



ARCH CAPE DOMESTIC WATER SUPPLY DISTRICT
Arch Cape, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2023



ARCH CAPE DOMESTIC WATER SUPPLY DISTRICT
Arch Cape, Oregon

June 30, 2023

BOARD OF DIRECTORS

Nadia Gardner

Chris Mastandrea

Linda Lapp Murray

Dan Seifer

*All directors receive mail at the District address below.

REGISTERED AGENT

Matt Gardner, District Manager

DISTRICT ADDRESS

32065 E Shingle Mill Lane
Arch Cape, Oregon 97102

ARCH CAPE DOMESTIC WATER SUPPLY DISTRICT
Arch Cape, Oregon

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Arch Cape Domestic Water Supply District
Arch Cape, Oregon 97102

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Arch Cape Domestic Water Supply District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Emphasis of Matter - Basis of Accounting

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

Emphasis of Matter - Change in Accounting Principle

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Arch Cape Domestic Water Supply District, Arch Cape, Oregon's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Arch Cape Domestic Water Supply District, Arch Cape, Oregon's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The individual fund financial statements and budgetary comparison information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated July 17, 2024 on our tests of the District's compliance with certain provisions of laws and regulations specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Accuity, LLC

By: 

Glen O. Kearns, CPA

Albany, Oregon
July 17, 2024

BASIC FINANCIAL STATEMENTS

ARCH CAPE DOMESTIC WATER SUPPLY DISTRICT
Arch Cape, Oregon

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

June 30, 2023

	<u>Business-Type Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 395,237
Capital assets not being depreciated	4,718,120
Capital assets being depreciated, net	<u>827,250</u>
Total assets	<u>5,940,607</u>
LIABILITIES	
Current liabilities	
Long-term liabilities, current portion	<u>17,194</u>
Total current liabilities	<u>17,194</u>
Noncurrent liabilities	
Long-term liabilities, less current portion	<u>340,619</u>
Total liabilities	<u>357,813</u>
NET POSITION	
Net investment in capital assets	469,437
Restricted for debt service	12,833
Unrestricted	<u>5,100,524</u>
Total net position	<u>\$ 5,582,794</u>

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

ARCH CAPE DOMESTIC WATER SUPPLY DISTRICT
Arch Cape, Oregon

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For the Year Ended June 30, 2023

<u>Functions/Programs</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
<u>Expenses</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					
Water operations	<u>\$ 599,089</u>	<u>\$ 220,296</u>	<u>\$ 43,999</u>	<u>\$ 313,189</u>	<u>(21,605)</u>
General revenues					
Intergovernmental					128,774
Investment income					47,644
Miscellaneous					<u>8</u>
Total general revenues					<u>176,426</u>
Change in net position					154,821
Net position - beginning					<u>5,427,973</u>
Net position - ending					<u>\$ 5,582,794</u>

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

ARCH CAPE DOMESTIC WATER SUPPLY DISTRICT
Arch Cape, Oregon

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

PROPRIETARY FUNDS

June 30, 2023

	General Fund	Capital Fund	Forest Fund	Total Business-Type Activities
ASSETS				
Current assets				
Cash and cash equivalents	\$ 8,353	\$ 157,317	\$ 229,567	\$ 395,237
Capital assets not being depreciated	4,718,120	-	-	4,718,120
Capital assets being depreciated, net	827,250	-	-	827,250
Total assets	\$ 5,553,723	\$ 157,317	\$ 229,567	\$ 5,940,607
LIABILITIES				
Current liabilities				
Long-term debt, current portion	\$ 17,194	\$ -	\$ -	\$ 17,194
Noncurrent liabilities				
Long-term debt, less current portion	340,619	-	-	340,619
Total liabilities	357,813	-	-	357,813
NET POSITION				
Net investment in capital assets	469,437	-	-	469,437
Restricted for debt service	12,833	-	-	12,833
Unrestricted	4,713,640	157,317	229,567	5,100,524
Total net position	\$ 5,195,910	\$ 157,317	\$ 229,567	\$ 5,582,794

