SPECIAL DISTRICTS ASSOCIATION OF OREGON

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

SPECIAL DISTRICTS ASSOCIATION OF OREGON

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James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Trustees
Special Districts Association of Oregon
Salem, Oregon

Report on the Financial Statements

We have audited the accompanying Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and Cash Flows of Special Districts Association of Oregon as of and for the years ended June 30, 2021 and 2020 and the related notes to the financial statement, which collectively comprise Special Districts Association of Oregon's basic financial statements as listed in the table of contents.

Managements Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these basic financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Special Districts Association of Oregon as of June 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

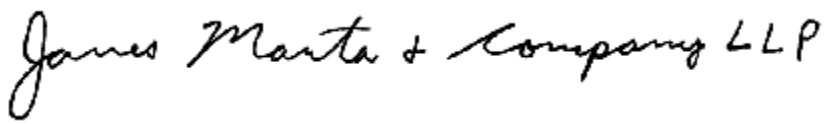
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Schedule of Changes in SDAO's Net OPEB Liability and Related Ratios be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Special Districts Association of Oregon's basic financial statements. The accompanying supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information as listed in the table of contents 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. Such 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 accompanying supplementary information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



James Marta & Company LLP
Certified Public Accountants
Sacramento, California
October 25, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

SPECIAL DISTRICTS ASSOCIATION OF OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

Background

The Special Districts Association of Oregon (SDAO) was formed as a nonprofit organization in Oregon in 1978, and subsequently received exemption by the IRS as a governmental operation under IRC 115, with the primary objective of developing and disseminating information to special districts (municipal governments) within Oregon. Additionally, SDAO acts as a clearinghouse for information to improve efficiency in the providing of all types of public service.

Since SDAO has only municipal government members, is organized to provide various services to those government members, these general purpose financial statements are presented in a governmental entity format utilizing governmental accounting standards.

Reporting Authorities

SDAO has a 12-member board that is elected by the membership. Six of the board members include a representative from each of the following: port, sanitary, water, park & recreation, fire and irrigation. Five board members fill the at-large positions, three of which are true at large. The final board position is the past-president of the Association.

Membership

The Special Districts Association of Oregon is a governmental entity (115 IRS exemption) made up of over 925 special districts members from 32 different types of special districts throughout Oregon. SDAO serves the members by providing education, training, and legislative services to the membership. Each year a certain number of SDAO board positions are up for re-election with each member district having one voting delegate.

Overview of the Financial Statements

The *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Net Position* report information about SDAO as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The difference between assets, what SDAO owns, and liabilities, what SDAO owes, is the net position which is one way to measure the SDAO's financial health, or financial position.

The *Statement of Cash Flows* presents information about the cash receipts and cash payments during the year. The *Notes to the Financial Statements* provides additional information that is essential to the full understanding of the data provided in the financial statements.

Financial Highlights

SDAO collected membership dues of $790,000 and port association dues of $122,000 for a total of $910,000. Other administrative income includes a Special District Insurance Services (SDIS) Trust Sponsorship agreement, miscellaneous contractual income, interest income, and management contract income. Total revenue was $1.9 million, or 135% of budget. The investment portfolio performed very well contributing $650,000 to revenue.

SDAO administrative expense includes the administration of the Association, the management consulting program as well as special projects as needed. Total expenses were $1.0 million resulting in a net income of $900,000.

The SDAO conference, like many others, was held in a virtual format for 2021. Conference sponsorships of $60,000 were able to cover the costs of the virtual software platform that was used to facilitate and coordinate the event.

SDAO maintains an administrative services contract with both SDIS and the Property and Casualty Coverage for Education Trust (PACE). Revenue and expenses for these two contracts match and came in slightly below budget at $7.1 million.

SDAO Advisory Services, the wholly owned subsidiary of SDAO created on July 1, 2015, provides assistance to members for financial transactions, usually for the purchase of equipment or issuance of bonds. This program brought in revenue of $325,000 with net income of $100,000.

