

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2016



CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

CITY OFFICIALS

June 30, 2016

MAYOR

Joanne Aagaard
P.O. Box 164
Rockaway Beach, Oregon 97136

CITY COUNCIL

Sue Wilson, President
1190 Francis Street
Rockaway Beach, Oregon 97136

Myrna Riley
310 Northslope Way
Rockaway Beach, Oregon 97136

Terry Walhood
P.O. Box 21
Rockaway Beach, Oregon 97136

James Doyle
P.O. Box 556
Rockaway Beach, Oregon 97136

CITY MANAGER

Lars Gare

FINANCE DIRECTOR

Marni Johnston

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

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FINANCIAL SECTION



KOONTZ, PERDUE, BLASQUEZ & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Honorable Joanne Aagaard, Mayor
and Members of the City Council
City of Rockaway Beach
Rockaway Beach, Oregon 97136

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Rockaway Beach, Tillamook County, Oregon, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City of Rockaway Beach's 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 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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Rockaway Beach, Tillamook County, Oregon as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof 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, schedule of the proportionate share of the net pension liability, schedule of contributions, and budgetary comparison information on pages 4 through 10, 57, 58, and 59 through 62, respectively, 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 management's discussion and analysis, schedule of the proportionate share of the net pension liability, and schedule of contributions 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 management's discussion and analysis, schedule of the proportionate share of the net pension liability, or schedule of contributions because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rockaway Beach's basic financial statements. The combining statements, individual fund schedules, schedule of property tax transactions, and schedule of future requirements for retirement of federal long-term debt are presented for purposes of additional analysis and are not a required part of the basic financial statements.


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

The schedule of property tax transactions and schedule of future requirements for retirement of federal long-term debt have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 19, 2016 on our consideration of 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.

Koontz, Perdue, Blasquez & Co., P.C.

By:  _____
Richard D. Perdue, CPA

Albany, Oregon
December 19, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

As management of the City of Rockaway Beach, Tillamook County, Oregon, we offer readers this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. It should be read in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2016, total net position of the City of Rockaway Beach amounted to \$17,099,325. Of this amount, \$11,388,964 was invested in capital assets, net of related debt. The remaining balance included \$2,558,445 restricted for various purposes and \$3,151,916 of unrestricted net position.
- At June 30, 2016, the City's governmental funds reported combined ending fund balances of \$3,478,409.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Rockaway Beach's basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic 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's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and liabilities 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 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 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 include general government, public safety, roads and streets, parks and recreation, and civic center. The business-type activities of the City include water and sewer services.

The government-wide financial statements can be found on pages 11 through 13 of this report.

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund Financial Statements

The fund financial statements are designed to demonstrate compliance with finance-related legal requirements overseeing the use of fund accounting. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. All of the funds of the City of Rockaway 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 available resources, as well as on the balances of available resources at the end of the fiscal year. Such information may be useful in evaluating the City'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 City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 11 governmental funds. Information is presented separately in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Roads and Streets, Transient Room Tax, and Sewer Improvements Debt Service Funds, all of which are considered to be major governmental funds. Data from the nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Rockaway Beach adopts an annual appropriated budget for all of its governmental funds. A budgetary comparison statement has been provided for each fund individually to demonstrate compliance with their respective budgets.

The basic governmental fund financial statements can be found on pages 14 through 17 of this report.

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

Proprietary Funds

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

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise funds to account for its water and sewer utility operations.

Information is presented separately in the proprietary funds statement of net position, proprietary funds statement of revenues, expenses, and changes in fund net position, and the proprietary funds statement of cash flows for the Water Operating, Sewer Operating, and Sewer SDC Funds, which are considered to be major proprietary funds, as well as for the Water SDC Fund, which is considered to be a nonmajor proprietary fund.

The City of Rockaway Beach adopts an annual appropriated budget for all of its proprietary funds. A budgetary comparison statement has been provided for each fund individually to demonstrate compliance with their respective budgets.

The basic proprietary fund financial statements can be found on pages 18 through 22 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the financial data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 23 through 56 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes the schedule of the proportionate share of the net pension liability, schedule of contributions, and budgetary comparison information for the General, Roads and Streets, and Transient Room Tax Funds. This required supplementary information can be found on pages 57 through 62 of this report.

The combining statements referred to earlier, in connection with nonmajor governmental funds, are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 63 through 76 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. At June 30, 2016, the City's assets exceeded liabilities by \$17,099,325.

A large portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, and equipment) less any related debt used to acquire those assets that is still outstanding. Although the City's investment in 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.

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

City's Net Position

At the end of the current fiscal year, the City was able to report positive balances in all categories of net position. The City's net position decreased by \$255,730 during the current fiscal year. This decrease is primarily due to an increase in program and pension-related expenses.

Condensed statement of net position information is shown below.

Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Assets and deferred outflows of resources						
Current assets	\$ 2,521,024	\$ 2,374,175	\$ 1,492,915	\$ 1,512,872	\$ 4,013,939	\$ 3,887,047
Restricted assets	1,107,987	927,006	1,450,458	1,330,380	2,558,445	2,257,386
Net capital assets	7,164,350	7,305,812	8,143,245	8,477,616	15,307,595	15,783,428
Other assets	-	67,136	-	99,384	-	166,520
Deferred outflows of resources	59,013	35,267	97,047	52,207	156,060	87,474
Total assets and deferred outflows of resources	10,852,374	10,709,396	11,183,665	11,472,459	22,036,039	22,181,855
Liabilities						
Current liabilities	298,075	321,536	351,583	265,319	649,658	586,855
Noncurrent liabilities	2,430,252	2,348,669	1,725,164	1,569,961	4,155,416	3,918,630
Deferred inflows of resources	49,779	129,544	81,861	191,771	131,640	321,315
Total liabilities and deferred inflows of resources	2,778,106	2,799,749	2,158,608	2,027,051	4,936,714	4,826,800
Net position						
Net investment in capital assets	4,815,680	4,841,757	6,573,284	6,739,511	11,388,964	11,581,268
Restricted for various purposes	1,107,987	927,006	1,450,458	1,330,380	2,558,445	2,257,386
Unrestricted	2,150,601	2,140,884	1,001,315	1,375,517	3,151,916	3,516,401
Total net position	\$ 8,074,268	\$ 7,909,647	\$ 9,025,057	\$ 9,445,408	\$ 17,099,325	\$ 17,355,055

City's Changes in Net Position

The condensed statement of activities information shown on the following page explains changes in net position.

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Program revenues						
Charges for services	\$ 774,346	\$ 737,581	\$ 1,764,026	\$ 1,687,460	\$ 2,538,372	\$ 2,425,041
Operating grants and contributions	68,513	14,978	-	-	68,513	14,978
Capital grants and contributions	<u>51,519</u>	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>51,519</u>	<u>5,000</u>
Total program revenues	<u>894,378</u>	<u>757,559</u>	<u>1,764,026</u>	<u>1,687,460</u>	<u>2,658,404</u>	<u>2,445,019</u>
General revenues						
Property taxes	361,644	348,153	-	855	361,644	349,008
Transient room taxes	674,749	597,385	-	-	674,749	597,385
Alcohol and cigarette taxes	22,411	20,862	-	-	22,411	20,862
Investment earnings	17,477	12,955	14,330	11,306	31,807	24,261
Rental income	3,600	-	-	-	3,600	-
Miscellaneous	<u>20,913</u>	<u>13,812</u>	<u>23,514</u>	<u>10,666</u>	<u>44,427</u>	<u>24,478</u>
Total general revenues	<u>1,100,794</u>	<u>993,167</u>	<u>37,844</u>	<u>22,827</u>	<u>1,138,638</u>	<u>1,015,994</u>
Total revenues	<u>1,995,172</u>	<u>1,750,726</u>	<u>1,801,870</u>	<u>1,710,287</u>	<u>3,797,042</u>	<u>3,461,013</u>
Program expenses						
General government	944,733	535,168	-	-	944,733	535,168
Public safety	455,868	479,666	-	-	455,868	479,666
Roads and streets	528,242	460,951	-	-	528,242	460,951
Parks and recreation	30,910	31,696	-	-	30,910	31,696
Civic center	474	553	-	-	474	553
Interest on long-term debt	90,207	98,062	-	-	90,207	98,062
Water	-	-	1,085,199	770,926	1,085,199	770,926
Sewer	<u>-</u>	<u>-</u>	<u>942,166</u>	<u>694,643</u>	<u>942,166</u>	<u>694,643</u>
Total program expenses	<u>2,050,434</u>	<u>1,606,096</u>	<u>2,027,365</u>	<u>1,465,569</u>	<u>4,077,799</u>	<u>3,071,665</u>
Transfers	<u>219,883</u>	<u>(48,176)</u>	<u>(194,856)</u>	<u>48,176</u>	<u>25,027</u>	<u>-</u>
Change in net position	164,621	96,454	(420,351)	292,894	(255,730)	389,348
Net position - beginning of year	<u>7,909,647</u>	<u>7,813,193</u>	<u>9,445,408</u>	<u>9,152,514</u>	<u>17,355,055</u>	<u>16,965,707</u>
Net position - end of year	<u>\$ 8,074,268</u>	<u>\$ 7,909,647</u>	<u>\$ 9,025,057</u>	<u>\$ 9,445,408</u>	<u>\$ 17,099,325</u>	<u>\$ 17,355,055</u>

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

At the end of the current fiscal year, the City's governmental funds reported combined fund balances of \$3,478,409. Of this amount, \$20,862 constitutes unassigned fund balance, which is available for spending at the City's discretion.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance of the General Fund was \$94,652. Of this amount, \$20,862 constitutes unassigned fund balance.

Proprietary Funds

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

Total net position of the enterprise funds amounted to \$9,025,057 at year-end. Of this amount, \$6,573,284 was invested in capital assets, net of related debt. The remaining balance included \$1,450,458 restricted for system development and \$1,001,315 of unrestricted net position.

BUDGETARY HIGHLIGHTS

Budget amounts shown in the financial statements reflect the original budget amounts and two approved appropriation transfers. During the year, the City declared a state of emergency due to severe winter weather. An executive order was issued which, under ORS 294.481, authorized immediate unbudgeted expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental activities and business-type activities as of June 30, 2016 amounted to \$7,164,350 and \$8,143,245, net of accumulated depreciation, respectively. This investment in capital assets includes land, construction in progress, buildings, machinery and equipment, intangibles, vehicles, and infrastructure. The total depreciation expense related to the City's investment in capital assets for its governmental activities and business-type activities during the current fiscal year amounted to \$456,635 and \$425,891, respectively.

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

Additional information on the City's capital assets can be found in Note III-B on pages 35 through 37 of this report.

Long-Term Debt

At the end of the current fiscal year, the City had total debt outstanding of \$3,918,631. This amount is comprised of seven loans payable and revenue bonds. The City's total debt decreased by \$283,529 during the current fiscal year. Additional information on the City's long-term debt can be found in Note III-E on pages 40 through 42 of this report.

KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE

At the time these financial statements were prepared and audited, the City was aware of the following circumstance that could affect its future financial health:

- Health insurance benefits will continue to increase above inflation.

This factor was considered in preparing the City's budget for fiscal year 2016-2017.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest. Questions concerning any of the information provided in the report or requests for additional information should be addressed to the City Manager at the following address: P.O. Box 5, Rockaway Beach, Oregon 97136.

