



CITY OF CANNON BEACH

FINANCIAL STATEMENTS AND SUPPLEMENTAL  
INFORMATION

FOR THE YEAR ENDED JUNE 30, 2017

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, 2017

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## INTRODUCTORY SECTION



## **CITY OF CANNON BEACH, OREGON**

### **List of Elected and Appointed Officials**

June 30, 2017

#### **ELECTED OFFICIALS - CITY COUNCIL**

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

#### **APPOINTED OFFICIALS**

City Manager	Brant Kucera
City Attorney	Tamara Herdener



## 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, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund, the Tourism and Arts Fund, and the Road Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

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

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

#### *Other Information*

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

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

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

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

In accordance with the Minimum Standards of Audits of Oregon Municipal Corporations, we have issued our report dated December 16, 2017 on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Isler CPA

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

Paul R Nielson, CPA, a member of the firm  
Eugene, Oregon  
December 16, 2017



## **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, 2017.

### **Financial Highlights**

- The City's total assets at June 30, 2017 were \$27,306,948.
- The City's total deferred outflows at June 30, 2017 were \$1,906,859.
- The City's total liabilities at June 30, 2017 were \$8,845,067.
- The City's total deferred inflows at June 30, 2017 were \$158,239.
- The net position of the City at June 30, 2017 was \$20,210,501. Of this amount, a deficit of \$286,222 represents unrestricted net position, which may not be used to meet the government's ongoing obligations to citizens and creditors.
- At June 30, 2017, the City's governmental funds reported combined ending fund balances of \$2,636,844.
- At the end of the fiscal year, the City's total combined governmental funds had a restricted fund balance of \$389,253, an assigned fund balance of \$606,219, and an unassigned fund balance of \$1,641,372.
- The General Fund's unassigned fund balance is \$1,641,372 at the end of the current fiscal year, or 34.2% 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 four major funds: the General Fund, Tourism and Arts Fund, Road Fund, and Debt Service Fund. The City's nonmajor governmental funds are made up of the Building Official Fund, General Replacement Reserve Fund, Road Replacement Reserve Fund, Ecola Forest Reserve Fund, and the Bridge Repair and Replacement Reserve Fund.

The City of Cannon Beach adopts an annual appropriated budget for all the Governmental Funds. A budgetary comparison statement has been provided for 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 Debt Service, nonmajor governmental, enterprise, and internal service funds.

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Cannon Beach, total assets and deferred outflows exceeded total liabilities and deferred inflows by \$20,210,510 at the close of the most recent fiscal year.

By far, the largest portion, 99.5%, of the City of Cannon Beach's net position reflects its investment in capital assets, net of accumulated depreciation (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Cannon Beach uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Cannon Beach's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, 1.9%, represents resources that are subject to external restrictions on how they may be used. The remaining portion represents (1.4)% of total net position and is negative, so there is no 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	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 3,455,007	\$ 3,021,846	\$ 1,575,906	\$ 1,982,354	\$ 5,030,913	\$ 5,004,200
Capital assets, net	7,562,987	7,260,991	14,713,048	14,555,191	22,276,035	21,816,182
Total assets	11,017,994	10,282,837	16,288,954	16,537,545	27,306,948	26,820,382
Deferred outflows of resources	1,514,878	471,026	391,981	83,730	1,906,859	554,756
Noncurrent liabilities	7,189,106	6,198,096	750,665	367,747	7,939,771	6,565,843
Other liabilities	758,811	563,195	146,485	198,672	905,296	761,867
Total liabilities	7,947,917	6,761,291	897,150	566,419	8,845,067	7,327,710
Deferred inflows of resources	122,651	259,249	35,588	75,743	158,239	334,992
Net position:						
Net investment in capital assets	5,394,422	4,954,107	14,713,048	14,526,919	20,107,470	19,481,026
Restricted	389,253	191,987	-	-	389,253	191,987
Unrestricted	(1,321,371)	(1,412,771)	1,035,149	1,452,194	(286,222)	39,423
Total net position	\$ 4,462,304	\$ 3,733,323	\$ 15,748,197	\$ 15,979,113	\$ 20,210,501	\$ 19,712,436

The City's net position increased by \$498,065, during the current fiscal year.

The City's total assets at June 30, 2017 increased \$486,566 from \$26,820,382 to \$27,306,948, or 1.8% from the prior year. Cash increased by \$21,914, or .6% from the prior year. Receivables increased by \$5,614, or .4% from the prior year. Capital assets, net, increased by \$459,853, or 2.1%, from the prior year. Deferred outflows increased \$1,352,103, or 243.7% from the prior year.

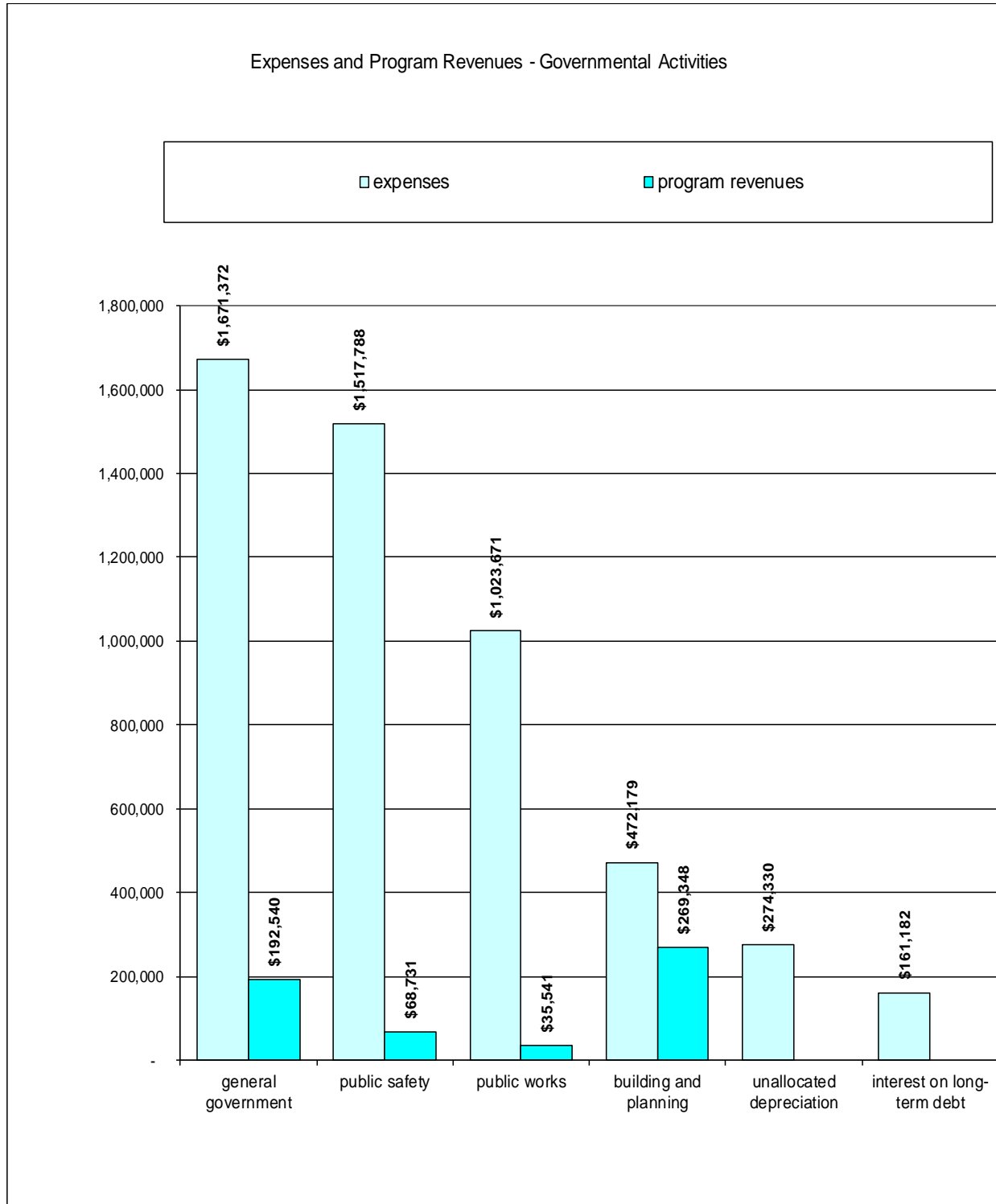
The City's total liabilities at June 30, 2017 increased by \$1,517,357, or 20.7%, from the prior year. Accounts payable increased \$107,352, or 19.3%, from the prior year. Accrued payroll increased \$24,567, or 18.9% at the end of the year as this amount was paid in the next fiscal year and comprises wages and benefits earned and expensed for the current period. The City's outstanding debt decreased \$450,552, or 8.6%. Net pension liability increased \$1,824,480.

City of Cannon Beach Change in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Fines, fees, and charges for services	\$ 489,087	\$ 443,437	\$ 3,772,261	\$ 3,822,745	\$ 4,261,348	\$ 4,266,182
Operating grants and contributions	57,492	39,793	-	-	57,492	39,793
Capital grants and contributions	19,581	300,681	25,521	11,423	45,102	312,104
General revenues:						
Property taxes	1,216,180	1,111,586			1,216,180	1,111,586
Transient room taxes	3,844,224	3,535,882			3,844,224	3,535,882
Other taxes	166,606	151,815	-	-	166,606	151,815
Franchise fees	202,591	194,150			202,591	194,150
Unrestricted investment earnings	43,742	18,587	-	-	43,742	18,587
Other	-	-	-	-	-	-
Total revenues	6,039,503	5,795,931	3,797,782	3,834,168	9,837,285	9,630,099
Expenses:						
General government	1,671,372	1,802,540			1,671,372	1,802,540
Building	205,617	179,139			205,617	179,139
Planning	266,562	311,257			266,562	311,257
Public Works	1,023,671	1,202,632			1,023,671	1,202,632
Public Safety	1,517,788	1,633,363			1,517,788	1,633,363
Unallocated depreciation	274,330	256,203			274,330	256,203
Interest on long-term liabilities	161,182	166,130			161,182	166,130
Water utility			1,019,978	1,014,953	1,019,978	1,014,953
Wastewater utility			1,389,206	1,383,747	1,389,206	1,383,747
Storm Drain			250,102	165,141	250,102	165,141
RV Park			1,361,158	1,358,665	1,361,158	1,358,665
Recycling			198,254	242,353	198,254	242,353
Total expenses	5,120,522	5,551,264	4,218,698	4,164,859	9,339,220	9,716,123
Increase in net position before transfers	918,981	244,667	(420,916)	(330,691)	498,065	(86,024)
Transfers	(190,000)	-	190,000	-	-	-
Increase (decrease) in net position	728,981	244,667	(230,916)	(330,691)	498,065	(86,024)
Net position, July 1	3,733,323	3,488,656	15,979,113	16,309,804	19,712,436	19,798,460
Net position, June 30	\$ 4,462,304	\$ 3,733,323	\$ 15,748,197	\$ 15,979,113	\$ 20,210,501	\$ 19,712,436

**Governmental activities.** Governmental activities increased the City's net position by \$728,981 from the prior year. The primary elements of the change in total net position are as follows:

- Revenues overall increased \$243,572 as transient room taxes and property taxes show increases of \$308,342, and \$104,594, respectively with offsetting decreases in capital grants of \$281,100. Transient room tax revenues are dependent upon tourism demand and property tax increases arise mostly from a yearly increase of 3% assessed value and new property builds and improvements.
- Fines, fees, and charges for service, operating grants, other taxes, franchise fees, and unrestricted investment earnings all show increases of \$45,650, \$17,699, \$14,791, \$8,441, and \$25,155, respectively.
- Total expenses decreased by \$430,742 with the largest decrease coming from the Public Works and Public Safety programs where those expenses decreased by \$178,961 and \$115,575, respectively.

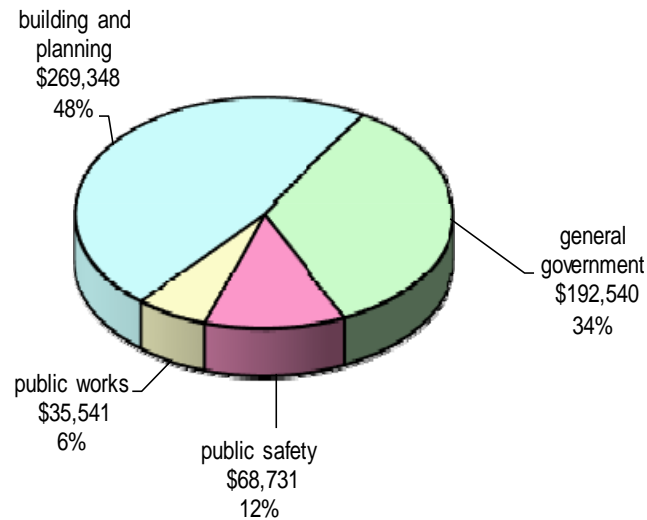
The following graph summarizes the 2016-2017 governmental activity program revenues and corresponding expenses. The revenues shown total \$566,160 a decrease from the prior year of \$217,751, and are directly attributable to each activity (program revenues) and **do not** include property taxes, transient room taxes, other taxes, franchise fees, investment earnings, other revenues, and other one-time or extraordinary revenue streams which are discretionary (general revenues). Discretionary revenues amount to \$5,473,343 and increased by \$461,323, from the prior year.



This next chart shows the 2016-2017 total functional revenues for each program in the amount of \$566,160 and the percentage of the total.

