>	<u>2,117,491</u>	<u>23,201</u>
End of year	<u>\$ 471,899</u>	<u>\$ 729,281</u>	<u>\$ 786,337</u>	<u>\$ 53,656</u>	<u>\$ 44,653</u>	<u>\$ 2,085,826</u>	<u>\$ 12,228</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	\$ 68,845	\$ (199,361)	\$ 246,737	\$ (21,561)	\$ (133,956)	\$ (39,296)	\$ (111,905)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation	171,097	384,412	69,200	7,691	24,213	656,613	15,798
Net increase (reduction) of expense under GASB 68	43,828	37,677	-	15,359	6,914	103,778	91,746
Net increase (reduction) of expense under GASB 75	1,141	1,531	-	342	335	3,349	2,096
(Increase) decrease in current assets:							
Receivables	(7,139)	(5,717)	-	(4,662)	471	(17,047)	-
Prepaid expenses	(2,044)	(3,434)	(58)	(2,911)	(582)	(9,029)	(2,271)
Inventory	(9,135)	4,224	(12,097)	-	-	(17,008)	-
Increase (decrease) in liabilities:							
Accounts payable and accrued expenses	(26,961)	(73,513)	9,351	(3,519)	5,962	(88,680)	(8,702)
Deposits	(500)	-	-	-	-	(500)	-
Compensated absences	168	(1,673)	(5)	(1,553)	482	(2,581)	17,235
Net cash provided (used) by operating activities	<u>\$ 239,300</u>	<u>\$ 144,146</u>	<u>\$ 313,128</u>	<u>\$ (10,814)</u>	<u>\$ (96,161)</u>	<u>\$ 589,599</u>	<u>\$ 3,997</u>

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

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2019

Note I - Summary of significant accounting policies

A. Reporting Entity

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

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2019

Note I - Summary of significant accounting policies, continued

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

The *tourism and arts fund* accounts for receipts generated by the 1% increase in lodging taxes that went into effect July 1, 2010. The principal source of revenue is 70% of the 1% increase. Revenues in this fund will be used in accordance with Oregon state statutes and will be distributed by the Tourism & Arts commission via a grant application process.

The *transient room tax fund* accounts for receipts generated by the 1% increase in lodging taxes that went into effect in October 15, 2015. The principal source of revenue is 70% of the 1% increase. Revenues in this fund will be used in accordance with Oregon state statutes.

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 *general reserve fund* accounts for financial resources used for the acquisition or construction of major capital facilities for the general fund. Primary source of revenue is transfers in.

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

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

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

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

The City reports the following major proprietary funds:

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

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

The *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.

The City reports the following nonmajor proprietary fund:

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.

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.

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2019

Note I - Summary of significant accounting policies, continued

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

1. Deposits and investments

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

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

2. Receivables and payables

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

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

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

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

3. Inventories and prepaid items

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

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

4. Due to/from other funds

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

5. Capital assets

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

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest costs were capitalized during the year ended June 30, 2019.

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.

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2019

Note I - Summary of significant accounting policies, continued

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

5. Capital assets, continued

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

6. Deferred outflows/inflows of resources

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

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

Detailed descriptions of deferred outflows and inflows of resources related to pensions and OPEB and how they are calculated can be found in notes III E and III F.

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.

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2019

Note I - Summary of significant accounting policies, continued

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

9. Pensions

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

10. Net position flow assumption

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

11. Fund balance flow assumption

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

12. Fund balance policies

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

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

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

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

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

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

13. Use of estimates

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

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2019

Note II - Stewardship, compliance, and accountability

A. Budgetary information

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

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

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

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

B. Excess of expenditures over appropriations

For the year ended June 30, 2019 expenditures exceeded appropriations as follows:

	Final Budget	Actual	Variance
Transient Room Tax Fund - Transient Room Tax Program	\$ 384,655	\$ 398,352	\$ (13,697)
RV Park Fund - RV Park Program	1,645,385	1,651,306	(5,921)

Note III - Detailed notes on all funds

A. Deposits and investments

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

Petty cash	\$ 200
Deposits with financial institutions	116,114
Local Government Investment Pool	<u>5,100,615</u>
Total	<u>\$ 5,216,929</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, 2019

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, 2019 was as follows:

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,759,675	\$ -	\$ -	\$ 3,759,675
Total capital assets, not being depreciated	3,759,675	-	-	3,759,675
Capital assets, being depreciated:				
Buildings	2,495,987	9,696	-	2,505,683
Equipment and vehicles	1,654,698	92,243	-	1,746,941
Infrastructure	3,777,431	14,534	-	3,791,965
Total capital assets being depreciated	7,928,116	116,473	-	8,044,589
Less accumulated depreciation for:				
Buildings	(1,493,503)	(64,064)	-	(1,557,567)
Equipment and vehicles	(1,150,060)	(90,583)	-	(1,240,643)
Infrastructure	(1,582,408)	(145,209)	-	(1,727,617)
Total accumulated depreciation	(4,225,971)	(299,856)	-	(4,525,827)
Total capital assets, being depreciated, net	3,702,145	(183,383)	-	3,518,762
Governmental activities capital assets, net	\$ 7,461,820	\$ (183,383)	\$ -	\$ 7,278,437

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2019

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	35,513	98,069	(35,513)	98,069
Total capital assets, not being depreciated	1,318,851	98,069	(35,513)	1,381,407
Capital assets, being depreciated:				
Infrastructure	19,891,689	458,517	35,513	20,385,719
Buildings and improvements	2,690,145	66,500	-	2,756,645
Other equipment	622,329	41,417	-	663,746
Total capital assets being depreciated	23,204,163	566,434	35,513	23,806,110
Less accumulated depreciation for:				
Infrastructure	(8,705,527)	(571,458)	-	(9,276,985)
Buildings and improvements	(1,064,861)	(59,373)	-	(1,124,234)
Other equipment	(332,172)	(25,782)	-	(357,954)
Total accumulated depreciation	(10,102,560)	(656,613)	-	(10,759,173)
Total capital assets, being depreciated, net	13,101,603	(90,179)	35,513	13,046,937
Business-type activities capital assets, net	<u>\$ 14,420,454</u>	<u>\$ 7,890</u>	<u>\$ -</u>	<u>\$ 14,428,344</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	\$ 171,097
Wastewater enterprise	384,412
Storm drain enterprise	24,213
RV park enterprise	69,200
Recycling enterprise	7,691
Total depreciation expense - business-type activities	<u>\$ 656,613</u>

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2019

Note III - Detailed notes on all funds, continued

C. Interfund transfers

The interfund transfer activity for the year ended June 30, 2019 was as follows:

	Transfers Out:	
	General Fund	RV Park Enterprise
Transfers In:		
General Fund	\$ -	\$ 200,000
Road Fund	391,998	-
General Reserve Fund	400,000	-
Nonmajor Governmental Funds	175,644	-
Water Enterprise	85,932	-
Wastewater Enterprise	100,000	-
Storm Drain Enterprise	96,673	-
	<u>\$ 1,250,247</u>	<u>\$ 200,000</u>

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

D. Long-term debt

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

Purpose	Interest Rates	Amount
The general obligation bonds series 2010 were issued in the original amount of \$3,575,000 to finance the Ecola Creek Forest Reserve. These general obligation bonds are direct obligations and pledge the full faith and credit of the City. The debt service fund is used to liquidate these bonds. Original maturity of these 20-year bonds is June 1, 2031. In April of 2012, the City received a \$1,400,000 grant from the Oregon Watershed Enhancement Board which the City used to legally defease \$1,015,000 of the 2010 series bond principal, adjusting the maturity to June 1, 2027.	2.00% to 4.50%	\$ 1,840,000
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>1,775,000</u>
Total debt outstanding		3,615,000
Current portion		<u>480,000</u>
Long-term portion		<u>\$ 3,135,000</u>

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

Year ending June 30,	Governmental Activities	
	Principal	Interest
2020	\$ 480,000	\$ 135,025
2021	510,000	118,575
2022	535,000	99,825
2023	565,000	80,175
2024	600,000	59,250
2025 - 2027	<u>925,000</u>	<u>56,250</u>
Total	<u>\$ 3,615,000</u>	<u>\$ 549,100</u>

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2019

Note III - Detailed notes on all funds, continued

D. Long-term debt, continued

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 4,025,000	\$ -	\$ (410,000)	\$ 3,615,000	\$ 480,000
Original issue premium	206,679	-	(27,709)	178,970	27,709
Totals bonds payable	4,231,679	-	(437,709)	3,793,970	507,709
Compensated absences	119,608	133,090	(119,608)	133,090	133,090
Subtotal	4,351,287	133,090	(557,317)	3,927,060	640,799
Net pension liability	2,323,760	614,581	-	2,938,341	-
Net OPEB liability	123,425	-	(28,313)	95,112	-
Governmental activities long-term liabilities	<u>\$ 6,798,472</u>	<u>\$ 747,671</u>	<u>\$ (585,630)</u>	<u>\$ 6,960,513</u>	<u>\$ 640,799</u>
Business-type activities:					
Compensated absences	\$ 37,722	\$ 35,141	\$ (37,722)	\$ 35,141	\$ 35,141
Net pension liability	698,429	184,717	-	883,146	-
Net OPEB liability	42,983	-	(9,861)	33,122	-
Business-type activities long-term liabilities	<u>\$ 779,134</u>	<u>\$ 219,858</u>	<u>\$ (47,583)</u>	<u>\$ 951,409</u>	<u>\$ 35,141</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, 2019 \$1,015,000 of defeased 2010 Series general obligation bonds remain outstanding.