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

ARCH CAPE DOMESTIC WATER SUPPLY DISTRICT

Arch Cape, Oregon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS

PROPRIETARY FUNDS

For the Year Ended June 30, 2023

	General Fund	Capital Fund	Forest Fund	Total Business-Type Activities
OPERATING REVENUES				
Charges for services	\$ 220,296	\$ 38,340	\$ -	\$ 258,636
Total operating revenues	<u>220,296</u>	<u>38,340</u>	<u>-</u>	<u>258,636</u>
OPERATING EXPENSES				
Personnel services	207,540	-	-	207,540
Materials and supplies	281,270	-	-	281,270
Depreciation	<u>106,530</u>	<u>-</u>	<u>-</u>	<u>106,530</u>
Total operating expenses	<u>595,340</u>	<u>-</u>	<u>-</u>	<u>595,340</u>
Operating income (loss)	(375,044)	38,340	-	(336,704)
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental	128,774	-	-	128,774
Grants and donations	9,937	-	347,251	357,188
Investment earnings	8	-	-	8
Miscellaneous	9,304	-	-	9,304
Interest paid on long-term debt	<u>(3,749)</u>	<u>-</u>	<u>-</u>	<u>(3,749)</u>
Total nonoperating (revenues) expenses	<u>144,274</u>	<u>-</u>	<u>347,251</u>	<u>491,525</u>
Income before transfers	(230,770)	38,340	347,251	154,821
Transfers in	117,684	-	-	117,684
Transfers out	<u>-</u>	<u>-</u>	<u>(117,684)</u>	<u>(117,684)</u>
Change in net position	(113,086)	38,340	229,567	154,821
Net position - beginning	<u>5,308,996</u>	<u>118,977</u>	<u>-</u>	<u>5,427,973</u>
Net position - ending	<u>\$ 5,195,910</u>	<u>\$ 157,317</u>	<u>\$ 229,567</u>	<u>\$ 5,582,794</u>

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

ARCH CAPE DOMESTIC WATER SUPPLY DISTRICT
Arch Cape, Oregon

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended June 30, 2023

	General Fund	Capital Fund	Forest Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 220,296	\$ 38,340	\$ -	\$ 258,636
Payments to employees	(207,540)	-	-	(207,540)
Payments to suppliers	(281,270)	-	-	(281,270)
Net cash provided (used) by operating activities	<u>(268,514)</u>	<u>38,340</u>	<u>-</u>	<u>(230,174)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Intergovernmental revenue	128,774	-	-	128,774
Capital grants and donations received	9,937	-	347,251	357,188
Acquisition and construction of capital assets	-	-	(117,684)	(117,684)
Principal paid on long-term debt	(17,023)	-	-	(17,023)
Interest paid on long-term debt	(3,749)	-	-	(3,749)
Net cash provided (used) by capital and related financing activities	<u>117,939</u>	<u>-</u>	<u>229,567</u>	<u>347,506</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Miscellaneous non-operating income	9,304	-	-	9,304
Interest received	8	-	-	8
Net cash provided (used) by investing activities	<u>9,312</u>	<u>-</u>	<u>-</u>	<u>9,312</u>
Net increase (decrease) in cash and cash equivalents	(141,263)	38,340	229,567	126,644
Cash and cash equivalents - beginning	<u>149,616</u>	<u>118,977</u>	<u>-</u>	<u>268,593</u>
Cash and cash equivalents - ending	<u>\$ 8,353</u>	<u>\$ 157,317</u>	<u>\$ 229,567</u>	<u>\$ 395,237</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (375,044)	\$ 38,340	\$ -	\$ (336,704)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	<u>106,530</u>	<u>-</u>	<u>-</u>	<u>106,530</u>
Net cash provided (used) by operating activities	<u>\$ (268,514)</u>	<u>\$ 38,340</u>	<u>\$ -</u>	<u>\$ (230,174)</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

ARCH CAPE DOMESTIC WATER SUPPLY DISTRICT
Arch Cape, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Arch Cape Domestic Water Supply 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 principles 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, are reported by the District.

