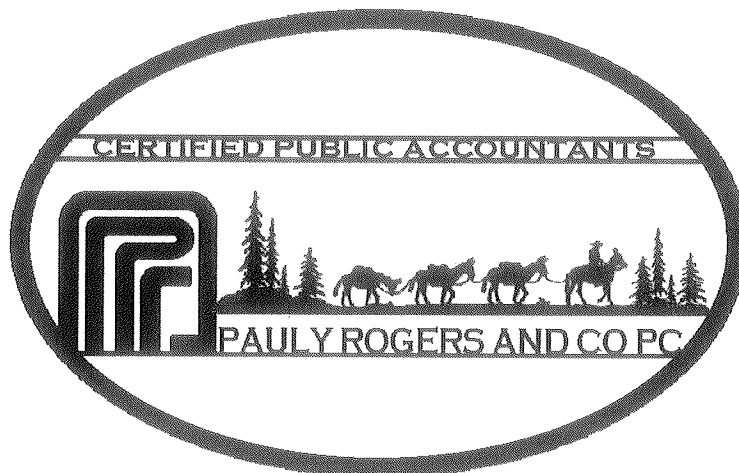


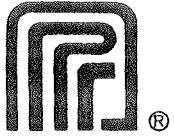
**PACIFIC CITY
JOINT WATER-SANITARY AUTHORITY
TILLAMOOK COUNTY, OREGON**

**COMMUNICATION TO THE GOVERNING BODY
(SAS 114 LETTER)**

FOR THE YEAR JUNE 30, 2009



12700 SW 72nd Ave.
Tigard, OR 97223



PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

- 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
- (503) 620-2632 • FAX (503) 684-7523

September 9, 2009

To the Board of Directors
Pacific City Joint Water-Sanitary Authority

We have audited the financial statements of the enterprise activities of Pacific City Joint Water-Sanitary Authority for the year ended June 30, 2009, and have issued our report thereon dated September 9, 2009. Professional standards require that we provide you with the following information related to our audit.

Purpose of the Audit

The audit was conducted using sampling, inquires, and analytic work to opine on the fair presentation or compliance with:

- generally accepted accounting principles and auditing standards,
- the Oregon Municipal Audit Law and the related administrative rules.

Our Responsibilities under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 30, 2009, our responsibility, as described by professional standards, is to express our opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of Pacific City Joint Water-Sanitary Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our interim letter to the board about planning matters on July 8, 2009.

Results of Audit

1. Audit opinion letter - an unqualified opinion on the financial statements has been issued. This means we have given a "clean" opinion with no reservations.
2. State minimum standards for audits - We found no exceptions or issues requiring comment.

Management Letter

We noted significant deficiencies in our management letter dated September 9, 2009. There was a very proactive relationship between the Authority and the auditors which ensured that accounting issues were reviewed as they arose during the audit. Due to the implementation of new auditing standards, we were required to communicate certain control deficiencies in writing that may not have been considered reportable conditions in prior years.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008-2009. We noted no transactions entered into during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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 disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

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. Management has corrected all such misstatements or determined that their effects are immaterial. In addition, there were five misstatements detected as a result of audit procedures which were subsequently corrected by management. There were immaterial uncorrected misstatements noted during the audit that were discussed with management during our exit conference.

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 representations from management that are included in the management representation letter dated September 9, 2009.

Pauly, Rogers and Co., P.C.
September 9, 2009

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 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 Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

The financial affairs have been professionally conducted. The accounting records were in good condition and we commend the staff for their assistance and support during the audit.

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

Sincerely,


PAULY, ROGERS AND CO., P.C.