BASIC FINANCIAL STATEMENTS

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

STATEMENT OF NET POSITION

June 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets			
Cash and cash equivalents	\$ 2,286,772	\$ 1,153,589	\$ 3,440,361
Accounts receivable	193,935	263,172	457,107
Property taxes receivable	24,342	-	24,342
Special assessments	4,398	-	4,398
Inventories	-	59,581	59,581
Prepays and deposits	11,577	16,573	28,150
Total current assets	2,521,024	1,492,915	4,013,939
Restricted assets			
Cash and cash equivalents	988,501	1,379,204	2,367,705
Grants receivable	50,000	-	50,000
Accounts receivable	69,486	-	69,486
Special assessments	-	6,454	6,454
Due from other funds	-	64,800	64,800
Total restricted assets	1,107,987	1,450,458	2,558,445
Capital assets			
Land	2,172,873	-	2,172,873
Construction in progress	79,331	145,280	224,611
Capital assets, net of accumulated depreciation	4,912,146	7,997,965	12,910,111
Total capital assets	7,164,350	8,143,245	15,307,595
Total assets	10,793,361	11,086,618	21,879,979
Deferred outflows of resources			
Net deferred outflow of pension related resources	59,013	97,047	156,060
Total assets and deferred outflows of resources	10,852,374	11,183,665	22,036,039

(Continued)

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

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

STATEMENT OF NET POSITION

June 30, 2016

(Continued)

	Governmental Activities	Business-Type Activities	Total
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities			
Accounts payable	\$ 59,558	\$ 108,377	\$ 167,935
Accrued payroll liabilities	-	54	54
Accrued interest payable	23,507	14,577	38,084
Compensated absences payable	32,589	56,192	88,781
Due to other funds	64,800	-	64,800
Bonds payable, current portion	-	25,000	25,000
Loans payable, current portion	<u>117,621</u>	<u>147,383</u>	<u>265,004</u>
Total current liabilities	<u>298,075</u>	<u>351,583</u>	<u>649,658</u>
Noncurrent liabilities			
Bonds payable, less current portion	-	50,000	50,000
Loans payable, less current portion	2,231,049	1,347,578	3,578,627
Net pension liability	<u>199,203</u>	<u>327,586</u>	<u>526,789</u>
Total noncurrent liabilities	<u>2,430,252</u>	<u>1,725,164</u>	<u>4,155,416</u>
Total liabilities	2,728,327	2,076,747	4,805,074
Deferred inflows of resources			
Net deferred inflow of pension related resources	<u>49,779</u>	<u>81,861</u>	<u>131,640</u>
Total liabilities and deferred inflows of resources	<u>2,778,106</u>	<u>2,158,608</u>	<u>4,936,714</u>
NET POSITION			
Net investment in capital assets	4,815,680	6,573,284	11,388,964
Restricted for:			
Debt service	771,326	-	771,326
USDA loan	64,650	-	64,650
Street maintenance	188,167	-	188,167
System development	83,844	1,450,458	1,534,302
Unrestricted	<u>2,150,601</u>	<u>1,001,315</u>	<u>3,151,916</u>
Total net position	<u>\$ 8,074,268</u>	<u>\$ 9,025,057</u>	<u>\$ 17,099,325</u>

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

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities				
General government	\$ 944,733	\$ 664,150	\$ 440	\$ -
Public safety	455,868	31,170	40,313	-
Roads and streets	528,242	78,848	18,277	51,519
Parks and recreation	30,910	178	9,483	-
Civic center	474	-	-	-
Interest on long-term debt	<u>90,207</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 2,050,434</u>	<u>\$ 774,346</u>	<u>\$ 68,513</u>	<u>\$ 51,519</u>
Business-type activities				
Water	\$ 1,085,199	\$ 910,647	\$ -	\$ -
Sewer	<u>942,166</u>	<u>853,379</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>\$ 2,027,365</u>	<u>\$ 1,764,026</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues				
Property taxes				
Transient room taxes				
Alcohol and cigarette taxes				
Investment earnings				
Rental income				
Miscellaneous				
Total general revenues				
Transfers				
Change in net position				
Net position - beginning				
Net position - ending				

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

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-Type Activities	Totals
\$ (280,143)	\$ -	\$ (280,143)
(384,385)	-	(384,385)
(379,598)	-	(379,598)
(21,249)	-	(21,249)
(474)	-	(474)
<u>(90,207)</u>	<u>-</u>	<u>(90,207)</u>
<u>(1,156,056)</u>	<u>-</u>	<u>(1,156,056)</u>
-	(174,552)	(174,552)
<u>-</u>	<u>(88,787)</u>	<u>(88,787)</u>
<u>-</u>	<u>(263,339)</u>	<u>(263,339)</u>
361,644	-	361,644
674,749	-	674,749
22,411	-	22,411
17,477	14,330	31,807
3,600	-	3,600
<u>20,913</u>	<u>23,514</u>	<u>44,427</u>
<u>1,100,794</u>	<u>37,844</u>	<u>1,138,638</u>
<u>219,883</u>	<u>(194,856)</u>	<u>25,027</u>
164,621	(420,351)	(255,730)
<u>7,909,647</u>	<u>9,445,408</u>	<u>17,355,055</u>
<u>\$ 8,074,268</u>	<u>\$ 9,025,057</u>	<u>\$ 17,099,325</u>

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2016

	General Fund	Special Revenue Funds Roads and Streets	Transient Room Tax	Debt Service Fund Sewer Improvements Debt Service
ASSETS				
Cash and cash equivalents	\$ 158,979	\$ 141,549	\$ 516,089	\$ 400,347
Accounts receivable	16,150	-	174,403	45,322
Property taxes receivable	24,342	-	-	-
Grants receivable	-	50,000	-	-
Special assessments	4,398	-	-	-
Prepays and deposits	<u>9,140</u>	<u>2,437</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>\$ 213,009</u>	 <u>\$ 193,986</u>	 <u>\$ 690,492</u>	 <u>\$ 445,669</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 27,313	\$ 3,382	\$ 17,309	\$ -
Due to other fund	<u>64,800</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total liabilities	 <u>92,113</u>	 <u>3,382</u>	 <u>17,309</u>	 <u>-</u>
Deferred inflows of resources				
Unavailable revenue - property taxes	<u>26,244</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances				
Nonspendable	9,140	2,437	-	-
Restricted	64,650	188,167	-	445,669
Assigned	-	-	673,183	-
Unassigned	<u>20,862</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total fund balances	 <u>94,652</u>	 <u>190,604</u>	 <u>673,183</u>	 <u>445,669</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 213,009</u>	 <u>\$ 193,986</u>	 <u>\$ 690,492</u>	 <u>\$ 445,669</u>

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ 2,058,309	\$ 3,275,273
27,546	263,421
-	24,342
-	50,000
-	4,398
-	11,577
<u>\$ 2,085,855</u>	<u>\$ 3,629,011</u>
\$ 11,554	\$ 59,558
-	64,800
11,554	124,358
-	26,244
-	11,577
409,501	1,107,987
1,664,800	2,337,983
-	20,862
2,074,301	3,478,409
<u>\$ 2,085,855</u>	<u>\$ 3,629,011</u>

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES

June 30, 2016

Total fund balances		\$ 3,478,409
Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds.		
Cost	13,024,842	
Accumulated depreciation	<u>(5,860,492)</u>	7,164,350
Property tax revenue is recognized in the net position of governmental activities when the taxes are levied; however, in the governmental fund statements, it is recognized when available to be used for current year operations. Taxes not collected within 60 days of the end of the year are not considered available to pay for current year operations and are therefore not reported as revenue in the governmental funds.		
		26,244
Liabilities not due or payable in the current period are not reported in the governmental funds. Interest on long-term debt is not accrued in the governmental funds, but rather, is recognized as an expenditure when due. These liabilities consist of:		
Accrued interest payable	(23,507)	
Compensated absences payable	(32,589)	
Loans payable	<u>(2,348,670)</u>	(2,404,766)
Net pension assets and liabilities are not financial resources and are therefore not reported in the governmental funds.		
		(199,203)
Current year PERS contributions are deferred outflows of resources that will be recognized as expenditures in the subsequent year.		
		59,013
The proportionate share of net differences between projected and actual earnings on investments will be amortized over the next five years.		
		<u>(49,779)</u>
Net position of governmental activities		<u>\$ 8,074,268</u>

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

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2016

	General Fund	<u>Special Revenue Funds</u> Roads and Streets	Transient Room Tax	<u>Debt Service Fund</u> Sewer Improvements Debt Service
REVENUES				
Taxes				
Property	\$ 361,644	\$ -	\$ -	\$ -
Alcohol	20,651	-	-	-
Cigarette	1,760	-	-	-
Transient room taxes	-	-	674,749	-
Licenses, permits, and fees	262,213	-	-	-
Grants	52,895	67,140	-	-
Debt service fees	-	-	-	229,337
Charges for services	41,242	-	-	-
State revenue sharing	23,817	78,848	-	-
Rental income	3,600	-	-	-
Investment earnings	6,343	682	1,830	395
Other revenue	<u>10,408</u>	<u>-</u>	<u>358</u>	<u>-</u>
Total revenues	<u>784,573</u>	<u>146,670</u>	<u>676,937</u>	<u>229,732</u>
EXPENDITURES				
Current				
Administration	305,759	-	-	-
General services	-	-	163,349	-
Public safety	457,059	-	-	-
Fire protection	85,886	-	-	-
Highways and streets	-	164,217	-	-
Culture and recreation	30,910	-	-	-
Debt service	72,094	-	-	54,950
Capital outlay	<u>39,912</u>	<u>124,233</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>991,620</u>	<u>288,450</u>	<u>163,349</u>	<u>54,950</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(207,047)</u>	<u>(141,780)</u>	<u>513,588</u>	<u>174,782</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	248,600	218,600	-	-
Transfers out	<u>(39,100)</u>	<u>(2,000)</u>	<u>(462,300)</u>	<u>(143,144)</u>
Total other financing sources (uses)	<u>209,500</u>	<u>216,600</u>	<u>(462,300)</u>	<u>(143,144)</u>
Net change in fund balances	2,453	74,820	51,288	31,638
Fund balances - beginning	<u>92,199</u>	<u>115,784</u>	<u>621,895</u>	<u>414,031</u>
Fund balances - ending	<u>\$ 94,652</u>	<u>\$ 190,604</u>	<u>\$ 673,183</u>	<u>\$ 445,669</u>

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

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 361,644
-	20,651
-	1,760
-	674,749
7,200	269,413
-	120,035
141,223	370,560
-	41,242
-	102,665
-	3,600
8,836	18,086
<u>-</u>	<u>10,766</u>
<u>157,259</u>	<u>1,995,171</u>
-	305,759
-	163,349
-	457,059
-	85,886
-	164,217
-	30,910
128,594	255,638
<u>209,538</u>	<u>373,683</u>
<u>338,132</u>	<u>1,836,501</u>
<u>(180,873)</u>	<u>158,670</u>
413,200	880,400
<u>(39,000)</u>	<u>(685,544)</u>
<u>374,200</u>	<u>194,856</u>
193,327	353,526
<u>1,880,974</u>	<u>3,124,883</u>
<u>\$ 2,074,301</u>	<u>\$ 3,478,409</u>

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

Net change in fund balances		\$ 353,526
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlay as expenditures; however, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and are reported as depreciation expense.</p>		
Disposal of capital assets	(91,505)	
Related accumulated depreciation	87,733	
Increase in capital outlay	318,945	
Less current year depreciation expense	<u>(456,635)</u>	(141,462)
<p>Long-term debt proceeds are reported as other financing sources in the governmental funds. In the statement of net position, however, issuing long-term debt increases liabilities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.</p>		
Debt principal paid		115,385
<p>Changes in the net pension assets and liabilities, as well as the related changes in deferred outflows and deferred inflows of resources, are not recognized as expenditures in the governmental funds.</p>		
		<u>(162,828)</u>
Change in net position		<u>\$ 164,621</u>

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

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2016

	Business-Type Activities		
	Enterprise Funds		
	Water Operating	Sewer Operating	Sewer SDC
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets			
Cash and cash equivalents	\$ 357,319	\$ 796,270	\$ -
Accounts receivable	94,999	168,173	-
Inventories	56,154	3,427	-
Prepays and deposits	8,312	8,261	-
Total current assets	516,784	976,131	-
Restricted assets			
Cash and cash equivalents	-	-	1,140,965
Due from other funds	-	-	64,800
Special assessments	-	-	-
Total restricted assets	-	-	1,205,765
Capital assets			
Construction in progress	85,228	60,052	
Capital assets, net of accumulated depreciation	5,097,085	2,900,880	-
Total capital assets	5,182,313	2,960,932	-
Total assets	5,699,097	3,937,063	1,205,765
Deferred outflows of resources			
Net deferred outflow of pension related resources	49,406	47,641	-
Total assets and deferred outflows of resources	5,748,503	3,984,704	1,205,765

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

<u>Business-Type Activities</u>	
<u>Enterprise Funds</u>	
<u>Nonmajor</u>	
<u>Water SDC</u>	<u>Total</u>
\$ -	\$ 1,153,589
-	263,172
-	59,581
-	<u>16,573</u>
-	<u>1,492,915</u>
238,239	1,379,204
-	64,800
<u>6,454</u>	<u>6,454</u>
<u>244,693</u>	<u>1,450,458</u>
-	145,280
-	<u>7,997,965</u>
-	<u>8,143,245</u>
<u>244,693</u>	<u>11,086,618</u>
-	97,047
<u>244,693</u>	<u>11,183,665</u>