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2019

Note III - Detailed notes on all funds, continued

E. Employee Retirement Plans

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

Risk Pooling

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

Plan Benefits

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

Pension Benefits

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

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he 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, 2019

Note III - Detailed notes on all funds, continued

E. Employee Retirement Plans, continued

2. OPSRP Pension Program (OPSRP DB)

Pension Benefits.

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

Police and Fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or 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, 2019

Note III - Detailed notes on all funds, continued

E. Employee Retirement Plans, continued

Contributions:

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. 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, 2016 actuarial valuation. The rates, based on a percentage of payroll, first became effective July 1, 2017. Employer contributions for the year ended June 30, 2019 were \$512,417. The rates in effect for the fiscal year ended June 30, 2019 were 19.26 percent for Tier One/Tier Two General Services, 11.73 percent for OPSRP Pension Program General Services, and 16.50 percent for OPSRP Police and Fire members and 6 percent for OPSRP Individual Account Program.

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

At June 30, 2019 the City's proportionate share of the net pension liability is \$3,821,487. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of December 31, 2016 rolled forward to June 30, 2018. 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, 2018, the City's proportion was 0.02522653 percent, which was a change from its proportion measured as of June 30, 2017 of 0.02241974 percent.

For the year ended June 30, 2019 the City recognized pension expense of \$803,552. At June 30, 2019 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	\$ 129,996	\$ -
Change in assumptions	888,488	-
Net difference between projected and actual earnings on pension plan investments	-	169,696
Changes in proportionate share	322,311	61,275
Differences between City contributions and proportionate share of contributions	46,210	38,477
Subtotal before post-measurement date contributions	1,387,005	269,448
City contributions subsequent to the measurement date	355,946	-
Total	<u>\$ 1,742,951</u>	<u>\$ 269,448</u>

Deferred outflows of resources related to pensions of \$355,946 resulting from the City's contributions subsequent to the measurement date will be recognized as either a reduction of the net pension liability or an increase in the net pension asset in the year ended June 30, 2020. Other net deferred outflows (inflows) of resources of \$1,117,557 will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2020	\$ 541,058
2021	400,181
2022	37,239
2023	106,563
2024	32,516
Total	<u>\$ 1,117,557</u>

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2019

Note III - Detailed notes on all funds, continued

E. Employee Retirement Plans, continued

Actuarial Methods and Assumptions:

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2016
Measurement Date	June 30, 2018
Experience Study Report	2016, published July 2017
Actuarial Cost Method	Entry Age normal
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Long-Term Expected Rate of Return	7.20 percent
Discount Rate	7.20 percent
Project Salary Increases	3.50 percent overall payroll growth
Cost Living Adjustments (COLA)	Blend of 2.00% COLA and Graded COLA (1.25%/0.15%0 in accordance with <i>Moro</i> decision; blend based on service.
Mortality	<p>Healthy retirees and beneficiaries: RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Active Members: RP-2014 Employees, sex distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: RP-2014 Disabled retirees, sex distinct, generational with Unisex, Social Security Data Scale.</p>

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 2016 Experience Study which reviewed experience for the four-year period ending on December 31, 2016.

Long-term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model. For more information on the Plan's portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS' audited financial statements at <http://www.oregon.gov/pers/Documents/Financials/CAFR/2018-CAFR.pdf>.

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2019

Note III - Detailed notes on all funds, continued

E. Employee Retirement Plans, continued

Depletion Date Projection

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

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

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

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

Discount Rate

The discount rate used to measure the total pension liability of the Plan was 7.20 percent. 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 7.20 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 (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20)%	1% Increase (8.20%)
Proportionate Share of Net Pension Liability (Asset)	\$ 6,386,427	\$ 3,821,487	\$ 1,704,339

Pension Plan Fiduciary Net Position

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

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2019

Note III - Detailed notes on all funds, continued

E. Employee Retirement Plans, continued

Changes in Assumptions and Other Inputs

Changes in actuarial methods and assumptions implemented since the December 31, 2016 valuation are described in the 2016 Experience Study (Study), published July 2017.

Changes in assumptions from that Study are reported in the table of actuarial methods and assumptions, modifications to the allocation of actuarial accrued liabilities, administrative expense assumptions, healthcare cost inflation, and mortality tables can be found in the Study at <http://www.oregon.gov/PERS/Documents/2016-Exp-Study.pdf>.

F. Other Postemployment Benefits (OPEB)

Plan Description

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

Financial Statement Presentation

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

Deferred outflow of resources:	
Contributions after measurement date	\$ 3,040
Net OPEB liability	(128,234)
Deferred inflow of resources:	
Change in assumptions	(52,017)

Deferred outflows of resources related to OPEB of \$3,040 resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2020	\$ (8,167)
2021	(8,167)
2022	(8,167)
2023	(8,167)
2024	(8,167)
Thereafter	(11,182)
	<u>\$ (52,017)</u>

Benefits Provided

The plan provides eligible retirees and their dependents under age 65 the same health care coverage at the same premium rates as offered to active employees. The retiree is responsible for the premiums. As of the valuation date of July 1, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	-
Active employees	<u>34</u>
Total	<u><u>34</u></u>

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2019

Note III - Detailed notes on all funds, continued

F. Other Postemployment Benefits (OPEB), continued

Total OPEB Liability and OPEB Expense

The City's total OPEB liability of \$128,234 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2018.

For the fiscal year ended June 30, 2018, the City recognized OPEB expense from this plan of \$16,004.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2018 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry age normal
Inflation	2.5 percent
Annual pay increases	3.5 percent
Withdrawal, retirement, and mortality rates	December 31, 2017 Oregon PERS valuation.
Discount rate	3.87 percent
Health Care Cost Trend	7 percent per year decreasing to 4.75 percent

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

Changes in the Total OPEB Liability

Balance as of June 30, 2018	\$ 166,408
Changes for the year	
Service cost	17,773
Interest on total OPEB liability	6,398
Effect of economic/demographic gains or losses	(38,282)
Effect of assumptions changes or inputs	(13,050)
Benefit payments	(11,013)
Balance as of June 30, 2019	<u>\$ 128,234</u>

Changes in assumptions is the result of the change in the discount rate from 3.58 to 3.5 and changes in health care cost trends.

Sensitivity of the Total OPEB Liability

The following presents the City's total OPEB liability, as well as what the liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.5 percent) or 1-percentage-point higher (4.5 percent) than the current discount rate. A similar sensitivity analysis is then presented for changes in the healthcare trend assumption.

	1% Decrease	Current Discount/Trend Rate	1 % Increase
Discount Rate - Total OPEB Liability	\$ 139,445	\$ 128,234	\$ 117,919
Healthcare Trend Rate - Total OPEB Liability	\$ 113,646	\$ 128,234	\$ 145,367

CITY OF CANNON BEACH, OREGON

Notes to the Financial Statements

June 30, 2019

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
Oregon Public Employees Retirement System
June 30, 2019

Schedule of the Proportionate Share of the Net Pension Liability

	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability (asset)	0.02522653 %	0.02241974 %	0.02099759 %	0.02312559 %	0.02011880 %	0.02011880 %
Proportionate share of the net pension liability (asset)	\$ 3,821,487	\$ 3,022,189	\$ 3,152,226	\$ 1,327,747	\$ (457,641)	\$ 1,026,692
Covered payroll	\$ 2,812,176	\$ 2,617,450	\$ 2,422,025	\$ 2,343,341	\$ 2,051,308	\$ 1,983,297
Proportionate share of the pension liability (asset) as a percentage of its covered employee payroll	135.89 %	115.46 %	130.15 %	56.66 %	(22.31)%	51.77 %
Plan net position as a percentage of the total pension liability	82.10 %	83.10 %	80.50 %	91.90 %	103.59 %	92.00 %

Schedule of Pension Contributions

	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 512,417	\$ 473,564	\$ 403,664	\$ 380,236	\$ 297,474	\$ 302,166
Contributions in relation to the contractually required contribution	512,417	473,564	403,664	380,236	297,474	302,166
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 2,812,176	\$ 2,617,450	\$ 2,422,025	\$ 2,343,341	\$ 2,051,308	\$ 1,983,297
Contributions as a percentage of covered employee payroll	18.22 %	18.09 %	16.67 %	16.23 %	14.50 %	15.24 %

Note: Ten year schedules will be presented prospectively

Notes to Required Supplementary Information

Note I - Measurement Period

Amounts presented are for the measurement period, which for FY 2019 is July 1, 2017 - June 30, 2018.

