



ARCH CAPE SANITARY DISTRICT

Report to the Board of Directors
for the Year Ended June 30, 2021

May 2, 2023



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

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May 2, 2023

Board of Directors
Arch Cape Sanitary District
Arch Cape, Oregon

We are pleased to present this report related to our audit of the financial statements of the business-type activities and each major fund of Arch Cape Sanitary District, Arch Cape, Oregon, for the year ended June 30, 2021. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the District's financial reporting process. Also included, is a summary of recently issued accounting standards that may affect future financial reporting by the District.

This report is intended solely for the information and use of the Board of Directors and management of the District, and it is not intended to be used, and should not be used, by anyone other than these specified parties.

It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to the District.

Very truly yours,



Accuity, LLC

Certified Public Accountants
Albany, Oregon



Board of Directors
Arch Cape Sanitary District
Arch Cape, Oregon

We have audited the financial statements of the business-type activities and each major fund of Arch Cape Sanitary District for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated July 1, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Accounting Policies

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Arch Cape Sanitary District are described in Note I to the financial statements. Two new accounting policies were adopted during the year, GASB Statement No. 84, *Fiduciary Activities*, and Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The application of existing policies was not changed during the year ended June 30, 2021. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

- Management's estimate of depreciable lives and salvage values of capital assets, which are based on expected useful lives of the assets and current market conditions. We evaluated the key factors and assumptions used to develop the depreciable lives and salvage values and fair value of the property held for sale and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Arch Cape Sanitary District's financial statements relate to long-term debt obligations.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

The completion of our audit was delayed due to the lack of use of an adequate double entry accounting system.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes material misstatements that we identified as a result of our audit procedures that were brought to the attention of, and corrected by, management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain written representations from management, which are included in the attached letter dated May 2, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors; however, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

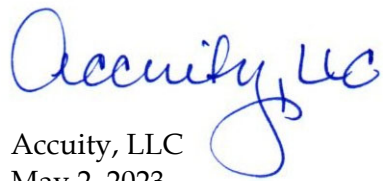
With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Very truly yours,

A handwritten signature in blue ink that reads "Accuity, LLC". The signature is written in a cursive, flowing style.

Accuity, LLC
May 2, 2023



May 2, 2023

Board of Directors
Arch Cape Sanitary District
Arch Cape, Oregon

In planning and performing our audit of the financial statements of the business-type activities and each major fund of Arch Cape Sanitary District as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered Arch Cape Sanitary District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

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

Missing Invoices

During our audit we noted that a material number of invoices were missing for expenses between the months of July 2020 and January 2021. Subsequent to these months, all requested invoices were accounted for and available for auditor review. We recommend that all invoices be retained as adequate backup documentation for all expenditures in order to avoid future reoccurrences.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified the following deficiency in internal control that we consider to be a significant deficiency:

Organizational Structure

The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remains involved in the financial affairs of the District to provide oversight and independent review functions.

This communication is intended solely for the information and use of management, the board of directors, and others within the District, and is not intended to be, and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in blue ink that reads "Accuity, LLC". The signature is written in a cursive, flowing style. Below the signature, the text "Accuity, LLC" is printed in a standard black font.

Accuity, LLC

Recently Issued Accounting Standards
June 30, 2021

For the fiscal year ended June 30, 2021, the District implemented the following new accounting standards:

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. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.*

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. 83, *Certain Asset Retirement Obligations* – This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The statement is effective for fiscal years beginning after June 15, 2020 (as amended by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*).

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 statement is effective for fiscal years beginning after June 15, 2022 (as amended by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*).

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* – The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The statement is effective for fiscal years beginning after December 15, 2021 (as amended by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*).