B. Reporting Entity

Arch Cape Domestic Water Supply District, located in Arch Cape, Oregon, was established under the provisions of Oregon statutes to provide water service for Clatsop County. The District is governed by a five-member board of commissioners elected by voters. One position was open at the end of the current fiscal year.

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 column incorporates data from all proprietary 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 governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental 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.

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.

ARCH CAPE DOMESTIC WATER SUPPLY DISTRICT
Arch Cape, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

Forest Fund – The Forest Fund is used to account for receipts and disbursements related to watershed development projects. The primary sources of revenue are grants and donations. The assets acquired are transferred to the General Fund as depreciable capital assets.

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

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 and channel maintenance, and equipment reserve funds.

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 board of commissioners legally adopts the budget by resolution prior to the beginning of the District's fiscal year.

ARCH CAPE DOMESTIC WATER SUPPLY DISTRICT
Arch Cape, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

The board 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, and contingency for each fund 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. The board of commissioners may adopt supplemental budgets less than 10% of a fund's original budget at a regular board meeting. A Draft 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 commissioners.

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 commissioners. 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 Outflows/Inflows of Resources, and Net Position

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 one year or less from the date of acquisition.

2. Investments

State statutes authorize the District 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 DOMESTIC WATER SUPPLY DISTRICT
Arch Cape, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

3. Capital Assets

Capital assets resulting from cash transactions, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost where no historical records exist. The costs of normal maintenance or repairs that do not add to the value of an asset or materially extend its life are charged to expenditures as incurred and are not capitalized. Major capital outlays for capital assets and improvements are capitalized as projects are constructed. Land and construction in progress are not depreciated. The other property, plant, and equipment of the government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Motor Vehicles	7
Water System	18-20
Water Treatment Plant Upgrades	20

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

ARCH CAPE DOMESTIC WATER SUPPLY DISTRICT
Arch Cape, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Excess of Expenditures Over Appropriations

During the year ended June 30, 2023, the District expended funds in excess of appropriations as follows:

Fund	Function	Appropriation	Expenditure	Excess
General Fund	Materials and services	\$ 144,375	\$ 164,270	\$ 19,895
General Fund	Capital outlay	\$ 78,768	\$ 117,000	\$ 38,232

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Cash Deposits with Financial Institutions

Arch Cape Domestic Water Supply 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.

ARCH CAPE DOMESTIC WATER SUPPLY DISTRICT
Arch Cape, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

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. 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 (ORS) and the Oregon Investment Council (OIC). The State Treasurer is the investment officer for the OIC and is responsible for all funds in the State Treasury. These funds are invested exercising reasonable care, skill, and caution. Investments in the Pool are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which established diversification percentages and specifies the types and maturities of investments. The portion of the external investment pool which belongs to local government investment participants is reported in an Investment Trust Fund in the State's Comprehensive Annual Financial Report (CAFR). A copy of the State's CAFR may be obtained at the Oregon State Treasury, 350 Winter St. N.E., Salem, Oregon 97310-0840.

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or price paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based on the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

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

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

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

	<u>Level 2</u>
Investments:	
Oregon Local Government Investment Pool	<u>\$ 385,823</u>

ARCH CAPE DOMESTIC WATER SUPPLY DISTRICT
Arch Cape, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

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. The board may authorize the investment or reinvestment of funds that are not immediately needed for operations of the District. Such investments will comply with state law and Oregon Administrative Rules.

Investments

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

	Credit Quality Rating	Maturities	Fair Value
Oregon Local Government Investment Pool	Unrated	-	\$ 385,823

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 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.

ARCH CAPE DOMESTIC WATER SUPPLY DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS

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In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities.

The District holds accounts at Columbia Bank, for which deposits are insured by the FDIC up to \$250,000. At June 30, 2023, the District had deposits of \$61,611 fully insured by the FDIC.