Note II - Changes in Benefit Terms

The Oregon Supreme Court on April 30, 2015, ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive COLA tied to the Consumer Price Index that normally results in a 2% increase annually. OPERS will make restoration payments to those benefit recipients. OPERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire. This change in benefit terms was not included in the net pension liability (asset) proportionate shares provided by OPERS for the year ending June 30, 2015.

Note III - Change in Assumptions

Details and a comprehensive list of changes in methods and assumptions can be found in the 2012, 2014, and 2016 Experience Studies. These reports can be found at:

http://www.oregon.gov/pers/Pages/section/financial_reports/mercereports.aspx.

CITY OF CANNON BEACH, OREGON

Schedule of Changes in Total OPEB Liability and Related Ratios

June 30, 2019

	2019	2018
Balance at beginning of year	\$ 166,408	\$ 165,663
Service costs	17,773	18,681
Interest on total OPEB liability	6,398	5,071
Effect of economic/demographic gains or losses	(38,282)	-
Effect of assumptions changes or inputs	(13,050)	(10,082)
Benefit payments	<u>(11,013)</u>	<u>(12,925)</u>
Balance at end of year	128,234	166,408
Covered payroll	<u>2,812,176</u>	<u>2,617,450</u>
Total OPEB liability as a percentage of covered payroll	<u>4.56 %</u>	<u>6.36 %</u>

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF CANNON BEACH, OREGON

059 - GENERAL RESERVE FUND

Schedule of Resources and Requirements

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	\$ 913,820	\$ 913,820	\$ 913,821	\$ 1
Transfers in	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>-</u>
Total resources	<u>\$ 1,313,820</u>	<u>\$ 1,313,820</u>	<u>\$ 1,313,821</u>	<u>\$ 1</u>
Requirements:				
Ending fund balance	<u>\$ 1,313,820</u>	<u>\$ 1,313,820</u>	<u>\$ 1,313,821</u>	<u>\$ (1)</u>
Total requirements	<u>\$ 1,313,820</u>	<u>\$ 1,313,820</u>	<u>\$ 1,313,821</u>	<u>\$ (1)</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:

Clatsop County TRT Fund - Accounts for the transient room tax revenue distributed to the City from Clatsop County. The County implemented a 1% transient room tax on January 1, 2019 and will distributed 70% of the collections within City limits to the City. The City will use these funds for promotions and tourism related facilities.

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

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

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

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

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

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

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

Special Revenue Funds			Debt Service Fund	Capital Projects Funds		
Clatsop County TRT Fund (014)	Building Official Fund (015)	Affordable Housing Fund (018)	Debt Service Fund (030)	Ecola Forest Reserve Fund (053)	Bridge Reserve Fund (055)	Total Nonmajor Governmental Funds
\$ -	\$ 95,653	\$ 99,884	\$ 26,526	\$ 6,394	\$ 8,592	\$ 237,049
48,136	-	-	-	-	-	48,136
-	2,250	-	-	-	-	2,250
-	-	-	24,278	-	-	24,278
-	582	-	-	-	-	582
<u>\$ 48,136</u>	<u>\$ 98,485</u>	<u>\$ 99,884</u>	<u>\$ 50,804</u>	<u>\$ 6,394</u>	<u>\$ 8,592</u>	<u>\$ 312,295</u>
\$ -	\$ 2,001	\$ 3,885	\$ -	\$ -	\$ -	5,886
-	2,001	3,885	-	-	-	5,886
RESOURCES						
-	-	-	19,002	-	-	19,002
-	-	-	19,002	-	-	19,002
-	582	-	-	-	-	582
-	95,902	-	-	-	-	95,902
		95,999	-			95,999
48,136	-	-	-	-	-	48,136
-	-	-	31,802	-	-	31,802
-	-	-	-	6,394	8,592	14,986
<u>48,136</u>	<u>96,484</u>	<u>95,999</u>	<u>31,802</u>	<u>6,394</u>	<u>8,592</u>	<u>287,407</u>
\$ 48,136	\$ 98,485	\$ 99,884	\$ 50,804	\$ 6,394	\$ 8,592	\$ 312,295

CITY OF CANNON BEACH, OREGON
NONMAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2019

	Special Revenue Funds			Debt Service Fund	Capital Projects Funds		
	Clatsop County TRT Fund (014)	Building Official Fund (015)	Affordable Housing Fund (018)	Debt Service Fund (030)	Ecola Forest Reserve Fund (053)	Bridge Reserve Fund (055)	Total Nonmajor Governmental Funds
Revenues:							
Taxes and assessments	\$ -	\$ -	\$ 81,903	\$ 368,491	\$ -	\$ -	\$ 450,394
Transient room taxes	48,136	-	-	-	-	-	48,136
Licenses, permits, and fees	-	226,414	-	-	-	-	226,414
Other revenue	-	269	-	-	-	-	269
Total revenues	<u>48,136</u>	<u>226,683</u>	<u>81,903</u>	<u>368,491</u>	<u>-</u>	<u>-</u>	<u>725,213</u>
Expenditures:							
Current:							
Building	-	194,361	-	-	-	-	194,361
Community development	-	-	28,685	-	-	-	28,685
Debt service:							
Principal	-	-	-	410,000	-	-	410,000
Interest	-	-	-	146,025	-	-	146,025
Total expenditures	<u>-</u>	<u>194,361</u>	<u>28,685</u>	<u>556,025</u>	<u>-</u>	<u>-</u>	<u>779,071</u>
Excess (deficiency) of revenues over (under) expenditures	48,136	32,322	53,218	(187,534)	-	-	(53,858)
Other Financing Sources (Uses):							
Transfers in	-	-	-	175,644	-	-	175,644
Net change in fund balances	48,136	32,322	53,218	(11,890)	-	-	121,786
Fund Balances:							
Beginning of year	-	64,162	42,781	43,692	6,394	8,592	165,621
End of year	<u>\$ 48,136</u>	<u>\$ 96,484</u>	<u>\$ 95,999</u>	<u>\$ 31,802</u>	<u>\$ 6,394</u>	<u>\$ 8,592</u>	<u>\$ 287,407</u>

CITY OF CANNON BEACH, OREGON

014 - CLATSOP COUNTY TRT FUND

Schedule of Resources and Requirements

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	\$ -	\$ -	\$ -	\$ -
Transient room tax	<u>-</u>	<u>-</u>	<u>48,136</u>	<u>48,136</u>
Total resources	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 48,136</u></u>	<u><u>\$ 48,136</u></u>
Requirements:				
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,136</u>	<u>\$ (48,136)</u>
Total requirements	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 48,136</u></u>	<u><u>\$ (48,136)</u></u>

CITY OF CANNON BEACH, OREGON**015 - BUILDING OFFICIAL FUND****Schedule of Resources and Requirements****Budget and Actual (Budgetary Basis)****For the Year Ended June 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	\$ 65,000	\$ 65,000	\$ 64,162	\$ (838)
Licenses, permits and fees	190,000	190,000	226,414	36,414
Other revenue	-	-	269	269
Total resources	<u>\$ 255,000</u>	<u>\$ 255,000</u>	<u>\$ 290,845</u>	<u>\$ 35,845</u>
Requirements:				
Building Program:				
Personal services	\$ 156,990	\$ 156,990	\$ 149,488	\$ 7,502
Materials and services	55,070	55,070	44,873	10,197
Total program-specific	212,060	212,060	194,361	17,699
Contingency	42,940	42,940	-	42,940
Total expenditures	255,000	255,000	194,361	60,639
Ending fund balance	-	-	96,484	(96,484)
Total requirements	<u>\$ 255,000</u>	<u>\$ 255,000</u>	<u>\$ 290,845</u>	<u>\$ (35,845)</u>