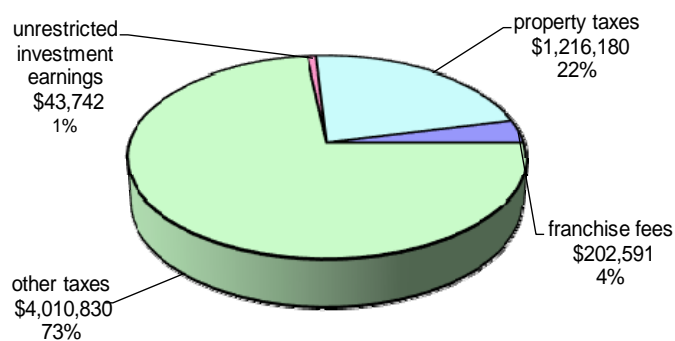
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**Program Revenues - Governmental Activities -  
Charges for Service, Operating and Capital Grants**



As the next chart reflects, most 2016-2017 governmental activities relied on general discretionary revenues to support the function. This graph shows total discretionary revenues in the amount of \$5,473,343 and the percentage in each category.

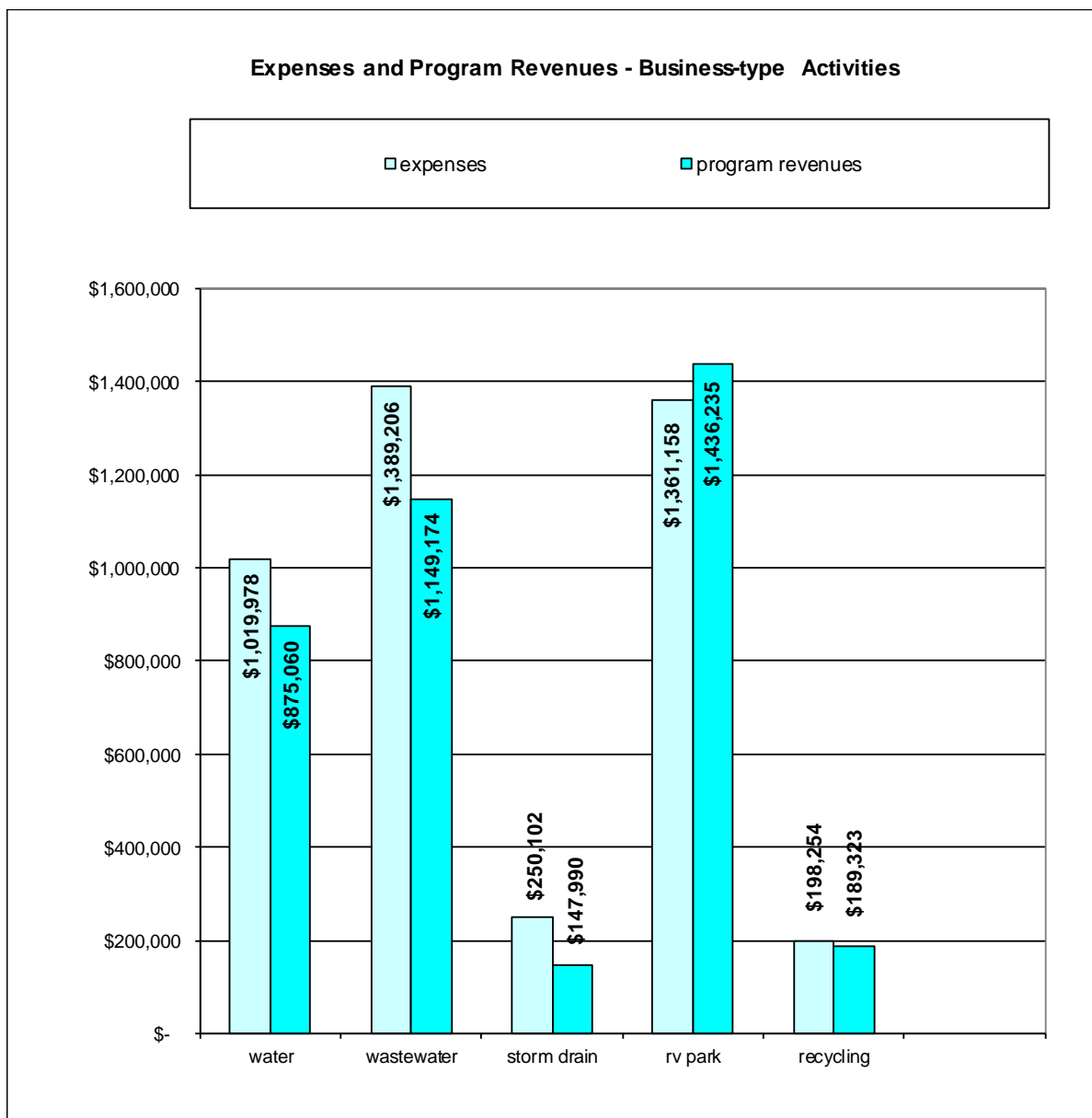
**Discretionary Revenues by Source - Governmental  
Activities**



**Business-type activities.** Business-type activities decreased the City's net position by \$230,916. Business-type activities' main source of revenue comes from charges for service. Key elements of this decrease are as follows:

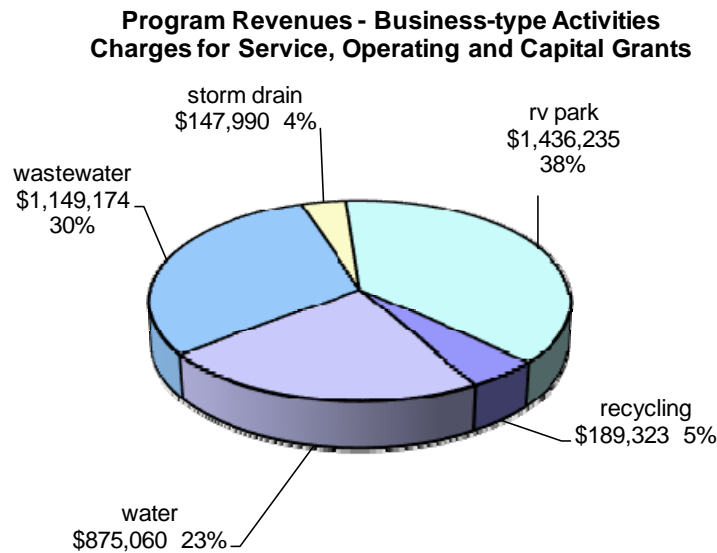
- Fines, fees, and charges for services include the utility revenue. Water, Wastewater, Storm Drain, Recycling and RV Park. There was a net decrease in fees in the amount of \$50,484. Of this amount the Water, Wastewater, Storm Drain, and recycling funds had increases of \$19,442, \$30,893, \$4,530, and \$11,506, respectively. The RV Park had a decrease in revenue from the prior year of \$116,855 mainly due to construction improvements that occurred during spring.
- In the current year, 112,371,623 gallons of water were sold compared to the prior year amount of 119,932,185 and is a 6.3% decrease.
- Water, Wastewater, and Storm Drain utilities had rate increases of 7%, 5%, and 3%, respectively.
- There were increases in capital grants, which consist of system development charges, in the amount of \$14,098.
- Total operating expenses overall increased from the prior year in the amount of \$53,839.

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 2016-2017 expenses and revenues of those funds.



Total program revenues in the business-type activities of the City total \$3,797,782 as represented by the percentages in the chart below for 2016-2017.

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#### Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Cannon Beach's governmental funds reported combined ending fund balances of \$2,636,844, an increase of \$254,150 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 \$1,641,372. 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 \$118,922 during the current fiscal year. Key elements of the net increase to fund balance are as follows:

- Taxes and assessments increased by \$17,801 during the year. Revenue in this category comes mostly from property taxes and state revenue sharing programs with regard to alcohol and cigarettes. Most of the increase in this category is from property tax in the amount of \$11,711 with the remainder being an increase of \$6,090 in state revenue sharing.
- Transient room tax increased by \$298,198. Increases in this revenue source are due to increased demand of tourism activities. The city's room tax rate is 8%.
- Licenses, permits, and fees increased \$11,711.
- Grants and donations decreased by \$263,401 mostly due to a capital contribution of a building on city leased property reverting to the city upon the lease termination in the amount of \$300,681 in the prior year. This type of grant transaction was not repeated this year, and therefore shows a reduction in total grants this year compared to the prior year. Other grants and donations increased by \$37,280 due to new grants for emergency management.

- Other revenues increased \$27,945.
- Transfers in were \$150,000 and were from the RV Park Fund.
- Expenditures and other uses (transfers out) in the General Fund increased \$234,547 from the prior year. Most of the increases occurred in the executive department, public safety, non-departmental, and transfers out in the amounts of \$80,027, \$185,210, \$52,653, and \$333,210, respectively, with the decreases occurring in planning, public works, and capital outlay in the amounts of \$12,860, \$103,112, and \$300,581, respectively, for a net increase of \$234,547.

The Tourism and Arts Fund has a total fund balance of \$167,689. The net increase in fund balance during the current year in the fund was \$78,138. This fund's revenue comes solely from transient room tax and is distributed to tourism purposes.

- Transient room tax increased \$10,144.
- Total expenses for visitor and tourism purposes decreased \$23,953.

The Roads Fund, has a total fund balance of \$154,883, all of which is restricted for road maintenance. The net increase in fund balance during the current year in the fund was \$102,683 and is attributable to the following:

- Revenue, from all sources, increased from the prior year by \$33,012 mostly from state highway funds and LID proceeds in the amount of \$14,227 and \$18,648, respectively.
- Transfers in from the General fund increased from the prior year by \$54,985.
- Expenditures increased \$40,084 from the prior year.

The Debt Service Fund has a total fund balance of \$77,412. The net increase in fund balance during the current year in the fund was \$12,462.

- Increases in property tax were \$80,650 from the prior year.
- Transfers in decreased \$158,949 from the prior year.
- Debt service expenditures to pay principal and interest total \$365,000 and \$169,275, respectively in the current year. This is a decrease in total expenditures from the prior year of \$33,300.

**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 \$313,008, those for the Wastewater Enterprise at the end of the year amounted to \$243,528, those for the Storm Drain Enterprise at the end of the year amounted to \$43,364, those for the RV Park Enterprise at the end of the year amounted to \$342,962, and those for the Recycling Enterprise at the end of the year amounted to \$92,287. The total decrease in net position for all enterprise funds was \$230,916. 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	
	2017	2016	2017	2016	2017	2016
Land	\$ 3,759,675	\$ 3,759,675	\$ 1,283,338	\$ 1,283,338	\$ 5,043,013	\$ 5,043,013
Buildings	999,070	988,265	1,684,657	1,743,266	2,683,727	2,731,531
Equipment and vehicles	536,107	491,857	289,707	248,880	825,814	740,737
Infrastructure	2,268,135	1,890,715	11,180,062	11,179,583	13,448,197	13,070,298
Construction in progress	-	130,479	275,284	100,123	275,284	230,602
Total	\$ 7,562,987	\$ 7,260,991	\$ 14,713,048	\$ 14,555,190	\$ 22,276,035	\$ 21,816,181

**Capital assets.** The City of Cannon Beach's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounts to \$22,276,035 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, and bridges.

Net capital assets increased by \$459,853 during the year because capital asset additions of \$1,344,018 less current year depreciation, in the amount of \$884,164 net to the overall increase of capital assets at the end of the year. Major capital asset additions during the current fiscal year included the following:

- RV Park Utility System Upgrade, \$529,964
- Fir Street Bridge Enhancement, \$167,624
- Spruce Street Sidewalk, \$112,049
- Wastewater Master Plan, \$95,937
- Water Master Plan, \$79,224
- City Hall Remodel, \$68,104
- Server Replacement, \$61,859
- Parks and Trails Master Plan, \$55,889
- Police Vehicle (2016 Chevy Tahoe), \$53,032
- Public Works Vehicle (2017 Ford Escape), \$25,866
- Water Treatment Plant Pump Replacement, \$23,232

The above 11 items comprise 94.7% of the total dollar value of additions this year or \$1,272,780. There were a total of 21 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 liabilities outstanding of \$4,787,544. Of this amount, \$4,644,388 comprises debt backed by the full faith and credit of the government. Capital lease obligations have been paid in full. The remaining \$143,156 represents compensated absences liability (vacation and compensation pay accrued on behalf of the employees).

<b>City of Cannon Beach's Outstanding Debt</b>						
<b>General Obligation Bonds and Other Long-term Debt</b>						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	\$ 4,410,000	\$ 4,775,000	\$ -	\$ -	\$ 4,410,000	\$ 4,775,000
Original Issue Premium	234,388	262,097			234,388	262,097
Capital Lease Payable	-	16,963	-	28,272	-	45,235
Compensated Absences	101,427	116,493	41,729	39,271	143,156	155,764
Total	\$ 4,745,815	\$ 5,170,553	\$ 41,729	\$ 67,543	\$ 4,787,544	\$ 5,238,096

The City of Cannon Beach's total long-term liabilities decreased by \$450,552 during the current fiscal year.