Deposits

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

Checking accounts	\$ 9,414
Total investments	<u>385,823</u>
Total cash and investments	<u>\$ 395,237</u>

Cash and investments by fund:

Business-type activities:	
General Fund	\$ 8,353
Capital Fund	157,317
Forest Fund	<u>229,567</u>
Total cash and investments	<u>\$ 395,237</u>

B. Restricted Net Position

The amounts reported on the statement of net position identified as restricted net position are comprised of amounts restricted for future debt service.

C. Capital Assets

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

	<u>Capital Assets</u>	<u>Accumulated Depreciation</u>	<u>Net Capital Assets</u>
Business-type activities			
Land	\$ 4,718,120	\$ -	\$ 4,718,120
Water system	941,145	(875,411)	65,734
Water treatment plant upgrades	1,436,070	(790,837)	645,233
Motor vehicles	17,925	(13,443)	4,482
Land improvements	<u>117,684</u>	<u>(5,883)</u>	<u>111,801</u>
Total capital assets	<u>\$ 7,230,944</u>	<u>\$ (1,685,574)</u>	<u>\$ 5,545,370</u>

ARCH CAPE DOMESTIC WATER SUPPLY DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

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

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 4,718,120	\$ -	\$ -	\$ 4,718,120
Capital assets being depreciated				
Water system	941,145	-	-	941,145
Water treatment plant upgrades	1,436,070	-	-	1,436,070
Motor vehicles	17,925	-	-	17,925
Land improvements	-	117,684	-	117,684
Total capital assets being depreciated	<u>2,395,140</u>	<u>117,684</u>	<u>-</u>	<u>2,512,824</u>
Less accumulated depreciation for				
Water system	(849,129)	(26,282)	-	(875,411)
Water treatment plant upgrades	(719,033)	(71,804)	-	(790,837)
Motor vehicles	(10,882)	(2,561)	-	(13,443)
Land improvements	-	(5,883)	-	(5,883)
Total accumulated depreciation	<u>(1,579,044)</u>	<u>(106,530)</u>	<u>-</u>	<u>(1,685,574)</u>
Capital assets being depreciated, net	<u>816,096</u>	<u>11,154</u>	<u>-</u>	<u>827,250</u>
Business-type activities capital assets, net	<u>\$ 5,534,216</u>	<u>\$ 11,154</u>	<u>\$ -</u>	<u>\$ 5,545,370</u>

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

Business-type activities	
Water operations	<u>\$ 106,530</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
Business Oregon IFA Loan	1.00%	\$ 536,000	\$ 374,836	\$ -	\$ 17,023	\$ 357,813	\$ 17,194

ARCH CAPE DOMESTIC WATER SUPPLY DISTRICT
Arch Cape, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

2. Business-Type Activities - Interest Expense

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

Business-type activities	
Water operations	\$ <u>3,749</u>

3. Business Oregon IFA Loan

The Business Oregon IRA Loan was issued in December 2014. Interest is fixed at 1.00%. The District used the proceeds to finance the upgrade of the water treatment plant. The General Fund has traditionally been used to liquidate the related debt.

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

Year ending June 30	Business Oregon IFA Loan		
	Principal	Interest	Total
2024	\$ 17,194	\$ 3,578	\$ 20,772
2025	17,365	3,407	20,772
2026	17,539	3,233	20,772
2027	17,715	3,057	20,772
2028	17,892	2,880	20,772
2029-2033	92,178	11,682	103,860
2034-2038	96,880	6,980	103,860
2039-2042	81,050	2,038	83,088
Total	\$ <u>357,813</u>	\$ <u>36,855</u>	\$ <u>394,668</u>

IV. OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There was no significant reduction in insurance coverage from the previous year. There were no insurance settlements exceeding insurance coverage in any of the past three years.

B. Retirement Plans

1. Oregon Public Employees Retirement System

General Information about the Pension Plan

The Oregon Public Employees Retirement System (OPERS) consists of a cost-sharing, multiple-employer defined benefit plan (Plan) for units of state government, political subdivisions, community colleges, and school districts, containing multiple actuarial pools.