(Continued)

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2016

(Continued)

	Business-Type Activities		
	Enterprise Funds		
	Water Operating	Sewer Operating	Sewer SDC
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities			
Accounts payable	\$ 86,743	\$ 21,634	\$ -
Accrued payroll liabilities	30	24	-
Accrued interest payable	-	14,577	-
Compensated absences payable	31,489	24,703	-
Bonds payable, current portion	25,000	-	-
Loans payable, current portion	-	147,383	-
Total current liabilities	<u>143,262</u>	<u>208,321</u>	<u>-</u>
Noncurrent liabilities			
Bonds payable, less current portion	50,000	-	-
Loans payable, less current portion	-	1,347,578	-
Net pension liability	166,772	160,814	-
Total noncurrent liabilities	<u>216,772</u>	<u>1,508,392</u>	<u>-</u>
Total liabilities	<u>360,034</u>	<u>1,716,713</u>	<u>-</u>
Deferred inflows of resources			
Net deferred inflow of pension related resources	41,675	40,186	-
Total liabilities and deferred inflows of resources	<u>401,709</u>	<u>1,756,899</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	5,107,313	1,465,971	-
Restricted for system development	-	-	1,205,765
Unrestricted	239,481	761,834	-
Total net position	<u>\$ 5,346,794</u>	<u>\$ 2,227,805</u>	<u>\$ 1,205,765</u>

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

<u>Business-Type Activities</u>	
<u>Enterprise Funds</u>	
<u>Nonmajor</u>	
<u>Water SDC</u>	<u>Total</u>
\$ -	\$ 108,377
-	54
-	14,577
-	56,192
-	25,000
-	<u>147,383</u>
-	<u>351,583</u>
-	50,000
-	1,347,578
-	<u>327,586</u>
-	<u>1,725,164</u>
-	<u>2,076,747</u>
-	<u>81,861</u>
-	<u>2,158,608</u>
-	6,573,284
244,693	1,450,458
-	<u>1,001,315</u>
<u>\$ 244,693</u>	<u>\$ 9,025,057</u>

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

For the Year Ended June 30, 2016

	Business-Type Activities		
	Enterprise Funds		
	Water Operating	Sewer Operating	Sewer SDC
Operating revenues			
Charges for sales and services			
Water sales	\$ 839,400	\$ -	\$ -
Sewer charges	-	812,149	-
Investment earnings	<u>2,166</u>	<u>4,563</u>	<u>6,801</u>
Total operating revenues	<u>841,566</u>	<u>816,712</u>	<u>6,801</u>
Operating expenses			
Administration	581,006	563,253	-
Materials and supplies	263,467	182,558	-
Capital outlay	2,730	8,460	-
Depreciation	<u>235,295</u>	<u>190,596</u>	<u>-</u>
Total operating expenses	<u>1,082,498</u>	<u>944,867</u>	<u>-</u>
Operating income (loss)	<u>(240,932)</u>	<u>(128,155)</u>	<u>6,801</u>
Nonoperating revenues (expenses)			
System development charges	-	-	41,230
Other income (expense)	<u>23,655</u>	<u>(141)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>23,655</u>	<u>(141)</u>	<u>41,230</u>
Income (loss) before transfers	(217,277)	(128,296)	48,031
Transfers in	25,000	143,144	-
Transfers out	<u>(156,000)</u>	<u>(207,000)</u>	<u>-</u>
Change in net position	(348,277)	(192,152)	48,031
Total net position - beginning	<u>5,695,071</u>	<u>2,419,957</u>	<u>1,157,734</u>
Total net position - ending	<u>\$ 5,346,794</u>	<u>\$ 2,227,805</u>	<u>\$ 1,205,765</u>

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

<u>Business-Type Activities</u>	
<u>Enterprise Funds</u>	
<u>Nonmajor</u>	
<u>Water SDC</u>	<u>Total</u>
\$ -	\$ 839,400
-	812,149
<u>800</u>	<u>14,330</u>
<u>800</u>	<u>1,665,879</u>
-	1,144,259
-	446,025
-	11,190
<u>-</u>	<u>425,891</u>
<u>-</u>	<u>2,027,365</u>
<u>800</u>	<u>(361,486)</u>
71,247	112,477
<u>-</u>	<u>23,514</u>
<u>71,247</u>	<u>135,991</u>
72,047	(225,495)
-	168,144
<u>-</u>	<u>(363,000)</u>
72,047	(420,351)
<u>172,646</u>	<u>9,445,408</u>
<u>\$ 244,693</u>	<u>\$ 9,025,057</u>

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended June 30, 2016

	Business-Type Activities	
	Enterprise Funds	
	Water Operating	Sewer Operating
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 837,750	\$ 803,629
Investment earnings	2,166	4,563
Cash payments to employees	(442,778)	(429,139)
Cash payments to suppliers	(197,253)	(184,360)
Net cash provided (used) by operating activities	199,885	194,693
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	(156,000)	(207,000)
Transfers from other funds	25,000	143,144
Receipts on interfund receivable	-	-
Other income (expense)	23,655	(141)
Net cash provided (used) by noncapital financing activities	(107,345)	(63,997)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
System development charges	-	-
Principal paid on capital debt	(25,000)	(143,144)
Purchase of capital assets	(82,270)	(9,250)
Net cash provided (used) by capital and related financing activities	(107,270)	(152,394)
Net increase (decrease) in cash and cash equivalents	(14,730)	(21,698)
Cash and cash equivalents - beginning (including \$1,085,734 and \$162,841 for the Sewer SDC and Water SDC Funds, respectively, reported in restricted accounts)	372,049	817,968
Cash and cash equivalents - ending (including \$1,140,965 and \$238,239 for the Sewer SDC and Water SDC Funds, respectively, reported in restricted accounts)	\$ 357,319	\$ 796,270

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

<u>Business-Type Activities</u>		
<u>Enterprise Funds</u>		
<u>Sewer SDC</u>	<u>Nonmajor Water SDC</u>	<u>Total</u>
\$ -	\$ 3,351	\$ 1,644,730
6,801	800	14,330
-	-	(871,917)
-	-	(381,613)
<u>6,801</u>	<u>4,151</u>	<u>405,530</u>
-	-	(363,000)
-	-	168,144
7,200	-	7,200
-	-	23,514
<u>7,200</u>	<u>-</u>	<u>(164,142)</u>
41,230	71,247	112,477
-	-	(168,144)
-	-	(91,520)
<u>41,230</u>	<u>71,247</u>	<u>(147,187)</u>
55,231	75,398	94,201
<u>1,085,734</u>	<u>162,841</u>	<u>2,438,592</u>
<u>\$ 1,140,965</u>	<u>\$ 238,239</u>	<u>\$ 2,532,793</u>

(Continued)

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended June 30, 2016

(Continued)

	Business-Type Activities	
	Enterprise Funds	
	Water	Sewer
	Operating	Operating
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (240,932)	\$ (128,155)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	235,295	190,596
(Increase) decrease in:		
Accounts receivable	(1,528)	(8,520)
Prepaid items	(3,237)	(3,186)
Net deferred outflow of pension related resources	(22,204)	(22,636)
Increase (decrease) in:		
Accounts payable	72,181	9,844
Net pension liability	218,555	208,415
Net deferred inflow of pension related resources	(58,245)	(51,665)
Net cash provided (used) by operating activities	\$ 199,885	\$ 194,693

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

<u>Business-Type Activities</u>		
<u>Enterprise Funds</u>		
<u>Sewer SDC</u>	<u>Nonmajor Water SDC</u>	<u>Total</u>
\$ 6,801	\$ 800	\$ (361,486)
-	-	425,891
-	3,351	(6,697)
-	-	(6,423)
-	-	(44,840)
-	-	82,025
-	-	426,970
<u>-</u>	<u>-</u>	<u>(109,910)</u>
<u>\$ 6,801</u>	<u>\$ 4,151</u>	<u>\$ 405,530</u>

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Rockaway Beach have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The community of Rockaway, located in Tillamook County, was established as a seaside resort in 1909 by the Rockaway Beach Group. In 1987, the name was changed to the City of Rockaway Beach. The City has a total area of 1.71 square miles, of which 1.6 square miles is land and 0.11 square miles is water. The City provides basic services to its 1,320 citizens within the city limits. The city council exercises legislative authority by ordinance, administrative authority by resolution, and quasi-judicial authority by order. The council consists of a mayor and five voting councilors nominated and elected from the community at large.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the activities of the City. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges for goods and services provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of the 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.

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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 are generally recorded when a liability is incurred, as under accrual accounting; however, principal and interest on long-term debt, as well as expenditures related to compensated absences, are recorded only when payment is due.

Property taxes, investment earnings, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and have therefore been recognized as revenues of the current fiscal 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:

General Fund – The General Fund accounts for all financial resources of the City, except those required to be accounted for in another fund. The primary sources of revenue are property taxes, licenses, permits, and fees.

Special Revenue Funds

Roads and Streets Fund – The Roads and Streets Fund accounts for monies expended for maintenance and improvement of the City's roads and streets. The primary source of revenue is from state highway revenues.

Transient Room Tax Fund – The Transient Room Tax Fund accounts for funds received and expended in connection with transient room tax.

Debt Service Fund

Sewer Improvements Debt Service Fund – The Sewer Improvements Debt Service Fund accounts for the repayment of the City's long-term debt. The primary source of revenue is user fees. The primary use of revenue is for the payment of principal and interest due on long-term debt.

The City reports the following major proprietary funds:

Enterprise Funds

Water Operating Fund – The Water Operating Fund accounts for the resources and expenses related to the supply, treatment, and distribution of water. The primary source of revenue is user fees.

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Sewer Operating Fund – The Sewer Operating Fund accounts for the resources and expenses related to the collection and treatment of wastewater. The primary source of revenue is user fees.

Sewer SDC Fund – The Sewer SDC Fund is used to accumulate funds for future sewer system development costs. The primary source of revenue is system development charges.

The City reports the following nonmajor governmental funds:

Special Revenue Fund

Transportation SDC Fund – The Transportation SDC Fund is used to accumulate funds for future system development costs. The primary sources of revenue are licenses, permits, and fees.

Debt Service Funds

Water Improvements Debt Service Fund – The Water Improvements Debt Service Fund accounts for the repayment of the City's long-term debt. The primary source of revenue is user fees. The primary use of revenue is for the payment of principal and interest due on long-term debt.

1981 Water Revenue Bond Fund – The 1981 Water Revenue Bond Fund accounts for the repayment of the City's long-term debt. The primary source of revenue is transfers from other funds. The primary use of revenue is for the payment of principal and interest due on long-term debt.

Capital Projects Funds

Sewer Master Plan Reserve Fund – The Sewer Master Plan Reserve Fund accounts for major infrastructure projects in the wastewater collection and treatment system. The primary source of revenue is transfers from other funds.

Water Master Plan Reserve Fund – The Water Master Plan Reserve Fund is used to account for major infrastructure projects benefitting the City's culinary water system. The primary source of revenue is transfers from other funds.

Fire Equipment Reserve Fund – The Fire Equipment Reserve Fund is used to accumulate funds for future fire equipment purchases. The primary source of revenue is transfers from other funds.

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Project and Equipment Reserve Fund – The Project and Equipment Reserve Fund accounts for the funding of equipment purchases. The primary source of revenue is transfers from other funds.

The City reports the following nonmajor proprietary fund:

Enterprise Fund

Water SDC Fund – The Water SDC Fund is used to accumulate funds for future water system development costs. The primary source of revenue is system development charges.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transfers between the governmental funds and the proprietary funds. Elimination of these transactions would distort their respective financial statements.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 operating expenses of proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in legally issued general obligations of the United States, the agencies and instrumentalities of the United States and the states of Oregon, Washington, Idaho, or California, certain interest-bearing bonds, time deposit open accounts, certificates of deposit, and savings accounts in banks, mutual savings banks, and savings and loan associations that maintain a head office or a branch in this state in the capacity of a bank, mutual savings bank, or savings and loan association, and share accounts and savings accounts in credit unions in the name of, or for the benefit of, a member of the credit union pursuant to a plan of deferred compensation.

2. Property Taxes

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collection to entities levying taxes. Property taxes are levied and become a lien as of July 1 on property values assessed as of June 30. Property taxes are payable in three installments, which are due on November 15, February 15, and May 15.