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

**Economic Factors and Next Year's Budgets and Rates**

- An expected increase in room tax revenue of 6%
- An expected increase in property tax revenue of at least 3%
- An increase in water rates of 3%
- Cost of living adjustments to wages

All of these factors were considered in preparing the City of Cannon Beach's budget for the 2018 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, 2017

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 2,268,641	\$ 1,167,035	\$ 3,435,676
Receivables	1,186,366	216,109	1,402,475
Inventory	-	192,762	192,762
Capital assets:			
Nondepreciable assets	3,759,675	1,558,622	5,318,297
Depreciable assets (net of accumulated depreciation)	<u>3,803,312</u>	<u>13,154,426</u>	<u>16,957,738</u>
Total assets	<u>11,017,994</u>	<u>16,288,954</u>	<u>27,306,948</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	163,944	-	163,944
Related to pensions	<u>1,350,934</u>	<u>391,981</u>	<u>1,742,915</u>
Total deferred outflows	<u>1,514,878</u>	<u>391,981</u>	<u>1,906,859</u>
 Total assets and deferred outflows	 <u>12,532,872</u>	 <u>16,680,935</u>	 <u>29,213,807</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	519,970	144,885	664,855
Accrued payroll	154,497	-	154,497
Deposits	-	1,600	1,600
Accrued interest payable	13,194	-	13,194
Unearned revenue	71,150	-	71,150
Noncurrent liabilities:			
Due within one year	514,136	41,729	555,865
Due in more than one year	4,231,679	-	4,231,679
Net pension liability	<u>2,443,291</u>	<u>708,936</u>	<u>3,152,227</u>
Total liabilities	<u>7,947,917</u>	<u>897,150</u>	<u>8,845,067</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pensions	<u>122,651</u>	<u>35,588</u>	<u>158,239</u>
 Total liabilities and deferred inflows	 <u>8,070,568</u>	 <u>932,738</u>	 <u>9,003,306</u>
<b>NET POSITION</b>			
Net investment in capital assets	5,394,422	14,713,048	20,107,470
Restricted for:			
Building inspection program	66,681	-	66,681
Tourism	167,689	-	167,689
Road maintenance	154,883	-	154,883
Unrestricted	<u>(1,321,371)</u>	<u>1,035,149</u>	<u>(286,222)</u>
 Total net position	 <u>\$ 4,462,304</u>	 <u>\$ 15,748,197</u>	 <u>\$ 20,210,501</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, 2017

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	\$ 2,298,008	\$ (626,636)	\$ 167,164	\$ 25,376	\$ -	\$ (1,478,832)	\$ -	\$ (1,478,832)
Building	173,542	32,075	220,856	-	-	15,239	-	15,239
Planning	266,562	-	48,492	-	-	(218,070)	-	(218,070)
Public works	1,270,971	(247,300)	35,541	-	-	(988,130)	-	(988,130)
Public safety	1,517,788	-	17,034	32,116	19,581	(1,449,057)	-	(1,449,057)
Unallocated depreciation	274,330	-	-	-	-	(274,330)	-	(274,330)
Interest on long-term liabilities	161,182	-	-	-	-	(161,182)	-	(161,182)
Total governmental activities	5,962,383	(841,861)	489,087	57,492	19,581	(4,554,362)	-	(4,554,362)
Business-type activities:								
Water	703,088	316,890	865,274	-	9,786	-	(144,918)	(144,918)
Wastewater	1,072,941	316,265	1,139,105	-	10,069	-	(240,032)	(240,032)
Storm drain	199,195	50,907	142,324	-	5,666	-	(102,112)	(102,112)
RV park	1,255,478	105,680	1,436,235	-	-	-	75,077	75,077
Recycling	146,135	52,119	189,323	-	-	-	(8,931)	(8,931)
Total business-type activities	3,376,837	841,861	3,772,261	-	25,521	-	(420,916)	(420,916)
Total activities	\$ 9,339,220	\$ -	\$ 4,261,348	\$ 57,492	\$ 45,102	(4,554,362)	(420,916)	(4,975,278)
General revenues:								
Taxes:								
Property taxes						1,216,180	-	1,216,180
Transient room taxes						3,844,224	-	3,844,224
Other taxes						166,606	-	166,606
Franchise fees						202,591	-	202,591
Unrestricted investment earnings						43,742	-	43,742
Transfers						(190,000)	190,000	-
Total general revenues and transfers						5,283,343	190,000	5,473,343
Change in net position						728,981	(230,916)	498,065
Net position, beginning						3,733,323	15,979,113	19,712,436
Net position, ending						\$ 4,462,304	\$ 15,748,197	\$ 20,210,501

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

**CITY OF CANNON BEACH, OREGON**  
**GOVERNMENTAL FUNDS**  
Balance Sheet  
June 30, 2017

	General Fund (010)	Tourism and Arts Fund (012)	Road Fund (040)	Debt Service Fund (030)	Total Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and investments	\$ 1,141,781	\$ 143,188	\$ 296,631	\$ 70,514	\$ 604,890	\$ 2,257,004
Receivables:						
Room taxes	930,589	89,235	-	-	-	1,019,824
Accounts	60,423	-	8,914	-	2,373	71,710
Property taxes	48,363	-	17,760	28,709	-	94,832
Total assets	<u>\$ 2,181,156</u>	<u>\$ 232,423</u>	<u>\$ 323,305</u>	<u>\$ 99,223</u>	<u>\$ 607,263</u>	<u>\$ 3,443,370</u>
<b>LIABILITIES</b>						
Accounts payable and accrued expenses	\$ 277,283	\$ 64,734	\$ 154,580	\$ -	11,736	508,333
Accrued payroll	154,243	-	215	-	39	154,497
Unearned revenue	71,150	-	-	-	-	71,150
Total liabilities	<u>502,676</u>	<u>64,734</u>	<u>154,795</u>	<u>-</u>	<u>11,775</u>	<u>733,980</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenues:						
Property taxes	37,108	-	13,627	21,811	-	72,546
<b>FUND BALANCES</b>						
Restricted:						
Building inspection	-	-	-	-	66,681	66,681
Road maintenance	-	-	154,883	-	-	154,883
Tourism and arts	-	167,689	-	-	-	167,689
Assigned:						
Capital projects	-	-	-	-	528,807	528,807
Debt service	-	-	-	77,412	-	77,412
Unassigned	1,641,372	-	-	-	-	1,641,372
Total fund balances	<u>1,641,372</u>	<u>167,689</u>	<u>154,883</u>	<u>77,412</u>	<u>595,488</u>	<u>2,636,844</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,181,156</u>	<u>\$ 232,423</u>	<u>\$ 323,305</u>	<u>\$ 99,223</u>	<u>\$ 607,263</u>	<u>\$ 3,443,370</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, 2017

Fund balances - governmental funds		\$ 2,636,844
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.		72,546
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	7,610,022	
Accumulated depreciation	<u>(3,913,157)</u>	
		7,456,540
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
General obligation bonds payable	(4,410,000)	
Deferred charges	163,944	
Issuance premiums	(234,388)	
Compensated absences	(68,927)	
Accrued interest payable	<u>(13,194)</u>	
		(4,562,565)
Assets, liabilities, deferred inflows and deferred outflows related to the City's portion of the State-wide pension plan are not current resources or requirements and therefore are not reported in the funds:		
Deferred outflows of resources related to pensions	873,549	
Net pension liability	(1,579,896)	
Deferred inflows of resources related to pensions	<u>(79,309)</u>	
		(785,656)
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>(355,405)</u>
Net position of governmental activities		<u><u>\$ 4,462,304</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, 2017

	General Fund (010)	Tourism and Arts Fund (012)	Road Fund (040)	Debt Service Fund (030)	Total Nonmajor Funds	Total Governmental Funds
<b>Revenues:</b>						
Taxes and assessments	\$ 671,943	\$ -	\$ 325,199	\$ 385,012	\$ -	\$ 1,382,154
Transient room taxes	3,507,152	337,072	-	-	-	3,844,224
Licenses, permits, and fees	420,818	-	-	-	212,387	633,205
Grants and donations	77,073	-	-	-	-	77,073
Other	93,577	-	168	-	8,469	102,214
LIDs	-	-	18,648	-	-	18,648
Total revenues	<u>4,770,563</u>	<u>337,072</u>	<u>344,015</u>	<u>385,012</u>	<u>220,856</u>	<u>6,057,518</u>
<b>Expenditures:</b>						
Current:						
General government	1,474,485	258,934	-	-	-	1,733,419
Building	-	-	-	-	204,411	204,411
Planning	255,390	-	-	-	-	255,390
Public works	445,653	-	757,336	-	-	1,202,989
Public safety	1,515,388	-	-	-	-	1,515,388
Debt service:						
Principal	-	-	16,951	365,000	-	381,951
Interest	-	-	545	169,275	-	169,820
Capital outlay	-	-	-	-	150,000	150,000
Total expenditures	<u>3,690,916</u>	<u>258,934</u>	<u>774,832</u>	<u>534,275</u>	<u>354,411</u>	<u>5,613,368</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,079,647</u>	<u>78,138</u>	<u>(430,817)</u>	<u>(149,263)</u>	<u>(133,555)</u>	<u>444,150</u>
<b>Other Financing Sources (Uses):</b>						
Transfers in	150,000	-	533,500	161,725	75,500	920,725
Transfers out	<u>(1,110,725)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,110,725)</u>
Total other financing sources (uses)	<u>(960,725)</u>	<u>-</u>	<u>533,500</u>	<u>161,725</u>	<u>75,500</u>	<u>(190,000)</u>
Net change in fund balances	118,922	78,138	102,683	12,462	(58,055)	254,150
<b>Fund Balances:</b>						
Beginning of year	<u>1,522,450</u>	<u>89,551</u>	<u>52,200</u>	<u>64,950</u>	<u>653,543</u>	<u>2,382,694</u>
End of year	<u>\$ 1,641,372</u>	<u>\$ 167,689</u>	<u>\$ 154,883</u>	<u>\$ 77,412</u>	<u>\$ 595,488</u>	<u>\$ 2,636,844</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, 2017

Net change in fund balances - governmental funds \$ 254,150

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. (18,015)

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	\$ 488,602	
Current year depreciation	<u>(268,459)</u>	
		220,143

Some expenses reported in the statement of activities do not require  
the use of current financial resources and, therefore, are not reported  
as expenditures in the governmental funds.

Change in:

Compensated absences payable	4,331	
Accrued interest	1,410	
Expenses related to pension obligations	(128,461)	
Amortization of bond premiums	27,709	
Amortization of deferred charge on refunding	<u>(20,493)</u>	
		(115,504)

The issuance of long-term debt provides current financial resources  
to governmental funds, while the repayment of the principal of  
long-term debt consumes the current financial resources of  
governmental funds. Neither transaction, however, has any effect  
on net position. Also, governmental funds report the effect of  
premiums, discounts, and similar items when debt is first  
issued, whereas these amounts are deferred and amortized  
in the statement of activities.

Capital lease repayments	16,963	
Principal repayments	<u>365,000</u>	
		381,963

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. 6,244

Change in net position of governmental activities \$ 728,981

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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Resources:</b>				
Beginning fund balance	\$ 1,279,101	\$ 1,279,101	\$ 1,522,450	\$ 243,349
Taxes and assessments	672,132	672,132	671,943	(189)
Transient room taxes	2,994,327	2,994,327	3,507,152	512,825
Licenses, permits and fees	394,565	394,565	420,818	26,253
Grants and donations	377,650	406,400	77,073	(329,327)
Other	74,680	74,680	93,577	18,897
Transfers in	150,000	150,000	150,000	-
Loan proceeds	<u>665,000</u>	<u>665,000</u>	<u>-</u>	<u>(665,000)</u>
Total resources	<u>\$ 6,607,455</u>	<u>\$ 6,636,205</u>	<u>\$ 6,443,013</u>	<u>\$ (193,192)</u>
<b>Requirements:</b>				
Executive	\$ 1,034,178	\$ 1,033,928	\$ 977,340	\$ 56,588
Planning	441,145	291,145	255,390	35,755
Public works	1,471,690	1,471,690	445,653	1,026,037
Public safety	1,503,838	1,528,838	1,515,388	13,450
Non-departmental	514,397	514,397	497,145	17,252
Transfers out	1,020,725	1,110,725	1,110,725	-
Contingency	<u>155,371</u>	<u>49,371</u>	<u>-</u>	<u>49,371</u>
Total expenditures	6,141,344	6,000,094	4,801,641	1,198,453
Ending fund balance	<u>466,111</u>	<u>636,111</u>	<u>1,641,372</u>	<u>(1,005,261)</u>
Total requirements	<u>\$ 6,607,455</u>	<u>\$ 6,636,205</u>	<u>\$ 6,443,013</u>	<u>\$ 193,192</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, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	\$ -	\$ -	\$ 89,551	\$ 89,551
Transient room taxes	<u>286,489</u>	<u>286,489</u>	<u>337,072</u>	<u>50,583</u>
Total resources	<u>\$ 286,489</u>	<u>\$ 286,489</u>	<u>\$ 426,623</u>	<u>\$ 140,134</u>
Requirements:				
Tourism and Arts Program:				
Materials and services	\$ 286,489	\$ 286,489	\$ 258,934	\$ 27,555
Ending fund balance	<u>-</u>	<u>-</u>	<u>167,689</u>	<u>(167,689)</u>
Total requirements	<u>\$ 286,489</u>	<u>\$ 286,489</u>	<u>\$ 426,623</u>	<u>\$ (140,134)</u>