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June 30, 2023

Plan assets may be used to pay the benefits of the employees of any employer that provides pensions through the Plan. As of June 30, 2022, there were 939 participating employers.

Plan Membership

As of June 30, 2022, there were 11,413 active plan members, 129,376 retired plan members or their beneficiaries currently receiving benefits, 8,372 inactive plan members entitled to but not yet receiving benefits, for a total of 149,161 Tier One members.

For Tier Two members, as of June 30, 2022, there were 27,056 active plan members, 20,720 retired plan members or their beneficiaries currently receiving benefits, 13,335 inactive plan members entitled to but not yet receiving benefits, for a total of 61,111.

As of June 30, 2022, there were 142,471 active plan members, 10,230 retired plan members or their beneficiaries currently receiving benefits, 8,625 inactive plan members entitled to but not yet receiving benefits, and 21,482 inactive plan members not eligible for refund or retirements, for a total of 182,808 OPSRP Pension Program members.

Plan Benefits

Plan benefits of the System are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A, and Internal Revenue Code Section 401(a).

Tier One/Tier Two Retirement Benefit (Chapter 238) - OPERS is a defined benefit pension plan that provides retirement and disability benefits, annual cost-of-living-adjustments, and death benefits to members and their beneficiaries. Benefits are established by state statute. This defined benefit pension plan is closed to new members hired on or after August 29, 2003.

Pension Benefits

The OPERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options that are actuarially equivalent to the base benefit. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service.

ARCH CAPE DOMESTIC WATER SUPPLY DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. Police and Fire members may purchase increased benefits that are payable between the date of retirement and age 65.

Death Benefits

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

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

Disability Benefits

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit.

A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining monthly benefit.

Benefit Changes after Retirement

Members may choose to continue participation in their variable account after retiring and may experience annual benefit fluctuations caused by changes in the fair value of the underlying global equity investments of that account.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit, in accordance with *Moro* decision. The COLA is capped at 2.0 percent.

OPSRP Defined Benefit Pension Program (OPSRP DB) – This Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003.

ARCH CAPE DOMESTIC WATER SUPPLY DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

Pension Benefits

This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

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

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

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

Death Benefits

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

Disability Benefits

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

Benefit Changes After Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit, in accordance with *Moro* decision. The COLA is capped at 2.0 percent.

OPSRP Individual Account Program (OPSRP IAP) - Membership includes public employees hired on or after August 29, 2003. PERS members retain their existing defined benefit plan accounts, but member contributions are deposited into the member's IAP account. OPSRP is part of OPERS and is administered by the OPERS Board.

ARCH CAPE DOMESTIC WATER SUPPLY DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

Pension Benefits

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

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

Death Benefits

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

Contributions

OPERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the OPERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2020 actuarial valuation, which became effective July 20, 2021. The State of Oregon and certain schools, community colleges, and political subdivisions have made unfunded actuarial liability payments, and their rates have been reduced.

Member contributions are set by statute at six percent of salary and are remitted by participating employers. The contributions are either deducted from member salaries or paid by the employers on the members' behalf. As permitted, the District has opted to pick-up the contributions on behalf of its employees.

Employer contributions for the year ended June 30, 2023 were \$27,344.

Annual Comprehensive Financial Report (ACFR)

Additional disclosures related to Oregon PERS not applicable to specific employers are available by contacting PERS at the following address: PO Box 23700 Tigard, OR 97281-3700, or can be found at:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2022-ACFR.pdf>

ARCH CAPE DOMESTIC WATER SUPPLY DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

Actuarial Valuations

The employer contribution rates effective June 30, 2022 were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

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

Actuarial Methods and Assumptions:

Valuation Date	December 31, 2020
Measurement Date	June 30, 2022
Experience Study	2020, published July 20, 2021
<i>Actuarial Assumptions:</i>	
Actuarial Cost Method	Entry age normal
Inflation Rate	2.40 percent
Long-term Expected Rate of Return	6.90 percent
Discount Rate	6.90 percent
Projected Salary Increases	3.40 percent
Cost of living adjustment (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/.15%) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	Health retirees and beneficiaries: Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

ARCH CAPE DOMESTIC WATER SUPPLY DISTRICT
Arch Cape, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

	<p>Active members: Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p>
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Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are on the 2020 Experience Study, which reviewed experience for the four-year period ended December 31, 2020. There were no differences between the assumptions and plan provisions used for June 30, 2022 measurement date calculations compared to those shown above.