Uncollected property taxes are shown on the balance sheet of the governmental funds. Property taxes collected within approximately 60 days of fiscal year-end are recognized as revenue, while the remaining amount of taxes receivable are recorded as unavailable revenue because they are not deemed available to finance operations of the current period.

3. Accounts Receivable

Receivables are recorded as revenue when earned. All receivables have been shown net of uncollectible accounts.

4. Inventories

Inventories of supplies are valued at cost using the first-in, first-out method. Inventories consist of materials for use in the water and sewer departments.

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Equity (Continued)

5. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental and business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance or repairs that do not add to the value of an asset or materially extend its life are charged to expenditures as incurred and are not capitalized.

Major capital outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation of capital assets are computed on the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Vehicles	5-20
Fixtures and equipment	5-25
Buildings and improvements	10-50
Light and sewer systems	20-50
Water system	30-100

6. Compensated Absences

Amounts of vested or accumulated vacation leave that are expected to be liquidated with expendable available financial resources are reported as expenditures when paid. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as current liabilities on the statement of net position. In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

7. Long-Term Liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other 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 effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Equity (Continued)

7. Long-Term Liabilities (Continued)

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

8. Retirement Plan

Most of the City's employees participate in Oregon's Public Employees Retirement System (PERS). Contributions are made on a current basis as required by the plan and are recorded as expenses or expenditures.

9. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet 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 or fund balance that applies to a future period and so will not be recognized as an outflow of resources until then. The City has one item that qualifies for reporting in this category, which is deferred amounts related to pensions. These amounts are deferred and recognized as outflows of resources when the City recognizes pension expenses/expenditures. Deferred outflows of amounts related to pensions are included in the government-wide statement of net position and the proprietary funds statement of net position.

In addition to liabilities, the statement of net position and/or balance sheet 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 or fund balance that applies to a future period and therefore, will not be recognized as an inflow of resources until that time. The City has two items that qualify for reporting in this category, which are unavailable revenue from property taxes and deferred amounts related to pensions. Unavailable revenue from property taxes is deferred and recognized as an inflow of resources in the period that the amount becomes available. Unavailable revenue from property taxes is reported in the balance sheet. Deferred amounts related to pensions are deferred and recognized as inflows of resources in the period when the City recognizes pension income. Deferred inflows of amounts related to pensions are included in the government-wide statement of net position and the proprietary funds statement of net position.

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Equity (Continued)

9. Deferred Outflows and Inflows of Resources (Continued)

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 net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS' net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

10. Fund Equity

The City reports fund equity in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., city council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the City intends to use for a specific purpose. Intent can be expressed by the city council or by an official or body to which the city council delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

Commitment of fund balance is accomplished through adoption of a resolution or ordinance by the city council. Further, commitments of fund balance may be modified or rescinded only through approval of the city council via resolution or ordinance. Authority to assign fund balances has been granted to the Budget Officer.

The City has not formally adopted a minimum fund balance policy.

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The City budgets all funds in accordance with the requirements of state law. Annual appropriated budgets are adopted for the general, special revenue, debt service, capital projects, and enterprise funds. All funds are budgeted on the modified accrual basis of accounting.

The City begins its budgeting process by appointing budget committee members. The budget officer prepares a budget, which is reviewed by the budget committee. The budget is then published in proposed form and is presented at public hearings to obtain taxpayer comments and approval from the budget committee. The budget is legally adopted by the city council by resolution prior to the beginning of the City's fiscal year. The council resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total personnel services, materials and services, debt service, capital outlay, transfers, and contingency are the levels of control for the funds established by the resolution. The detailed budget document, however, is required to contain more specific detailed information for the aforementioned expenditure categories and management may revise the detailed line item budgets within appropriation categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. Supplemental budgets less than 10% of a fund's original budget may be adopted by the city council at a regular council meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers, and approval by the city council. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the city council. During the year, there were no supplemental budgets. The City does not use encumbrances and appropriations lapse at year-end.

Budget amounts shown in the financial statements reflect the original budget amounts and two approved appropriation transfers. During the year, the City declared a state of emergency due to severe winter weather. An executive order was issued which, under ORS 294.481, authorized immediate unbudgeted expenditures.

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The City of Rockaway Beach maintains a cash and cash equivalents pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and cash equivalents. Additionally, several funds held separate cash accounts. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

Investments, including amounts held in pooled cash and investments, are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise, the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value.

The Oregon State Treasury administers the LGIP. The LGIP is an open-ended, no-load, diversified portfolio offered to any agency, political subdivision, or public corporation of the State that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the City's position in the LGIP is the same as the value of the pool shares.

Credit Risk

Oregon statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the Local Government Investment Pool. The City has not adopted an investment policy regarding credit risk; however, investments comply with the state statutes.

Investments

As of June 30, 2016, the City had the following investments:

	<u>Credit Quality</u> <u>Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
Oregon Local Government Investment Pool	Unrated	-	<u>\$ 4,951,601</u>

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

Interest Rate Risk

The City does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increases in interest rates.

Concentration of Credit Risk

The City does not have a formal policy that places a limit on the amount that may be invested in any one insurer.

Custodial Credit Risk – Investments

This is the risk that, in the event of the failure of a counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City does not have a policy that limits the amount of investments that can be held by counterparties.

Custodial Credit Risk – Deposits

This is the risk that, in the event of a bank failure, the City's deposits may not be returned. All City deposits not covered by Federal Depository Insurance Corporation (FDIC) insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon, organized in accordance with ORS 295. The PFCP is a shared liability structure for participating bank depositories. Barring any exceptions, a bank depository is required to pledge collateral valued at a minimum of 10% of their quarter-end public fund deposits if they are considered well capitalized, 25% of their quarter-end public fund deposits if they are considered adequately capitalized, or 110% of their quarter-end public fund deposits if they are considered undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a 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.

The City holds accounts at US Bank and Columbia Bank, for which the FDIC provides insurance coverage of \$250,000 for demand deposit accounts and an additional \$250,000 for time and savings accounts per institution. At June 30, 2016, the City had \$322,276 insured by the FDIC and \$592,209 covered by the PFCP.

Deposits

The City's deposits and investments at June 30, 2016 are as follows:

Cash on hand	\$ 500
Checking and savings accounts	855,965
Total investments	<u>4,951,601</u>
 Total deposits and investments	 <u>\$ 5,808,066</u>

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

Deposits (Continued)

Cash and investments by fund:

Governmental activities - unrestricted	
General Fund	\$ 94,329
Transient Room Tax Fund	516,089
Nonmajor governmental funds	<u>1,676,354</u>
Total governmental activities - unrestricted	<u>2,286,772</u>
Business-type activities - unrestricted	
Water Operating Fund	357,319
Sewer Operating Fund	<u>796,270</u>
Total business-type activities - unrestricted	<u>1,153,589</u>
Total unrestricted cash and investments	<u>3,440,361</u>
Governmental activities - restricted	
General Fund - USDA Loans	64,650
Roads and Streets Fund	141,549
Sewer Improvements Debt Service Fund	400,347
Nonmajor governmental funds	<u>381,955</u>
Total governmental activities - restricted	<u>988,501</u>
Business-type activities - restricted	
Sewer SDC Fund	1,140,965
Water SDC Fund	<u>238,239</u>
Total business-type activities - restricted	<u>1,379,204</u>
Total restricted cash and investments	<u>2,367,705</u>
Total cash and investments	<u>\$ 5,808,066</u>

Restricted cash is for future payments of debt principal and interest, as well as future rural and system development improvements.

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

B. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,172,873	\$ -	\$ -	\$ 2,172,873
Construction in progress	<u>21,987</u>	<u>57,344</u>	<u>-</u>	<u>79,331</u>
Total capital assets not being depreciated	<u>2,194,860</u>	<u>57,344</u>	<u>-</u>	<u>2,252,204</u>
Capital assets being depreciated				
Buildings	2,309,304	55,236	-	2,364,540
Machinery and equipment	400,654	27,382	7,712	420,324
Intangibles	-	8,550	-	8,550
Vehicles	1,080,184	57,574	83,793	1,053,965
Infrastructure	<u>6,812,400</u>	<u>112,859</u>	<u>-</u>	<u>6,925,259</u>
Total capital assets being depreciated	<u>10,602,542</u>	<u>261,601</u>	<u>91,505</u>	<u>10,772,638</u>
Less accumulated depreciation for				
Buildings	(584,579)	(64,925)	-	(649,504)
Machinery and equipment	(264,886)	(25,245)	(4,819)	(285,312)
Intangibles	-	(1,425)	-	(1,425)
Vehicles	(819,911)	(43,113)	(82,914)	(780,110)
Infrastructure	<u>(3,822,214)</u>	<u>(321,927)</u>	<u>-</u>	<u>(4,144,141)</u>
Total accumulated depreciation	<u>(5,491,590)</u>	<u>(456,635)</u>	<u>(87,733)</u>	<u>(5,860,492)</u>
Total capital assets being depreciated, net	<u>5,110,952</u>	<u>(195,034)</u>	<u>3,772</u>	<u>4,912,146</u>
Governmental activities capital assets, net	<u>\$ 7,305,812</u>	<u>\$ (137,690)</u>	<u>\$ 3,772</u>	<u>\$ 7,164,350</u>

(Continued)

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

B. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
(Continued)				
Business-type activities				
Capital assets not being depreciated				
Construction in progress	\$ 63,010	\$ 82,270	\$ -	\$ 145,280
Capital assets being depreciated				
Buildings	2,127,364	-	-	2,127,364
Machinery and equipment	250,086	9,250	-	259,336
Vehicles	102,337	-	-	102,337
Infrastructure	<u>10,424,815</u>	<u>-</u>	<u>-</u>	<u>10,424,815</u>
Total capital assets being depreciated	<u>12,904,602</u>	<u>9,250</u>	<u>-</u>	<u>12,913,852</u>
Less accumulated depreciation for				
Buildings	(306,199)	(43,280)	-	(349,479)
Machinery and equipment	(113,151)	(19,524)	-	(132,675)
Vehicles	(66,447)	(4,126)	-	(70,573)
Infrastructure	<u>(4,004,199)</u>	<u>(358,961)</u>	<u>-</u>	<u>(4,363,160)</u>
Total accumulated depreciation	<u>(4,489,996)</u>	<u>(425,891)</u>	<u>-</u>	<u>(4,915,887)</u>
Total capital assets being depreciated, net	<u>8,414,606</u>	<u>(416,641)</u>	<u>-</u>	<u>7,997,965</u>
Business-type activities capital assets, net	<u>\$ 8,477,616</u>	<u>\$ (334,371)</u>	<u>\$ -</u>	<u>\$ 8,143,245</u>

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

B. Capital Assets (Continued)

Capital assets are reported on the statement of net position as follows:

	Capital Assets	Accumulated Depreciation	Net Capital Assets
Governmental activities			
Land	\$ 2,172,873	\$ -	\$ 2,172,873
Construction in progress	79,331	-	79,331
Buildings	2,364,540	(649,504)	1,715,036
Machinery and equipment	420,324	(285,312)	135,012
Intangibles	8,550	(1,425)	7,125
Vehicles	1,053,965	(780,110)	273,855
Infrastructure	6,925,259	(4,144,141)	2,781,118
Total governmental activities capital assets	13,024,842	(5,860,492)	7,164,350
Business-type activities			
Construction in progress	145,280	-	145,280
Buildings	2,127,364	(349,479)	1,777,885
Machinery and equipment	259,336	(132,675)	126,661
Vehicles	102,337	(70,573)	31,764
Infrastructure	10,424,815	(4,363,160)	6,061,655
Total business-type activities capital assets	13,059,132	(4,915,887)	8,143,245
Total capital assets	\$ 26,083,974	\$ (10,776,379)	\$ 15,307,595

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities	
General government	\$ 64,011
Public safety	57,851
Roads and streets	334,773
Total governmental activities	\$ 456,635
Business-type activities	
Water	\$ 235,295
Sewer	190,596
Total business-type activities	\$ 425,891

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

C. Interfund Transactions

Operating transfers are reflected as other financing sources (uses) in the governmental and proprietary funds. Interfund transfers during the year consisted of:

	Transfers in:		
	General Fund	Roads and Streets Fund	Nonmajor Governmental Funds
Transfers out:			
Governmental activities			
General Fund	\$ -	\$ 39,100	\$ -
Roads and Streets Fund	-	-	2,000
Transient Room Tax Fund	208,600	101,500	152,200
Sewer Improvements Debt Service Fund	-	-	-
Nonmajor governmental funds	-	14,000	-
Total governmental activities	208,600	154,600	154,200
Business-type activities			
Water Operating Fund	20,000	32,000	104,000
Sewer Operating Fund	20,000	32,000	155,000
Total business-type activities	40,000	64,000	259,000
Total	\$ 248,600	\$ 218,600	\$ 413,200

The principal purposes of the interfund transfers in are summarized below by fund:

General Fund: To fund city hall operations.

