



**ARCH CAPE SANITARY DISTRICT**  
Arch Cape, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2020



**Accuity**  
*Where accuracy meets integrity*  
**CERTIFIED PUBLIC ACCOUNTANTS**

436 1<sup>st</sup> Avenue W • PO Box 1072  
Albany, Oregon 97321 • (541) 223-5555

**ARCH CAPE SANITARY DISTRICT**  
**Arch Cape, Oregon**

DISTRICT OFFICIALS

June 30, 2020

**BOARD OF DIRECTORS**

Debra Birkby  
79829 Gelinsky Road  
Arch Cape, Oregon 97102

Darr Tindall  
79818 Cannon Road  
Arch Cape, Oregon 97102

Carl Matson  
PO Box 1444  
Cannon Beach, Oregon 97110

Chris Anderson  
PO Box 218  
Tolovana Park, Oregon 97145

Bill Campbell  
80421 Big Cedar  
Arch Cape, Oregon 97102

**REGISTERED AGENT**

Phil Chick, District Manager  
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

### **Report on the Financial Statements**

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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting, as described in Note I; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the modified cash basis 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of Arch Cape Sanitary District, Oregon as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting.

## Basis of Accounting

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

## Other Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Arch Cape Sanitary District's financial statements. The budgetary comparison information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The aforementioned 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 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 taken as a whole.

## 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 December 23, 2020 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  
December 23, 2020

## **BASIC FINANCIAL STATEMENTS**

**ARCH CAPE SANITARY DISTRICT**  
**Arch Cape, Oregon**

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

June 30, 2020

	<u>Business-Type Activities</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 187,492
Capital assets not being depreciated	297,367
Capital assets being depreciated, net	<u>4,123,422</u>
Total assets	<u>4,608,281</u>
<b>LIABILITIES</b>	
Current liabilities	
Long-term liabilities, current portion	<u>106,663</u>
Noncurrent liabilities	
Long-term liabilities, less current portion	<u>2,301,199</u>
Total liabilities	<u>2,407,862</u>
<b>NET POSITION</b>	
Net investment in capital assets	2,012,927
Restricted	15,496
Unrestricted	<u>171,996</u>
Total net position	<u>\$ 2,200,419</u>

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, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
				<u>Governmental Activities</u>
Business-type activities				
Sanitary operations	\$ 531,437	\$ 359,028	\$ -	\$ -
				(172,409)
General revenues				
Property taxes levied for general purposes				136,230
Property taxes levied for debt service				9
Investment income				790
Miscellaneous				4,227
Total general revenues				141,256
Change in net position				(31,153)
Net position - beginning, as restated				2,231,572
Net position - ending				\$ 2,200,419

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, 2020

	General Fund	Debt Service Fund	Capital Fund	Total Business-Type Activities
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents (book overdraft)	\$ 94,483	\$ (6,037)	\$ 99,046	\$ 187,492
Capital assets not being depreciated	297,367	-	-	297,367
Capital assets being depreciated, net	4,123,422	-	-	4,123,422
Total assets	4,515,272	(6,037)	99,046	4,608,281
<b>LIABILITIES</b>				
Current liabilities				
Long-term debt, current portion	106,663	-	-	106,663
Noncurrent liabilities				
Long-term debt, less current portion	2,301,199	-	-	2,301,199
Total liabilities	2,407,862	-	-	2,407,862
<b>NET POSITION</b>				
Net investment in capital assets	2,012,927	-	-	2,012,927
Restricted	15,496	-	-	15,496
Unrestricted	78,987	(6,037)	99,046	171,996
Total net position	\$ 2,107,410	\$ (6,037)	\$ 99,046	\$ 2,200,419