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

**CITY OF CANNON BEACH, OREGON**

## 040 - ROAD FUND

## Statement of Resources and Requirements

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	\$ 25,000	\$ 25,000	\$ 52,200	\$ 27,200
Taxes and assessments	320,835	320,835	325,199	4,364
Other	-	-	168	168
Local improvement districts	50,000	50,000	18,648	(31,352)
Transfers in	<u>533,500</u>	<u>533,500</u>	<u>533,500</u>	<u>-</u>
Total resources	<u>\$ 929,335</u>	<u>\$ 929,335</u>	<u>\$ 929,715</u>	<u>\$ 380</u>
Requirements:				
Roads Program:				
Personal services	\$ 185,709	\$ 185,709	\$ 186,918	\$ (1,209)
Materials and services	508,012	506,657	439,391	67,266
Capital outlay	<u>135,000</u>	<u>136,355</u>	<u>131,027</u>	<u>5,328</u>
Total program-specific	828,721	828,721	757,336	71,385
Debt service	17,510	17,510	17,496	14
Contingency	<u>20,776</u>	<u>20,776</u>	<u>-</u>	<u>20,776</u>
Total expenditures	867,007	867,007	774,832	92,175
Ending fund balance	<u>62,328</u>	<u>62,328</u>	<u>154,883</u>	<u>(92,555)</u>
Total requirements	<u>\$ 929,335</u>	<u>\$ 929,335</u>	<u>\$ 929,715</u>	<u>\$ (380)</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, 2017

	Business-type Activities - Enterprise Funds						Governmental Activities
	Water Enterprise	Wastewater Enterprise	Storm Drain Enterprise	RV Park Enterprise	Recycling Enterprise	Total	Administrative Services Internal Service Fund
<b>ASSETS</b>							
Current assets:							
Cash and investments	\$ 280,532	\$ 279,029	\$ 77,893	\$ 400,061	\$ 129,520	\$ 1,167,035	\$ 11,637
Accounts receivable	79,887	101,139	11,057	-	24,026	216,109	-
Inventory	132,493	38,567	-	21,702	-	192,762	-
Total current assets	<u>492,912</u>	<u>418,735</u>	<u>88,950</u>	<u>421,763</u>	<u>153,546</u>	<u>1,575,906</u>	<u>11,637</u>
Noncurrent assets:							
Capital assets:							
Nondepreciable assets	624,116	135,056	-	799,450	-	1,558,622	-
Depreciable, net	3,677,965	6,979,773	628,009	1,723,233	145,446	13,154,426	106,447
Total noncurrent assets	<u>4,302,081</u>	<u>7,114,829</u>	<u>628,009</u>	<u>2,522,683</u>	<u>145,446</u>	<u>14,713,048</u>	<u>106,447</u>
Total assets	4,794,993	7,533,564	716,959	2,944,446	298,992	16,288,954	118,084
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Related to pensions	<u>155,642</u>	<u>151,286</u>	<u>28,932</u>	<u>-</u>	<u>56,121</u>	<u>391,981</u>	<u>477,385</u>
Total assets and deferred outflows	<u>4,950,635</u>	<u>7,684,850</u>	<u>745,891</u>	<u>2,944,446</u>	<u>355,113</u>	<u>16,680,935</u>	<u>595,469</u>
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable and accrued expenses	22,078	22,492	17,120	78,676	4,519	144,885	11,637
Deposits	1,600	-	-	-	-	1,600	-
Compensated absences	<u>16,243</u>	<u>16,653</u>	<u>2,444</u>	<u>125</u>	<u>6,264</u>	<u>41,729</u>	<u>32,500</u>
Total current liabilities	39,921	39,145	19,564	78,801	10,783	188,214	44,137
Noncurrent liabilities:							
Net pension liability	<u>281,494</u>	<u>273,613</u>	<u>52,327</u>	<u>-</u>	<u>101,502</u>	<u>708,936</u>	<u>863,395</u>
Total liabilities	321,415	312,758	71,891	78,801	112,285	897,150	907,532
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Related to pensions	<u>14,131</u>	<u>13,735</u>	<u>2,627</u>	<u>-</u>	<u>5,095</u>	<u>35,588</u>	<u>43,342</u>
Total liabilities and deferred inflows	<u>335,546</u>	<u>326,493</u>	<u>74,518</u>	<u>78,801</u>	<u>117,380</u>	<u>932,738</u>	<u>950,874</u>
<b>NET POSITION</b>							
Net investment in capital assets	4,302,081	7,114,829	628,009	2,522,683	145,446	14,713,048	106,447
Unrestricted	<u>313,008</u>	<u>243,528</u>	<u>43,364</u>	<u>342,962</u>	<u>92,287</u>	<u>1,035,149</u>	<u>(461,852)</u>
Total net position	<u>\$ 4,615,089</u>	<u>\$ 7,358,357</u>	<u>\$ 671,373</u>	<u>\$ 2,865,645</u>	<u>\$ 237,733</u>	<u>\$ 15,748,197</u>	<u>\$ (355,405)</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, 2017

	Business-type Activities - Enterprise Funds						Governmental Activities
	Water Enterprise	Wastewater Enterprise	Storm Drain Enterprise	RV Park Enterprise	Recycling Enterprise	Total	Administrative Services Internal Service Fund
Operating Revenues:							
Charges for services	\$ 846,897	\$ 1,139,105	\$ 142,324	\$ 1,436,235	\$ 189,323	\$ 3,753,884	\$ 1,493,549
Other operating revenues	18,377	-	-	-	-	18,377	492
Total operating revenues	<u>865,274</u>	<u>1,139,105</u>	<u>142,324</u>	<u>1,436,235</u>	<u>189,323</u>	<u>3,772,261</u>	<u>1,494,041</u>
Operating Expenses:							
Personal services	288,141	345,269	81,544	1,409	99,820	816,183	1,111,654
Cost of operations	567,006	670,347	145,098	1,319,402	90,743	2,792,596	370,272
Depreciation	164,782	373,567	23,447	40,347	7,691	609,834	5,871
Total operating expenses	<u>1,019,929</u>	<u>1,389,183</u>	<u>250,089</u>	<u>1,361,158</u>	<u>198,254</u>	<u>4,218,613</u>	<u>1,487,797</u>
Operating income (loss)	(154,655)	(250,078)	(107,765)	75,077	(8,931)	(446,352)	6,244
Nonoperating Revenues (Expenses):							
Interest expense	(49)	(23)	(13)	-	-	(85)	-
Income (loss) before contributions and transfers	(154,704)	(250,101)	(107,778)	75,077	(8,931)	(446,437)	6,244
Capital contributions	9,786	10,069	5,666	-	-	25,521	-
Transfers in	175,000	-	75,000	190,000	-	440,000	-
Transfers out	-	-	-	(250,000)	-	(250,000)	-
Change in net position	30,082	(240,032)	(27,112)	15,077	(8,931)	(230,916)	6,244
Net Position:							
Beginning of year	<u>4,585,007</u>	<u>7,598,389</u>	<u>698,485</u>	<u>2,850,568</u>	<u>246,664</u>	<u>15,979,113</u>	<u>(361,649)</u>
End of year	<u>\$ 4,615,089</u>	<u>\$ 7,358,357</u>	<u>\$ 671,373</u>	<u>\$ 2,865,645</u>	<u>\$ 237,733</u>	<u>\$ 15,748,197</u>	<u>\$ (355,405)</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, 2017

	Business-type Activities - Enterprise Funds						Governmental Activities
	Water Enterprise	Wastewater Enterprise	Storm Drain Enterprise	RV Park Enterprise	Recycling Enterprise	Total	Administrative Services Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Receipts from customers	\$ 855,342	\$ 1,194,380	\$ 142,523	\$ 1,436,235	\$ 185,497	3,813,977	\$ -
Receipts from interfund services provided	-	-	-	-	-	-	1,494,041
Payments to suppliers and contractors	(268,509)	(401,432)	(77,390)	(1,215,217)	(38,809)	(2,001,357)	(364,733)
Payments to employees	(269,483)	(323,339)	(60,517)	(1,284)	(98,776)	(753,399)	(1,036,045)
Payments for interfund services used	(316,890)	(316,265)	(50,907)	(105,680)	(52,119)	(841,861)	-
Net cash provided (used) by operating activities	460	153,344	(46,291)	114,054	(4,207)	217,360	93,263
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Transfers in	175,000	-	75,000	190,000	-	440,000	-
Transfers out	-	-	-	(250,000)	-	(250,000)	-
Net cash provided by (used in) noncapital financing activities	175,000	-	75,000	(60,000)	-	190,000	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Capital contributions	9,786	10,069	5,666	-	-	25,521	-
Acquisition and construction of capital assets	(120,459)	(106,421)	-	(540,811)	-	(767,691)	(87,724)
Principal paid on capital debt	(16,963)	(6,785)	(4,524)	-	-	(28,272)	-
Interest paid on capital debt	(547)	(222)	(146)	-	-	(915)	-
Net cash provided by (used in) capital and related financing activities	(128,183)	(103,359)	996	(540,811)	-	(771,357)	(87,724)
Net change in cash and investments	47,277	49,985	29,705	(486,757)	(4,207)	(363,997)	5,539
Cash and investments:							
Beginning of year	233,255	229,044	48,188	886,818	133,727	1,531,032	6,098
End of year	\$ 280,532	\$ 279,029	\$ 77,893	\$ 400,061	\$ 129,520	\$ 1,167,035	\$ 11,637
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>							
Operating income (loss)	\$ (154,655)	\$ (250,078)	\$ (107,765)	\$ 75,077	\$ (8,931)	\$ (446,352)	\$ 6,244
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation	164,782	373,567	23,447	40,347	7,691	609,834	5,871
Net increase (reduction) of expense under GASB 68	18,237	19,356	19,689	-	3,044	60,326	86,344
(Increase) decrease in current assets:							
Receivables	(9,932)	55,275	199	-	(3,826)	41,716	-
Inventory	(1,378)	(215)	-	2,328	-	735	-
Increase (decrease) in liabilities:							
Accounts payable and accrued expenses	(17,015)	(47,135)	16,801	(3,823)	(185)	(51,357)	5,539
Compensated absences	421	2,574	1,338	125	(2,000)	2,458	(10,735)
Net cash provided (used) by operating activities	\$ 460	\$ 153,344	\$ (46,291)	\$ 114,054	\$ (4,207)	\$ 217,360	\$ 93,263

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

# CITY OF CANNON BEACH, OREGON

## Notes to the Financial Statements

June 30, 2017

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

#### **A. Reporting Entity**

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

#### **B. Government-wide and fund financial statements**

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

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

## CITY OF CANNON BEACH, OREGON

### Notes to the Financial Statements

June 30, 2017

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

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

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

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

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

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

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

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

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

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

###### **1. Deposits and investments**

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

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

# CITY OF CANNON BEACH, OREGON

## Notes to the Financial Statements

June 30, 2017

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

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

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

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

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

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

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

##### **3. Inventories and prepaid items**

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

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

##### **4. Due to/from other funds**

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

##### **5. Capital assets**

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

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest costs were capitalized during the year ended June 30, 2017.

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

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

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

# **CITY OF CANNON BEACH, OREGON**

## **Notes to the Financial Statements**

June 30, 2017

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

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

##### **6. *Deferred outflows/inflows of resources***

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

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

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

##### **7. *Compensated absences***

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

##### **8. *Long-term obligations***

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

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

##### **9. *Pensions***

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

## CITY OF CANNON BEACH, OREGON

### Notes to the Financial Statements

June 30, 2017

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

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

###### **10. Net position flow assumption**

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

###### **11. Fund balance flow assumption**

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

###### **12. Fund balance policies**

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

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

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

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

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

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

###### **13. Use of estimates**

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

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

##### **A. Budgetary information**

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

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

# CITY OF CANNON BEACH, OREGON

## Notes to the Financial Statements

June 30, 2017

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

#### **A. Budgetary information, continued**

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

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

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

For the year ended June 30, 2017, expenditures exceeded appropriations as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Building Official Fund - Building Program	146,687	204,411	(57,724)
Water Repair & Replacement Reserve Fund - Water Program	65,000	79,224	(14,224)
Storm Drain Fund - Storm Drain Program	187,635	205,615	(17,980)
Administrative Services Fund - Public Works	360,088	370,259	(10,171)

### **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		84,753
Local Government Investment Pool		<u>3,350,723</u>
Total	\$	<u><u>3,435,676</u></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, 2017

### 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](http://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, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 3,759,675	\$ -	\$ -	\$ -	\$ 3,759,675
Construction in progress	130,479	-	-	(130,479)	-
Total capital assets, not being depreciated	<u>3,890,154</u>	<u>-</u>	<u>-</u>	<u>(130,479)</u>	<u>3,759,675</u>
Capital assets, being depreciated:					
Buildings	2,363,980	68,104	-	-	2,432,084
Equipment and vehicles	1,450,053	149,961	-	-	1,600,014
Infrastructure	<u>3,227,809</u>	<u>358,261</u>	<u>-</u>	<u>130,479</u>	<u>3,716,549</u>
Total capital assets being depreciated	7,041,842	576,326	-	130,479	7,748,647
Less accumulated depreciation for:					
Buildings	(1,375,715)	(57,299)	-	-	(1,433,014)
Equipment and vehicles	(958,196)	(105,711)	-	-	(1,063,907)
Infrastructure	<u>(1,337,094)</u>	<u>(111,320)</u>	<u>-</u>	<u>-</u>	<u>(1,448,414)</u>
Total accumulated depreciation	<u>(3,671,005)</u>	<u>(274,330)</u>	<u>-</u>	<u>-</u>	<u>(3,945,335)</u>
Total capital assets, being depreciated, net	<u>3,370,837</u>	<u>301,996</u>	<u>-</u>	<u>130,479</u>	<u>3,803,312</u>
Governmental activities capital assets, net	<u>\$ 7,260,991</u>	<u>\$ 301,996</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,562,987</u>