CITY OF CANNON BEACH, OREGON**018 - AFFORDABLE HOUSING FUND****Schedule of Resources and Requirements****Budget and Actual (Budgetary Basis)****For the Year Ended June 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	\$ 40,000	\$ 40,000	\$ 42,781	\$ 2,781
Taxes and assessments	43,000	43,000	81,903	38,903
Other revenue	24,000	24,000	-	(24,000)
Loan proceeds	<u>305,000</u>	<u>305,000</u>	<u>-</u>	<u>(305,000)</u>
Total resources	<u>\$ 412,000</u>	<u>\$ 412,000</u>	<u>\$ 124,684</u>	<u>\$ (287,316)</u>
Requirements:				
Building Program:				
Materials and services	\$ 60,850	\$ 60,850	\$ 28,685	\$ 32,165
Capital outlay	<u>295,000</u>	<u>295,000</u>	<u>-</u>	<u>295,000</u>
Total program-specific	355,850	355,850	28,685	327,165
Debt service	45,325	45,325	-	45,325
Contingency	<u>10,825</u>	<u>10,825</u>	<u>-</u>	<u>10,825</u>
Total expenditures	412,000	412,000	28,685	383,315
Ending fund balance	<u>-</u>	<u>-</u>	<u>95,999</u>	<u>(95,999)</u>
Total requirements	<u>\$ 412,000</u>	<u>\$ 412,000</u>	<u>\$ 124,684</u>	<u>\$ 287,316</u>

CITY OF CANNON BEACH, OREGON

030 - DEBT SERVICE FUND

Schedule of Resources and Requirements

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	\$ 30,000	\$ 30,000	\$ 43,692	\$ 13,692
Taxes and assessments	365,381	365,381	368,491	3,110
Transfers in	<u>175,644</u>	<u>175,644</u>	<u>175,644</u>	<u>-</u>
Total resources	<u>\$ 571,025</u>	<u>\$ 571,025</u>	<u>\$ 587,827</u>	<u>\$ 16,802</u>
Requirements:				
Debt service	\$ 556,025	\$ 556,025	\$ 556,025	\$ -
Ending fund balance	<u>15,000</u>	<u>15,000</u>	<u>31,802</u>	<u>(16,802)</u>
Total requirements	<u>\$ 571,025</u>	<u>\$ 571,025</u>	<u>\$ 587,827</u>	<u>\$ (16,802)</u>

CITY OF CANNON BEACH, OREGON

053 - ECOLA FOREST RESERVE FUND

Schedule of Resources and Requirements

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2019

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

CITY OF CANNON BEACH, OREGON

055 - BRIDGE RESERVE FUND

Schedule of Resources and Requirements

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2019

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

ENTERPRISE FUNDS

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

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

Water 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 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 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 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 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, 2019

	Water Fund (024)	Water Reserve Fund (054)	Total Water Enterprise
ASSETS			
Current assets:			
Cash and investments	\$ 116,676	\$ 355,223	\$ 471,899
Accounts receivable	120,604	-	120,604
Inventory	120,872	-	120,872
Prepaid expenses	12,029	-	12,029
Total current assets	<u>370,181</u>	<u>355,223</u>	<u>725,404</u>
Noncurrent assets:			
Capital assets:			
Nondepreciable assets	510,101	-	510,101
Depreciable, net	3,981,510	-	3,981,510
Total noncurrent assets	<u>4,491,611</u>	<u>-</u>	<u>4,491,611</u>
Total assets	4,861,792	355,223	5,217,015
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	170,112	-	170,112
Related to OPEB	268	-	268
Total assets and deferred outflows	<u>5,032,172</u>	<u>355,223</u>	<u>5,387,395</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	4,488	3,863	8,351
Deposits	2,000	-	2,000
Compensated absences	18,252	-	18,252
Total current liabilities	<u>24,740</u>	<u>3,863</u>	<u>28,603</u>
Noncurrent liabilities:			
Net pension liability	372,977	-	372,977
Net OPEB liability	11,285	-	11,285
Total liabilities	409,002	3,863	412,865
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	26,297	-	26,297
Related to OPEB	4,578	-	4,578
Total liabilities and deferred inflows	<u>439,877</u>	<u>3,863</u>	<u>443,740</u>
NET POSITION			
Net investment in capital assets	4,491,611	-	4,491,611
Unrestricted	100,684	351,360	452,044
Total net position	<u>\$ 4,592,295</u>	<u>\$ 351,360</u>	<u>\$ 4,943,655</u>

CITY OF CANNON BEACH, OREGON

WATER ENTERPRISE

Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2019

	Water Fund (024)	Water Reserve Fund (054)	Total Water Enterprise
Operating Revenues:			
Charges for services	\$ 1,234,143	\$ -	\$ 1,234,143
Other operating revenues	25,197	-	25,197
Total operating revenues	<u>1,259,340</u>	<u>-</u>	<u>1,259,340</u>
Operating Expenses:			
Personal services	346,470	-	346,470
Cost of operations	672,928	-	672,928
Depreciation	171,097	-	171,097
Total operating expenses	<u>1,190,495</u>	<u>-</u>	<u>1,190,495</u>
Operating income (loss)	68,845	-	68,845
Capital contributions	13,047	-	13,047
Capital transfers, net	484,730	(484,730)	-
Transfers within enterprise, net	(433,386)	433,386	-
Transfers in	<u>-</u>	<u>85,932</u>	<u>85,932</u>
Change in net position	133,236	34,588	167,824
Net Position:			
Beginning of year	<u>4,459,059</u>	<u>316,772</u>	<u>4,775,831</u>
End of year	<u>\$ 4,592,295</u>	<u>\$ 351,360</u>	<u>\$ 4,943,655</u>

CITY OF CANNON BEACH, OREGON
WATER ENTERPRISE
Combining Statement of Cash Flows
For the Year Ended June 30, 2019

	Water Fund (024)	Water Reserve Fund (054)	Total Water Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,252,201	\$ -	\$ 1,252,201
Payments to suppliers and contractors	(365,428)	-	(365,428)
Payments to employees	(301,333)	-	(301,333)
Payments for interfund services used	(346,140)	-	(346,140)
Net cash provided (used) by operating activities	<u>239,300</u>	<u>-</u>	<u>239,300</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers within enterprise	(433,386)	433,386	-
Transfers in	<u>-</u>	<u>85,932</u>	<u>85,932</u>
Net cash provided by (used in) noncapital financing activities	<u>(433,386)</u>	<u>519,318</u>	<u>85,932</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	13,047	-	13,047
Acquisition and construction of capital assets	<u>-</u>	<u>(483,212)</u>	<u>(483,212)</u>
Net cash provided by (used in) capital and related financing activities	<u>13,047</u>	<u>(483,212)</u>	<u>(470,165)</u>
Net change in cash and investments	(181,039)	36,106	(144,933)
Cash and investments:			
Beginning of year	<u>297,715</u>	<u>319,117</u>	<u>616,832</u>
End of year	<u>\$ 116,676</u>	<u>\$ 355,223</u>	<u>\$ 471,899</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 68,845	\$ -	\$ 68,845
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	171,097	-	171,097
Net increase (reduction) of expense under GASB 68	43,828	-	43,828
Net increase (reduction) of expense under GASB 75	1,141	-	1,141
(Increase) decrease in current assets:			
Receivables	(7,139)	-	(7,139)
Prepaid expenses	(2,044)	-	(2,044)
Inventory	(9,135)	-	(9,135)
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	(26,961)	-	(26,961)
Deposits	(500)	-	(500)
Compensated absences	168	-	168
Net cash provided (used) by operating activities	<u>\$ 239,300</u>	<u>\$ -</u>	<u>\$ 239,300</u>
Schedule of noncash transactions:			
Capital assets transferred between funds	<u>\$ 484,730</u>	<u>\$ (484,730)</u>	<u>\$ -</u>

CITY OF CANNON BEACH, OREGON
WASTEWATER ENTERPRISE
Combining Statement of Net Position
June 30, 2019

