



ARCH CAPE SANITARY DISTRICT
Arch Cape, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2023



ARCH CAPE SANITARY DISTRICT
Arch Cape, Oregon

DISTRICT OFFICIALS

June 30, 2023

BOARD OF DIRECTORS

Jay Blake

Steve Hill

Heather Newman

Casey Short

Darr Tindall

*All directors receive mail at the District address below.

REGISTERED AGENT

Matt Gardner, District Manager

DISTRICT ADDRESS

32065 E Shingle Mill Lane
Arch Cape, Oregon 97102

ARCH CAPE SANITARY DISTRICT
Arch Cape, Oregon

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Arch Cape Sanitary District
Arch Cape, Oregon 97102

Opinions

We have audited the accompanying modified cash basis financial statements of the business-type activities and each major fund of Arch Cape Sanitary District, Arch Cape, Oregon, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the business-type activities and each major fund of Arch Cape Sanitary District, Arch Cape, Oregon as of June 30, 2023, and the respective changes in modified cash basis financial position, and where applicable, cash flows, thereof for the year then ended on the basis of accounting described in Note I.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Arch Cape Sanitary District, Arch Cape, Oregon, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - Basis of Accounting

We draw attention to Note I of the financial statements, which describes the basis of accounting. Arch Cape Sanitary District, Arch Cape, Oregon, prepares its financial statements on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to that matter.

Emphasis of Matter - Change in Accounting Principle

As described in the notes to the financial statements, in the year ended June 30, 2023, the District adopted new accounting guidance: GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Arrangements*, Statement No. 96, *Subscription-Based Information Technology Arrangements*, Statement No. 99, *Omnibus 202*, and Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note I, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Arch Cape Sanitary District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Arch Cape Sanitary District, Arch Cape, Oregon's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Arch Cape Sanitary District, Arch Cape, Oregon's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.


Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Arch Cape Sanitary District, Arch Cape, Oregon's basic financial statements. The individual fund financial statements and budgetary comparison information, if applicable, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and budgetary comparison information, if applicable, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated July 16, 2024 on our tests of the District's compliance with certain provisions of laws and regulations 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.

Accuity, LLC

By: 

Glen O. Kearns, CPA

Albany, Oregon
July 16, 2024

BASIC FINANCIAL STATEMENTS

ARCH CAPE SANITARY DISTRICT
Arch Cape, Oregon

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

June 30, 2023

	Business-Type Activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 450,314
Capital assets not being depreciated	297,367
Capital assets being depreciated, net	3,657,030
Total assets	4,404,711
LIABILITIES	
Current liabilities	
Long-term liabilities, current portion	103,799
Noncurrent liabilities	
Long-term liabilities, less current portion	1,979,878
Total liabilities	2,083,677
NET POSITION	
Net investment in capital assets	1,870,720
Restricted for debt service	20,992
Unrestricted	429,322
Total net position	\$ 2,321,034

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

ARCH CAPE SANITARY DISTRICT
Arch Cape, Oregon

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For the Year Ended June 30, 2023

<u>Functions/Programs</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Business-type activities				
Sanitary operations	\$ 517,661	\$ 378,689	\$ 7,400	\$ -
				(131,572)
General revenues				
Property taxes levied for debt service				145,331
Investment income				10,763
Miscellaneous				57,372
Total general revenues				213,466
Change in net position				81,894
Net position - beginning				2,239,140
Net position - ending				\$ 2,321,034