# CITY OF CANNON BEACH, OREGON

## Notes to the Financial Statements

June 30, 2017

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

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 1,283,338	\$ -	\$ -	\$ -	\$ 1,283,338
Construction in progress	100,123	175,161	-	-	275,284
Total capital assets, not being depreciated	<u>1,383,461</u>	<u>175,161</u>	<u>-</u>	<u>-</u>	<u>1,558,622</u>
Capital assets, being depreciated:					
Infrastructure	18,804,652	529,964	-	-	19,334,616
Buildings and improvements	2,690,145	-	-	-	2,690,145
Other equipment	535,764	62,567	-	-	598,331
Total capital assets being depreciated	22,030,561	592,531	-	-	22,623,092
Less accumulated depreciation for:					
Infrastructure	(7,621,454)	(533,100)	-	-	(8,154,554)
Buildings and improvements	(947,488)	(58,000)	-	-	(1,005,488)
Other equipment	(289,890)	(18,734)	-	-	(308,624)
Total accumulated depreciation	<u>(8,858,832)</u>	<u>(609,834)</u>	<u>-</u>	<u>-</u>	<u>(9,468,666)</u>
Total capital assets, being depreciated, net	<u>13,171,729</u>	<u>(17,303)</u>	<u>-</u>	<u>-</u>	<u>13,154,426</u>
Business-type activities capital assets, net	<u>\$14,555,190</u>	<u>\$ 157,858</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$14,713,048</u>

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

Business-type activities:	
Water enterprise	\$ 164,782
Wastewater enterprise	373,567
Storm drain enterprise	23,447
RV park enterprise	40,347
Recycling enterprise	<u>7,691</u>
Total depreciation expense - business-type activities	<u>\$ 609,834</u>

# CITY OF CANNON BEACH, OREGON

## Notes to the Financial Statements

June 30, 2017

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

#### **C. Interfund transfers**

The interfund transfer activity for the year ended June 30, 2017 was as follows:

	Transfers Out:		
	General Fund	RV Park Enterprise	Totals
<b>Transfers In:</b>			
General Fund	\$ -	\$ 150,000	\$ 150,000
Road Fund	533,500	-	533,500
Debt Service Fund	161,725	-	161,725
Nonmajor Governmental Funds	75,500	-	75,500
Water Enterprise	175,000	-	175,000
Storm Drain Enterprise	75,000	-	75,000
RV Park Enterprise	90,000	100,000	190,000
	<u>\$ 1,110,725</u>	<u>\$ 250,000</u>	<u>\$ 1,360,725</u>

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

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

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

Purpose	Interest Rates	Amount
The general obligation bonds series 2010 were issued in the original amount of \$3,575,000 to finance the Ecola Creek Forest Reserve. These general obligation bonds are direct obligations and pledge the full faith and credit of the City. The debt service fund is used to liquidate these bonds. Original maturity of these 20-year bonds is June 1, 2031. In April of 2012, the City received a \$1,400,000 grant from the Oregon Watershed Enhancement Board which the City used to legally defease \$1,015,000 of the 2010 series bond principal, adjusting the maturity to January 1, 2027.	2.00% to 4.50%	\$ 2,105,000
The general obligation bonds series 2012 were issued in the original amount of \$2,845,000 to advance refund a portion of the 2005 Series general obligation bonds. These general obligation bonds are direct obligations and pledge the full faith and credit of the City. The debt service fund is used to liquidate these bonds. Final maturity of these bonds is June 1, 2025.	2.0% to 3.0%	<u>2,305,000</u>
Total debt outstanding		4,410,000
Current portion		<u>385,000</u>
Long-term portion		<u>\$ 4,025,000</u>

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

Year ending June 30,	Governmental Activities	
	Principal	Interest
2018	\$ 385,000	\$ 158,325
2019	410,000	146,025
2020	480,000	135,025
2021	510,000	118,575
2022	535,000	99,825
2023 - 2027	<u>2,090,000</u>	<u>195,675</u>
Total	<u>\$ 4,410,000</u>	<u>\$ 853,450</u>

# CITY OF CANNON BEACH, OREGON

## Notes to the Financial Statements

June 30, 2017

### 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, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 4,775,000	\$ -	\$ (365,000)	\$ 4,410,000	\$ 385,000
Original issue premium	<u>262,097</u>	<u>-</u>	<u>(27,709)</u>	<u>234,388</u>	<u>27,709</u>
Totals bonds payable	5,037,097	-	(392,709)	4,644,388	412,709
Loans payable	-	-	-	-	-
Capital lease payable	16,963	-	(16,963)	-	-
Compensated absences	<u>116,493</u>	<u>101,427</u>	<u>(116,493)</u>	<u>101,427</u>	<u>101,427</u>
Governmental activities long-term liabilities	<u>\$ 5,170,553</u>	<u>\$ 101,427</u>	<u>\$ (526,165)</u>	<u>\$ 4,745,815</u>	<u>\$ 514,136</u>
Business-type activities:					
Capital lease payable	\$ 28,272	\$ -	\$ (28,272)	\$ -	\$ -
Compensated absences	<u>39,271</u>	<u>41,729</u>	<u>(39,271)</u>	<u>41,729</u>	<u>41,729</u>
Business-type activities long-term liabilities	<u>\$ 67,543</u>	<u>\$ 41,729</u>	<u>\$ (67,543)</u>	<u>\$ 41,729</u>	<u>\$ 41,729</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, 2017 \$1,015,000 of defeased 2010 Series general obligation bonds remain outstanding.

## CITY OF CANNON BEACH, OREGON

### Notes to the Financial Statements

June 30, 2017

#### **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

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

##### **Risk Pooling**

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

##### **Plan Benefits**

###### *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

# CITY OF CANNON BEACH, OREGON

## Notes to the Financial Statements

June 30, 2017

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

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

##### *Benefit Changes*

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

#### **2. OPSRP Pension Program (OPSRP DB)**

##### *Pension Benefits.*

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

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

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

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

##### *Death Benefits*

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

##### *Disability Benefits*

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

##### *Benefit Changes After Retirement*

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

#### **3. OPSRP Individual Account Program (OPSRP IAP)**

##### *Pension Benefits*

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

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

##### *Death Benefits*

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

# CITY OF CANNON BEACH, OREGON

## Notes to the Financial Statements

June 30, 2017

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

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

##### *Recordkeeping*

OPERS contracts with VOYA Financial to maintain IAP participant records.

#### **Contributions:**

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation as subsequently modified by 2015 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2015. Employer contributions for the year ended June 30, 2017 were \$403,664. The rates in effect for the fiscal year ended June 30, 2017 were 15.07 percent for Tier One/Tier Two General Services, 8.60 percent for OPSRP Pension Program General Services, and 12.71 percent for OPSRP Police and Fire members and 6 percent for OPSRP Individual Account Program.

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

At June 30, 2017 the City's proportionate share of the net pension liability is \$3,152,226. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of December 31, 2014 rolled forward to June 30, 2016. 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, 2016, the City's proportion was 0.02099759 percent, which was a change from its proportion measured as of June 30, 2015 of 0.02312559 percent.

For the year ended June 30, 2017 the City's recognized pension expense of \$542,120. At June 30, 2017 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	\$ 104,289	\$ -
Change in assumptions	672,294	-
Net difference between projected and actual earnings on pension plan investments	622,748	-
Changes in proportionate share	39,891	114,559
Differences between City contributions and proportionate share of contributions	36,703	43,680
Subtotal before post-measurement date contributions	1,475,925	158,239
City contributions subsequent to the measurement date	266,990	-
Total	<u>\$ 1,742,915</u>	<u>\$ 158,239</u>

Deferred outflows of resources related to pensions of \$266,990 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, 2018. Other net deferred outflows (inflows) of resources of \$1,317,686 will be recognized in pension expense as follows:

Year Ended June 30,	
2018	\$ 232,475
2019	232,475
2020	462,311
2021	345,177
2022	45,248
Total	<u>\$ 1,317,686</u>

# CITY OF CANNON BEACH, OREGON

## Notes to the Financial Statements

June 30, 2017

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

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

##### **Actuarial Valuations:**

The employer contribution rates effective July 1, 2013, through June 30, 2015, and effective July 1, 2015 through June 30, 2017, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2014
Measurement Date	June 30, 2016
Experience Study Report	2014, published September 2015
Actuarial Cost Method	Entry Age normal
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Long-Term Expected Rate of Return	7.50 percent
Discount Rate	7.50 percent
Project Salary Increases	3.50 percent overall payroll growth
Cost Living Adjustments (COLA)	Blend of 2.00% COLA and Grade COLA
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.  Active Members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.  Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct statistic, generational per Scale BB, disabled mortality table.

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

# CITY OF CANNON BEACH, OREGON

## Notes to the Financial Statements

June 30, 2017

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

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

##### **Long-term Expected Rate of Return**

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

[http://www.oregon.gov/pers/docs/financial\\_reports/2016\\_cafr.pdf](http://www.oregon.gov/pers/docs/financial_reports/2016_cafr.pdf)

##### **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 return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

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

##### **Discount Rate**

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

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

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

	1% Decrease (6.50%)	Discount Rate (7.50)%	1% Increase (8.50%)
Proportionate Share of Net Pension Liability (Asset)	\$ 5,089,794	\$ 3,152,226	\$ 1,532,758

## **CITY OF CANNON BEACH, OREGON**

### **Notes to the Financial Statements**

June 30, 2017

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

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

###### **Pension Plan Fiduciary Net Position**

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

###### **Changes in Assumptions and Other Inputs**

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

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

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

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

At its July 28, 2017 meeting, the PERS Board lowered the assumed earning rate from 7.5% to 7.2%, adding \$2.1 billion to the System's unfunded liability.

##### **F. Risk management**

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

##### **G. Contingent liabilities**

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

REQUIRED SUPPLEMENTARY INFORMATION



**CITY OF CANNON BEACH, OREGON**

## Required Supplementary Information

June 30, 2017

**Schedule of the Proportionate Share of the Net Pension Liability**  
Oregon Public Employees Retirement System

	2017	2016	2015
Proportion of the net pension liability (asset)	0.02099759 %	0.02312559 %	0.02011880 %
Proportionate share of the net pension liability (asset)	\$ 3,152,226	\$ 1,327,747	\$ (456,036)
Covered payroll	\$ 2,422,025	\$ 2,343,341	\$ 2,051,308
Proportionate share of the pension liability (asset) as a percentage of its covered employee payroll	130.15 %	56.66 %	(22.23)%
Plan net position as a percentage of the total pension liability	80.50 %	91.90 %	103.60 %

**Schedule of Pension Contributions**  
Oregon Public Employees Retirement System

	2017	2016	2015
Contractually required contribution	\$ 403,664	\$ 380,236	\$ 297,474
Contributions in relation to the contractually required contribution	403,664	380,236	297,474
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered employee payroll	\$ 2,422,025	\$ 2,343,341	\$ 2,051,308
Contributions as a percentage of covered employee payroll	16.67 %	16.23 %	14.50 %

**Notes to Required Supplementary Information**Note I - Measurement Period

Amounts presented are for the measurement period reported during the fiscal year, which for FY 2017 is July 1, 2015 - June 30, 2016.

Note II - Changes in Benefit Terms

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

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

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

Note III - Change in Assumptions

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



COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES



**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, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	\$ 11,000	\$ 11,000	\$ 64,950	\$ 53,950
Taxes and assessments	376,551	376,551	385,012	8,461
Transfers in	<u>161,725</u>	<u>161,725</u>	<u>161,725</u>	<u>-</u>
Total resources	<u>\$ 549,276</u>	<u>\$ 549,276</u>	<u>\$ 611,687</u>	<u>\$ 62,411</u>
Requirements:				
Debt service	\$ 534,276	\$ 534,276	\$ 534,275	\$ 1
Ending fund balance	<u>15,000</u>	<u>15,000</u>	<u>77,412</u>	<u>(62,412)</u>
Total requirements	<u>\$ 549,276</u>	<u>\$ 549,276</u>	<u>\$ 611,687</u>	<u>\$ (62,411)</u>



### **NONMAJOR GOVERNMENTAL FUNDS**

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

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

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

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

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

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



**CITY OF CANNON BEACH, OREGON**  
**NONMAJOR GOVERNMENTAL FUNDS**  
Combining Balance Sheet  
June 30, 2017

	Special Revenue Fund	Capital Projects Funds			
		General Repair and Replacement Reserve Fund (059)	Ecoloa Forest Reserve Fund (053)	Bridge Repair and Replacement Reserve Fund (055)	Total Nonmajor Governmental Funds
	Building Official Fund (015)				
<b>ASSETS</b>					
Cash and investments	\$ 76,083	\$ 513,821	\$ 6,394	\$ 8,592	\$ 604,890
Receivables:					
Accounts	<u>2,373</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,373</u>
Total assets	<u>\$ 78,456</u>	<u>\$ 513,821</u>	<u>\$ 6,394</u>	<u>\$ 8,592</u>	<u>\$ 607,263</u>
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	\$ 11,736	\$ -	\$ -	\$ -	11,736
Accrued payroll	<u>39</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39</u>
Total liabilities	<u>11,775</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,775</u>
<b>FUND BALANCES</b>					
Restricted:					
Building inspection	66,681	-	-	-	66,681
Assigned:					
Capital projects	<u>-</u>	<u>513,821</u>	<u>6,394</u>	<u>8,592</u>	<u>528,807</u>
Total fund balances	<u>66,681</u>	<u>513,821</u>	<u>6,394</u>	<u>8,592</u>	<u>595,488</u>
Total liabilities and fund balances	<u>\$ 78,456</u>	<u>\$ 513,821</u>	<u>\$ 6,394</u>	<u>\$ 8,592</u>	<u>\$ 607,263</u>