Analysis of Overall Financial Position & Results of Operations

Condensed Combined Statement of Net Position accounts are as follows:

	6/30/2021	6/30/2020	Change From 2021 to 2020	6/30/2019	Change From 2020 to 2019
Cash and Cash Equivalents	$ 1,393,891	$ 445,934	$ 947,957	$ 485,011	$ (39,077)
Other Current Assets	2,554,234	1,900,950	653,284	1,660,156	240,794
Noncurrent Investments	1,748,553	1,831,174	(82,621)	1,677,633	153,541
Noncurrent Capital Assets	1,019,095	1,070,935	(51,840)	998,892	72,043
Total Assets	6,715,773	5,248,993	1,466,780	4,821,692	427,301
Deferred Outflows	145,437	136,864	8,573	4,870.00	-
Accounts Payable	784,718	403,956	380,762	526,193	(122,237)
Noncurrent Other Liabilities	962,397	895,171	67,226	724,067	171,104
Total Liabilities	1,747,115	1,299,127	447,988	1,250,260	48,867
Deferred Inflows	11,478	14,509	(3,031)	17,540.00	-
Invested in Capital Assets, net of Related Debt	1,019,095	1,070,935	(51,840)	998,892	72,043
Unrestricted	4,083,522	3,001,286	1,082,236	2,559,870	441,416
Total Net Position	$ 5,102,617	$ 4,072,221	$ 1,030,396	$3,558,762	$ 378,434

Condensed Combined Income Statement accounts are as follows:

	6/30/2021	6/30/2020	Change From 2021 to 2020	6/30/2019	Change From 2020 to 2019
Member Dues	$ 911,838	$ 906,198	$ 5,640	$ 849,984	$ 56,214
Pool Administration Income	7,290,256	7,208,921	81,335	6,605,155	603,766
Trust Sponsership	369,400	330,000	39,400	306,402	23,598
Conference and Seminars	60,791	210,178	(149,387)	179,821	30,357
Miscellaneous Income	325,803	289,419	36,384	362,268	(72,849)
Investment Income	659,309	204,754	454,555	202,557	2,197
Total Income	9,617,397	9,149,470	467,927	8,506,187	643,283
Pool Administrative Expense	7,290,256	7,208,921	81,335	6,605,155	603,766
Legislative Expense	232,279	254,208	(21,929)	182,123	72,085
Conference and Training	42,163	138,140	(95,977)	154,991	(16,851)
Other Expenses	1,022,303	1,034,742	(12,439)	1,141,953	(107,211)
Total Expenses	8,587,001	8,636,011	(49,010)	8,084,222	551,789
Changes in Net Position	1,030,396	513,459	516,937	421,965	91,494
Beginning Net Position	4,072,221	3,558,762	513,459	3,136,797	421,965
Ending Net Position	$ 5,102,617	$ 4,072,221	$ 1,030,396	$ 3,558,762	$ 513,459

Currently known facts and conditions that may have a significant effect on financial position

There are no currently known facts, decisions, or conditions that are expected to have a significant effect on financial position or results of operations.

FINANCIAL SECTION

SPECIAL DISTRICTS ASSOCIATION OF OREGON

STATEMENT OF NET POSITION

AS OF JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,393,891	$ 445,934
Investments - current portion	2,196,584	1,456,671
Accounts receivable	345,599	433,728
Prepaid expenses	12,051	10,551
Total Current Assets	3,948,125	2,346,884
Noncurrent Assets		
Investments	1,748,553	1,831,174
Capital assets (net)	1,019,095	1,070,935
Total Noncurrent Assets	2,767,648	2,902,109
Total Assets	6,715,773	5,248,993
DEFERRED OUTFLOWS		
Deferred outflows on OPEB	145,437	136,864
LIABILITIES		
Current Liabilities		
Accounts payable	784,718	403,956
Total Current Liabilities	784,718	403,956
Noncurrent Liabilities		
OPEB liability	480,250	413,024
Other noncurrent libialities	482,147	482,147
Total Noncurrent Liabilities	962,397	895,171
Total Liabilities	1,747,115	1,299,127
DEFERRED INFLOWS		
Deferred inflows on OPEB	11,478	14,509
NET POSITION		
Net invested in capital assets	1,019,095	1,070,935
Unrestricted	4,083,522	3,001,286
Total Net Position	$ 5,102,617	$ 4,072,221