June 1, 2021

Steve Hill
Arch Cape Sanitary District
32065 East Shingle Mill Lane
Arch Cape, OR 97102

Dear Steve Hill,

We are pleased to confirm our understanding of the services we are to provide to Arch Cape Sanitary District for the year ended June 30, 2021. We will audit the modified cash basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements of Arch Cape Sanitary District as of and for the year ended June 30, 2021. We have also been engaged to report on supplementary information that accompanies Arch Cape Sanitary District's financial statements. We will subject the following supplementary information to the auditing procedures applied in our 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 and will provide an opinion on it in relation to the financial statements as a whole:

1. Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund and Major Special Revenue Funds, if any
2. Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances for all Nonmajor Governmental Funds, if any
3. Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Nonmajor Special Revenue Funds, Debt Service Funds, and Capital Projects Funds, if any

Audit Objectives

The objective of our audit is the expression of opinions as to whether the basic financial statements are fairly presented, in all material respects, in conformity with the modified cash basis of accounting and to report on the fairness of the supplementary information referred to above when considered in relation to the basic financial statements taken as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the Minimum Standards for Audits of Oregon Municipal Corporations and will include tests of accounting records of Arch Cape Sanitary District and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of Arch Cape Sanitary District's financial statements. Our report will be addressed to the governing body of Arch Cape Sanitary District. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements are other than unmodified, we will discuss the reasons with management in advance. If, for any reason, we are unable to complete the audit or are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report or may withdraw from this engagement.

Audit Procedures – General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. 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 will plan and perform the audit to obtain reasonable, assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Government or to acts by management or employees acting on behalf of the Government.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from the Government's attorneys as part of the engagement, and they may bill you for responding to this inquiry.

At the conclusion of our audit, we will require certain written representations from you about the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures – Internal Control

Our audit will include obtaining an understanding of the Government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. Accordingly, during the audit, we will communicate to management and those charged with governance, internal control related matters that are required to be communicated under AICPA professional standards.

Audit Procedures – Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of Arch Cape Sanitary District's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance, and we will not express such an opinion.

Other Services

We will also assist in preparing the financial statements and related notes of Arch Cape Sanitary District in conformity with the modified cash basis of accounting based on information provided by you. The other services are limited to the financial statements and related notes as previously defined. We, in our sole professional judgement, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities. We will assist with preparation of the capital asset schedule and depreciation calculation in conformity with the applicable basis of accounting.

Management Responsibilities



Management is responsible for designing, implementing and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with the modified cash basis of accounting.

You are responsible for including all informative disclosures that are appropriate for the modified cash basis of accounting. Those disclosures will include (1) a description of the modified cash basis of accounting, including a summary of significant accounting policies, and how the modified cash basis differs from GAAP; (2) informative disclosures similar to those required by GAAP; and (3) additional disclosures beyond those specifically required that may be necessary for the financial statements to achieve fair presentation.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, including identification of all related parties and all related-party relationships and transactions, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the Government from whom we determine it necessary to obtain audit evidence.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws and regulations.

You are responsible for the preparation of the supplementary information in conformity with the modified cash basis of accounting. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon or make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon.

Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with the modified cash basis of accounting (2) that you believe the supplementary information, including its form and content, is fairly presented in accordance with the modified cash basis of accounting, (3) that the methods of measurement or presentation have not changed from those used in the prior period (or if they have changed, the reasons for such changes), and (4) you have disclosed to us any significant assumptions in interpretations underlying the measurement or presentation of the supplementary information.

You agree to assume all management responsibilities for financial statement preparation services and any other nonattest services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Engagement Administration, Fees, and Other

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers but will remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will



take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others.

In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

We understand that your employees will prepare all cash or other confirmations we request and will locate any documents selected by us for testing and will prepare schedules requested by us by the dates communicated directly to management.

We will provide copies of our reports to Arch Cape Sanitary District, however management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Accuity, LLC and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to the State of Oregon or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Accuity, LLC personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend or decide to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of seven years after the report release date or for any additional period requested by the State of Oregon. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party/parties contesting the audit finding for guidance prior to destroying the audit documentation.

We expect to begin our audit on November 23, 2021, and to issue our report no later than December 31, 2021. Glen Kearns is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

Our fees for these services will be based on the value of the services rendered, plus out-of-pocket expenses. We estimate that our fees for these services, including out-of-pocket costs (such as report reproduction, typing, postage, copies, or travel), will be \$9,000. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate.

Our invoices for these fees will be rendered each month as work progresses and are payable upon presentation. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

At the conclusion of our audit engagement, we will communicate to the governing body, who we have determined to be those charged with governance, the following significant findings from the audit:

- Our view about the qualitative aspects of the Government's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;



- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to the governing body regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures, if any;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence with management.