**CITY OF CANNON BEACH, OREGON**  
**NONMAJOR GOVERNMENTAL FUNDS**  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance  
For the Year Ended June 30, 2017

	Special Revenue Fund	Capital Projects Funds			
	Building Official Fund (015)	General Repair and Replacement Reserve Fund (059)	Ecoloa Forest Reserve Fund (053)	Bridge Repair and Replacement Reserve Fund (055)	Total Nonmajor Governmental Funds
Revenues:					
Licenses, permits, and fees	\$ 212,387	\$ -	\$ -	\$ -	\$ 212,387
Other	8,469	-	-	-	8,469
Total revenues	<u>220,856</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>220,856</u>
Expenditures:					
Current:					
Building	204,411	-	-	-	204,411
Capital outlay	-	-	-	150,000	150,000
Total expenditures	<u>204,411</u>	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>354,411</u>
Excess (deficiency) of revenues over (under) expenditures	16,445	-	-	(150,000)	(133,555)
Other Financing Sources (Uses):					
Transfers in	-	-	-	75,500	75,500
Net change in fund balances	16,445	-	-	(74,500)	(58,055)
Fund Balances:					
Beginning of year	50,236	513,821	6,394	83,092	653,543
End of year	<u>\$ 66,681</u>	<u>\$ 513,821</u>	<u>\$ 6,394</u>	<u>\$ 8,592</u>	<u>\$ 595,488</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	\$ 70,000	\$ 70,000	\$ 50,236	\$ (19,764)
Licenses, permits and fees	140,500	140,500	212,387	71,887
Other	<u>5,000</u>	<u>5,000</u>	<u>8,469</u>	<u>3,469</u>
Total resources	<u>\$ 215,500</u>	<u>\$ 215,500</u>	<u>\$ 271,092</u>	<u>\$ 55,592</u>
Requirements:				
Building Program:				
Personal services	\$ 11,550	\$ 11,550	\$ 21,213	\$ (9,663)
Materials and services	<u>135,137</u>	<u>135,137</u>	<u>183,198</u>	<u>(48,061)</u>
Total program-specific	<u>146,687</u>	<u>146,687</u>	<u>204,411</u>	<u>(57,724)</u>
Ending fund balance	<u>68,813</u>	<u>68,813</u>	<u>66,681</u>	<u>2,132</u>
Total requirements	<u>\$ 215,500</u>	<u>\$ 215,500</u>	<u>\$ 271,092</u>	<u>\$ (55,592)</u>

**CITY OF CANNON BEACH, OREGON**

**059 - GENERAL REPAIR AND REPLACEMENT RESERVE FUND**

**Schedule of Resources and Requirements**

**Budget and Actual (Budgetary Basis)**

**For the Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	<u>\$ 513,820</u>	<u>\$ 513,820</u>	<u>\$ 513,821</u>	<u>\$ 1</u>
Total resources	<u><u>\$ 513,820</u></u>	<u><u>\$ 513,820</u></u>	<u><u>\$ 513,821</u></u>	<u><u>\$ 1</u></u>
Requirements:				
Ending fund balance	<u>\$ 513,820</u>	<u>\$ 513,820</u>	<u>\$ 513,821</u>	<u>\$ (1)</u>
Total requirements	<u><u>\$ 513,820</u></u>	<u><u>\$ 513,820</u></u>	<u><u>\$ 513,821</u></u>	<u><u>\$ (1)</u></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, 2017

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

**CITY OF CANNON BEACH, OREGON**  
**055 - BRIDGE REPAIR AND REPLACEMENT RESERVE FUND**  
Schedule of Resources and Requirements  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	\$ 74,500	\$ 74,500	\$ 83,092	\$ 8,592
Transfers in	<u>75,500</u>	<u>75,500</u>	<u>75,500</u>	<u>-</u>
Total resources	<u><u>\$ 150,000</u></u>	<u><u>\$ 150,000</u></u>	<u><u>\$ 158,592</u></u>	<u><u>\$ 8,592</u></u>
Requirements:				
Roads Program:				
Capital outlay	\$ 150,000	\$ 150,000	\$ 150,000	\$ -
Ending fund balance	<u>-</u>	<u>-</u>	<u>8,592</u>	<u>(8,592)</u>
Total requirements	<u><u>\$ 150,000</u></u>	<u><u>\$ 150,000</u></u>	<u><u>\$ 158,592</u></u>	<u><u>\$ (8,592)</u></u>

## **ENTERPRISE FUNDS**

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

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

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

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

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

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

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

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

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

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

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



**CITY OF CANNON BEACH, OREGON**  
**WATER ENTERPRISE**  
Combining Statement of Net Position  
June 30, 2017

	Water Fund (024)	Water Repair and Replacement Reserve Fund (054)	Total Water Enterprise
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 178,246	\$ 102,286	\$ 280,532
Accounts receivable	79,887	-	79,887
Inventory	132,493	-	132,493
Total current assets	<u>390,626</u>	<u>102,286</u>	<u>492,912</u>
Noncurrent assets:			
Capital assets:			
Nondepreciable assets	624,116	-	624,116
Depreciable, net	<u>3,677,965</u>	<u>-</u>	<u>3,677,965</u>
Total noncurrent assets	<u>4,302,081</u>	<u>-</u>	<u>4,302,081</u>
Total assets	4,692,707	102,286	4,794,993
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pensions	<u>155,642</u>	<u>-</u>	<u>155,642</u>
Total assets and deferred outflows	<u>4,848,349</u>	<u>102,286</u>	<u>4,950,635</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	22,078	-	22,078
Deposits	1,600	-	1,600
Compensated absences	<u>16,243</u>	<u>-</u>	<u>16,243</u>
Total current liabilities	39,921	-	39,921
Noncurrent liabilities:			
Net pension liability	<u>281,494</u>	<u>-</u>	<u>281,494</u>
Total liabilities	321,415	-	321,415
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pensions	<u>14,131</u>	<u>-</u>	<u>14,131</u>
Total liabilities and deferred inflows	<u>335,546</u>	<u>-</u>	<u>335,546</u>
<b>NET POSITION</b>			
Net investment in capital assets	4,302,081	-	4,302,081
Unrestricted	<u>210,722</u>	<u>102,286</u>	<u>313,008</u>
Total net position	<u>\$ 4,512,803</u>	<u>\$ 102,286</u>	<u>\$ 4,615,089</u>

**CITY OF CANNON BEACH, OREGON**

**WATER ENTERPRISE**

Combining Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended June 30, 2017

	Water Fund (024)	Water Repair and Replacement Reserve Fund (054)	Total Water Enterprise
Operating Revenues:			
Charges for services	\$ 846,897	\$ -	\$ 846,897
Other operating revenues	18,377	-	18,377
Total operating revenues	<u>865,274</u>	<u>-</u>	<u>865,274</u>
Operating Expenses:			
Personal services	288,141	-	288,141
Cost of operations	567,006	-	567,006
Depreciation	164,782	-	164,782
Total operating expenses	<u>1,019,929</u>	<u>-</u>	<u>1,019,929</u>
Operating income (loss)	(154,655)	-	(154,655)
Nonoperating Revenues (Expenses):			
Interest expense	<u>(49)</u>	<u>-</u>	<u>(49)</u>
Income (loss) before contributions and transfers	(154,704)	-	(154,704)
Capital contributions	9,786	-	9,786
Capital transfers, net	79,224	(79,224)	-
Transfers in	<u>175,000</u>	<u>-</u>	<u>175,000</u>
Change in net position	109,306	(79,224)	30,082
Net Position:			
Beginning of year	<u>4,403,497</u>	<u>181,510</u>	<u>4,585,007</u>
End of year	<u>\$ 4,512,803</u>	<u>\$ 102,286</u>	<u>\$ 4,615,089</u>

**CITY OF CANNON BEACH, OREGON**  
**WATER ENTERPRISE**  
Combining Statement of Cash Flows  
For the Year Ended June 30, 2017

	Water Fund (024)	Water Repair and Replacement Reserve Fund (054)	Total Water Enterprise
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 855,342	\$ -	\$ 855,342
Payments to suppliers and contractors	(268,509)	-	(268,509)
Payments to employees	(269,483)	-	(269,483)
Payments for interfund services used	(316,890)	-	(316,890)
Net cash provided (used) by operating activities	<u>460</u>	<u>-</u>	<u>460</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers in	<u>175,000</u>	<u>-</u>	<u>175,000</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital contributions	9,786	-	9,786
Acquisition and construction of capital assets	(41,235)	(79,224)	(120,459)
Principal paid on capital debt	(16,963)	-	(16,963)
Interest paid on capital debt	(547)	-	(547)
Net cash provided by (used in) capital and related financing activities	<u>(48,959)</u>	<u>(79,224)</u>	<u>(128,183)</u>
Net change in cash and investments	126,501	(79,224)	47,277
Cash and investments:			
Beginning of year	<u>51,745</u>	<u>181,510</u>	<u>233,255</u>
End of year	<u>\$ 178,246</u>	<u>\$ 102,286</u>	<u>\$ 280,532</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (154,655)	\$ -	\$ (154,655)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	164,782	-	164,782
Net increase (reduction) of expense under GASB 68	18,237	-	18,237
(Increase) decrease in current assets:			
Receivables	(9,932)	-	(9,932)
Inventory	(1,378)	-	(1,378)
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	(17,015)	-	(17,015)
Compensated absences	421	-	421
Net cash provided (used) by operating activities	<u>\$ 460</u>	<u>\$ -</u>	<u>\$ 460</u>
<b>Schedule of noncash transactions:</b>			
Capital assets transferred between funds	<u>\$ 79,224</u>	<u>\$ (79,224)</u>	<u>\$ -</u>

**CITY OF CANNON BEACH, OREGON**  
**WASTEWATER ENTERPRISE**  
Combining Statement of Net Position  
June 30, 2017

	Wastewater Fund (026)	Wastewater Repair and Replacement Reserve Fund (056)	Total Wastewater Enterprise
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 197,054	\$ 81,975	\$ 279,029
Accounts receivable	101,139	-	101,139
Inventory	38,567	-	38,567
Total current assets	<u>336,760</u>	<u>81,975</u>	<u>418,735</u>
Noncurrent assets:			
Capital assets:			
Nondepreciable assets	135,056	-	135,056
Depreciable, net	<u>6,979,773</u>	<u>-</u>	<u>6,979,773</u>
Total noncurrent assets	<u>7,114,829</u>	<u>-</u>	<u>7,114,829</u>
Total assets	7,451,589	81,975	7,533,564
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pensions	<u>151,286</u>	<u>-</u>	<u>151,286</u>
Total assets and deferred outflows	<u>7,602,875</u>	<u>81,975</u>	<u>7,684,850</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	22,492	-	22,492
Compensated absences	<u>16,653</u>	<u>-</u>	<u>16,653</u>
Total current liabilities	39,145	-	39,145
Noncurrent liabilities:			
Net pension liability	<u>273,613</u>	<u>-</u>	<u>273,613</u>
Total liabilities	312,758	-	312,758
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pensions	<u>13,735</u>	<u>-</u>	<u>13,735</u>
Total liabilities and deferred inflows	<u>326,493</u>	<u>-</u>	<u>326,493</u>
<b>NET POSITION</b>			
Net investment in capital assets	7,114,829	-	7,114,829
Unrestricted	<u>161,553</u>	<u>81,975</u>	<u>243,528</u>
Total net position	<u>\$ 7,276,382</u>	<u>\$ 81,975</u>	<u>\$ 7,358,357</u>

**CITY OF CANNON BEACH, OREGON**  
**WASTEWATER ENTERPRISE**  
Combining Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended June 30, 2017

	Wastewater Fund (026)	Wastewater Repair and Replacement Reserve Fund (056)	Total Wastewater Enterprise
Operating Revenues:			
Charges for services	\$ 1,139,105	\$ -	\$ 1,139,105
Operating Expenses:			
Personal services	345,269	-	345,269
Cost of operations	670,347	-	670,347
Depreciation	373,567	-	373,567
Total operating expenses	1,389,183	-	1,389,183
Operating income (loss)	(250,078)	-	(250,078)
Nonoperating Revenues (Expenses):			
Interest expense	(23)	-	(23)
Income (loss) before contributions and transfers	(250,101)	-	(250,101)
Capital contributions	10,069	-	10,069
Change in net position	(240,032)	-	(240,032)
Net Position:			
Beginning of year	7,516,414	81,975	7,598,389
End of year	\$ 7,276,382	\$ 81,975	\$ 7,358,357

**CITY OF CANNON BEACH, OREGON**  
**WASTEWATER ENTERPRISE**  
Combining Statement of Cash Flows  
For the Year Ended June 30, 2017