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

ARCH CAPE SANITARY DISTRICT
Arch Cape, Oregon

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

PROPRIETARY FUNDS

June 30, 2023

	General Fund	Debt Service Fund	Capital Fund	Total Business-Type Activities
ASSETS				
Current assets				
Cash and cash equivalents	\$ 258,586	\$ 5,496	\$ 186,232	\$ 450,314
Capital assets not being depreciated	297,367	-	-	297,367
Capital assets being depreciated, net	3,657,030	-	-	3,657,030
Total assets	4,212,983	5,496	186,232	4,404,711
LIABILITIES				
Current liabilities				
Long-term debt, current portion	103,799	-	-	103,799
Total current liabilities	103,799	-	-	103,799
Noncurrent liabilities				
Long-term debt, less current portion	1,979,878	-	-	1,979,878
Total liabilities	2,083,677	-	-	2,083,677
NET POSITION				
Net investment in capital assets	1,870,720	-	-	1,870,720
Restricted for debt service	15,496	5,496	-	20,992
Unrestricted	243,090	-	186,232	429,322
Total net position	\$ 2,129,306	\$ 5,496	\$ 186,232	\$ 2,321,034

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

ARCH CAPE SANITARY DISTRICT
Arch Cape, Oregon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION -
MODIFIED CASH BASIS

PROPRIETARY FUNDS

For the Year Ended June 30, 2023

	General Fund	Debt Service Fund	Capital Fund	Total Business-Type Activities
OPERATING REVENUES				
Charges for services	\$ 378,689	\$ -	\$ -	\$ 378,689
Miscellaneous	<u>9,562</u>	<u>-</u>	<u>-</u>	<u>9,562</u>
Total operating revenues	<u>388,251</u>	<u>-</u>	<u>-</u>	<u>388,251</u>
OPERATING EXPENSES				
Materials and supplies	261,038	-	-	261,038
Depreciation	<u>172,895</u>	<u>-</u>	<u>-</u>	<u>172,895</u>
Total operating expenses	<u>433,933</u>	<u>-</u>	<u>-</u>	<u>433,933</u>
Operating income (loss)	(45,682)	-	-	(45,682)
NONOPERATING REVENUES (EXPENSES)				
Property taxes	-	145,331	-	145,331
Investment earnings	6,134	108	4,521	10,763
Grants	7,400	-	-	7,400
System development charges	-	-	47,810	47,810
Interest paid on long-term debt	<u>(10,536)</u>	<u>(73,192)</u>	<u>-</u>	<u>(83,728)</u>
Total nonoperating revenues (expenses)	<u>2,998</u>	<u>72,247</u>	<u>52,331</u>	<u>127,576</u>
Income before transfers	(42,684)	72,247	52,331	81,894
Transfers in	71,408	-	-	71,408
Transfers out	<u>-</u>	<u>(71,408)</u>	<u>-</u>	<u>(71,408)</u>
Change in net position	28,724	839	52,331	81,894
Net position - beginning	<u>2,100,582</u>	<u>4,657</u>	<u>133,901</u>	<u>2,239,140</u>
Net position - ending	<u><u>\$ 2,129,306</u></u>	<u><u>\$ 5,496</u></u>	<u><u>\$ 186,232</u></u>	<u><u>\$ 2,321,034</u></u>

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

ARCH CAPE SANITARY DISTRICT
Arch Cape, Oregon

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended June 30, 2023

	General Fund	Debt Service Fund	Capital Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 388,251	\$ -	\$ -	\$ 388,251
Payments to suppliers	<u>(261,038)</u>	<u>-</u>	<u>-</u>	<u>(261,038)</u>
Net cash provided (used) by operating activities	<u>127,213</u>	<u>-</u>	<u>-</u>	<u>127,213</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
System development charges received	-	-	47,810	47,810
Property tax revenue	-	145,331	-	145,331
Capital grants received	7,400	-	-	7,400
Purchase of capital assets	(18,259)	-	-	(18,259)
Principal paid on long-term debt	(35,957)	(71,408)	-	(107,365)
Interest paid on long-term debt	<u>(10,536)</u>	<u>(73,192)</u>	<u>-</u>	<u>(83,728)</u>
Net cash provided (used) by capital and related financing activities	<u>(57,352)</u>	<u>731</u>	<u>47,810</u>	<u>(8,811)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	<u>6,134</u>	<u>108</u>	<u>4,521</u>	<u>10,763</u>
Net cash provided (used) by investing activities	<u>6,134</u>	<u>108</u>	<u>4,521</u>	<u>10,763</u>
Net increase (decrease) in cash and cash equivalents	75,995	839	52,331	129,165
Cash and cash equivalents - beginning	<u>182,591</u>	<u>4,657</u>	<u>133,901</u>	<u>321,149</u>
Cash and cash equivalents - ending	<u><u>\$ 258,586</u></u>	<u><u>\$ 5,496</u></u>	<u><u>\$ 186,232</u></u>	<u><u>\$ 450,314</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (45,682)	\$ -	\$ -	\$ (45,682)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	<u>172,895</u>	<u>-</u>	<u>-</u>	<u>172,895</u>
Net cash provided (used) by operating activities	<u><u>\$ 127,213</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 127,213</u></u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