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, 2020

	General Fund	Debt Service Fund	Capital Fund	Total Business-Type Activities
<b>OPERATING REVENUES</b>				
Charges for services	\$ 342,472	\$ -	\$ 16,556	\$ 359,028
Total operating revenues	342,472	-	16,556	359,028
<b>OPERATING EXPENSES</b>				
Materials and supplies	268,880	-	-	268,880
Depreciation	166,707	-	-	166,707
Total operating expenses	435,587	-	-	435,587
Operating income (loss)	(93,115)	-	16,556	(76,559)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Property taxes	-	136,230	-	136,230
Investment earnings	4,236	-	-	4,236
Miscellaneous	790	-	-	790
Interest paid on long-term debt	(14,954)	(80,896)	-	(95,850)
Total nonoperating revenues (expenses)	(9,928)	55,334	-	45,406
Income before transfers	(103,043)	55,334	16,556	(31,153)
Transfers in	383,364	-	270,000	653,364
Transfers out	(270,000)	(63,704)	(319,660)	(653,364)
Change in net position	10,321	(8,370)	(33,104)	(31,153)
Net position - beginning, as restated	2,097,089	2,333	132,150	2,231,572
Net position - ending	\$ 2,107,410	\$ (6,037)	\$ 99,046	\$ 2,200,419

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, 2020

	General Fund	Debt Service Fund	Capital Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 342,472	\$ -	\$ 16,556	\$ 359,028
Payments to suppliers	<u>(268,880)</u>	<u>-</u>	<u>-</u>	<u>(268,880)</u>
Net cash provided (used) by operating activities	<u>73,592</u>	<u>-</u>	<u>16,556</u>	<u>90,148</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Property tax revenue	-	136,230	-	136,230
Acquisition and construction of capital assets	(1,899)	-	(319,660)	(321,559)
Transfers (to) from other funds	(270,000)	-	270,000	-
Principal paid on long-term debt	(39,499)	(63,704)	-	(103,203)
Interest paid on long-term debt	<u>(14,954)</u>	<u>(80,896)</u>	<u>-</u>	<u>(95,850)</u>
Net cash provided (used) by capital and related financing activities	<u>(326,352)</u>	<u>(8,370)</u>	<u>(49,660)</u>	<u>(384,382)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Miscellaneous non-operating income	790	-	-	790
Interest received	<u>4,236</u>	<u>-</u>	<u>-</u>	<u>4,236</u>
Net cash provided (used) by investing activities	<u>5,026</u>	<u>-</u>	<u>-</u>	<u>5,026</u>
Net increase (decrease) in cash and cash equivalents	(247,734)	(8,370)	(33,104)	(289,208)
Cash and cash equivalents - beginning	<u>342,217</u>	<u>2,333</u>	<u>132,150</u>	<u>476,700</u>
Cash and cash equivalents - ending	<u><u>\$ 94,483</u></u>	<u><u>\$ (6,037)</u></u>	<u><u>\$ 99,046</u></u>	<u><u>\$ 187,492</u></u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ (93,115)	\$ -	\$ 16,556	\$ (76,559)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	<u>166,707</u>	<u>-</u>	<u>-</u>	<u>166,707</u>
Net cash provided (used) by operating activities	<u><u>\$ 73,592</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 16,556</u></u>	<u><u>\$ 90,148</u></u>
<b>Noncash investing, capital, and financing activities</b>				
Transfers of capital assets	<u><u>\$ 319,660</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (319,660)</u></u>	<u><u>\$ -</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, 2020

**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, 2020

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, 2020

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, 2020

**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, 2020

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. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

At June 30, 2020, the Debt Service Fund had deficit fund net position of \$6,037. This deficit will be eliminated as resources are obtained (from property tax collections) to make debt service payments.

**III. 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, 2020

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, 2020.

Fair values of assets measured on a recurring basis at June 30, 2020 are as follows:

	<u>Level 2</u>
Investments:	
Oregon Local Government Investment Pool	\$ <u>125,980</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, 2020

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

Investments

As of June 30, 2020, the District had the following investments:

	Credit Quality		
	Rating	Maturities	Fair Value
Oregon Local Government Investment Pool	Unrated	-	<u>\$125,980</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, 2020

The District holds accounts at Columbia Bank, for which deposits are insured by the FDIC up to \$250,000. At June 30, 2020, the District had deposits of \$69,295 fully insured by the FDIC.