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

SPECIAL DISTRICTS ASSOCIATION OF OREGON

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Operating Revenues		
Membership dues	$ 911,838	$ 906,198
Conference and seminars	60,791	210,178
SDIS trust sponsership	369,400	330,000
Pool administration income	7,290,256	7,208,921
Advisory services revenue	324,430	238,760
Miscellaneous income	1,373	50,659
Total Operating Revenues	8,958,088	8,944,716
Operating Expenses		
Pool administrative expense	7,290,256	7,208,921
SDAO administrative expense	748,754	811,001
Legislative expense	232,279	254,208
Conference and training	42,163	138,140
Advisory services expenses	273,549	223,741
Total Operating Expenses	8,587,001	8,636,011
Operating Income (Loss)	371,087	308,705
Nonoperating Revenues (Expenses)		
Investment income	659,309	204,754
Total Nonoperating Income(Loss)	659,309	204,754
Change in Net Postion	1,030,396	513,459
Net Position, Beginning	4,072,221	3,558,762
Net Position, Ending	$ 5,102,617	$ 4,072,221

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

SPECIAL DISTRICTS ASSOCIATION OF OREGON

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Cash Flows From Operating Activities:		
Cash received from members	$ 997,921	$ 751,915
Other operating reciepts	7,824,747	7,866,320
Cash paid for salaries and benefits	(6,315,286)	(6,382,199)
Cash paid for other operating expenses	(1,613,282)	(2,207,396)
Net Cash Flows Provided (Used) by Operating Activities	894,100	28,640
Cash Flows From Capital and Related Financing Activities		
Cash paid for purchases of capital assets	51,840	(72,043)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	51,840	(72,043)
Cash Flows Provided by Investing Activities:		
Investment income received	659,309	204,754
Proceeds from sales/maturities of investments	3,000,143	2,918,333
Payments for purchases of investments	(3,657,435)	(3,118,761)
Net Cash (Used) for Investing Activities	2,017	4,326
Net Increase (Decrease) in Cash	947,957	(39,077)
Beginning Cash and Equivalents	445,934	485,011
Ending Cash and Equivalents	$ 1,393,891	$ 445,934
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	$ 371,087	$ 308,705
(Increase) Decrease in:		
Accounts Receivable	88,129	(152,740)
Prepaid Expenses	(1,500)	9,333
Deferred Outflows	(8,573)	(131,994)
Increase (Decrease) in:		
Accounts Payable	447,988	(1,633)
Deferred Inflows	(3,031)	(3,031)
Net Cash Provided by Operating Activities	$ 894,100	$ 28,640
Noncash Investing and Financing Activities		
Unrealized gains on investments	$ 33,914	$ 96,448

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

1. ORGANIZATION AND OPERATIONS

A. Nature of Association

The Special Districts Association of Oregon (SDAO) was formed as a nonprofit organization in Oregon in 1978 and subsequently received exemption by the IRS as a governmental operation under IRC 115, with the primary objective of developing and disseminating information to special districts (municipal governments) within Oregon. Beginning July 1, 2014, SDAO administers the Property and Casualty Coverage for Education Trust (PACE) and the Special Districts Insurance Services (SDIS) programs. In the past, these operations were accounted for under SDIS. Additionally, SDAO acts as a clearinghouse for information to improve efficiency in the providing of all types of public service. SDAO is governed by a twelve-member Board of Directors elected by the membership.

Effective July 1, 2015 SDAO created a wholly owned subsidiary named SDAO Advisory Services (SDAOAS). The activity of the SDAOAS is the provision of managerial and financial advisory services, including but not limited to, debt issuance, analysis of debt capacity, debt policy, investment services and other financial, legal and regulatory matters for SDAO Members. The analysis will include reviewing and making recommendations on Members' long term financial and indebtedness plans and strategies.

B. Financial Reporting Entity

Since SDAO has only municipal government members, are organized to provide various services to those government members the IRS has determined that SDAO is exempt under IRC 115, a government or subdivision. These general purpose financial statements are presented in a governmental entity format utilizing governmental accounting standards.

C. Membership

Any special district can become a regular member by applying to the Association, and by paying the membership fee for the current fiscal year. Regular membership may be terminated by payment of all unpaid fees and notification to the office of the Association. The Association may terminate membership for non-payment of fees. For the fiscal year ended June 30, 2021, there were over 925 members of the Association.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

These statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues and interest are recognized when earned and expenses are recognized when goods or services have been rendered.