ARCH CAPE SANITARY DISTRICT
Arch Cape, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Arch Cape Sanitary District have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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 District's accounting policies are described below.

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District. *Business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

B. Reporting Entity

Arch Cape Sanitary District, located in Arch Cape, Oregon, was established under the provisions of Oregon statutes to provide sanitary service for Clatsop County. The District is governed by five-member board of directors elected by voters.

C. Basis of Presentation - Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The business-type activities incorporate data from the government's enterprise funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the government's funds. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds are aggregated and reported as nonmajor funds. Major individual enterprise funds are reported as separate columns in the fund financial statements.

The District reports the following major proprietary funds:

General Fund - The General Fund is the District's primary operating fund. It accounts for all financial resources of the District except for those required to be accounted for in another fund. The primary source of revenue are user fees and other general revenues.

Debt Service Fund - The Debt Service Fund is used to account for receipts and disbursements of long-term obligations. The primary source of revenue are property taxes. The primary disbursements are for payment of principal and interest on long-term obligations.

ARCH CAPE SANITARY DISTRICT
Arch Cape, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

Capital Fund - The Capital Fund is used to account for receipts and disbursements set aside for system improvement and expansion expenditures. The primary source of revenue are transfers from the General Fund and investment income. The assets acquired are transferred to the General Fund as depreciable capital assets.

Certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured, such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and fund financial statements of the proprietary funds are reported using the economic resources measurement focus within the limitations of the modified cash basis of accounting, as described below. This basis recognizes assets, liabilities, net position, revenues, and expenditures when they result from cash transactions, with a provision for depreciation in the government-wide statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenues for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid and accrued expenses and liabilities) are not recorded in the financial statements.

If the District utilized the basis of accounting recognized as generally accepted, the fund financial statements and the government-wide financial statements would be presented on the accrual basis of accounting.

F. Budgetary Information

1. Budgetary Basis of Accounting

Annual budgets are adopted on the cash basis of accounting. The District 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.

ARCH CAPE SANITARY DISTRICT
Arch Cape, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

The District 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 board of directors by resolution prior to the beginning of the District'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, interfund transfers, and operating contingencies are the levels of control 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 board of directors 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 board of directors. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the board of directors. During the year, there were no supplemental budgets. The District 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 changes.

G. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position/Fund Balance

1. Cash and Cash Equivalents

The District'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.

2. Investments

State statutes authorize the government 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.

ARCH CAPE SANITARY DISTRICT
Arch Cape, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

3. Capital Assets

Capital assets resulting from cash transactions, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost where no historical records exist.

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. Land and construction in progress are not depreciated. The other property, plant, and equipment of the government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Equipment	5
Motor Vehicles	7
Sewer Facility	33-40

4. Long-Term Obligations

In the government-wide financial statements and fund financial statements, long-term debt is reported as a liability in the applicable business-type activities statements.

5. Net Position Flow Assumption

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

H. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment.

ARCH CAPE SANITARY DISTRICT
Arch Cape, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

All taxes, including those dedicated for specific purposes and other intentionally dedicated resources are reported as general revenues rather than as program revenues.