Actuarial Methods and Assumptions

Assets are valued at their market value. Gains and losses between odd-year valuations are amortized as a level percentage of combined valuation payroll over 20 years from the odd-year valuation in which they are first recognized.

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

Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

ARCH CAPE DOMESTIC WATER SUPPLY DISTRICT
Arch Cape, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

Depletion Date Projection

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for OPERS:

- OPERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

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

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in June 2022 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

ARCH CAPE DOMESTIC WATER SUPPLY DISTRICT
Arch Cape, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

For more information on the Plan’s portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS’ audited financial statements at:

<https://www.oregon.gov/pers/Documents/Financials/ACFR/2022-Annual-Comprehensive-Financial-Report.pdf>

OIC Target and Actual Investment Allocation as of June 30, 2022

<u>Asset Class/Strategy</u>	<u>OIC Policy Low Range</u>	<u>OIC Policy High Range</u>	<u>OIC Target Allocation</u>	<u>Actual Allocation²</u>
Debt Securities	15.0%	25.0%	20.0%	19.8%
Public Equity	25.0%	35.0%	30.0%	21.2%
Real Estate	7.5%	17.5%	12.5%	13.6%
Private Equity	15.0%	27.5%	20.0%	28.0%
Risk Parity	0.0%	3.5%	2.5%	2.0%
Real Assets	2.5%	10.0%	7.5%	7.9%
Diversifying Strategies	2.5%	10.0%	7.5%	4.9%
Opportunity Portfolio ¹	0.0%	5.0%	0.0%	2.6%
Total			100.0%	100.0%

¹Opportunity Portfolio is an investment strategy, and it may be invested up to 5% of total Fund assets.

² Based on the actual investment value at 6/30/2022.

³ October 2021, the Alternative Portfolio was split into Real Assets and Diversifying Strategies.

C. Intergovernmental Agreement

Arch Cape Domestic Water Supply 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 DOMESTIC WATER SUPPLY DISTRICT
Arch Cape, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

D. New Pronouncements

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

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

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

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

GASB Statement No. 101, *Compensated Absences*. This statement was issued to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

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

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

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

ARCH CAPE DOMESTIC WATER SUPPLY DISTRICT
Arch Cape, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

E. Subsequent Events

Management has evaluated subsequent events through July 17, 2024, which was the date that the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

ARCH CAPE DOMESTIC WATER SUPPLY DISTRICT
Arch Cape, Oregon

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

GENERAL FUND

For the Year Ended June 30, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		Modified Cash Basis
			Budget Basis	Adjustments	
REVENUES					
User fees	\$ 187,072	\$ (1,231)	\$ 185,841	\$ -	\$ 185,841
Excess usage charges	17,000	(1,081)	15,919	-	15,919
Debt service surcharges	20,128	(2,345)	17,783	-	17,783
Sanitary district reimbursement	150,000	(21,226)	128,774	-	128,774
Grants	-	9,937	9,937	-	9,937
Interest	1,000	(992)	8	-	8
Miscellaneous	2,153	7,904	10,057	-	10,057
Total revenues	<u>377,353</u>	<u>(9,034)</u>	<u>368,319</u>	<u>-</u>	<u>368,319</u>
EXPENDITURES					
Current					
Personnel services	249,119	(41,579)	207,540	-	207,540
Materials and services	144,375	19,895	164,270	-	164,270
Capital outlay	78,768	38,232	117,000	-	117,000
Debt service	20,772	-	20,772	(17,023)	3,749
Depreciation	-	-	-	106,530	106,530
Contingency	37,050	(37,050)	-	-	-
Total expenditures	<u>530,084</u>	<u>(20,502)</u>	<u>509,582</u>	<u>89,507</u>	<u>599,089</u>
Excess (deficiency) of revenues over (under) expenditures	(152,731)	11,468	(141,263)	(89,507)	(230,770)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	117,684	117,684
Net change in fund balance	(152,731)	11,468	(141,263)	28,177	(113,086)
Net position - beginning	<u>209,504</u>	<u>5,099,492</u>	<u>149,616</u>	<u>5,159,380</u>	<u>5,308,996</u>
Net position - ending	<u>\$ 56,773</u>	<u>\$ 5,110,960</u>	<u>\$ 8,353</u>	<u>\$ 5,187,557</u>	<u>\$ 5,195,910</u>