	Wastewater Fund (026)	Wastewater Reserve Fund (056)	Total Wastewater Enterprise
ASSETS			
Current assets:			
Cash and investments	\$ 382,388	\$ 346,893	\$ 729,281
Accounts receivable	121,921	-	121,921
Inventory	38,417	-	38,417
Prepaid expenses	19,331	-	19,331
Total current assets	<u>562,057</u>	<u>346,893</u>	<u>908,950</u>
Noncurrent assets:			
Capital assets:			
Nondepreciable assets	71,856	-	71,856
Depreciable, net	<u>6,684,774</u>	<u>-</u>	<u>6,684,774</u>
Total noncurrent assets	<u>6,756,630</u>	<u>-</u>	<u>6,756,630</u>
Total assets	7,318,687	346,893	7,665,580
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	146,234	-	146,234
Related to OPEB	<u>359</u>	<u>-</u>	<u>359</u>
Total assets and deferred outflows	<u>7,465,280</u>	<u>346,893</u>	<u>7,812,173</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	14,013	16,215	30,228
Compensated absences	<u>8,136</u>	<u>-</u>	<u>8,136</u>
Total current liabilities	22,149	16,215	38,364
Noncurrent liabilities:			
Net pension liability	320,623	-	320,623
Net OPEB liability	<u>15,144</u>	<u>-</u>	<u>15,144</u>
Total liabilities	357,916	16,215	374,131
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	22,606	-	22,606
Related to OPEB	<u>6,143</u>	<u>-</u>	<u>6,143</u>
Total liabilities and deferred inflows	<u>386,665</u>	<u>16,215</u>	<u>402,880</u>
NET POSITION			
Net investment in capital assets	6,756,630	-	6,756,630
Unrestricted	<u>321,985</u>	<u>330,678</u>	<u>652,663</u>
Total net position	<u>\$ 7,078,615</u>	<u>\$ 330,678</u>	<u>\$ 7,409,293</u>

CITY OF CANNON BEACH, OREGON
WASTEWATER ENTERPRISE
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2019

	Wastewater Fund (026)	Wastewater Reserve Fund (056)	Total Wastewater Enterprise
Operating Revenues:			
Charges for services	\$ 1,305,774	\$ -	\$ 1,305,774
Other operating revenues	<u>1,184</u>	<u>-</u>	<u>1,184</u>
Total operating revenues	<u>1,306,958</u>	<u>-</u>	<u>1,306,958</u>
Operating Expenses:			
Personal services	308,737	-	308,737
Cost of operations	813,170	-	813,170
Depreciation	<u>384,412</u>	<u>-</u>	<u>384,412</u>
Total operating expenses	<u>1,506,319</u>	<u>-</u>	<u>1,506,319</u>
Operating income (loss)	(199,361)	-	(199,361)
Income (loss) before contributions and transfers	(199,361)	-	(199,361)
Capital contributions	13,426	-	13,426
Capital transfers, net	103,458	(103,458)	-
Transfers within enterprise, net	(239,052)	239,052	-
Transfers in	<u>-</u>	<u>100,000</u>	<u>100,000</u>
Change in net position	(321,529)	235,594	(85,935)
Net Position:			
Beginning of year	<u>7,400,144</u>	<u>95,084</u>	<u>7,495,228</u>
End of year	<u>\$ 7,078,615</u>	<u>\$ 330,678</u>	<u>\$ 7,409,293</u>

CITY OF CANNON BEACH, OREGON
WASTEWATER ENTERPRISE
Combining Statement of Cash Flows
For the Year Ended June 30, 2019

	Wastewater Fund (026)	Wastewater Reserve Fund (056)	Total Wastewater Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,301,241	\$ -	\$ 1,301,241
Payments to suppliers and contractors	(543,562)	-	(543,562)
Payments to employees	(271,202)	-	(271,202)
Payments for interfund services used	(342,331)	-	(342,331)
Net cash provided (used) by operating activities	<u>144,146</u>	<u>-</u>	<u>144,146</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers within enterprise	(239,052)	239,052	-
Transfers in	<u>-</u>	<u>100,000</u>	<u>100,000</u>
Net cash provided by (used in) noncapital financing activities	<u>(239,052)</u>	<u>339,052</u>	<u>100,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	13,426	-	13,426
Acquisition and construction of capital assets	<u>-</u>	<u>(178,370)</u>	<u>(178,370)</u>
Net cash provided by (used in) capital and related financing activities	<u>13,426</u>	<u>(178,370)</u>	<u>(164,944)</u>
Cash and investments:			
Beginning of year	<u>463,868</u>	<u>186,211</u>	<u>650,079</u>
End of year	<u><u>\$ 382,388</u></u>	<u><u>\$ 346,893</u></u>	<u><u>\$ 729,281</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (199,361)	\$ -	\$ (199,361)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	384,412	-	384,412
Net increase (reduction) of expense under GASB 68	37,677	-	37,677
Net increase (reduction) of expense under GASB 75	1,531	-	1,531
(Increase) decrease in current assets:			
Receivables	(5,717)	-	(5,717)
Prepaid expenses	(3,434)	-	(3,434)
Inventory	4,224	-	4,224
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	(73,513)	-	(73,513)
Compensated absences	<u>(1,673)</u>	<u>-</u>	<u>(1,673)</u>
Net cash provided (used) by operating activities	<u><u>\$ 144,146</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 144,146</u></u>
Schedule of noncash transactions:			
Capital assets transferred between funds	<u><u>\$ 103,458</u></u>	<u><u>\$ (103,458)</u></u>	<u><u>\$ -</u></u>

CITY OF CANNON BEACH, OREGON
RV PARK ENTERPRISE
Combining Statement of Net Position
June 30, 2019

	RV Park Fund (020)	RV Park Reserve Fund (050)	Total RV Park Enterprise
ASSETS			
Current assets:			
Cash and investments	\$ 770,414	\$ 15,923	\$ 786,337
Inventory	37,824	-	37,824
Prepaid expenses	58	-	58
Total current assets	<u>808,296</u>	<u>15,923</u>	<u>824,219</u>
Noncurrent assets:			
Capital assets:			
Nondepreciable assets	799,450	-	799,450
Depreciable, net	<u>1,594,690</u>	<u>-</u>	<u>1,594,690</u>
Total noncurrent assets	<u>2,394,140</u>	<u>-</u>	<u>2,394,140</u>
Total assets	<u>3,202,436</u>	<u>15,923</u>	<u>3,218,359</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	96,339	-	96,339
Compensated absences	<u>130</u>	<u>-</u>	<u>130</u>
Total liabilities	<u>96,469</u>	<u>-</u>	<u>96,469</u>
NET POSITION			
Net investment in capital assets	2,394,140	-	2,394,140
Unrestricted	<u>711,827</u>	<u>15,923</u>	<u>727,750</u>
Total net position	<u>\$ 3,105,967</u>	<u>\$ 15,923</u>	<u>\$ 3,121,890</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, 2019

	RV Park Fund (020)	RV Park Reserve Fund (050)	Total RV Park Enterprise
Operating Revenues:			
Charges for services	\$ 1,955,132	\$ -	\$ 1,955,132
Other operating revenues	9	-	9
Total operating revenues	<u>1,955,141</u>	<u>-</u>	<u>1,955,141</u>
Operating Expenses:			
Personal services	2,063	-	2,063
Cost of operations	1,637,141	-	1,637,141
Depreciation	69,200	-	69,200
Total operating expenses	<u>1,708,404</u>	<u>-</u>	<u>1,708,404</u>
Operating income (loss)	246,737	-	246,737
Transfers out	<u>(200,000)</u>	<u>-</u>	<u>(200,000)</u>
Change in net position	46,737	-	46,737
Net Position:			
Beginning of year	<u>3,059,230</u>	<u>15,923</u>	<u>3,075,153</u>
End of year	<u>\$ 3,105,967</u>	<u>\$ 15,923</u>	<u>\$ 3,121,890</u>

CITY OF CANNON BEACH, OREGON
RV PARK ENTERPRISE
Combining Statement of Cash Flows
For the Year Ended June 30, 2019

	RV Park Fund (020)	RV Park Reserve Fund (050)	Total RV Park Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,955,141	\$ -	\$ 1,955,141
Payments to suppliers and contractors	(1,501,568)	-	(1,501,568)
Payments to employees	(2,068)	-	(2,068)
Payments for interfund services used	(138,377)	-	(138,377)
Net cash provided (used) by operating activities	<u>313,128</u>	<u>-</u>	<u>313,128</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers out	(200,000)	-	(200,000)
Net cash provided by (used in) noncapital financing activities	<u>(200,000)</u>	<u>-</u>	<u>(200,000)</u>
Net change in cash and investments	113,128	-	113,128
Cash and investments:			
Beginning of year	657,286	15,923	673,209
End of year	<u>\$ 770,414</u>	<u>\$ 15,923</u>	<u>\$ 786,337</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 246,737	\$ -	\$ 246,737
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	69,200	-	69,200
(Increase) decrease in current assets:			
Prepaid expenses	(58)	-	(58)
Inventory	(12,097)	-	(12,097)
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	9,351	-	9,351
Compensated absences	(5)	-	(5)
Net cash provided (used) by operating activities	<u>\$ 313,128</u>	<u>\$ -</u>	<u>\$ 313,128</u>

CITY OF CANNON BEACH, OREGON
RECYCLING ENTERPRISE
Combining Statement of Net Position
June 30, 2019