Roads and Streets Fund: To fund road and street improvements.

Nonmajor Governmental Funds

1981 Water Revenue Bond Fund: To support the Water Revenue Bond Fund.

Sewer Master Plan Reserve Fund: To support the Sewer Master Plan.

Water Master Plan Reserve Fund: To support the Water Master Plan.

Fire Equipment Reserve Fund: To fund future fire equipment purchases.

Project and Equipment Reserve Fund: To fund future equipment purchases.

Water Operating Fund: To support water operations and capital asset purchases.

Sewer Operating Fund: To support sewer operations and capital asset purchases.

Transfers in:		
Water Operating Fund	Sewer Operating Fund	Total
\$ -	\$ -	\$ 39,100
-	-	2,000
-	-	462,300
-	143,144	143,144
<u>25,000</u>	<u>-</u>	<u>39,000</u>
<u>25,000</u>	<u>143,144</u>	<u>685,544</u>
-	-	156,000
<u>-</u>	<u>-</u>	<u>207,000</u>
<u>-</u>	<u>-</u>	<u>363,000</u>
<u>\$ 25,000</u>	<u>\$ 143,144</u>	<u>\$ 1,048,544</u>

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

C. Interfund Transactions (Continued)

Interfund receivables and payables at the end of the year consisted of:

	Interfund Receivables
	Sewer SDC Fund
Interfund payables	
General Fund	\$ 64,800

The interfund payable balance is a loan to the General Fund to fund unplanned expenses during the year ended June 30, 2015. The City is planning to repay the payable over a ten-year period ending June 30, 2025.

D. Compensated Absences

The following is a summary of compensated absences transactions for the year:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
Compensated absences	\$ 32,589	\$ -	\$ -	\$ 32,589
Business-type activities				
Compensated absences	\$ 56,192	\$ -	\$ -	\$ 56,192

The General, Roads and Streets, Water Operating, and Sewer Operating Funds have traditionally been used to liquidate compensated absences liabilities.

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

E. Long-Term Liabilities

1. Changes in Long-Term Liabilities

The following is a summary of long-term liabilities transactions for the year:

	Interest Rate	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities							
Loans							
USDA City Hall Loans							
Loan #97-03	4.5%	\$ 750,000	\$ 694,632	\$ -	\$ 10,735	\$ 683,897	\$ 11,218
Loan #97-04	4.5%	398,300	368,899	-	5,701	363,198	5,957
Parking Lot Loan	6%	240,000	194,828	-	9,212	185,616	9,773
McMillan Creek Loan - US Bank	4.8%	900,000	480,000	-	60,000	420,000	60,000
Safe Drinking Water Revolving Loan	3%	615,030	543,767	-	25,027	518,740	25,777
Police Station Loan	3.9%	<u>188,000</u>	<u>181,929</u>	<u>-</u>	<u>4,710</u>	<u>177,219</u>	<u>4,896</u>
Total governmental activities		<u>3,091,330</u>	<u>2,464,055</u>	<u>-</u>	<u>115,385</u>	<u>2,348,670</u>	<u>117,621</u>
Business-type activities							
Refund Water Revenue Bonds							
Series 1998	3.7-5.1%	350,000	100,000	-	25,000	75,000	25,000
DEQ Wastewater Outfall Loan							
Loan #R78281	2.94%	<u>2,700,000</u>	<u>1,638,105</u>	<u>-</u>	<u>143,144</u>	<u>1,494,961</u>	<u>147,383</u>
Total business-type activities		<u>3,050,000</u>	<u>1,738,105</u>	<u>-</u>	<u>168,144</u>	<u>1,569,961</u>	<u>172,383</u>
Total long-term liabilities		<u>\$ 6,141,330</u>	<u>\$ 4,202,160</u>	<u>\$ -</u>	<u>\$ 283,529</u>	<u>\$ 3,918,631</u>	<u>\$ 290,004</u>

2. Governmental Activity City Hall Loans

The City obtained two USDA loans to repay the 1997 lease purchase agreements. Proceeds are for the construction and acquisition of a multipurpose city hall building. Interest on both loans is fixed at 4.5%. Interest is due annually on June 24. The General Fund is expected to be used to liquidate these obligations.

3. Governmental Activity Parking Lot Loan

On July 1, 2009, the City purchased a parking lot for \$310,000, of which \$240,000 was financed through the seller. Interest on the loan is fixed at 6%. Principal and interest are due semiannually on March 15 and September 15. The General Fund has traditionally been used to liquidate long-term debt related to the loan.

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

E. Long-Term Liabilities (Continued)

4. Governmental Activity McMillan Creek Loan

On May 15, 2008, the City entered into a loan agreement with US Bank for \$900,000. Proceeds were used to fund the McMillan Creek Reservoir project. Interest on the loan is fixed at 4.8%. Principal and interest payments are due semiannually on April 15 and October 15. The Water Improvements Debt Service Fund has traditionally been used to liquidate long-term debt related to the loan.

5. Governmental Activity Safe Drinking Water Revolving Loan

On August 27, 2009, the City entered into a loan agreement with the State of Oregon Business Development Department to finance the upgrade of the Rockaway Beach Jetty Creek Water Treatment Plant. Interest on the loan is fixed at 3%. Principal and interest payments are due annually on December 1. The Water Improvements Debt Service Fund has traditionally been used to liquidate long-term debt related to the loan.

6. Governmental Activity Police Station Loan

On February 28, 2014, the City entered into a loan agreement with TLC Federal Credit Union to finance the acquisition of the police station. Interest on the loan is fixed at 3.9%. Principal and interest payments are due semiannually on July 1 and January 1. The General Fund is expected to be used to liquidate long-term debt related to the loan.

7. Governmental Activity Future Maturities of Long-Term Liabilities

Year Ending June 30	Loans		
	Principal	Interest	Total
2017	\$ 117,621	\$ 99,998	\$ 217,619
2018	119,956	94,786	214,742
2019	122,391	89,469	211,860
2020	124,935	84,047	208,982
2021	127,589	78,512	206,101
2022-2026	502,048	316,059	818,107
2027-2031	504,690	217,252	721,942
2032-2036	221,142	140,811	361,953
2037-2041	226,601	94,869	321,470
2042-2046	<u>281,697</u>	<u>39,087</u>	<u>320,784</u>
	<u>\$ 2,348,670</u>	<u>\$ 1,254,890</u>	<u>\$ 3,603,560</u>

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

E. Long-Term Liabilities (Continued)

8. Business-Type Activity Refunding Revenue Bonds

Revenue bonds are direct obligations that pledge the full faith and credit of the City and are payable from water utility revenue proceeds. The City's outstanding revenue bonds represent refunding of the Water Bonds, Series 1981, in which proceeds were used for water system improvements. Interest is fixed and ranges between 3.7% and 5.1%. Interest rates increase according to the original bond documents. Interest is due semiannually on January 15 and July 15. Principal is due annually on July 15. The 1981 Water Revenue Bond Fund has traditionally been used to liquidate long-term debt related to the revenue bonds.

9. Business-Type Activity DEQ Wastewater Outfall Loan #R78281

On June 30, 2004, the City entered into a loan agreement with the Department of Environmental Quality to finance the Ocean Outfall and Wastewater Treatment Plant projects. Interest on the loan is fixed at 2.94%. Principal and interest are due semiannually on June 1 and December 1. The Sewer Improvements Debt Service Fund has traditionally been used to liquidate long-term debt related to the loan.

10. Business-Type Activity Future Maturities of Long-Term Liabilities

Year Ending June 30	Bonds		Loan		Total		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2017	\$ 25,000	\$ 3,188	\$ 147,383	\$ 42,877	\$ 172,383	\$ 46,065	\$ 218,448
2018	25,000	1,913	151,749	38,511	176,749	40,424	217,173
2019	25,000	638	156,242	34,018	181,242	34,656	215,898
2020	-	-	160,870	29,390	160,870	29,390	190,260
2021	-	-	165,634	24,626	165,634	24,626	190,260
2022-2025	-	-	713,083	47,973	713,083	47,973	761,056
	<u>\$ 75,000</u>	<u>\$ 5,739</u>	<u>\$ 1,494,961</u>	<u>\$ 217,395</u>	<u>\$ 1,569,961</u>	<u>\$ 223,134</u>	<u>\$ 1,793,095</u>

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

F. Constraints on Fund Balances

Constraints on fund balances reported on the balance sheet are as follows:

	General Fund	Roads and Streets Fund	Transient Room Tax Fund	Sewer Improvements Debt Service Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund balances:				
Nonspendable	\$ 9,140	\$ 2,437	\$ -	\$ -
Restricted for:				
Debt service	-	-	-	445,669
USDA Debt Service Loan	64,650	-	-	-
Street maintenance	-	188,167	-	-
System development	-	-	-	-
Assigned to:				
Street maintenance	-	-	-	-
Fire equipment	-	-	-	-
Future equipment purchases	-	-	-	-
Special projects	-	-	673,183	-
Debt service	-	-	-	-
System improvements	-	-	-	-
Unassigned	<u>20,862</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>\$ 94,652</u>	<u>\$ 190,604</u>	<u>\$ 673,183</u>	<u>\$ 445,669</u>

IV. OTHER INFORMATION

A. 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 City carries commercial insurance. There was no significant reduction in insurance coverage from the previous year. There were no insurance settlements exceeding insurance coverage in any of the past three years.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 11,577
325,657	771,326
-	64,650
-	188,167
83,844	83,844
-	-
137,292	137,292
76,430	76,430
-	673,183
58,466	58,466
1,392,612	1,392,612
<u>-</u>	<u>20,862</u>
<u>\$ 2,074,301</u>	<u>\$ 3,478,409</u>

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

B. Pension Plan

1. Plan Description

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 System Board to administer and manage the system. All benefits of the system are established by the legislature, pursuant to Oregon Revised Statutes (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, both of which can be obtained at: http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.

2. Benefits Provided

a. Tier One/Tier Two Retirement Benefit (ORS 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% for police and fire employees, 1.67% 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 60. 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.

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

B. Pension Plan (Continued)

2. Benefits Provided (Continued)

a. Tier One/Tier Two Retirement Benefit (ORS Chapter 238) (Continued)

Death Benefits

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

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

Disability Benefits

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

Benefit Changes after Retirement

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 238.630, monthly benefits are adjusted annually through cost-of-living adjustments (COLA). Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25% on the first \$60,000 of annual benefit and 0.15% on annual benefits above \$60,000.

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

B. Pension Plan (Continued)

2. Benefits Provided (Continued)

b. OPSRP Pension Program (Defined Benefit)

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% 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% 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% 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 credit before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45% 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 adjustments (COLA). Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25% on the first \$60,000 of annual benefit and 0.15% on annual benefits above \$60,000.

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

B. Pension Plan (Continued)

2. Benefits Provided (Continued)

c. OPSRP Individual Account Program (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 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-, or 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits

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

Recordkeeping

OPERS contracts with Voya Financial to maintain IAP participant records.

3. Contributions

PERS' funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation as subsequently modified by 2015 legislated changes in benefit provisions. The rates, based on a percentage of payroll, first became effective July 1, 2015. Employer contributions for the year ended June 30, 2016 were \$87,043, excluding amounts to fund employer-specific liabilities. The rates in effect for the fiscal year ended June 30, 2016 were 12.75% for Tier One/Tier Two general service members, 12.75% for Tier One/Tier Two police and fire members, 8.62% for OPSRP Pension Program general service members, 12.73% for OPSRP Pension Program police and fire members, and 6% for OPSRP IAP.