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.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer, Water, and System Development Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues not meeting this definition are reported as nonoperating revenues and expenses.

I. Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Cash Deposits with Financial Institutions

The Arch Cape Sanitary District 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. 72, *Fair Value Measurement and Application*, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value.

ARCH CAPE SANITARY DISTRICT
Arch Cape, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

The District participates in an external investment pool (State of Oregon Local Government Investment Pool). The Pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The State's investment policies are governed by the Oregon Revised Statutes (ORC) and the Oregon Investment Council (OIC). The State Treasurer is the investment officer for the OIC and is responsible for all funds in the State Treasury. These funds are invested exercising reasonable care, skill, and caution. Investments in the Pool are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which established diversification percentages and specifies the types and maturities of investments. The portion of the external investment pool which belongs to local government investment participants is reported in an Investment Trust Fund in the State's Comprehensive Annual Financial Report (CAFR). A copy of the State's CAFR may be obtained at the Oregon State Treasury, 350 Winter St. N.E., Salem, Oregon 97310-0840.

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or price paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based on the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

- *Level 1* - Unadjusted quoted prices for identical investments in active markets.
- *Level 2* - Observable inputs other than quoted market prices; and,
- *Level 3* - Unobservable inputs.

There were no transfers of assets or liabilities among the three levels of the fair value hierarchy for the year ended June 30, 2023.

Fair values of assets measured on a recurring basis at June 30, 2023 are as follows:

	<u>Level 2</u>
Investments:	
Oregon Local Government Investment Pool	\$ <u>377,879</u>

Credit Risk

Oregon statutes authorize the District 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.

ARCH CAPE SANITARY DISTRICT
Arch Cape, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

The District has not adopted an investment policy regarding credit risk; however, investments comply with state statutes.

Investments

As of June 30, 2023, the District had the following investments:

	Credit Quality Rating	Maturities	Fair Value
Oregon Local Government Investment Pool	Unrated	-	\$ <u>377,879</u>

Interest Rate Risk

The District 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 District does not have a formal policy that places a limit on the amount that may be invested in any one insurer. 100 percent of the District's investments are in the Oregon Local Government Investment Pool.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of a counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District 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 District's deposits may not be returned. All District 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.

ARCH CAPE SANITARY DISTRICT
Arch Cape, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

The District holds accounts at Columbia Bank, for which deposits are insured by the FDIC up to \$250,000. At June 30, 2023, the District had deposits of \$75,652 fully insured by the FDIC.

Deposits

The District's deposits and investments at June 30, 2023 are as follows:

Checking accounts	\$ 72,435
Total investments	<u>377,879</u>
Total cash and investments	<u><u>\$ 450,314</u></u>

Cash and investments by fund:

Business-type activities:

General Fund	\$ 258,586
Debt Service Fund	5,496
Capital Fund	<u>186,232</u>
Total cash and investments	<u><u>\$ 450,314</u></u>

B. Capital Assets

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

	<u>Capital Assets</u>	<u>Accumulated Depreciation</u>	<u>Net Capital Assets</u>
Business-type activities			
Land	\$ 297,367	\$ -	\$ 297,367
Sewer facility	7,137,786	(3,525,408)	3,612,378
Motor vehicles	34,253	(16,295)	17,958
Equipment	<u>38,985</u>	<u>(12,291)</u>	<u>26,694</u>
Total capital assets	<u><u>\$ 7,508,391</u></u>	<u><u>\$ (3,553,994)</u></u>	<u><u>\$ 3,954,397</u></u>

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

Business-type activities

Sanitary operations	<u><u>\$ 172,895</u></u>
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ARCH CAPE SANITARY DISTRICT
Arch Cape, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