	Recycling Fund (022)	Recycling Reserve Fund (052)	Total Recycling Enterprise
ASSETS			
Current assets:			
Cash and investments	\$ 43,830	\$ 9,826	\$ 53,656
Accounts receivable	23,038	-	23,038
Prepaid expenses	2,911	-	2,911
Total current assets	69,779	9,826	79,605
Noncurrent assets:			
Capital assets:			
Depreciable, net	196,564	-	196,564
Total noncurrent assets	196,564	-	196,564
Total assets	266,343	9,826	276,169
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	59,608	-	59,608
Related to OPEB	80	-	80
Total assets and deferred outflows	326,031	9,826	335,857
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	3,179	-	3,179
Compensated absences	5,343	-	5,343
Total current liabilities	8,522	-	8,522
Noncurrent liabilities:			
Net pension liability	130,695	-	130,695
Net OPEB liability	3,385	-	3,385
Total liabilities	142,602	-	142,602
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	9,216	-	9,216
Related to OPEB	1,373	-	1,373
Total liabilities and deferred inflows	153,191	-	153,191
NET POSITION			
Net investment in capital assets	196,564	-	196,564
Unrestricted	(23,724)	9,826	(13,898)
Total net position	\$ 172,840	\$ 9,826	\$ 182,666

CITY OF CANNON BEACH, OREGON
RECYCLING ENTERPRISE
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2019

	Recycling Fund (022)	Recycling Reserve Fund (052)	Total Recycling Enterprise
Operating Revenues:			
Charges for services	\$ 206,072	\$ -	\$ 206,072
Other operating revenues	730	-	730
Total operating revenues	<u>206,802</u>	<u>-</u>	<u>206,802</u>
Operating Expenses:			
Personal services	125,633	-	125,633
Cost of operations	95,039	-	95,039
Depreciation	7,691	-	7,691
Total operating expenses	<u>228,363</u>	<u>-</u>	<u>228,363</u>
Operating income (loss)	(21,561)	-	(21,561)
Capital transfers, net	<u>66,500</u>	<u>(66,500)</u>	<u>-</u>
Change in net position	44,939	(66,500)	(21,561)
Net Position:			
Beginning of year	<u>127,901</u>	<u>76,326</u>	<u>204,227</u>
End of year	<u>\$ 172,840</u>	<u>\$ 9,826</u>	<u>\$ 182,666</u>

CITY OF CANNON BEACH, OREGON
RECYCLING ENTERPRISE
Combining Statement of Cash Flows
For the Year Ended June 30, 2019

	Recycling Recycling Fund (022)	Reserve Fund (052)	Total Recycling Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 202,140	\$ -	\$ 202,140
Payments to suppliers and contractors	(44,909)	-	(44,909)
Payments to employees	(111,485)	-	(111,485)
Payments for interfund services used	(56,560)	-	(56,560)
Net cash provided (used) by operating activities	(10,814)	-	(10,814)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	-	(66,500)	(66,500)
Net cash provided by (used in) capital and related financing activities	-	(66,500)	(66,500)
Net change in cash and investments	(10,814)	(66,500)	(77,314)
Cash and investments:			
Beginning of year	54,644	76,326	130,970
End of year	<u>\$ 43,830</u>	<u>\$ 9,826</u>	<u>\$ 53,656</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (21,561)	\$ -	\$ (21,561)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	7,691	-	7,691
Net increase (reduction) of expense under GASB 68	15,359	-	15,359
Net increase (reduction) of expense under GASB 75	342	-	342
(Increase) decrease in current assets:			
Receivables	(4,662)	-	(4,662)
Prepaid expenses	(2,911)	-	(2,911)
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	(3,519)	-	(3,519)
Compensated absences	(1,553)	-	(1,553)
Net cash provided (used) by operating activities	<u>\$ (10,814)</u>	<u>\$ -</u>	<u>\$ (10,814)</u>
Schedule of noncash transactions:			
Capital assets transferred between funds	<u>\$ 66,500</u>	<u>\$ (66,500)</u>	<u>\$ -</u>

CITY OF CANNON BEACH, OREGON
STORM DRAIN ENTERPRISE
Combining Statement of Net Position
June 30, 2019

	Storm Drain Fund (028)	Storm Drain Reserve Fund (058)	Total Storm Drain Enterprise
ASSETS			
Current assets:			
Cash and investments	\$ 42,468	\$ 2,185	\$ 44,653
Accounts receivable	12,431	-	12,431
Prepaid expenses	<u>582</u>	<u>-</u>	<u>582</u>
Total current assets	55,481	2,185	57,666
Noncurrent assets:			
Capital assets:			
Depreciable, net	<u>589,399</u>	<u>-</u>	<u>589,399</u>
Total assets	644,880	2,185	647,065
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	26,843	-	26,843
Related to OPEB	<u>78</u>	<u>-</u>	<u>78</u>
Total assets and deferred outflows	<u>671,801</u>	<u>2,185</u>	<u>673,986</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	6,193	-	6,193
Compensated absences	<u>3,280</u>	<u>-</u>	<u>3,280</u>
Total current liabilities	9,473	-	9,473
Noncurrent liabilities:			
Net pension liability	58,851	-	58,851
Net OPEB liability	<u>3,308</u>	<u>-</u>	<u>3,308</u>
Total liabilities	71,632	-	71,632
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	4,150	-	4,150
Related to OPEB	<u>1,342</u>	<u>-</u>	<u>1,342</u>
Total liabilities and deferred inflows	<u>77,124</u>	<u>-</u>	<u>77,124</u>
NET POSITION			
Net investment in capital assets	589,399	-	589,399
Unrestricted	<u>5,278</u>	<u>2,185</u>	<u>7,463</u>
Total net position	<u>\$ 594,677</u>	<u>\$ 2,185</u>	<u>\$ 596,862</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, 2019

	Storm Drain Fund (028)	Storm Drain Reserve Fund (058)	Total Storm Drain Enterprise
Operating Revenues:			
Charges for services	\$ 154,150	\$ -	\$ 154,150
Other operating revenues	<u>483</u>	<u>-</u>	<u>483</u>
Total operating revenues	<u>154,633</u>	<u>-</u>	<u>154,633</u>
Operating Expenses:			
Personal services	70,028	-	70,028
Cost of operations	194,348	-	194,348
Depreciation	<u>24,213</u>	<u>-</u>	<u>24,213</u>
Total operating expenses	<u>288,589</u>	<u>-</u>	<u>288,589</u>
Operating income (loss)	(133,956)	-	(133,956)
Capital contributions	7,555	-	7,555
Capital transfers, net	9,815	(9,815)	-
Transfers within enterprise, net	(4,885)	4,885	-
Transfers in	<u>96,673</u>	<u>-</u>	<u>96,673</u>
Change in net position	(24,798)	(4,930)	(29,728)
Net Position:			
Beginning of year	<u>619,475</u>	<u>7,115</u>	<u>626,590</u>
End of year	<u>\$ 594,677</u>	<u>\$ 2,185</u>	<u>\$ 596,862</u>

CITY OF CANNON BEACH, OREGON
STORM DRAIN ENTERPRISE
Combining Statement of Cash Flows
For the Year Ended June 30, 2019

	Storm Drain Fund (028)	Storm Drain Reserve Fund (058)	Total Storm Drain Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 155,104	\$ -	\$ 155,104
Payments to suppliers and contractors	(133,878)	-	(133,878)
Payments to employees	(62,297)	-	(62,297)
Payments for interfund services used	(55,090)	-	(55,090)
Net cash provided (used) by operating activities	(96,161)	-	(96,161)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers within enterprise	(4,885)	4,885	-
Transfers in	96,673	-	96,673
Net cash provided by (used in) noncapital financing activities	91,788	4,885	96,673
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	7,555	-	7,555
Acquisition and construction of capital assets	-	(9,815)	(9,815)
Net cash provided by (used in) capital and related financing activities	7,555	(9,815)	(2,260)
Net change in cash and investments	3,182	(4,930)	(1,748)
Cash and investments:			
Beginning of year	39,286	7,115	46,401
End of year	\$ 42,468	\$ 2,185	\$ 44,653
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (133,956)	\$ -	\$ (133,956)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	24,213	-	24,213
Net increase (reduction) of expense under GASB 68	6,914	-	6,914
Net increase (reduction) of expense under GASB 75	335	-	335
(Increase) decrease in current assets:			
Receivables	471	-	471
Prepaid expenses	(582)	-	(582)
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	5,962	-	5,962
Compensated absences	482	-	482
Net cash provided (used) by operating activities	\$ (96,161)	\$ -	\$ (96,161)
Schedule of noncash transactions:			
Capital assets transferred between funds	\$ 9,815	\$ (9,815)	\$ -