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

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

At June 30, 2016, the City reported a liability of \$526,789 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013 rolled forward to June 30, 2015. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan, relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015, the City's proportion was 0.0092% which increased from its proportion of 0.0073% measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized pension expense (income) of \$435,048. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 28,407	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on investments	-	110,427
Changes in proportion	31,400	-
Differences between employer contributions and proportionate share of contributions	<u>9,210</u>	<u>21,213</u>
Total (prior to post measurement date contributions)	69,017	131,640
Contributions subsequent to the measurement date	<u>87,043</u>	<u>-</u>
Total	<u>\$ 156,060</u>	<u>\$ 131,640</u>

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

C. Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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

Amortization Period Ending June 30	Deferred Outflows	Deferred Inflows
2017	\$ 103,194	\$ 57,510
2018	16,151	57,510
2019	16,151	57,510
2020	15,125	(42,819)
2021	5,439	1,929
	\$ 156,060	\$ 131,640

D. Actuarial Assumptions

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), and (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 (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), and (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 16 years.

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

D. Actuarial Assumptions (Continued)

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

Valuation Date	December 31, 2013
Measurement Date	June 30, 2015
Experience Study Report	2014, published September 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.75%
Long-Term Expected Rate of Return	7.75%
Discount Rate	7.75%
Projected Salary Increases	3.75% overall payroll growth
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and grade COLA
Mortality	<p>Health retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: Mortality rates are a percentage of health retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 statistic combined disabled mortality sex-distinct table.</p>

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

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

E. Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013, the Public Employees Retirement System Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment of the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class/Strategy	Assumed Asset Allocation		
	Low Range	High Range	Target
Cash	0.00 %	3.00 %	0.00 %
Debt Securities	15.00 %	25.00 %	20.00 %
Public Equity	32.50 %	42.50 %	37.50 %
Private Equity	16.00 %	24.00 %	20.00 %
Real Estate	9.50 %	15.50 %	12.50 %
Alternative Equity	0.00 %	10.00 %	10.00 %
Opportunity Portfolio	0.00 %	3.00 %	<u>0.00</u> %
Total			<u>100.00</u> %

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

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

F. Depletion Date Projection

GASB Statement No. 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 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 net position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB Statement No. 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB Statement No. 68 (paragraph 67) does allow for alternative evaluations of projected solvency if such evaluation can reliably be made. The Governmental Accounting Standards Board 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 for 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 Statement No. 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 that 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 Statement No. 68 would clearly indicate that the net position is always projected to be sufficient to cover benefit payments and administrative expenses.

G. Discount Rate

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

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

H. Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability (asset)	\$ 1,271,385	\$ 526,789	\$ (100,710)

I. Pension Plan Net Position

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

J. Changes in Plan Provisions During the Measurement Period

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

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

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

K. Changes in Plan Provision Subsequent to Measurement Date

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

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

L. Other Post-Employment Benefits

1. Retirement Health Insurance Account (RHIA)

Plan Description

As a member of Oregon Public Employees Retirement System (OPERS), the City contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing, multiple-employer, defined benefit other post-employment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERS, P.O. Box 23700, Tigard, Oregon 97281-3700, by calling (503) 598-7377, or by accessing the PERS website at <http://oregon.gov/PERS/>.

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS requires that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost, the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Funding Policy

Participating entities are contractually required to contribute to RHIA at a rate assessed each year by OPERS; currently 0.59% of covered OPERF payroll and 0.49% of covered OPSRP payroll. The OPERS board of trustees sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance within the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed 30 years. The City's contributions to RHIA for the years ended June 30, 2014, 2015, and 2016 were \$3,842, \$4,069, and \$3,827, respectively, which equaled the required contributions each year.

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

M. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following pronouncements that have future effective dates that will impact future financial presentations. Management has not currently determined what impact implementation of the following statements will have on future financial statements.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* will be effective for the City beginning with its fiscal year ending June 30, 2017. This statement replaces the requirements for GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as well as the requirements of GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This statement improves the usefulness of information about postemployment benefits other than pensions (OPEB) reported in state and local governments' financial statements.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective for the City beginning with its fiscal year ending June 30, 2017. This statement replaces the requirements for GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as well as the requirements of GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, will be effective for the City beginning with its fiscal year ending June 30, 2017. This statement amends the scope and applicability of GASB Statement No. 68 and establishes requirements for recognition and measurement of pension expenses, expenditures, liabilities, note disclosures, and required supplementary information.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* will be effective for the City beginning with its fiscal year ending June 30, 2017. This statement addresses accounting and financial reporting for certain external investment pools and pool participants. It establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14* will be effective for the City beginning with its fiscal year ending June 30, 2017. This statement improves financial reporting by clarifying the financial statement presentation requirements for certain component units.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statement Nos. 67, 68, and 73*, will be effective for the City beginning with its fiscal year ending June 30, 2017. The requirements of this statement will improve financial reporting by enhancing consistency in the application of financial reporting requirements to certain pension issues.

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION (Continued)

N. Pending Litigation

The City has pending litigation from an individual who resides in the City. The City's attorneys have made no evaluation as to the outcome of the following case:

<u>Case</u>	<u>Damages Requested</u>	<u>Potential of Loss</u>
Blackburn vs. City of Rockaway Beach	Unknown	Unknown

O. Subsequent Events

Management has evaluated subsequent events through December 19, 2016, which was the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year Ended June 30	(a) City's proportion of the net pension liability (asset)	(b) City's proportionate share of the net pension liability (asset)	(c) City's covered payroll	(b/c) City's proportionate share of the net position liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.00917517%	\$ 526,789	\$ 784,187	67.18%	91.90%
2015	0.00734632%	(166,520)	768,898	-21.66%	103.60%
2014	0.00734632%	374,893	710,228	52.78%	91.97%

Changes in Benefit Terms

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

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

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

Changes of Assumptions

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

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

SCHEDULE OF CONTRIBUTIONS

Year Ended June 30	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency (excess)	(c) City's covered payroll	(b/c) Contributions as a percent of covered payroll
2016	\$ 87,043	\$ 87,043	\$ -	\$ 852,821	10.21%
2015	75,707	75,707	-	784,187	9.65%
2014	82,150	82,150	-	768,898	10.68%

Changes in Benefit Terms

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

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Changes of Assumptions

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CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance with Final Budget Over (Under)</u>
REVENUES			
Taxes			
Property	\$ 326,000	\$ 326,000	\$ 35,644
Alcohol	18,600	18,600	2,051
Cigarette	1,300	1,300	460
Licenses, permits, and fees	229,300	229,300	32,913
Grants	76,800	76,800	(23,905)
Charges for services	61,600	61,600	(20,358)
State revenue sharing	15,600	15,600	8,217
Rental income	3,600	3,600	-
Investment earnings	11,700	11,700	(5,357)
Sale of assets	500	500	(500)
Other revenue	<u>12,200</u>	<u>12,200</u>	<u>(1,792)</u>
 Total revenues	 <u>757,200</u>	 <u>757,200</u>	 <u>27,373</u>
EXPENDITURES			
Current			
Personnel services			
Administration	120,200	120,200	(22,661)
Public safety	404,440	404,440	(31,086)
Fire protection	54,300	54,300	(21,683)
Culture and recreation	<u>24,300</u>	<u>24,300</u>	<u>(1,871)</u>
Total personnel services	<u>603,240</u>	<u>603,240</u>	<u>(77,301)</u>
Materials and services			
Administration	222,550	222,550	(35,615)
Public safety	59,960	59,960	11,964
Fire protection	56,175	56,175	(4,156)
Culture and recreation	<u>12,450</u>	<u>12,450</u>	<u>(3,969)</u>
Total materials and services	<u>351,135</u>	<u>351,135</u>	<u>(31,776)</u>
Debt service	<u>112,000</u>	<u>112,000</u>	<u>360</u>

		Actual	
Budget Basis	Adjustments	GAAP Basis	
\$ 361,644	\$ -	\$ 361,644	
20,651	-	20,651	
1,760	-	1,760	
262,213	-	262,213	
52,895	-	52,895	
41,242	-	41,242	
23,817	-	23,817	
3,600	-	3,600	
6,343	-	6,343	
-	-	-	
<u>10,408</u>	<u>-</u>	<u>10,408</u>	
<u>784,573</u>	<u>-</u>	<u>784,573</u>	
97,539	-	97,539	
373,354	-	373,354	
32,617	-	32,617	
<u>22,429</u>	<u>-</u>	<u>22,429</u>	
<u>525,939</u>	<u>-</u>	<u>525,939</u>	
186,935	-	186,935	
71,924	-	71,924	
52,019	-	52,019	
<u>8,481</u>	<u>-</u>	<u>8,481</u>	
<u>319,359</u>	<u>-</u>	<u>319,359</u>	
<u>112,360</u>	<u>(7,200)</u>	<u>105,160</u>	

(Continued)

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2016

(Continued)

	Original Budget	Final Budget	Variance with Final Budget Over (Under)
EXPENDITURES (Continued)			
Capital outlay			
Administration	\$ 64,000	\$ 23,000	\$ 3,474
Public safety	17,100	17,100	(3,662)
Fire protection	6,000	6,000	(4,750)
Total capital outlay	87,100	46,100	(4,938)
Contingency	15,000	15,000	(15,000)
Total expenditures	1,168,475	1,127,475	(128,655)
Excess (deficiency) of revenues over (under) expenditures	(411,275)	(370,275)	156,028
OTHER FINANCING SOURCES (USES)			
Transfers in	248,600	248,600	-
Transfers out	(39,100)	(80,100)	(41,000)
Total other financing sources (uses)	209,500	168,500	41,000
Net change in fund balance	(201,775)	(201,775)	197,028
Fund balance - beginning	317,900	317,900	(153,701)
Fund balance - ending	\$ 116,125	\$ 116,125	\$ 43,327

	Actual		
<u>Budget Basis</u>	<u>Adjustments</u>		<u>GAAP Basis</u>
\$ 26,474	\$ -		\$ 26,474
13,438	-		13,438
<u>1,250</u>	<u>-</u>		<u>1,250</u>
<u>41,162</u>	<u>-</u>		<u>41,162</u>
<u>-</u>	<u>-</u>		<u>-</u>
<u>998,820</u>	<u>(7,200)</u>		<u>991,620</u>
<u>(214,247)</u>	<u>7,200</u>		<u>(207,047)</u>
248,600	-		248,600
<u>(39,100)</u>	<u>-</u>		<u>(39,100)</u>
<u>209,500</u>	<u>-</u>		<u>209,500</u>
(4,747)	7,200		2,453
<u>164,199</u>	<u>(72,000)</u>		<u>92,199</u>
<u>\$ 159,452</u>	<u>\$ (64,800)</u>		<u>\$ 94,652</u>

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

ROADS AND STREETS FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	GAAP Basis	
			Adjustments		
REVENUES					
Grants	\$ 62,000	\$ 5,140	\$ 67,140	\$ -	\$ 67,140
State revenue sharing	76,000	2,848	78,848	-	78,848
Investment earnings	<u>100</u>	<u>582</u>	<u>682</u>	<u>-</u>	<u>682</u>
Total revenues	<u>138,100</u>	<u>8,570</u>	<u>146,670</u>	<u>-</u>	<u>146,670</u>
EXPENDITURES					
Current					
Personnel services	118,300	(54,069)	64,231	-	64,231
Materials and services	83,200	16,786	99,986	-	99,986
Capital outlay	127,000	(2,767)	124,233	-	124,233
Contingency	<u>4,000</u>	<u>(4,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>332,500</u>	<u>(44,050)</u>	<u>288,450</u>	<u>-</u>	<u>288,450</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(194,400)</u>	<u>52,620</u>	<u>(141,780)</u>	<u>-</u>	<u>(141,780)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	204,600	14,000	218,600	-	218,600
Transfers out	<u>(2,000)</u>	<u>-</u>	<u>(2,000)</u>	<u>-</u>	<u>(2,000)</u>
Total other financing sources (uses)	<u>202,600</u>	<u>14,000</u>	<u>216,600</u>	<u>-</u>	<u>216,600</u>
Net change in fund balance	8,200	66,620	74,820	-	74,820
Fund balance - beginning	<u>31,500</u>	<u>84,284</u>	<u>115,784</u>	<u>-</u>	<u>115,784</u>
Fund balance - ending	<u>\$ 39,700</u>	<u>\$ 150,904</u>	<u>\$ 190,604</u>	<u>\$ -</u>	<u>\$ 190,604</u>