Deposits

The District's deposits and investments at June 30, 2020 are as follows:

Checking accounts	\$ 61,512
Total investments	<u>125,980</u>
Total cash and investments	<u><u>\$ 187,492</u></u>

Cash and investments by fund:

Business-type activities:	
General Fund	\$ 94,483
Debt Service Fund (book overdraft)	(6,037)
Capital Fund	<u>99,046</u>
Total cash and investments	<u><u>\$ 187,492</u></u>

**B. Restatement**

The District's previously issued financial statements were restated as follows:

	<u>Governmental Activities</u>
Net position - beginning, as originally reported	\$ 2,376,172
Correct cost of capital assets	<u>(144,600)</u>
Net position - beginning, as originally reported	<u><u>\$ 2,231,572</u></u>
	<u>General Fund</u>
Net position - beginning, as originally reported	\$ 2,244,023
Creation of debt service fund	(2,334)
Correct cost of capital assets	<u>(144,600)</u>
Net position - beginning, as originally reported	<u><u>\$ 2,097,089</u></u>

**ARCH CAPE SANITARY DISTRICT**  
Arch Cape, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

**C. Capital Assets**

Capital asset activity resulting from modified cash basis transactions for the year ended June 30, 2020 was as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 297,367	\$ -	\$ -	\$ 297,367
Construction in progress	<u>144,600</u>	<u>-</u>	<u>(144,600)</u>	<u>-</u>
Total capital assets not being depreciated	<u>441,967</u>	<u>-</u>	<u>(144,600)</u>	<u>297,367</u>
Capital assets being depreciated				
Sewer Facility	6,816,228	321,558	-	7,137,786
Motor vehicles	16,715	-	-	16,715
Equipment	<u>9,718</u>	<u>-</u>	<u>-</u>	<u>9,718</u>
Total capital assets being depreciated	<u>6,842,661</u>	<u>321,558</u>	<u>-</u>	<u>7,164,219</u>
Less accumulated depreciation for				
Sewer Facility	(2,867,865)	(162,375)	-	(3,030,240)
Motor vehicles	(2,985)	(2,388)	-	(5,373)
Equipment	<u>(3,240)</u>	<u>(1,944)</u>	<u>-</u>	<u>(5,184)</u>
Total accumulated depreciation	<u>(2,874,090)</u>	<u>(166,707)</u>	<u>-</u>	<u>(3,040,797)</u>
Capital assets being depreciated, net	<u>3,968,571</u>	<u>154,851</u>	<u>-</u>	<u>4,123,422</u>
Business-type activities capital assets, net	<u>\$ 4,410,538</u>	<u>\$ 154,851</u>	<u>\$ (144,600)</u>	<u>\$ 4,420,789</u>

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

	Capital Assets	Accumulated Depreciation	Net Capital Assets
Business-type activities			
Land	\$ 297,367	\$ -	\$ 297,367
Sewer facility	7,137,786	(3,030,240)	4,107,546
Motor vehicles	16,715	(5,373)	11,342
Equipment	<u>9,718</u>	<u>(5,184)</u>	<u>4,534</u>
Total capital assets	<u>\$ 7,461,586</u>	<u>\$ (3,040,797)</u>	<u>\$ 4,420,789</u>

**ARCH CAPE SANITARY DISTRICT**  
**Arch Cape, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

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

Business-type activities	
Sanitary operations	\$ <u>166,707</u>

**D. 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	\$ 50,988	\$ -	\$ 14,004	\$ 36,984	\$ 14,447
GO Bond Series Part 1	1.44%	2,500,000	1,703,495	-	53,511	1,649,984	55,284
GO Bond Series Part 2	1.44%	2,500,000	324,475	-	10,193	314,282	10,530
Oregon Economic Loan	4.56%	250,000	127,115	-	13,523	113,592	14,139
Business Oregon IFA Loan	2.43%	<u>360,000</u>	<u>304,992</u>	<u>-</u>	<u>11,972</u>	<u>293,020</u>	<u>12,263</u>
		<u>\$ 5,834,701</u>	<u>\$2,511,065</u>	<u>\$ -</u>	<u>\$ 103,203</u>	<u>\$ 2,407,862</u>	<u>\$ 106,663</u>

**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.

**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.

**ARCH CAPE SANITARY DISTRICT**  
**Arch Cape, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

**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, 2020, was approximately \$22,075,770. 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>\$ 95,850</u>