Capital asset activity resulting from modified cash basis transactions for the year ended June 30, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 297,367	\$ -	\$ -	\$ 297,367
Capital assets being depreciated				
Sewer Facility	7,137,786	-	-	7,137,786
Motor vehicles	34,253	-	-	34,253
Equipment	20,726	18,259	-	38,985
Total capital assets being depreciated	7,192,765	18,259	-	7,211,024
Less accumulated depreciation for				
Sewer Facility	(3,360,352)	(165,056)	-	(3,525,408)
Motor vehicles	(11,402)	(4,893)	-	(16,295)
Equipment	(9,345)	(2,946)	-	(12,291)
Total accumulated depreciation	(3,381,099)	(172,895)	-	(3,553,994)
Capital assets being depreciated, net	3,811,666	(154,636)	-	3,657,030
Business-type activities capital assets, net	\$ 4,109,033	\$ (154,636)	\$ -	\$ 3,954,397

C. Long-Term Liabilities

1. Changes in Long-Term Liabilities

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

	Interest Rate	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
ODEQ Loan	3.14%	\$ 224,701	\$ 7,633	\$ -	\$ 7,633	\$ -	\$ -
GO Bond Series Part 1	1.44%	2,100,000	1,537,024	-	59,983	1,477,041	62,544
GO Bond Series Part 2	1.44%	400,000	293,222	-	11,425	281,797	11,913
Oregon Economic Loan	4.56%	250,000	84,669	-	15,458	69,211	16,163
Business Oregon IFA Loan	2.43%	360,000	268,494	-	12,866	255,628	13,179
		\$ 3,334,701	\$ 2,191,042	\$ -	\$ 107,365	\$ 2,083,677	\$ 103,799

ARCH CAPE SANITARY DISTRICT
Arch Cape, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

2. ODEQ Loan

The Oregon Department of Environmental Quality Loan was issued in March 2003. Interest is fixed at 3.14%. The District used the proceeds to finance the acquisition of the District's irrigation site. The General Fund has traditionally been used to liquidate the related debt. This liability was fully liquidated during the fiscal year.

3. GO Bond Series, Parts 1 and 2

General Obligation bonds are direct obligations that pledge the full faith and credit of the District and are payable from the general non-restricted revenues of the District and other funds that may be lawfully available for that purpose. The general obligation bonds were signed in January 2011, the proceeds of which were used to finance the upgrade of the wastewater treatment plant, which is pledged as collateral. Interest is fixed at 1.44%. The General Fund has traditionally been used to liquidate the related debt.

4. Oregon Economic Loan

The Oregon Economic Community Development Loan was issued in December 2007. Interest is fixed at 4.56%. The District used the proceeds to finance facility engineering services in preparation for an upgrade to the wastewater treatment plant, which is pledged as collateral. The General Fund has traditionally been used to liquidate the related debt.

5. Business Oregon IFA Loan

The Business Oregon IRA Loan was issued in December 2014. Interest is fixed at 2.43%. The District used the proceeds to finance the upgrade to the Salley's Alley lift station, inflow and infiltration work and acquire submerged membrane modular units for the wastewater treatment plant, all of which are pledged as collateral. The General Fund has traditionally been used to liquidate the related debt.

6. Legal Debt Limit

The District's legal annual debt service limit (as defined by Oregon Revised Statute 478.410) as of June 30, 2023, was approximately \$24,537,409. The District's legal debt service limit is 13.00% of the real market value of property within the District.

7. Business-Type Activities - Interest Expense

Interest expense was charged to functions/programs of the District as follows:

Business-type activities	
Sanitary operations	<u>\$ 83,728</u>

ARCH CAPE SANITARY DISTRICT
Arch Cape, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

8. Business-Type Activities Future Maturities of Long-Term Liabilities

Year ending June 30	GO Bond Series Part 1			
	Principal	Interest		
2024	\$ 62,544	\$ 58,920		
2025	64,729	56,735		
2026	67,473	53,991		
2027	70,172	51,292		
2028	73,112	48,352		
2029-2033	410,986	196,334		
2034-2038	500,174	107,146		
2039-2040	227,851	13,721		
Total	<u>\$ 1,477,041</u>	<u>\$ 586,491</u>		