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

TRANSIENT ROOM TAX FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Transient room taxes	\$ 454,800	\$ 219,949	\$ 674,749	\$ -	\$ 674,749
Investment earnings	100	1,730	1,830	-	1,830
Other revenue	-	358	358	-	358
Total revenues	<u>454,900</u>	<u>222,037</u>	<u>676,937</u>	<u>-</u>	<u>676,937</u>
EXPENDITURES					
Current					
Materials and services	164,700	(1,351)	163,349	-	163,349
Contingency	<u>25,000</u>	<u>(25,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>189,700</u>	<u>(26,351)</u>	<u>163,349</u>	<u>-</u>	<u>163,349</u>
Excess (deficiency) of revenues over (under) expenditures	265,200	248,388	513,588	-	513,588
OTHER FINANCING SOURCES (USES)					
Transfers out	<u>(462,300)</u>	<u>-</u>	<u>(462,300)</u>	<u>-</u>	<u>(462,300)</u>
Net change in fund balance	(197,100)	248,388	51,288	-	51,288
Fund balance - beginning	<u>323,000</u>	<u>298,895</u>	<u>621,895</u>	<u>-</u>	<u>621,895</u>
Fund balance - ending	<u>\$ 125,900</u>	<u>\$ 547,283</u>	<u>\$ 673,183</u>	<u>\$ -</u>	<u>\$ 673,183</u>

OTHER SUPPLEMENTARY INFORMATION
COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

June 30, 2016

	Special Revenue Fund Transportation SDC	Debt Service Funds	
		Water Improvements Debt Service	1981 Water Revenue Bond
ASSETS			
Cash and cash equivalents	\$ 83,844	\$ 298,111	\$ 58,466
Accounts receivable	<u>-</u>	<u>27,546</u>	<u>-</u>
 Total assets	 <u>\$ 83,844</u>	 <u>\$ 325,657</u>	 <u>\$ 58,466</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Fund balances			
Restricted for:			
Debt service	-	325,657	-
System development	83,844	-	-
Assigned to:			
Fire equipment	-	-	-
Future equipment purchases	-	-	-
Debt service	-	-	58,466
System improvements	<u>-</u>	<u>-</u>	<u>-</u>
 Total fund balances	 <u>83,844</u>	 <u>325,657</u>	 <u>58,466</u>
 Total liabilities and fund balances	 <u>\$ 83,844</u>	 <u>\$ 325,657</u>	 <u>\$ 58,466</u>

Capital Projects Funds				Total Nonmajor Governmental Funds
Sewer Master Plan Reserve	Water Master Plan Reserve	Fire Equipment Reserve	Project and Equipment Reserve	
\$ 699,337	\$ 704,829	\$ 137,292	\$ 76,430	\$ 2,058,309
-	-	-	-	27,546
<u>\$ 699,337</u>	<u>\$ 704,829</u>	<u>\$ 137,292</u>	<u>\$ 76,430</u>	<u>\$ 2,085,855</u>
\$ -	\$ 11,554	\$ -	\$ -	\$ 11,554
-	-	-	-	325,657
-	-	-	-	83,844
-	-	137,292	-	137,292
-	-	-	76,430	76,430
-	-	-	-	58,466
<u>699,337</u>	<u>693,275</u>	<u>-</u>	<u>-</u>	<u>1,392,612</u>
<u>699,337</u>	<u>693,275</u>	<u>137,292</u>	<u>76,430</u>	<u>2,074,301</u>
<u>\$ 699,337</u>	<u>\$ 704,829</u>	<u>\$ 137,292</u>	<u>\$ 76,430</u>	<u>\$ 2,085,855</u>

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2016

	<u>Special Revenue Fund</u>	<u>Debt Service Funds</u>	
	<u>Transportation SDC</u>	<u>Water Improvements Debt Service</u>	<u>1981 Water Revenue Bond</u>
REVENUES			
Licenses, permits, and fees	\$ 7,200	\$ -	\$ -
Debt service fees	-	141,223	-
Investment earnings	<u>240</u>	<u>1,196</u>	<u>101</u>
Total revenues	<u>7,440</u>	<u>142,419</u>	<u>101</u>
EXPENDITURES			
Debt service	-	123,656	4,938
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>123,656</u>	<u>4,938</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,440</u>	<u>18,763</u>	<u>(4,837)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	24,000
Transfers out	<u>-</u>	<u>-</u>	<u>(25,000)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,000)</u>
Net change in fund balances	7,440	18,763	(5,837)
Fund balances - beginning	<u>76,404</u>	<u>306,894</u>	<u>64,303</u>
Fund balances - ending	<u>\$ 83,844</u>	<u>\$ 325,657</u>	<u>\$ 58,466</u>

<u>Capital Projects Funds</u>				<u>Total Nonmajor Governmental Funds</u>
<u>Sewer Master Plan Reserve</u>	<u>Water Master Plan Reserve</u>	<u>Fire Equipment Reserve</u>	<u>Project and Equipment Reserve</u>	
\$ -	\$ -	\$ -	\$ -	\$ 7,200
-	-	-	-	141,223
<u>2,510</u>	<u>4,174</u>	<u>256</u>	<u>359</u>	<u>8,836</u>
<u>2,510</u>	<u>4,174</u>	<u>256</u>	<u>359</u>	<u>157,259</u>
-	-	-	-	128,594
<u>32,742</u>	<u>11,583</u>	<u>-</u>	<u>165,213</u>	<u>209,538</u>
<u>32,742</u>	<u>11,583</u>	<u>-</u>	<u>165,213</u>	<u>338,132</u>
<u>(30,232)</u>	<u>(7,409)</u>	<u>256</u>	<u>(164,854)</u>	<u>(180,873)</u>
140,000	65,000	30,000	154,200	413,200
<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,000)</u>	<u>(39,000)</u>
<u>140,000</u>	<u>65,000</u>	<u>30,000</u>	<u>140,200</u>	<u>374,200</u>
109,768	57,591	30,256	(24,654)	193,327
<u>589,569</u>	<u>635,684</u>	<u>107,036</u>	<u>101,084</u>	<u>1,880,974</u>
<u>\$ 699,337</u>	<u>\$ 693,275</u>	<u>\$ 137,292</u>	<u>\$ 76,430</u>	<u>\$ 2,074,301</u>

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

TRANSPORTATION SDC FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Licenses, permits, and fees	\$ 3,000	\$ 4,200	\$ 7,200	\$ -	\$ 7,200
Investment earnings	<u>100</u>	<u>140</u>	<u>240</u>	<u>-</u>	<u>240</u>
Total revenues	3,100	4,340	7,440	-	7,440
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	3,100	4,340	7,440	-	7,440
Fund balance - beginning	<u>62,700</u>	<u>13,704</u>	<u>76,404</u>	<u>-</u>	<u>76,404</u>
Fund balance - ending	<u>\$ 65,800</u>	<u>\$ 18,044</u>	<u>\$ 83,844</u>	<u>\$ -</u>	<u>\$ 83,844</u>

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

SEWER IMPROVEMENTS DEBT SERVICE FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Debt service fees	\$ 223,000	\$ 6,337	\$ 229,337	\$ -	\$ 229,337
Investment earnings	<u>600</u>	<u>(205)</u>	<u>395</u>	<u>-</u>	<u>395</u>
Total revenues	223,600	6,132	229,732	-	229,732
EXPENDITURES					
Debt service	<u>204,600</u>	<u>(6,505)</u>	<u>198,095</u>	<u>(143,145)</u>	<u>54,950</u>
Excess (deficiency) of revenues over (under) expenditures	19,000	12,637	31,637	143,145	174,782
OTHER FINANCING SOURCES (USES)					
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(143,144)</u>	<u>(143,144)</u>
Net change in fund balance	19,000	12,637	31,637	1	31,638
Fund balance - beginning	<u>294,000</u>	<u>120,031</u>	<u>414,031</u>	<u>-</u>	<u>414,031</u>
Fund balance - ending	<u>\$ 313,000</u>	<u>\$ 132,668</u>	<u>\$ 445,668</u>	<u>\$ 1</u>	<u>\$ 445,669</u>

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

WATER IMPROVEMENTS DEBT SERVICE FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Debt service fees	\$ 136,100	\$ 5,123	\$ 141,223	\$ -	\$ 141,223
Investment earnings	<u>700</u>	<u>496</u>	<u>1,196</u>	<u>-</u>	<u>1,196</u>
Total revenues	136,800	5,619	142,419	-	142,419
EXPENDITURES					
Debt service	<u>136,100</u>	<u>(12,444)</u>	<u>123,656</u>	<u>-</u>	<u>123,656</u>
Excess (deficiency) of revenues over (under) expenditures	700	18,063	18,763	-	18,763
Fund balance - beginning	<u>294,200</u>	<u>12,694</u>	<u>306,894</u>	<u>-</u>	<u>306,894</u>
Fund balance - ending	<u>\$ 294,900</u>	<u>\$ 30,757</u>	<u>\$ 325,657</u>	<u>\$ -</u>	<u>\$ 325,657</u>

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

1981 WATER REVENUE BOND FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
	<u>Budget</u>	<u>Over (Under)</u>	<u>Budget Basis</u>	<u>Adjustments</u>	<u>Basis</u>
REVENUES					
Investment earnings	\$ 100	\$ 1	\$ 101	\$ -	\$ 101
EXPENDITURES					
Debt service	<u>40,400</u>	<u>(10,462)</u>	<u>29,938</u>	<u>(25,000)</u>	<u>4,938</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(40,300)</u>	<u>10,463</u>	<u>(29,837)</u>	<u>25,000</u>	<u>(4,837)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	24,000	-	24,000	-	24,000
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,000)</u>	<u>(25,000)</u>
Total other financing sources (uses)	<u>24,000</u>	<u>-</u>	<u>24,000</u>	<u>(25,000)</u>	<u>(1,000)</u>
Net change in fund balance	(16,300)	10,463	(5,837)	-	(5,837)
Fund balance - beginning	<u>66,300</u>	<u>(1,997)</u>	<u>64,303</u>	<u>-</u>	<u>64,303</u>
Fund balance - ending	<u>\$ 50,000</u>	<u>\$ 8,466</u>	<u>\$ 58,466</u>	<u>\$ -</u>	<u>\$ 58,466</u>

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

SEWER MASTER PLAN RESERVE FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Investment earnings	\$ 1,100	\$ 1,410	\$ 2,510	\$ -	\$ 2,510
EXPENDITURES					
Capital outlay	300,000	(267,258)	32,742	-	32,742
Contingency	<u>10,000</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>310,000</u>	<u>(277,258)</u>	<u>32,742</u>	<u>-</u>	<u>32,742</u>
Excess (deficiency) of revenues over (under) expenditures	(308,900)	278,668	(30,232)	-	(30,232)
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>140,000</u>	<u>-</u>	<u>140,000</u>	<u>-</u>	<u>140,000</u>
Net change in fund balance	(168,900)	278,668	109,768	-	109,768
Fund balance - beginning	<u>522,600</u>	<u>66,969</u>	<u>589,569</u>	<u>-</u>	<u>589,569</u>
Fund balance - ending	<u>\$ 353,700</u>	<u>\$ 345,637</u>	<u>\$ 699,337</u>	<u>\$ -</u>	<u>\$ 699,337</u>

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

WATER MASTER PLAN RESERVE FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Investment earnings	\$ 1,200	\$ 2,974	\$ 4,174	\$ -	\$ 4,174
EXPENDITURES					
Capital outlay	194,000	(182,417)	11,583	-	11,583
Contingency	<u>30,000</u>	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>224,000</u>	<u>(212,417)</u>	<u>11,583</u>	<u>-</u>	<u>11,583</u>
Excess (deficiency) of revenues over (under) expenditures	(222,800)	215,391	(7,409)	-	(7,409)
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>65,000</u>	<u>-</u>	<u>65,000</u>	<u>-</u>	<u>65,000</u>
Net change in fund balance	(157,800)	215,391	57,591	-	57,591
Fund balance - beginning	<u>714,100</u>	<u>(78,416)</u>	<u>635,684</u>	<u>-</u>	<u>635,684</u>
Fund balance - ending	<u>\$ 556,300</u>	<u>\$ 136,975</u>	<u>\$ 693,275</u>	<u>\$ -</u>	<u>\$ 693,275</u>