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

Year ending June 30	ODEQ Loan		GO Bond Series Part 1	
	Principal	Interest	Principal	Interest
2021	\$ 14,447	\$ 1,049	\$ 55,284	\$ 66,180
2022	14,904	592	57,676	63,788
2023	7,633	120	59,983	61,481
2024	-	-	62,544	58,920
2025	-	-	64,729	56,735
2026-2030	-	-	365,471	241,849
2031-2035	-	-	444,652	162,668
2036-2040	-	-	539,645	66,319
Total	<u>\$ 36,984</u>	<u>\$ 1,761</u>	<u>\$ 1,649,984</u>	<u>\$ 777,940</u>



**ARCH CAPE SANITARY DISTRICT**  
**Arch Cape, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

Year ending June 30	GO Bond Series Part 2		Oregon Economic Loan	
	Principal	Interest	Principal	Interest
2021	\$ 10,530	\$ 12,606	\$ 14,139	\$ 5,180
2022	10,986	12,150	14,784	4,535
2023	11,425	11,711	15,458	3,861
2024	11,913	11,223	16,163	3,156
2025	12,329	10,807	16,900	2,419
2026-2030	69,613	46,067	36,148	2,491
2031-2035	84,696	30,984	-	-
2036-2040	102,790	12,890	-	-
Total	<u>\$ 314,282</u>	<u>\$ 148,438</u>	<u>\$ 113,592</u>	<u>\$ 21,642</u>

Year ending June 30	Business Oregon IFA Loan		Totals	
	Principal	Interest	Principal	Interest
2021	\$ 12,263	\$ 7,120	\$ 106,663	\$ 92,135
2022	12,561	6,822	110,911	87,887
2023	12,866	6,517	107,365	83,690
2024	13,179	6,205	103,799	79,504
2025	13,499	5,884	107,457	75,845
2026-2030	72,577	24,339	543,809	314,746
2031-2035	81,834	15,082	611,182	208,734
2036-2040	74,241	4,612	716,676	83,821
Total	<u>\$ 293,020</u>	<u>\$ 76,581</u>	<u>\$ 2,407,862</u>	<u>\$ 1,026,362</u>

**III. 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.

**ARCH CAPE SANITARY DISTRICT**  
**Arch Cape, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

**C. New Pronouncements**

The Governmental Accounting Standards Board (GASB) issued [Statement No. 95](#), *Postponement of the Effective Dates of Certain Authoritative Guidance*. The Statement is intended to provide relief to governments and other stakeholders in light of the COVID-19 pandemic.

The guidance postpones by one year the effective dates of certain provisions in the pronouncements as follows:

GASB Statement No. 84, *Fiduciary Activities* – This statement established criteria and guidance for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes, as well as the reporting requirements for these fiduciary funds.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Borrowing and Direct Placements* – This statement addresses the information that is disclosed in the notes to government financial statements related to debt, including borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

The Statement postpones the effective dates of the following pronouncements by 18 months:

GASB Statement No. 87, *Leases* – This statement addresses the accounting and financial reporting for leases by governments, requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases.

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 above pronouncements. The GASB provides other COVID-19 related resources on its website: <https://www.gasb.org/COVID19>

**D. Subsequent Events**

Management has evaluated subsequent events through December 23, 2020, 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, 2020