CITY OF CANNON BEACH, OREGON

024 - WATER FUND

Schedule of Resources and Requirements

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	\$ 290,000	\$ 290,000	\$ 387,215	\$ 97,215
Charges for services	1,246,000	1,246,000	1,234,143	(11,857)
Other revenue	12,000	12,000	25,197	13,197
Capital contributions	<u>5,000</u>	<u>5,000</u>	<u>13,047</u>	<u>8,047</u>
Total resources	<u>\$ 1,553,000</u>	<u>\$ 1,553,000</u>	<u>\$ 1,659,602</u>	<u>\$ 106,602</u>

Requirements:				
Water Program:				
Personal services	\$ 310,504	\$ 310,504	\$ 301,333	\$ 9,171
Materials and services	<u>719,707</u>	<u>719,707</u>	<u>682,062</u>	<u>37,645</u>
Total program-specific	1,030,211	1,030,211	983,395	46,816
Transfers out	433,386	433,386	433,386	-
Contingency	<u>89,403</u>	<u>89,403</u>	<u>-</u>	<u>89,403</u>
Total expenditures	1,553,000	1,553,000	1,416,781	136,219
Ending fund balance	<u>-</u>	<u>-</u>	<u>242,821</u>	<u>(242,821)</u>
Total requirements	<u>\$ 1,553,000</u>	<u>\$ 1,553,000</u>	<u>\$ 1,659,602</u>	<u>\$ (106,602)</u>

Reconciliation to GAAP Basis:	
Ending fund balance - budget basis	\$ 242,821
Inventory	120,872
Capital assets - net	4,491,611
Deferred outflows related to pensions	170,112
Deferred outflows related to OPEB	268
Compensated absences	(18,252)
Net pension liability	(372,977)
Net OPEB liability	(11,285)
Deferred Inflows Related to Pensions	(26,297)
Deferred inflows related to OPEB	<u>(4,578)</u>
Ending net position - GAAP basis	<u>\$ 4,592,295</u>

CITY OF CANNON BEACH, OREGON

054 - WATER RESERVE FUND

Schedule of Resources and Requirements

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	\$ 321,312	\$ 321,312	\$ 316,772	\$ (4,540)
Transfers in	<u>519,318</u>	<u>519,318</u>	<u>519,318</u>	<u>-</u>
Total resources	<u>\$ 840,630</u>	<u>\$ 840,630</u>	<u>\$ 836,090</u>	<u>\$ (4,540)</u>
Requirements:				
Water Program:				
Capital outlay	\$ 700,525	\$ 700,525	\$ 484,730	\$ 215,795
Contingency	<u>140,105</u>	<u>140,105</u>	<u>-</u>	<u>140,105</u>
Total expenditures	840,630	840,630	484,730	355,900
Ending fund balance	<u>-</u>	<u>-</u>	<u>351,360</u>	<u>(351,360)</u>
Total requirements	<u>\$ 840,630</u>	<u>\$ 840,630</u>	<u>\$ 836,090</u>	<u>\$ 4,540</u>

CITY OF CANNON BEACH, OREGON**026 - WASTEWATER FUND****Schedule of Resources and Requirements****Budget and Actual (Budgetary Basis)****For the Year Ended June 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	\$ 400,000	\$ 400,000	\$ 508,443	\$ 108,443
Charges for services	1,280,000	1,280,000	1,305,774	25,774
Other revenue	-	-	1,184	1,184
Capital contributions	<u>5,000</u>	<u>5,000</u>	<u>13,426</u>	<u>8,426</u>
Total resources	<u>\$ 1,685,000</u>	<u>\$ 1,685,000</u>	<u>\$ 1,828,827</u>	<u>\$ 143,827</u>

Requirements:				
Wastewater Program:				
Personal services	\$ 366,850	\$ 366,850	\$ 271,202	\$ 95,648
Materials and services	<u>838,107</u>	<u>838,107</u>	<u>808,946</u>	<u>29,161</u>
Total program-specific	1,204,957	1,204,957	1,080,148	124,809
Transfers out	239,052	239,052	239,052	-
Contingency	<u>240,991</u>	<u>240,991</u>	<u>-</u>	<u>240,991</u>
Total expenditures	1,685,000	1,685,000	1,319,200	365,800
Ending fund balance	<u>-</u>	<u>-</u>	<u>509,627</u>	<u>(509,627)</u>
Total requirements	<u>\$ 1,685,000</u>	<u>\$ 1,685,000</u>	<u>\$ 1,828,827</u>	<u>\$ (143,827)</u>

Reconciliation to GAAP Basis:	
Ending fund balance - budget basis	\$ 509,627
Inventory	38,417
Capital assets - net	6,756,630
Deferred outflows related to pensions	146,234
Deferred outflows related to OPEB	359
Compensated absences	(8,136)
Net pension liability	(320,623)
Net OPEB liability	(15,144)
Deferred Inflows Related to Pensions	(22,606)
Deferred inflows related to OPEB	<u>(6,143)</u>
Ending net position - GAAP basis	<u>\$ 7,078,615</u>

CITY OF CANNON BEACH, OREGON

056 - WASTEWATER RESERVE FUND

Schedule of Resources and Requirements

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	\$ 76,000	\$ 76,000	\$ 95,084	\$ 19,084
Grants and donations	305,200	305,200	-	(305,200)
Transfers in	<u>339,052</u>	<u>339,052</u>	<u>339,052</u>	<u>-</u>
Total resources	<u>\$ 720,252</u>	<u>\$ 720,252</u>	<u>\$ 434,136</u>	<u>\$ (286,116)</u>
Requirements:				
Wastewater Program:				
Capital outlay	\$ 600,210	\$ 600,210	\$ 103,458	\$ 496,752
Contingency	<u>120,042</u>	<u>120,042</u>	<u>-</u>	<u>120,042</u>
Total expenditures	720,252	720,252	103,458	616,794
Ending fund balance	<u>-</u>	<u>-</u>	<u>330,678</u>	<u>(330,678)</u>
Total requirements	<u>\$ 720,252</u>	<u>\$ 720,252</u>	<u>\$ 434,136</u>	<u>\$ 286,116</u>

CITY OF CANNON BEACH, OREGON

020 - RV PARK FUND

Schedule of Resources and Requirements

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	\$ 400,000	\$ 400,000	\$ 570,298	\$ 170,298
Charges for services	1,695,000	1,695,000	1,955,132	260,132
Other revenue	-	-	9	9
Total resources	<u>\$ 2,095,000</u>	<u>\$ 2,095,000</u>	<u>\$ 2,525,439</u>	<u>\$ 430,439</u>
Requirements:				
RV Park Program:				
Personal services	\$ 4,205	\$ 4,205	\$ 2,068	\$ 2,137
Materials and services	1,641,180	1,641,180	1,649,238	(8,058)
Total program-specific	1,645,385	1,645,385	1,651,306	(5,921)
Transfers out	200,000	200,000	200,000	-
Contingency	249,615	249,615	-	249,615
Total expenditures	2,095,000	2,095,000	1,851,306	243,694
Ending fund balance	-	-	674,133	(674,133)
Total requirements	<u>\$ 2,095,000</u>	<u>\$ 2,095,000</u>	<u>\$ 2,525,439</u>	<u>\$ (430,439)</u>

Reconciliation to GAAP Basis:

Ending fund balance - budget basis	\$ 674,133
Inventory	37,824
Capital assets - net	2,394,140
Compensated absences	(130)
Ending net position - GAAP basis	<u>\$ 3,105,967</u>

CITY OF CANNON BEACH, OREGON

050 - RV PARK RESERVE FUND

Schedule of Resources and Requirements

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	<u>\$ 15,922</u>	<u>\$ 15,922</u>	<u>\$ 15,923</u>	<u>\$ 1</u>
Total resources	<u><u>\$ 15,922</u></u>	<u><u>\$ 15,922</u></u>	<u><u>\$ 15,923</u></u>	<u><u>\$ 1</u></u>
Requirements:				
Ending fund balance	<u>\$ 15,922</u>	<u>\$ 15,922</u>	<u>\$ 15,923</u>	<u>\$ (1)</u>
Total requirements	<u><u>\$ 15,922</u></u>	<u><u>\$ 15,922</u></u>	<u><u>\$ 15,923</u></u>	<u><u>\$ (1)</u></u>