ARCH CAPE DOMESTIC WATER SUPPLY DISTRICT
Arch Cape, Oregon

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

CAPITAL FUND

For the Year Ended June 30, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		Modified Cash Basis
			Budget Basis	Adjustments	
REVENUES					
System development charges	\$ 12,780	\$ 25,560	\$ 38,340	\$ -	\$ 38,340
EXPENDITURES	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	12,780	25,560	38,340	-	38,340
OTHER FINANCING SOURCES (USES)					
Transfers out	76,768	(76,768)	-	-	-
Net change in fund balance	89,548	(51,208)	38,340		38,340
Net position - beginning	111,926	7,051	118,977	-	118,977
Net position - ending	<u>\$ 201,474</u>	<u>\$ (44,157)</u>	<u>\$ 157,317</u>	<u>\$ -</u>	<u>\$ 157,317</u>

ARCH CAPE DOMESTIC WATER SUPPLY DISTRICT
Arch Cape, Oregon

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

FOREST FUND

For the Year Ended June 30, 2023

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		Modified Cash Basis
			Budget Basis	Adjustments	
REVENUES					
Grants	\$ 1,170,000	\$ (1,126,001)	\$ 43,999	\$ -	\$ 43,999
Donations	<u>284,301</u>	<u>18,951</u>	<u>303,252</u>	<u>-</u>	<u>303,252</u>
Total revenues	<u>1,454,301</u>	<u>(1,107,050)</u>	<u>347,251</u>	<u>-</u>	<u>347,251</u>
EXPENDITURES					
Capital outlay	1,030,000	(912,316)	117,684	(117,684)	-
Contingency	<u>491,074</u>	<u>(491,074)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,521,074</u>	<u>(1,403,390)</u>	<u>117,684</u>	<u>(117,684)</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(66,773)	296,340	229,567	117,684	347,251
OTHER FINANCING SOURCES (USES)					
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(117,684)</u>	<u>(117,684)</u>
Net change in fund balance	(66,773)	296,340	229,567	-	229,567
Net position - beginning	<u>10,000</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position - ending	<u>\$ (56,773)</u>	<u>\$ 286,340</u>	<u>\$ 229,567</u>	<u>\$ -</u>	<u>\$ 229,567</u>

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



INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of Directors
Arch Cape Domestic Water Supply District
Arch Cape, Oregon 97102

We have audited the basic financial statements of Arch Cape Domestic Water Supply District as of and for the year ended June 30, 2023, and have issued our report thereon dated July 17, 2024. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether Arch Cape Domestic Water Supply 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

Student Success Act's Student Investment Account (SIA) Funding

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:

A. Excess of Expenditures Over Appropriations

During the year ended June 30, 2023, the District expended funds in excess of appropriations as follows:

<u>Fund</u>	<u>Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Excess</u>
General Fund	Materials and services	\$ 144,375	\$ 164,270	\$ 19,895
General Fund	Capital outlay	\$ 78,768	\$ 117,000	\$ 38,232

B. Violation of Public Contracting Law

During our audit, we noted that the District did not retain and document the appropriate bids and/or quotes, as required by public contracts and purchasing regulations.

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



Accuity, LLC
Albany, Oregon
July 17, 2024