If you intend to publish or otherwise reproduce the financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

If this engagement letter is written in support of any existing bid or contract, in case of any conflict between such agreement and this letter, this letter will control.

If any of the above sections or clauses are held to be invalid for any reason, or are declared to be null and void, all other sections and clauses of this agreement shall remain valid, will not be nullified, and are hereby further affirmed.

Venue of all matters arising from this agreement, this engagement, and subsequent engagements shall reside in Salem, Marion County, Oregon.

Any dispute, controversy, or claim arising out of this agreement shall be settled by binding arbitration under the arbitration rules of the Marion County Circuit Court. There shall be one arbitrator selected from the Circuit Court Panel of Arbitrators and the proceeding shall follow the Oregon Rules of Civil Procedure. The arbitrator shall have the authority to award any remedy or relief that an Oregon court could order or grant, including, without limitation, specific performance of any obligation created under this agreement, the issuance of an injunction, or the imposition of sanctions for abuse or frustration of the arbitration process, except that the arbitrator shall not have authority to award punitive damages or any other amount for the purpose of imposing a penalty as opposed to compensating for actual damages suffered or loss incurred. With respect to any action relating to this agreement, the prevailing party shall be entitled to recover from the losing party its reasonable attorney's fees, paralegal fees, expert fees, and all other fees, costs, and expenses actually incurred and reasonably necessary in connection with such action as determined by the arbitrator.

Our audit engagement ends upon delivery of our audit report. Any follow-up services that might be required will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new specific engagement letter for that service.

We appreciate the opportunity to be of service to you and believe that this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Accuity, LLC

Glen Kearns

Accuity, LLC

RESPONSE:



This letter correctly sets forth the understanding of Arch Cape Sanitary District

Steve Hill

Steve Hill,

05/27/2021

Date

Accuity, LLC
Certified Public Accountants
436 1st Avenue W
P.O. Box 1072
Albany, Oregon 97321

This representation letter is provided in connection with your audit of the modified cash basis financial statements of Arch Cape Sanitary District, which comprise the respective financial position of the business-type activities and each major fund as of June 30, 2021, the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with the modified cash basis of accounting.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of signature of this letter, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 1, 2021, including our responsibility for the preparation and fair presentation of the financial statements and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with the modified cash basis of accounting and include all properly classified funds and other financial information of the District required by the modified cash basis of accounting to be included in the financial reporting entity.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates are reasonable.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements and guarantees, and amounts receivable from or payable to

related parties have been appropriately accounted for and disclosed in accordance with the requirements of the modified cash basis of accounting.

7. All events subsequent to the date of the financial statements and for which the modified cash basis of accounting requires adjustment or disclosure have been adjusted or disclosed. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of signature of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
8. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.
9. Guarantees, whether written or oral, under which the District is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

10. We have provided you with:
 - a. Access to all information of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the District from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the board of directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
11. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
12. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
13. We have no knowledge of any fraud or suspected fraud that affects the District and involves:
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
14. We have no knowledge of any allegations of fraud or suspected fraud affecting the District's financial statements communicated by employees, former employees, regulators, or others.

15. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
16. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
17. We have disclosed to you the identity of the District's related parties and all the related party relationships and transactions of which we are aware.

District-Specific

18. We have made available to you all financial records and related data.
19. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
20. The District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
21. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
22. Except as noted by you, there are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants, whose effects should be considered for disclosure in the financial statements, as a basis for recording a loss contingency, or for reporting on noncompliance.
23. As part of your audit, you assisted with preparation of the financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have assumed all management responsibilities. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
24. The District has satisfactory title to all owned assets, and except as disclosed to you, there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.
25. The District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
26. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.

27. The financial statements include all component units, as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
28. The financial statements properly classify all funds and activities.
29. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
30. Components of net position (net investment in capital assets, restricted, and unrestricted) and equity amounts are properly classified and, if applicable, approved.
31. Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
32. Provisions for uncollectible receivables have been properly identified and recorded.
33. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
34. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
35. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
36. Deposits, investment securities, and derivative instruments are properly classified as to risk and are properly disclosed.
37. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
38. We have appropriately disclosed the District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
39. We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.