B. Cash

For financial reporting purposes, all bank deposits and cash balances held in the investment portfolios are considered to be cash.

C. Receivables

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible. As of June 30, 2021 and 2020, the total accounts receivable portfolio was considered collectible. Interest on investments is recorded in the year the interest is earned.

D. Investments

The SDAO records its investments at fair market value. Changes in fair market value are reported as revenue in the Statement of Revenues, Expenses, and Changes in Net Position. The effect of recording investments and LAIF at fair market value is reflected as a net increase or decrease in the fair value of investments on the Statement of Revenues, Expenses, and Changes in Net Position and on the Statement of Net Position. Fair market values of investments have been determined based on quoted market prices. The current portion of investments is comprised of bonds with a maturity of one year or less, all equity positions, and all mutual fund and/or ETF instruments.

E. Capital Assets

Land is carried at cost and is not depreciable. Other capital assets with costs exceeding $500 are capitalized and stated at cost net of accumulated depreciation. Depreciation is determined using the straight-line method, over the estimated useful life of the related assets. The useful lives of the building and office equipment are forty years and three to five years, respectively. Maintenance and repairs of a routine nature are charged to expense as incurred.

F. Unearned Revenues

Membership dues received in advance are recorded as unearned revenue and recognized in the year to which they apply.

G. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring SDAO's net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPERS Health Program (Program) and additions to/deductions from the Program's fiduciary net position have been determined on the same basis as they are reported by the Program. For this purpose, the Program recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

H. Operating Revenues

Operating revenues result from exchange transactions associated with the principal activity of the organization. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. Operating revenues is comprised of membership dues, SDIS Trust sponsorship, the management consulting program, and related fees and assessments which

are an integral part of the operations. All other revenues, including investment income, are classified as non-operating.

I. Compensated Absences

The Association's vacation policy provides for the accumulation of earned vacation leave, with such leave being fully vested when earned. A liability for accrued vacation has been computed and recorded based on unused vacation days times the current rate of pay. The liability for compensated absences was $435,705 and $385,961 as of June 30, 2021 and 2020, respectively.

Accumulated sick leave benefits are recognized as liabilities by the Association, according to their sick leave policy. This policy states that employees who have five years of service have a claim on sick leave in the amount of half of their new accrual each year. The total liability for accumulated sick leave was $29,222 and $54,340 as of June 30, 2021 and 2020, respectively.

J. Income Tax Status

SDAO is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code. SDAO has received a favorable ruling from the IRS stating that all activities of the Association that assist in essential governmental functions are exempt under Section 115.

K. Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date and revenues and expenses during the reporting period. Actual results could differ materially from those estimates.

L. Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the presentation in the current year financial statements.

3. CASH AND CASH EQUIVALENTS

Cash consisted of the following as of June 30, 2021 and 2020:

	2021	2020
Cash on Hand	$ 50	$ 50
Cash in Bank	1,378,835	434,671
Cash Equivalents	15,006	11,213
Total	$ 1,393,891	$ 445,934

At June 30, 2021, cash in bank was federally insured against loss up to $250,000 for each FDIC insured bank that the funds are deposited with. Cash in bank not covered by FDIC amounts of $883,699 and $104,913 as of June 30, 2021 and 2020, respectively.

4. INVESTMENTS

Under provisions of the Special District Association of Oregon's investment policy, SDAO may invest in the following types of investments:

- Demand deposits
- Direct obligations of the U.S. Treasury, repurchase agreements, and obligations guaranteed by the U.S.
- Certificates of deposits with Oregon banks
- Commercial paper
- Commercial bonds
- Corporate Securities
- Convertible Bonds
- Equities
- Other investments not addressed but subject to Board and Trust approval

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from changes in interest rates, SDAO's investment policy limits maturities at the time of purchase of any investment to ten years, except U.S. Agency mortgage-backed securities where maximum average life will not exceed ten years. As of June 30, 2021, Special Districts Association of Oregon had the following investments held in a managed portfolio:

		Investment Maturities			
Investment Type	Fair Value	<1 yr	1-3 yrs	>3 yrs
Mutual Fund - Bond	$ 1,748,553	$ -	$ -	$ 1,748,553
Mutual Fund - Equity	2,196,584	2,196,584	-	-
Total	$ 3,945,137	$ 2,196,584	$ -	$ 1,748,553