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		Modified Cash Basis
				Budget Basis	Adjustments	
<b>REVENUES</b>						
User fees	\$ 261,384	\$ 261,384	\$ 3,866	\$ 265,250	\$ -	\$ 265,250
Excess usage charges	21,000	21,000	(2,513)	18,487	-	18,487
Debt service surcharges	55,527	55,527	58	55,585	-	55,585
WD facilities use charges	3,300	3,300	(150)	3,150	-	3,150
Property tax receipts	140,000	-	-	-	-	-
Interest	2,763	2,763	1,473	4,236	-	4,236
Miscellaneous	-	-	790	790	-	790
Total revenues	<u>483,974</u>	<u>343,974</u>	<u>3,524</u>	<u>347,498</u>	<u>-</u>	<u>347,498</u>
<b>EXPENDITURES</b>						
Current						
Materials and services	278,573	291,573	(20,795)	270,778	(1,898)	268,880
Debt service	199,053	54,453	-	54,453	(39,499)	14,954
Depreciation	-	-	-	-	166,707	166,707
Contingency	<u>40,000</u>	<u>27,000</u>	<u>(27,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>517,626</u>	<u>373,026</u>	<u>(47,795)</u>	<u>325,231</u>	<u>125,310</u>	<u>450,541</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(33,652)</u>	<u>(29,052)</u>	<u>51,319</u>	<u>22,267</u>	<u>(125,310)</u>	<u>(103,043)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	-	383,364	383,364
Transfers out	<u>(270,000)</u>	<u>(270,000)</u>	<u>-</u>	<u>(270,000)</u>	<u>-</u>	<u>(270,000)</u>
Total other financing sources (uses)	<u>(270,000)</u>	<u>(270,000)</u>	<u>-</u>	<u>(270,000)</u>	<u>383,364</u>	<u>113,364</u>
Net change in fund balance	(303,652)	(299,052)	51,319	(247,733)	258,054	10,321
Net position - beginning, as restated	<u>341,611</u>	<u>337,011</u>	<u>1,760,078</u>	<u>342,217</u>	<u>1,754,872</u>	<u>2,097,089</u>
Net position - ending	<u>\$ 37,959</u>	<u>\$ 37,959</u>	<u>\$ 1,811,397</u>	<u>\$ 94,484</u>	<u>\$ 2,012,926</u>	<u>\$ 2,107,410</u>

**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, 2020

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		Modified Cash Basis
			Budget Basis	Adjustments	
<b>REVENUES</b>					
System development charges	\$ -	\$ 16,556	\$ 16,556	\$ -	\$ 16,556
Total revenues	<u>-</u>	<u>16,556</u>	<u>16,556</u>	<u>-</u>	<u>16,556</u>
<b>EXPENDITURES</b>					
Capital outlay	396,000	(76,340)	319,660	(319,660)	-
Contingency	<u>14,480</u>	<u>(14,480)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>410,480</u>	<u>(90,820)</u>	<u>319,660</u>	<u>(319,660)</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(410,480)	107,376	(303,104)	319,660	16,556
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	270,000	-	270,000	-	270,000
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(319,660)</u>	<u>(319,660)</u>
Total other financing sources (uses)	<u>270,000</u>	<u>-</u>	<u>270,000</u>	<u>(319,660)</u>	<u>(49,660)</u>
Change in net position	(140,480)	107,376	(33,104)	-	(33,104)
Net position - beginning	<u>140,480</u>	<u>(8,330)</u>	<u>132,150</u>	<u>-</u>	<u>132,150</u>
Net position - ending	<u>\$ -</u>	<u>\$ 99,046</u>	<u>\$ 99,046</u>	<u>\$ -</u>	<u>\$ 99,046</u>

**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, 2020

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		Modified Cash Basis
				Budget Basis	Adjustments	
<b>REVENUES</b>						
Property taxes	\$ -	\$ 140,000	\$ (3,770)	\$ 136,230	\$ -	\$ 136,230
<b>EXPENDITURES</b>						
Debt service	-	144,600	-	144,600	(63,704)	80,896
Excess (deficiency) of revenues over (under) expenditures	-	(4,600)	(3,770)	(8,370)	63,704	55,334
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers out	-	-	-	-	(63,704)	(63,704)
Total other financing sources (uses)	-	-	-	-	(63,704)	(63,704)
Change in net position	-	(4,600)	(3,770)	(8,370)	-	(8,370)
Net position - beginning	-	4,600	(2,267)	2,333	-	2,333
Net position - ending	\$ -	\$ -	\$ (6,037)	\$ (6,037)	\$ -	\$ (6,037)

**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, 2020 and have issued our report thereon dated December 23, 2020. 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, except as follows:

**1. Deficit Fund Equity**

At June 30, 2020, the Debt Service Fund had deficit net position of \$6,037. This deficit will be eliminated as resources are obtained (from property tax collections) to make debt service payments.

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  
December 23, 2020