40. With respect to the budgetary comparison information:

- a. We acknowledge our responsibility for presenting the budgetary comparison information in accordance with the modified cash basis of accounting, and we believe this information, including its form and content, is fairly presented in accordance with the modified cash basis of accounting. The methods of measurement and presentation of the budgetary comparison information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

Darr Tindall PRESIDENT
Arch Cape Sanitary District

05-02-23
Date

ARCH CAPE SANITARY DISTRICT
Journal Entry
06/30/2021

Account	Description	Workpaper Reference	Debit	Credit	Net Income Effect
AJE01					
To adjust equity between funds					
300-1005	LGIP		0.00	6,037.00	
300-4000	Cash on Hand		6,037.00	0.00	
400-1005	LGIP		99,046.00	0.00	
400-3000	Beginning Fund Balance		0.00	99,046.00	
100-1005	LGIP		0.00	93,009.00	
100-3020	Beginning Fund Balance		93,009.00	0.00	
Total			198,092.00	198,092.00	0.00
AJE02					
To remove old o/s check from recon					
100-1000	Columbia Bank		1,550.00	0.00	
100-5645	Uncategorized Expenses		0.00	1,550.00	
Total			1,550.00	1,550.00	1,550.00
AJE03					
To correct trial balance as received					
100-1000	Columbia Bank		102,467.70	0.00	
100-1005	LGIP		277,753.50	0.00	
100-1010	Sanitary District		0.00	84,878.72	
100-1520	Equipment		0.00	7,958.13	
100-1540	Receivables		2,733.65	0.00	
100-1545	Dead Acct		1,126.98	0.00	
100-1550	Adjustment		0.00	17,029.48	
100-2505	Deferred Revenue		304,321.40	0.00	
100-9000	Transfers Out		0.00	843,000.00	
100-9500	Transfers in		58,000.00	0.00	
100-3020	Beginning Fund Balance		206,463.10	0.00	
Total			952,866.33	952,866.33	785,000.00
AJE04					
To record LGIP transactions for the year					
100-4055	Property Taxes		0.00	150,445.70	
100-4030	Misc Income		0.00	1,328.16	
100-3020	Beginning Fund Balance		151,773.86	0.00	
Total			151,773.86	151,773.86	151,773.86
AJE05					
To book py entry to balance					
100-4025	Facilities Use by WD		0.00	8,187.79	
100-3020	Beginning Fund Balance		8,187.79	0.00	
Total			8,187.79	8,187.79	8,187.79
AJE06					
To reclass transactions in the GF to the DS					
100-4055	Property Taxes		150,445.70	0.00	
100-5075	USDA Plant Upgrade		0.00	144,600.00	
100-1005	LGIP		0.00	5,845.70	
300-4055	Property Taxes		0.00	150,445.70	
300-6000	Debt Service		144,600.00	0.00	
300-1005	LGIP		5,845.70	0.00	
Total			300,891.40	300,891.40	0.00

ARCH CAPE SANITARY DISTRICT
Journal Entry
06/30/2021

Account	Description	Workpaper Reference	Debit	Credit	Net Income Effect
AJE07					
To reclass payroll expenses to M&S					
100-5605	Payroll - FICA		0.00	458.20	
100-5610	Payroll - FWH		0.00	738.00	
100-5615	Payroll - MCARE		0.00	107.14	
100-5620	Payroll- PERS		0.00	7,417.15	
100-5625	Payroll - SWHOR		0.00	202.00	
100-5645	Uncategorized Expenses		8,922.49	0.00	
Total			8,922.49	8,922.49	0.00
AJE08					
To reclass SDC hookup fee					
100-4010	User Fees		8,541.00	0.00	
400-4000	Hook Ups		0.00	8,541.00	
100-1000	Columbia Bank		0.00	8,541.00	
400-1005	LGIP		8,541.00	0.00	
Total			17,082.00	17,082.00	0.00
AJE09					
To adjust int exp through misc expenses					
100-5600	Interest Expense		7,748.00	0.00	
100-5645	Uncategorized Expenses		0.00	7,457.00	
100-5047	Job Supplies		0.00	291.00	
Total			7,748.00	7,748.00	0.00
AJE10					
To reallocate int income from LGIP					
100-4035	Interest		0.00	1,328.16	
100-4030	Misc Income		1,328.16	0.00	
Total			1,328.16	1,328.16	0.00
GRAND TOTAL			1,648,442.03	1,648,442.03	946,511.65