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

FIRE EQUIPMENT RESERVE FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Investment earnings	\$ 100	\$ 156	\$ 256	\$ -	\$ 256
EXPENDITURES					
Capital outlay	<u>20,000</u>	<u>(20,000)</u>	-	-	-
Excess (deficiency) of revenues over (under) expenditures	(19,900)	20,156	256	-	256
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>30,000</u>	-	<u>30,000</u>	-	<u>30,000</u>
Net change in fund balance	10,100	20,156	30,256	-	30,256
Fund balance - beginning	<u>94,000</u>	<u>13,036</u>	<u>107,036</u>	-	<u>107,036</u>
Fund balance - ending	<u>\$ 104,100</u>	<u>\$ 33,192</u>	<u>\$ 137,292</u>	<u>\$ -</u>	<u>\$ 137,292</u>

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

PROJECT AND EQUIPMENT RESERVE FUND

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Variance with Final Budget Over (Under)
REVENUES			
Investment earnings	\$ 100	\$ 100	\$ 259
Grants and contributions	-	28,400	(28,400)
Total revenues	100	28,500	(28,141)
EXPENDITURES			
Capital outlay	119,000	188,400	(23,187)
Excess (deficiency) of revenues over (under) expenditures	(118,900)	(159,900)	(4,954)
OTHER FINANCING SOURCES (USES)			
Transfers in	154,200	195,200	(41,000)
Transfers out	-	-	14,000
Total other financing sources (uses)	154,200	195,200	(55,000)
Net change in fund balance	35,300	35,300	(59,954)
Fund balance - beginning	104,800	104,800	(3,716)
Fund balance - ending	\$ 140,100	\$ 140,100	\$ (63,670)

Actual		
Budget Basis	Adjustments	GAAP Basis
\$ 359	\$ -	\$ 359
<u>-</u>	<u>-</u>	<u>-</u>
359	-	359
<u>165,213</u>	<u>-</u>	<u>165,213</u>
<u>(164,854)</u>	<u>-</u>	<u>(164,854)</u>
154,200	-	154,200
<u>(14,000)</u>	<u>-</u>	<u>(14,000)</u>
<u>140,200</u>	<u>-</u>	<u>140,200</u>
(24,654)	-	(24,654)
<u>101,084</u>	<u>-</u>	<u>101,084</u>
<u>\$ 76,430</u>	<u>\$ -</u>	<u>\$ 76,430</u>

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
BUDGET AND ACTUAL

WATER OPERATING FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Water sales	\$ 806,700	\$ 32,700	\$ 839,400	\$ -	\$ 839,400
Investment earnings	200	1,966	2,166	-	2,166
Other income	<u>5,000</u>	<u>18,655</u>	<u>23,655</u>	<u>-</u>	<u>23,655</u>
Total revenues	<u>811,900</u>	<u>53,321</u>	<u>865,221</u>	<u>-</u>	<u>865,221</u>
EXPENSES					
Current					
Personnel services	524,100	(81,198)	442,902	138,104	581,006
Materials and services	219,600	43,867	263,467	-	263,467
Capital outlay	85,000	-	85,000	(82,270)	2,730
Depreciation	-	-	-	235,295	235,295
Contingency	<u>30,000</u>	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>858,700</u>	<u>(67,331)</u>	<u>791,369</u>	<u>291,129</u>	<u>1,082,498</u>
Excess (deficiency) of revenues over (under) expenses	<u>(46,800)</u>	<u>120,652</u>	<u>73,852</u>	<u>(291,129)</u>	<u>(217,277)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	25,000	25,000
Transfers out	<u>(156,000)</u>	<u>-</u>	<u>(156,000)</u>	<u>-</u>	<u>(156,000)</u>
Total other financing sources (uses)	<u>(156,000)</u>	<u>-</u>	<u>(156,000)</u>	<u>25,000</u>	<u>(131,000)</u>
Change in net position	(202,800)	120,652	(82,148)	(266,129)	(348,277)
Net position - beginning	<u>462,200</u>	<u>(6,197)</u>	<u>456,003</u>	<u>5,239,068</u>	<u>5,695,071</u>
Net position - ending	<u>\$ 259,400</u>	<u>\$ 114,455</u>	<u>\$ 373,855</u>	<u>\$ 4,972,939</u>	<u>\$ 5,346,794</u>

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
BUDGET AND ACTUAL

SEWER OPERATING FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Sewer charges	\$ 777,800	\$ 34,349	\$ 812,149	\$ -	\$ 812,149
Investment earnings	800	3,763	4,563	-	4,563
Other income	<u>1,400</u>	<u>(1,541)</u>	<u>(141)</u>	<u>-</u>	<u>(141)</u>
Total revenues	<u>780,000</u>	<u>36,571</u>	<u>816,571</u>	<u>-</u>	<u>816,571</u>
EXPENSES					
Current					
Personnel services	492,000	(62,860)	429,140	134,113	563,253
Materials and services	229,700	(47,143)	182,557	1	182,558
Capital outlay	40,000	(22,290)	17,710	(9,250)	8,460
Depreciation	-	-	-	190,596	190,596
Contingency	<u>30,000</u>	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>791,700</u>	<u>(162,293)</u>	<u>629,407</u>	<u>315,460</u>	<u>944,867</u>
Excess (deficiency) of revenues over (under) expenses	<u>(11,700)</u>	<u>198,864</u>	<u>187,164</u>	<u>(315,460)</u>	<u>(128,296)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	143,144	143,144
Transfers out	<u>(207,000)</u>	<u>-</u>	<u>(207,000)</u>	<u>-</u>	<u>(207,000)</u>
Total other financing sources (uses)	<u>(207,000)</u>	<u>-</u>	<u>(207,000)</u>	<u>143,144</u>	<u>(63,856)</u>
Change in net position	(218,700)	198,864	(19,836)	(172,316)	(192,152)
Net position - beginning	<u>817,000</u>	<u>153,881</u>	<u>970,881</u>	<u>1,449,076</u>	<u>2,419,957</u>
Net position - ending	<u>\$ 598,300</u>	<u>\$ 352,745</u>	<u>\$ 951,045</u>	<u>\$ 1,276,760</u>	<u>\$ 2,227,805</u>

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
BUDGET AND ACTUAL

SEWER SDC FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
System development charges	\$ 9,400	\$ 31,830	\$ 41,230	\$ -	\$ 41,230
Miscellaneous revenue	7,200	-	7,200	(7,200)	-
Investment earnings	<u>3,800</u>	<u>3,001</u>	<u>6,801</u>	<u>-</u>	<u>6,801</u>
Total revenues	20,400	34,831	55,231	(7,200)	48,031
EXPENSES					
Capital outlay	<u>500,000</u>	<u>(500,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenses	(479,600)	534,831	55,231	(7,200)	48,031
Net position - beginning	<u>1,035,600</u>	<u>50,134</u>	<u>1,085,734</u>	<u>72,000</u>	<u>1,157,734</u>
Net position - ending	<u>\$ 556,000</u>	<u>\$ 584,965</u>	<u>\$ 1,140,965</u>	<u>\$ 64,800</u>	<u>\$ 1,205,765</u>

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
 BUDGET AND ACTUAL

WATER SDC FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
System development charges	\$ 33,000	\$ 38,247	\$ 71,247	\$ -	\$ 71,247
Investment earnings	<u>124</u>	<u>676</u>	<u>800</u>	<u>-</u>	<u>800</u>
Total revenues	33,124	38,923	72,047	-	72,047
EXPENSES					
Capital outlay	<u>12,400</u>	<u>(12,400)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenses	20,724	51,323	72,047	-	72,047
Net position - beginning	<u>106,000</u>	<u>66,646</u>	<u>172,646</u>	<u>-</u>	<u>172,646</u>
Net position - ending	<u>\$ 126,724</u>	<u>\$ 117,969</u>	<u>\$ 244,693</u>	<u>\$ -</u>	<u>\$ 244,693</u>

OTHER FINANCIAL SCHEDULES

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

For the Year Ended June 30, 2016

Tax Year	Taxes Receivable July 1, 2015	2015-2016 Levy	Adjustments and Discounts	Collections	Taxes Receivable June 30, 2016
2015-2016	\$ -	\$ 366,991	\$ (9,136)	\$ 346,928	\$ 10,927
2014-2015	10,292	-	(11)	4,882	5,399
2013-2014	6,422	-	(17)	1,991	4,414
2012-2013	4,393	-	(17)	2,208	2,168
2011-2012	1,223	-	(11)	928	284
2010-2011	193	-	(4)	78	111
2009-2010	184	-	(24)	55	105
Prior	1,002	-	-	68	934
Subtotal - Prior	23,709	-	(84)	10,210	13,415
Total	\$ 23,709	\$ 366,991	\$ (9,220)	357,138	\$ 24,342
Add:					
Other taxes and interest				4,506	
Undistributed taxes with county, July 1, 2015				-	
Total available				361,644	
Less: Turnovers to City				(361,644)	
Undistributed taxes with county, June 30, 2016				\$ -	

CITY OF ROCKAWAY BEACH
Tillamook County, Oregon

**SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF
FEDERAL LONG-TERM DEBT**

For the Year Ended June 30, 2016

Fiscal Year	Total Requirement All Federal Issues			USDA City Hall Loan #97-03		
	Principal	Interest	Total	Principal	Interest	Total
2016-2017	\$ 164,558	\$ 89,996	\$ 254,554	\$ 11,218	\$ 30,775	\$ 41,993
2017-2018	169,696	84,858	254,554	11,722	30,271	41,993
2018-2019	174,997	79,557	254,554	12,250	29,743	41,993
2019-2020	180,469	74,085	254,554	12,801	29,192	41,993
2020-2021	186,115	68,439	254,554	13,377	28,616	41,993
2021-2022	191,943	62,611	254,554	13,979	28,014	41,993
2022-2023	197,957	56,597	254,554	14,608	27,385	41,993
2023-2024	204,164	50,390	254,554	15,266	26,727	41,993
2024-2025	210,586	43,984	254,570	15,953	26,040	41,993
2025-2026	25,523	38,771	64,294	16,670	25,323	41,993
Thereafter	<u>836,048</u>	<u>449,146</u>	<u>1,285,194</u>	<u>546,053</u>	<u>293,352</u>	<u>839,405</u>
Total	<u>\$ 2,542,056</u>	<u>\$ 1,098,434</u>	<u>\$ 3,640,490</u>	<u>\$ 683,897</u>	<u>\$ 575,438</u>	<u>\$ 1,259,335</u>

Fiscal Year	USDA City Hall Loan #97-04			DEQ Wastewater Outfall Loan #R78281		
	Principal	Interest	Total	Principal	Interest	Total
2016-2017	\$ 5,957	\$ 16,344	\$ 22,301	\$ 147,383	\$ 42,877	\$ 190,260
2017-2018	6,225	16,076	22,301	151,749	38,511	190,260
2018-2019	6,505	15,796	22,301	156,242	34,018	190,260
2019-2020	6,798	15,503	22,301	160,870	29,390	190,260
2020-2021	7,104	15,197	22,301	165,634	24,626	190,260
2021-2022	7,424	14,877	22,301	170,540	19,720	190,260
2022-2023	7,758	14,543	22,301	175,591	14,669	190,260
2023-2024	8,107	14,194	22,301	180,791	9,469	190,260
2024-2025	8,472	13,829	22,301	186,161	4,115	190,276
2025-2026	8,853	13,448	22,301	-	-	-
Thereafter	<u>289,995</u>	<u>155,794</u>	<u>445,789</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 363,198</u>	<u>\$ 305,601</u>	<u>\$ 668,799</u>	<u>\$ 1,494,961</u>	<u>\$ 217,395</u>	<u>\$ 1,712,356</u>

**AUDIT COMMENTS AND DISCLOSURES REQUIRED BY
STATE REGULATIONS**



KOONTZ, PERDUE, BLASQUEZ & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS**

The Honorable Joanne Aagaard, Mayor
and Members of the City Council
City of Rockaway Beach
Rockaway Beach, Oregon 97136

We have audited the basic financial statements of the City of Rockaway Beach as of and for the year ended June 30, 2016, and have issued our report thereon dated December 19, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the City of Rockaway Beach'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 162-010-0000 through 162-010-0320 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 statement 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:

Accounting records

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, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-010-0230 Internal Control

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 basic 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 of Rockaway Beach’s internal control over financial reporting. However, we noted certain matters that we have reported to management of the City in a separate letter dated December 19, 2016.

This report is intended solely for the information and use of the city council and management of the City of Rockaway Beach and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.



Koontz, Perdue, Blasquez & Co., P.C.

December 19, 2016