	Wastewater Fund (026)	Wastewater Repair and Replacement Reserve Fund (056)	Total Wastewater Enterprise
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 1,194,380	\$ -	\$ 1,194,380
Payments to suppliers and contractors	(401,432)	-	(401,432)
Payments to employees	(323,339)	-	(323,339)
Payments for interfund services used	(316,265)	-	(316,265)
Net cash provided (used) by operating activities	<u>153,344</u>	<u>-</u>	<u>153,344</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital contributions	10,069	-	10,069
Acquisition and construction of capital assets	(106,421)	-	(106,421)
Principal paid on capital debt	(6,785)	-	(6,785)
Interest paid on capital debt	(222)	-	(222)
Net cash provided by (used in) capital and related financing activities	<u>(103,359)</u>	<u>-</u>	<u>(103,359)</u>
Net change in cash and investments	49,985	-	49,985
Cash and investments:			
Beginning of year	<u>147,069</u>	<u>81,975</u>	<u>229,044</u>
End of year	<u>\$ 197,054</u>	<u>\$ 81,975</u>	<u>\$ 279,029</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (250,078)	\$ -	\$ (250,078)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	373,567	-	373,567
Net increase (reduction) of expense under GASB 68	19,356	-	19,356
(Increase) decrease in current assets:			
Receivables	55,275	-	55,275
Inventory	(215)	-	(215)
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	(47,135)	-	(47,135)
Compensated absences	<u>2,574</u>	<u>-</u>	<u>2,574</u>
Net cash provided (used) by operating activities	<u>\$ 153,344</u>	<u>\$ -</u>	<u>\$ 153,344</u>

**CITY OF CANNON BEACH, OREGON**  
**STORM DRAIN ENTERPRISE**  
Combining Statement of Net Position  
June 30, 2017

	Storm Drain Fund (028)	Storm Drain Repair and Replacement Reserve Fund (058)	Total Storm Drain Enterprise
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 70,778	\$ 7,115	\$ 77,893
Accounts receivable	<u>11,057</u>	<u>-</u>	<u>11,057</u>
Total current assets	81,835	7,115	88,950
Noncurrent assets:			
Depreciable, net	<u>628,009</u>	<u>-</u>	<u>628,009</u>
Total assets	709,844	7,115	716,959
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pensions	<u>28,932</u>	<u>-</u>	<u>28,932</u>
Total assets and deferred outflows	<u>738,776</u>	<u>7,115</u>	<u>745,891</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	17,120	-	17,120
Compensated absences	<u>2,444</u>	<u>-</u>	<u>2,444</u>
Total current liabilities	19,564	-	19,564
Noncurrent liabilities:			
Net pension liability	<u>52,327</u>	<u>-</u>	<u>52,327</u>
Total liabilities	71,891	-	71,891
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pensions	<u>2,627</u>	<u>-</u>	<u>2,627</u>
Total liabilities and deferred inflows	<u>74,518</u>	<u>-</u>	<u>74,518</u>
<b>NET POSITION</b>			
Net investment in capital assets	628,009	-	628,009
Unrestricted	<u>36,249</u>	<u>7,115</u>	<u>43,364</u>
Total net position	<u>\$ 664,258</u>	<u>\$ 7,115</u>	<u>\$ 671,373</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, 2017

	Storm Drain Fund (028)	Storm Drain Repair and Replacement Reserve Fund (058)	Total Storm Drain Enterprise
Operating Revenues:			
Charges for services	\$ 142,324	\$ -	\$ 142,324
Operating Expenses:			
Personal services	81,544	-	81,544
Cost of operations	145,098	-	145,098
Depreciation	23,447	-	23,447
Total operating expenses	250,089	-	250,089
Operating income (loss)	(107,765)	-	(107,765)
Nonoperating Revenues (Expenses):			
Interest expense	(13)	-	(13)
Income (loss) before contributions and transfers	(107,778)	-	(107,778)
Capital contributions	5,666	-	5,666
Transfers in	75,000	-	75,000
Change in net position	(27,112)	-	(27,112)
Net Position:			
Beginning of year	691,370	7,115	698,485
End of year	\$ 664,258	\$ 7,115	\$ 671,373

**CITY OF CANNON BEACH, OREGON**  
**STORM DRAIN ENTERPRISE**  
Combining Statement of Cash Flows  
For the Year Ended June 30, 2017

	Storm Drain Fund (028)	Storm Drain Repair and Replacement Reserve Fund (058)	Total Storm Drain Enterprise
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 142,523	\$ -	\$ 142,523
Payments to suppliers and contractors	(77,390)	-	(77,390)
Payments to employees	(60,517)	-	(60,517)
Payments for interfund services used	(50,907)	-	(50,907)
Net cash provided (used) by operating activities	(46,291)	-	(46,291)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers in	75,000	-	75,000
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital contributions	5,666	-	5,666
Principal paid on capital debt	(4,524)	-	(4,524)
Interest paid on capital debt	(146)	-	(146)
Net cash provided by (used in) capital and related financing activities	996	-	996
Net change in cash and investments	29,705	-	29,705
Cash and investments:			
Beginning of year	41,073	7,115	48,188
End of year	<u>\$ 70,778</u>	<u>\$ 7,115</u>	<u>\$ 77,893</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (107,765)	\$ -	\$ (107,765)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	23,447	-	23,447
Net increase (reduction) of expense under GASB 68	19,689	-	19,689
(Increase) decrease in current assets:			
Receivables	199	-	199
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	16,801	-	16,801
Compensated absences	1,338	-	1,338
Net cash provided (used) by operating activities	<u>\$ (46,291)</u>	<u>\$ -</u>	<u>\$ (46,291)</u>

**CITY OF CANNON BEACH, OREGON**  
**RV PARK ENTERPRISE**  
Combining Statement of Net Position  
June 30, 2017

	RV Park Fund (020)	RV Park Repair and Replacement Reserve Fund (050)	Total RV Park Enterprise
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 390,576	\$ 9,485	\$ 400,061
Inventory	<u>21,702</u>	<u>-</u>	<u>21,702</u>
Total current assets	<u>412,278</u>	<u>9,485</u>	<u>421,763</u>
Noncurrent assets:			
Capital assets:			
Nondepreciable assets	799,450	-	799,450
Depreciable, net	<u>1,723,233</u>	<u>-</u>	<u>1,723,233</u>
Total noncurrent assets	<u>2,522,683</u>	<u>-</u>	<u>2,522,683</u>
Total assets	<u>2,934,961</u>	<u>9,485</u>	<u>2,944,446</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	78,676	-	78,676
Compensated absences	<u>125</u>	<u>-</u>	<u>125</u>
Total liabilities	<u>78,801</u>	<u>-</u>	<u>78,801</u>
<b>NET POSITION</b>			
Net investment in capital assets	2,522,683	-	2,522,683
Unrestricted	<u>333,477</u>	<u>9,485</u>	<u>342,962</u>
Total net position	<u>\$ 2,856,160</u>	<u>\$ 9,485</u>	<u>\$ 2,865,645</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, 2017

	RV Park Fund (020)	RV Park Repair and Replacement Reserve Fund (050)	Total RV Park Enterprise
Operating Revenues:			
Charges for services	\$ 1,436,235	\$ -	\$ 1,436,235
Operating Expenses:			
Personal services	1,409	-	1,409
Cost of operations	1,319,402	-	1,319,402
Depreciation	40,347	-	40,347
Total operating expenses	1,361,158	-	1,361,158
Income (loss) before contributions and transfers	75,077	-	75,077
Capital transfers, net	340,000	(340,000)	-
Transfers in	-	190,000	190,000
Transfers out	(250,000)	-	(250,000)
Change in net position	165,077	(150,000)	15,077
Net Position:			
Beginning of year	2,691,083	159,485	2,850,568
End of year	\$ 2,856,160	\$ 9,485	\$ 2,865,645

**CITY OF CANNON BEACH, OREGON**  
**RV PARK ENTERPRISE**  
Combining Statement of Cash Flows  
For the Year Ended June 30, 2017

	RV Park Repair and Replacement		
	RV Park Fund (020)	Reserve Fund (050)	Total RV Park Enterprise
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 1,436,235	\$ -	\$ 1,436,235
Payments to suppliers and contractors	(1,215,217)	-	(1,215,217)
Payments to employees	(1,284)	-	(1,284)
Payments for interfund services used	(105,680)	-	(105,680)
Net cash provided (used) by operating activities	<u>114,054</u>	<u>-</u>	<u>114,054</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers in	-	190,000	190,000
Transfers out	(250,000)	-	(250,000)
Net cash provided by (used in) noncapital financing activities	<u>(250,000)</u>	<u>190,000</u>	<u>(60,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	<u>(200,811)</u>	<u>(340,000)</u>	<u>(540,811)</u>
Net change in cash and investments	(336,757)	(150,000)	(486,757)
Cash and investments:			
Beginning of year	<u>727,333</u>	<u>159,485</u>	<u>886,818</u>
End of year	<u>\$ 390,576</u>	<u>\$ 9,485</u>	<u>\$ 400,061</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ 75,077	\$ -	\$ 75,077
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	40,347	-	40,347
(Increase) decrease in current assets:			
Inventory	2,328	-	2,328
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	(3,823)	-	(3,823)
Compensated absences	125	-	125
Net cash provided (used) by operating activities	<u>\$ 114,054</u>	<u>\$ -</u>	<u>\$ 114,054</u>
<b>Schedule of noncash transactions:</b>			
Capital assets transferred between funds	<u>\$ 340,000</u>	<u>\$ (340,000)</u>	<u>\$ -</u>

**CITY OF CANNON BEACH, OREGON**  
**RECYCLING ENTERPRISE**  
Combining Statement of Net Position  
June 30, 2017

	Recycling Fund (022)	Recycling Repair and Replacement Reserve Fund (052)	Total Recycling Enterprise
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 53,194	\$ 76,326	\$ 129,520
Accounts receivable	<u>24,026</u>	<u>-</u>	<u>24,026</u>
Total current assets	77,220	76,326	153,546
Noncurrent assets:			
Capital assets:			
Depreciable, net	<u>145,446</u>	<u>-</u>	<u>145,446</u>
Total assets	222,666	76,326	298,992
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pensions	<u>56,121</u>	<u>-</u>	<u>56,121</u>
Total assets and deferred outflows	<u>278,787</u>	<u>76,326</u>	<u>355,113</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	4,519	-	4,519
Compensated absences	<u>6,264</u>	<u>-</u>	<u>6,264</u>
Total current liabilities	10,783	-	10,783
Noncurrent liabilities:			
Net pension liability	<u>101,502</u>	<u>-</u>	<u>101,502</u>
Total liabilities	112,285	-	112,285
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pensions	<u>5,095</u>	<u>-</u>	<u>5,095</u>
Total liabilities and deferred inflows	<u>117,380</u>	<u>-</u>	<u>117,380</u>
<b>NET POSITION</b>			
Net investment in capital assets	145,446	-	145,446
Unrestricted	<u>15,961</u>	<u>76,326</u>	<u>92,287</u>
Total net position	<u>\$ 161,407</u>	<u>\$ 76,326</u>	<u>\$ 237,733</u>

**CITY OF CANNON BEACH, OREGON**  
**RECYCLING ENTERPRISE**  
Combining Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended June 30, 2017

	Recycling Fund (022)	Recycling Repair and Replacement Reserve Fund (052)	Total Recycling Enterprise
Operating Revenues:			
Charges for services	\$ 189,323	\$ -	\$ 189,323
Operating Expenses:			
Personal services	99,820	-	99,820
Cost of operations	90,743	-	90,743
Depreciation	7,691	-	7,691
Total operating expenses	198,254	-	198,254
Change in net position	(8,931)	-	(8,931)
Net Position:			
Beginning of year	170,338	76,326	246,664
End of year	\$ 161,407	\$ 76,326	\$ 237,733

**CITY OF CANNON BEACH, OREGON**  
**RECYCLING ENTERPRISE**  
Combining Statement of Cash Flows  
For the Year Ended June 30, 2017

	Recycling Fund (022)	Recycling Repair and Replacement Reserve Fund (052)	Total Recycling Enterprise
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 185,497	\$ -	\$ 185,497
Payments to suppliers and contractors	(38,809)	-	(38,809)
Payments to employees	(98,776)	-	(98,776)
Payments for interfund services used	(52,119)	-	(52,119)
Net cash provided (used) by operating activities	(4,207)	-	(4,207)
Net change in cash and investments	(4,207)	-	(4,207)
Cash and investments:			
Beginning of year	57,401	76,326	133,727
End of year	<u>\$ 53,194</u>	<u>\$ 76,326</u>	<u>\$ 129,520</u>

**Reconciliation of operating income (loss) to  
net cash provided (used) by operating  
activities:**

Operating income (loss)	\$ (8,931)	\$ -	\$ (8,931)
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	3,044	-	3,044
(Increase) decrease in current assets:			
Receivables	(3,826)	-	(3,826)
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	(185)	-	(185)
Compensated absences	(2,000)	-	(2,000)
Net cash provided (used) by operating activities	<u>\$ (4,207)</u>	<u>\$ -</u>	<u>\$ (4,207)</u>

**CITY OF CANNON BEACH, OREGON**

024 - WATER FUND

Schedule of Resources and Requirements

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	\$ 40,000	\$ 40,000	\$ 81,007	\$ 41,007
Charges for services	846,500	846,500	846,897	397
Other	3,000	3,000	18,377	15,377
Capital contributions	1,500	1,500	9,786	8,286
Transfers in	<u>175,000</u>	<u>175,000</u>	<u>175,000</u>	<u>-</u>
Total resources	<u>\$ 1,066,000</u>	<u>\$ 1,066,000</u>	<u>\$ 1,131,067</u>	<u>\$ 65,067</u>

Requirements:

Water Program:

Personal services	\$ 276,198	\$ 276,198	\$ 269,483	\$ 6,715
Materials and services	649,889	631,885	568,384	63,501
Capital outlay	<u>-</u>	<u>41,237</u>	<u>41,236</u>	<u>1</u>
Total program-specific	926,087	949,320	879,103	70,217
Debt service	17,510	17,510	17,510	-
Contingency	<u>30,601</u>	<u>7,368</u>	<u>-</u>	<u>7,368</u>
Total expenditures	974,198	974,198	896,613	77,585
Ending fund balance	<u>91,802</u>	<u>91,802</u>	<u>234,455</u>	<u>(142,653)</u>
Total requirements	<u>\$ 1,066,000</u>	<u>\$ 1,066,000</u>	<u>\$ 1,131,068</u>	<u>\$ (65,068)</u>

Reconciliation to GAAP Basis:

Ending fund balance - budget basis	\$ 234,455
Inventory	132,493
Capital assets - net	4,302,081
Deferred outflows related to pensions	155,642
Compensated absences	(16,243)
Net pension liability	(281,494)
Deferred Inflows Related to Pensions	<u>(14,131)</u>
Ending net position - GAAP basis	<u>\$ 4,512,803</u>

**CITY OF CANNON BEACH, OREGON**

**054 - WATER REPAIR AND REPLACEMENT RESERVE FUND**

**Schedule of Resources and Requirements**

**Budget and Actual (Budgetary Basis)**

**For the Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	\$ 181,509	\$ 181,509	\$ 181,510	\$ 1
Total resources	<u>\$ 181,509</u>	<u>\$ 181,509</u>	<u>\$ 181,510</u>	<u>\$ 1</u>
Requirements:				
Water Program:				
Capital outlay	\$ 65,000	\$ 65,000	\$ 79,224	\$ (14,224)
Ending fund balance	<u>116,509</u>	<u>116,509</u>	<u>102,286</u>	<u>14,223</u>
Total requirements	<u>\$ 181,509</u>	<u>\$ 181,509</u>	<u>\$ 181,510</u>	<u>\$ (1)</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Resources:</b>				
Beginning fund balance	\$ 300,000	\$ 300,000	\$ 233,856	\$ (66,144)
Charges for services	1,101,000	1,101,000	1,139,105	38,105
Capital contributions	<u>1,500</u>	<u>1,500</u>	<u>10,069</u>	<u>8,569</u>
Total resources	<u>\$ 1,402,500</u>	<u>\$ 1,402,500</u>	<u>\$ 1,383,030</u>	<u>\$ (19,470)</u>
<b>Requirements:</b>				
Wastewater Program:				
Personal services	\$ 310,820	\$ 310,820	\$ 323,339	\$ (12,519)
Materials and services	753,822	743,338	670,563	72,775
Capital outlay	<u>85,000</u>	<u>95,484</u>	<u>106,420</u>	<u>(10,936)</u>
Total program-specific	1,149,642	1,149,642	1,100,322	49,320
Debt service	7,007	7,007	7,007	-
Contingency	<u>61,463</u>	<u>61,463</u>	<u>-</u>	<u>61,463</u>
Total expenditures	1,218,112	1,218,112	1,107,329	110,783
Ending fund balance	<u>184,388</u>	<u>184,388</u>	<u>275,701</u>	<u>(91,313)</u>
Total requirements	<u>\$ 1,402,500</u>	<u>\$ 1,402,500</u>	<u>\$ 1,383,030</u>	<u>\$ 19,470</u>

Reconciliation to GAAP Basis:

Ending fund balance - budget basis	\$ 275,701
Inventory	38,567
Capital assets - net	7,114,829
Deferred outflows related to pensions	151,286
Compensated absences	(16,653)
Net pension liability	(273,613)
Deferred Inflows Related to Pensions	<u>(13,735)</u>
Ending net position - GAAP basis	<u>\$ 7,276,382</u>

**CITY OF CANNON BEACH, OREGON**

**056 - WASTEWATER REPAIR AND REPLACEMENT RESERVE FUND**

**Schedule of Resources and Requirements**

**Budget and Actual (Budgetary Basis)**

**For the Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	<u>\$ 81,975</u>	<u>\$ 81,975</u>	<u>\$ 81,975</u>	<u>\$ -</u>
Total resources	<u><u>\$ 81,975</u></u>	<u><u>\$ 81,975</u></u>	<u><u>\$ 81,975</u></u>	<u><u>\$ -</u></u>
Requirements:				
Ending fund balance	<u>\$ 81,975</u>	<u>\$ 81,975</u>	<u>\$ 81,975</u>	<u>\$ -</u>
Total requirements	<u><u>\$ 81,975</u></u>	<u><u>\$ 81,975</u></u>	<u><u>\$ 81,975</u></u>	<u><u>\$ -</u></u>

**CITY OF CANNON BEACH, OREGON**

028 - STORM DRAIN FUND

Schedule of Resources and Requirements

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	\$ 10,000	\$ 10,000	\$ 52,010	\$ 42,010
Charges for services	142,000	142,000	142,324	324
Capital contributions	-	-	5,666	5,666
Transfers in	75,000	75,000	75,000	-
Total resources	<u>\$ 227,000</u>	<u>\$ 227,000</u>	<u>\$ 275,000</u>	<u>\$ 48,000</u>

Requirements:				
Storm Drain Program:				
Personal services	\$ 62,369	\$ 62,369	\$ 60,517	\$ 1,852
Materials and services	125,266	125,266	145,098	(19,832)
Total program-specific	187,635	187,635	205,615	(17,980)
Debt service	4,670	4,670	4,670	-
Contingency	8,674	8,674	-	8,674
Total expenditures	200,979	200,979	210,285	(9,306)
Ending fund balance	26,021	26,021	64,715	(38,694)
Total requirements	<u>\$ 227,000</u>	<u>\$ 227,000</u>	<u>\$ 275,000</u>	<u>\$ (48,000)</u>

Reconciliation to GAAP Basis:	
Ending fund balance - budget basis	\$ 64,715
Capital assets - net	628,009
Deferred outflows related to pensions	28,932
Compensated absences	(2,444)
Net pension liability	(52,327)
Deferred Inflows Related to Pensions	<u>(2,627)</u>
Ending net position - GAAP basis	<u>\$ 664,258</u>

**CITY OF CANNON BEACH, OREGON**

**058 - STORM DRAIN REPAIR AND REPLACEMENT RESERVE FUND**

**Schedule of Resources and Requirements**

**Budget and Actual (Budgetary Basis)**

**For the Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	<u>\$      7,114</u>	<u>\$      7,114</u>	<u>\$      7,115</u>	<u>\$          1</u>
Total resources	<u><u>\$      7,114</u></u>	<u><u>\$      7,114</u></u>	<u><u>\$      7,115</u></u>	<u><u>\$          1</u></u>
Requirements:				
Ending fund balance	<u>\$      7,114</u>	<u>\$      7,114</u>	<u>\$      7,115</u>	<u>\$        (1)</u>
Total requirements	<u><u>\$      7,114</u></u>	<u><u>\$      7,114</u></u>	<u><u>\$      7,115</u></u>	<u><u>\$        (1)</u></u>

**CITY OF CANNON BEACH, OREGON**

020 - RV PARK FUND

Schedule of Resources and Requirements

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	\$ 184,545	\$ 184,545	\$ 644,834	\$ 460,289
Charges for services	<u>1,600,000</u>	<u>1,600,000</u>	<u>1,436,235</u>	<u>(163,765)</u>
Total resources	<u>\$ 1,784,545</u>	<u>\$ 1,784,545</u>	<u>\$ 2,081,069</u>	<u>\$ 296,524</u>
Requirements:				
RV Park Program:				
Personal services	\$ 2,706	\$ 2,706	\$ 1,284	\$ 1,422
Materials and services	1,466,516	1,466,516	1,317,074	149,442
Capital outlay	<u>-</u>	<u>170,000</u>	<u>200,811</u>	<u>(30,811)</u>
Total program-specific	1,469,222	1,639,222	1,519,169	120,053
Transfers out	250,000	250,000	250,000	-
Contingency	<u>16,331</u>	<u>16,331</u>	<u>-</u>	<u>16,331</u>
Total expenditures	1,735,553	1,905,553	1,769,169	136,384
Ending fund balance	<u>48,992</u>	<u>(121,008)</u>	<u>311,900</u>	<u>(432,908)</u>
Total requirements	<u>\$ 1,784,545</u>	<u>\$ 1,784,545</u>	<u>\$ 2,081,069</u>	<u>\$ (296,524)</u>

Reconciliation to GAAP Basis:

Ending fund balance - budget basis	\$ 311,900
Inventory	21,702
Capital assets - net	2,522,683
Compensated absences	<u>(125)</u>
Ending net position - GAAP basis	<u>\$ 2,856,160</u>

**CITY OF CANNON BEACH, OREGON**

**050 - RV PARK REPAIR AND REPLACEMENT RESERVE FUND**

**Schedule of Resources and Requirements**

**Budget and Actual (Budgetary Basis)**

**For the Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	\$ 159,484	\$ 159,484	\$ 159,485	\$ 1
Transfers in	<u>100,000</u>	<u>190,000</u>	<u>190,000</u>	<u>-</u>
Total resources	<u><u>\$ 259,484</u></u>	<u><u>\$ 349,484</u></u>	<u><u>\$ 349,485</u></u>	<u><u>\$ 1</u></u>
Requirements:				
RV Park Program:				
Capital outlay	\$ 250,000	\$ 340,000	\$ 340,000	\$ -
Ending fund balance	<u>9,484</u>	<u>9,484</u>	<u>9,485</u>	<u>(1)</u>
Total requirements	<u><u>\$ 259,484</u></u>	<u><u>\$ 349,484</u></u>	<u><u>\$ 349,485</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Beginning fund balance	\$ 65,000	\$ 65,000	\$ 72,897	\$ 7,897
Charges for services	<u>164,000</u>	<u>164,000</u>	<u>189,323</u>	<u>25,323</u>
Total resources	<u>\$ 229,000</u>	<u>\$ 229,000</u>	<u>\$ 262,220</u>	<u>\$ 33,220</u>

Requirements:				
Recycling Program:				
Personal services	\$ 99,970	\$ 99,970	\$ 98,776	\$ 1,194
Materials and services	<u>116,674</u>	<u>116,674</u>	<u>90,743</u>	<u>25,931</u>
Total program-specific	216,644	216,644	189,519	27,125
Contingency	<u>3,089</u>	<u>3,089</u>	<u>-</u>	<u>3,089</u>
Total expenditures	219,733	219,733	189,519	30,214
Ending fund balance	<u>9,267</u>	<u>9,267</u>	<u>72,701</u>	<u>(63,434)</u>
Total requirements	<u>\$ 229,000</u>	<u>\$ 229,000</u>	<u>\$ 262,220</u>	<u>\$ (33,220)</u>

Reconciliation to GAAP Basis:	
Ending fund balance - budget basis	\$ 72,701
Capital assets - net	145,446
Deferred outflows related to pensions	56,121
Compensated absences	(6,264)
Net pension liability	(101,502)
Deferred Inflows Related to Pensions	<u>(5,095)</u>
Ending net position - GAAP basis	<u>\$ 161,407</u>

**CITY OF CANNON BEACH, OREGON**  
**052 - RECYCLING REPAIR AND REPLACEMENT RESERVE FUND**  
Schedule of Resources and Requirements  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2017

	<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:				
Ending fund balance	<u>\$     76,325</u>	<u>\$     76,325</u>	<u>\$     76,326</u>	<u>\$        (1)</u>
Total requirements	<u><u>\$     76,325</u></u>	<u><u>\$     76,325</u></u>	<u><u>\$     76,326</u></u>	<u><u>\$        (1)</u></u>



### **INTERNAL SERVICE FUND**

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

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



**CITY OF CANNON BEACH, OREGON****060 - ADMINISTRATIVE SERVICES FUND****Schedule of Resources and Requirements****Budget and Actual (Budgetary Basis)****For the Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resources:				
Charges for services	\$ 1,544,751	\$ 1,544,751	\$ 1,493,549	\$ (51,202)
Other	<u>-</u>	<u>-</u>	<u>492</u>	<u>492</u>
Total resources	<u>\$ 1,544,751</u>	<u>\$ 1,544,751</u>	<u>\$ 1,494,041</u>	<u>\$ (50,710)</u>
Requirements:				
Executive	\$ 394,633	\$ 394,633	\$ 385,837	\$ 8,796
Finance	362,770	362,770	324,535	38,235
IT	234,017	234,017	226,886	7,131
Central Services	193,243	193,243	186,524	6,719
Public Works	<u>360,088</u>	<u>360,088</u>	<u>370,259</u>	<u>(10,171)</u>
Total expenditures	1,544,751	1,544,751	1,494,041	50,710
Ending fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total requirements	<u>\$ 1,544,751</u>	<u>\$ 1,544,751</u>	<u>\$ 1,494,041</u>	<u>\$ 50,710</u>

**Reconciliation to GAAP Basis:**

Capital assets - net	\$ 106,447
Deferred outflows related to pensions	477,385
Compensated absences	(32,500)
Net pension liability	(863,395)
Deferred Inflows Related to Pensions	<u>(43,342)</u>
Ending net position - GAAP basis	<u>\$ (355,405)</u>



COMPLIANCE SECTION





## **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, 2017 and have issued our report thereon dated December 16, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

### **Compliance**

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

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

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

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

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

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

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

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

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

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

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

by Paul R Nielson, CPA, a member of the firm  
Eugene, Oregon  
December 16, 2017