CITY OF CANNON BEACH, OREGON

022 - RECYCLING FUND

Schedule of Resources and Requirements

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	\$ 45,000	\$ 45,000	\$ 66,322	\$ 21,322
Charges for services	185,500	185,500	206,072	20,572
Other revenue	-	-	730	730
Total resources	<u>\$ 230,500</u>	<u>\$ 230,500</u>	<u>\$ 273,124</u>	<u>\$ 42,624</u>
Requirements:				
Recycling Program:				
Personal services	\$ 114,102	\$ 114,102	\$ 111,485	\$ 2,617
Materials and services	112,976	112,976	95,039	17,937
Total program-specific	227,078	227,078	206,524	20,554
Contingency	3,422	3,422	-	3,422
Total expenditures	230,500	230,500	206,524	23,976
Ending fund balance	-	-	66,600	(66,600)
Total requirements	<u>\$ 230,500</u>	<u>\$ 230,500</u>	<u>\$ 273,124</u>	<u>\$ (42,624)</u>

Reconciliation to GAAP Basis:

Ending fund balance - budget basis	\$ 66,600
Capital assets - net	196,564
Deferred outflows related to pensions	59,608
Deferred outflows related to OPEB	80
Compensated absences	(5,343)
Net pension liability	(130,695)
Net OPEB liability	(3,385)
Deferred Inflows Related to Pensions	(9,216)
Deferred inflows related to OPEB	(1,373)
Ending net position - GAAP basis	<u>\$ 172,840</u>

CITY OF CANNON BEACH, OREGON

052 - RECYCLING RESERVE FUND

Schedule of Resources and Requirements

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	<u>\$ 76,325</u>	<u>\$ 76,325</u>	<u>\$ 76,326</u>	<u>\$ 1</u>
Total resources	<u><u>\$ 76,325</u></u>	<u><u>\$ 76,325</u></u>	<u><u>\$ 76,326</u></u>	<u><u>\$ 1</u></u>
Requirements:				
Recycling Program:				
Capital outlay	<u>\$ 76,325</u>	<u>\$ 76,325</u>	<u>\$ 66,500</u>	<u>\$ 9,825</u>
Ending fund balance	<u> -</u>	<u> -</u>	<u> 9,826</u>	<u> (9,826)</u>
Total requirements	<u><u>\$ 76,325</u></u>	<u><u>\$ 76,325</u></u>	<u><u>\$ 76,326</u></u>	<u><u>\$ (1)</u></u>

CITY OF CANNON BEACH, OREGON

028 - STORM DRAIN FUND

Schedule of Resources and Requirements

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance
Resources:				
Beginning fund balance	\$ 30,000	\$ 30,000	\$ 51,957	\$ 21,957
Charges for services	153,000	153,000	154,150	1,150
Other revenue	-	-	483	483
Capital contributions	2,000	2,000	7,555	5,555
Transfers in	96,673	96,673	96,673	-
Total resources	<u>\$ 281,673</u>	<u>\$ 281,673</u>	<u>\$ 310,818</u>	<u>\$ 29,145</u>
Requirements:				
Storm Drain Program:				
Personal services	\$ 74,515	\$ 74,515	\$ 62,297	\$ 12,218
Materials and services	156,142	202,273	194,348	7,925
Total program-specific	230,657	276,788	256,645	20,143
Transfers out	4,885	4,885	4,885	-
Contingency	46,131	-	-	-
Total expenditures	281,673	281,673	261,530	20,143
Ending fund balance	-	-	49,288	(49,288)
Total requirements	<u>\$ 281,673</u>	<u>\$ 281,673</u>	<u>\$ 310,818</u>	<u>\$ (29,145)</u>

Reconciliation to GAAP Basis:

Ending fund balance - budget basis	\$ 49,288
Capital assets - net	589,399
Deferred outflows related to pensions	26,843
Deferred outflows related to OPEB	78
Compensated absences	(3,280)
Net pension liability	(58,851)
Net OPEB liability	(3,308)
Deferred Inflows Related to Pensions	(4,150)
Deferred inflows related to OPEB	(1,342)
Ending net position - GAAP basis	<u>\$ 594,677</u>

CITY OF CANNON BEACH, OREGON

058 - STORM DRAIN RESERVE FUND

Schedule of Resources and Requirements

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	\$ 7,115	\$ 7,115	\$ 7,115	\$ -
Transfers in	<u>4,885</u>	<u>4,885</u>	<u>4,885</u>	<u>-</u>
Total resources	<u><u>\$ 12,000</u></u>	<u><u>\$ 12,000</u></u>	<u><u>\$ 12,000</u></u>	<u><u>\$ -</u></u>
Requirements:				
Storm Drain Program:				
Capital outlay	\$ 10,000	\$ 10,000	\$ 9,815	\$ 185
Contingency	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total expenditures	12,000	12,000	9,815	2,185
Ending fund balance	<u>-</u>	<u>-</u>	<u>2,185</u>	<u>(2,185)</u>
Total requirements	<u><u>\$ 12,000</u></u>	<u><u>\$ 12,000</u></u>	<u><u>\$ 12,000</u></u>	<u><u>\$ -</u></u>

INTERNAL SERVICE FUND

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

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

CITY OF CANNON BEACH, OREGON**060 - ADMINISTRATIVE SERVICES FUND****Schedule of Resources and Requirements****Budget and Actual (Budgetary Basis)****For the Year Ended June 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	\$ -	\$ -	\$ -	\$ -
Charges for services	<u>1,912,736</u>	<u>1,912,736</u>	<u>1,684,239</u>	<u>(228,497)</u>
Total resources	<u>\$ 1,912,736</u>	<u>\$ 1,912,736</u>	<u>\$ 1,684,239</u>	<u>\$ (228,497)</u>
Requirements:				
Executive	\$ 599,136	\$ 599,136	\$ 524,964	\$ 74,172
Finance	454,084	454,084	374,327	79,757
IT	275,813	275,813	232,681	43,132
Central Services	194,444	194,444	186,906	7,538
Public Works	<u>389,259</u>	<u>389,259</u>	<u>365,361</u>	<u>23,898</u>
Total expenditures	<u>1,912,736</u>	<u>1,912,736</u>	<u>1,684,239</u>	<u>228,497</u>
Ending fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total requirements	<u>\$ 1,912,736</u>	<u>\$ 1,912,736</u>	<u>\$ 1,684,239</u>	<u>\$ 228,497</u>

Reconciliation to GAAP Basis:

Ending fund balance - budget basis	\$ -
Capital assets - net	93,695
Deferred outflows related to pensions	356,085
Deferred outflows related to OPEB	492
Compensated absences	(62,517)
Net pension liability	(780,730)
Net OPEB liability	(20,735)
Deferred Inflows Related to Pensions	(55,048)
Deferred inflows related to OPEB	<u>(8,411)</u>
Ending net position - GAAP basis	<u>\$ (477,169)</u>

COMPLIANCE SECTION

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

TOP TEN TAXPAYERS - 2019

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

TOP TEN TAXPAYERS - 2018

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

Source: Clatsop County, Oregon Taxation and Assessment

TAXABLE PROPERTY VALUES

Assessed Value 2018-19 - City of Cannon Beach	\$ 948,238,200
Assessed Value 2017-18 - City of Cannon Beach	\$ 913,777,685

Source: Clatsop County, Oregon Taxation and Assessment

TAX COLLECTION RECORD AND REPRESENTATIVE LEVY RATE

Fiscal Year	2010 G.O. Bond Tax Collections	2010 G.O Bond Representative Levy Rate	2012 G.O. Bond Tax Collections	2012 G.O Bond Representative Levy Rate	Total Combined Tax Collections	Total Combined Levy Rate
2018-19	\$ 146,554	0.16361	\$ 211,830	0.23649	\$ 358,384	0.40010
2017-18	134,163	0.15527	201,174	0.23283	335,337	0.38810
2016-17	147,579	0.17749	226,418	0.27231	373,997	0.44980
2015-16	114,134	0.14177	180,929	0.22473	295,063	0.36650
2014-15	114,863	0.14756	56,252	0.07227	171,115	0.21983
2013-14	114,215	0.14845	58,693	0.07629	172,908	0.22473
2012-13	112,418	0.15070	33,529	0.04495	145,947	0.19564
2011-12	135,432	0.19560	n/a	n/a	135,432	0.19560

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



INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

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

1976 Garden Ave.
Eugene, OR 97403
541.342.5161
www.islercpa.com

We have audited the basic financial statements of the City of Cannon Beach, Oregon (City), as of and for the year ended June 30, 2019 and have issued our report thereon dated December 13, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

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

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

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

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

1. Expenditures exceeded budgeted amounts as described in Note II. B. to the financial statements.
2. Resolution No. 19-04 transferred appropriations from Contingency to Storm Drain Program in the Storm Drain Fund in excess of 15% of total original appropriations.

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 13, 2019