Year ending June 30	GO Bond Series Part 2		Oregon Economic Loan	
	Principal	Interest	Principal	Interest
2024	\$ 11,913	\$ 11,223	\$ 16,163	\$ 3,156
2025	12,329	10,807	16,900	2,419
2026	12,852	10,284	17,671	1,648
2027	13,366	9,770	18,477	843
2028	13,926	9,210	-	-
2029-2033	78,283	37,397	-	-
2034-2038	95,272	20,408	-	-
2039-2040	43,856	2,872	-	-
Total	<u>\$ 281,797</u>	<u>\$ 111,971</u>	<u>\$ 69,211</u>	<u>\$ 8,066</u>

Year ending June 30	Business Oregon IFA Loan		Totals	
	Principal	Interest	Principal	Interest
2024	\$ 13,179	\$ 6,204	\$ 103,799	\$ 79,503
2025	13,499	5,884	107,457	75,845
2026	13,827	5,556	111,823	71,479
2027	14,163	5,220	116,178	67,125
2028	14,507	4,876	101,545	62,438
2029-2033	77,998	18,917	567,267	252,648
2034-2038	87,946	8,969	683,392	136,523
2039-2040	20,509	491	292,216	17,084
Total	<u>\$ 255,628</u>	<u>\$ 56,117</u>	<u>\$ 2,083,677</u>	<u>\$ 762,645</u>

ARCH CAPE SANITARY DISTRICT
Arch Cape, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Excess of Expenditures Over Appropriations

During the year, the District expended funds in excess of appropriations as follows:

Fund	Function	Appropriation	Expenditure	Excess
General Fund	Debt Service	\$ 46,455	\$ 46,493	\$ 38

IV. OTHER INFORMATION

A. Risk Management

The District 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 District 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.

B. Intergovernmental Agreement

Arch Cape Sanitary District has an agreement with Arch Cape Domestic Water Supply District to share personal service costs. The Water Supply District is the employer of two employees and the Sanitary District reimburses the Water Supply District for its share of labor costs, payroll taxes, and employee benefits performed on behalf of the Sanitary District.

C. New Pronouncements

For the fiscal year ended June 30, 2023, the District implemented the following new accounting standards:

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Arrangements* - This Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs).

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* - This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users.

GASB Statement No. 99, *Omnibus 2022*. This statement was issued April 2022 and enhances comparability in accounting and financial reporting to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to lease implementation, public-private and public-public partnerships and availability payment arrangements, and subscription-based information technology arrangements.

GASB Statement No. 101, *Compensated Absences*. This statement was issued to better meet the information needs of financial statement users by updating the recognition and

ARCH CAPE SANITARY DISTRICT
Arch Cape, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

The District will implement applicable new GASB pronouncements no later than the required fiscal year. Management has not determined the effect on the financial statements for implementing any of the following pronouncements:

GASB Statement No. 99, Omnibus 2022. This statement was issued April 2022 and enhances comparability in accounting and financial reporting to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to financial guarantees and classification of derivatives.

GASB Statement No. 100, Accounting Changes and Error Corrections. This statement was issued to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

D. Subsequent Events

Management has evaluated subsequent events through July 16, 2024, which was the date that the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

ARCH CAPE SANITARY DISTRICT

Arch Cape, Oregon

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

GENERAL FUND

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		Modified Cash Basis
				Budget Basis	Adjustments	
REVENUES						
User fees	\$ 328,008	\$ 328,008	\$ (3,897)	\$ 324,111	\$ -	\$ 324,111
Excess usage charges	15,000	15,000	4,305	19,305	-	19,305
Debt service surcharges	37,368	37,368	(5,845)	31,523	-	31,523
WD facilities use charges	3,750	3,750	-	3,750	-	3,750
Grants and contributions	7,400	7,400	-	7,400	-	7,400
Interest	4,000	4,000	2,134	6,134	-	6,134
Miscellaneous	7,753	7,753	1,809	9,562	-	9,562
Total revenues	403,279	403,279	(1,494)	401,785	-	401,785
EXPENDITURES						
Current						
Materials and services	344,250	344,250	(72,353)	271,897	(18,259)	253,638
Debt service	46,455	46,455	38	46,493	(35,957)	10,536
Grant expenditures	7,400	7,400	-	7,400	-	7,400
Depreciation	-	-	-	-	172,895	172,895
Contingency	59,716	59,716	(59,716)	-	-	-
Total expenditures	457,821	457,821	(132,031)	325,790	118,679	444,469
Excess (deficiency) of revenues over (under) expenditures	(54,542)	(54,542)	130,537	75,995	(118,679)	(42,684)
OTHER FINANCING						
SOURCES (USES)						
Transfers in	-	-	-	-	71,408	71,408
Net change in fund balance	(54,542)	(54,542)	130,537	75,995	(47,271)	28,724
Net position - beginning	146,973	146,973	1,953,609	182,591	1,917,991	2,100,582
Net position - ending	\$ 92,431	\$ 92,431	\$ 2,084,146	\$ 258,586	\$ 1,870,720	\$ 2,129,306

ARCH CAPE SANITARY DISTRICT
Arch Cape, Oregon

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

CAPITAL FUND

For the Year Ended June 30, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		Modified Cash Basis
			Budget Basis	Adjustments	
REVENUES					
System development charges	\$ 19,124	\$ 28,686	\$ 47,810	\$ -	\$ 47,810
Interest	-	4,521	4,521	-	4,521
Total revenues	19,124	33,207	52,331	-	52,331
EXPENDITURES					
Contingency	126,538	(126,538)	-	-	-
Excess (deficiency) of revenues over (under) expenditures	(107,414)	159,745	52,331	-	52,331
Net position - beginning	107,414	26,487	133,901	-	133,901
Net position - ending	\$ -	\$ 186,232	\$ 186,232	\$ -	\$ 186,232

ARCH CAPE SANITARY DISTRICT
Arch Cape, Oregon

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

DEBT SERVICE FUND

For the Year Ended June 30, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		Modified Cash Basis
			Budget Basis	Adjustments	
REVENUES					
Property taxes	\$ 144,600	\$ 731	\$ 145,331	\$ -	\$ 145,331
Interest	-	108	108	-	108
Total revenues	<u>144,600</u>	<u>839</u>	<u>145,439</u>	<u>-</u>	<u>145,439</u>
EXPENDITURES					
Debt service	<u>144,600</u>	<u>-</u>	<u>144,600</u>	<u>(71,408)</u>	<u>73,192</u>
Excess (deficiency) of revenues over (under) expenditures	-	839	839	71,408	72,247
OTHER FINANCING SOURCES (USES)					
Transfers out	-	-	-	(71,408)	(71,408)
Change in net position	-	839	839	-	839
Net position - beginning	<u>1,073</u>	<u>3,584</u>	<u>4,657</u>	<u>-</u>	<u>4,657</u>
Net position - ending	<u>\$ 1,073</u>	<u>\$ 4,423</u>	<u>\$ 5,496</u>	<u>\$ -</u>	<u>\$ 5,496</u>

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



INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of Directors
Arch Cape Sanitary District
Arch Cape, Oregon 97102

We have audited the basic financial statements of Arch Cape Sanitary District as of and for the year ended June 30, 2023 and have issued our report thereon dated July 16, 2024. 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 Arch Cape Sanitary District'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:

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 District 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, excepts as follows:

A. Excess of Expenditures Over Appropriations

During the year, the District expended funds in excess of appropriations as follows:

<u>Fund</u>	<u>Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Excess</u>
General Fund	Debt Service	\$ 46,455	\$ 46,493	\$ 38

This report is intended solely for the information and use of the board of directors and management of Arch Cape Sanitary District and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.



Accuity, LLC
Albany, Oregon
July 16, 2024