Credit Risk. It is SDAO's general investment policy to apply the prudent person standard, which states "Investments shall be made with judgment and care under circumstances then prevailing which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived." SDAO limits purchase of commercial paper to those rated P-1 or better by Moody's Investors Services, A-1 or better by Standard & Poor's corporation or has an equivalent credit rating. Commercial bonds at the time of purchase must be rated A or higher by either Moody's Investors Service or Standard & Poor's Corporation, or have an equivalent credit quality rating. US Treasuries contain the explicit guarantee of the U.S. Government.

Credit Rating (S&P)	Mutual Fund Bond	Mutual Fund Equity	Totals
N/A	$ 1,748,553	$ 2,196,584	$ 3,945,137
Total	$ 1,748,553	$ 2,196,584	$ 3,945,137

Concentration of Credit Risk: SDAO's investment policy places investment limits on certain securities as follows:

	Limit	
	Per Institution	Per Type of Investment
Equities	5%	25-35%
Fixed Income	--	65-75%

There are no investments in securities of any one issuer consisting of 5% or more of total investments.

Foreign Currency Risk: SDAO does not have a formal policy to limit foreign currency. Risk of loss arises from changes in currency exchange rates. SDAO has invested in foreign bonds denominated in Euros and Canadian dollars with a market value of $0 as of June 30, 2021 and 2020.

Restricted Investments: SDAO has no restricted investments as of June 30, 2021.

Fair values of assets measured on a recurring basis at June 30, 2021 are as follows:

		Fair Value Measurements at Reporting Date Using Quoted Prices		
	Fair Value	In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2021				
Mutual Fund - Bond	$ 1,748,553	$ 1,748,553	$ -	$ -
Mutual Fund - Equity	2,196,584	2,196,584	-	-
Total Investments	$ 3,945,137	$ 3,945,137	$ -	$ -

All assets have been valued using a market approach. Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. There were no changes in the valuation techniques and related inputs.

5. CAPITAL ASSETS

Capital assets consist of the following:

	2020	Additions	Disposals	2021
Office equipment	$ 9,900	$ -	$ -	$ 9,900
Furniture	148,596	9,454	-	158,050
Computers & Software	1,937,866	357,769	-	2,295,635
Tenant Improvements	136,342	-	-	136,342
Vehicles	140,707	-	-	140,707
Trust Equipment	16,715	-	-	16,715
Purchased Assets*	155,458	-	(155,458)	-
	2,545,584	367,223	(155,458)	2,757,349
Accumulated depreciation	(1,474,649)	(419,063)	155,458	(1,738,254)
Total Capital Assets (net)	$ 1,070,935	$ (51,840)	$ (155,458)	$ 1,019,095

*Since SDAO purchased these as part of the reorganization plan, the assets are not recorded at net book value but as the gross amount.

Depreciation expense totaled $419,063 and $409,148 for the fiscal years ended June 30, 2021 and 2020, respectively.

6. ACCOUNTS RECEIVABLE

The combined accounts receivable as of June 30, consists of the following:

	2021	2020
Miscellaneous Receivable	$ 219,209	$ 271,609
Due from SDIS	7,400	104,124
HRA Pre-Funding	118,990	57,995
Total	$ 345,599	$ 433,728

The total accounts receivable balance is expected to be collectible.

7. SIGNIFICANT CONTRACTS

SDAO, as part of its operations, provides pool administration services to two self-insured programs within the state of Oregon. SDAO has an administrative services contract with Special Districts Insurance Services Trust (SDIS) and a separate administration services contract with Property and Casualty Coverage for Education (PACE). The amounts of these contracts are $4.53 million and $2.7 million, respectively.

8. RETIREMENT PLANS

SDAO established a Basic Standardized 401(k) Profit Sharing Plan administered by Nationwide. This plan covers all permanent employees. Employees are fully vested upon entering the plan. Originally, the employer's contribution rate to the plan was 7%. Employees had the option to contribute up to 15% of their gross salary. Upon termination, the employee must withdraw their funds if the fund balance is less than $3,500. For amounts over $3,500, the terminated employee has the option to rollover the funds or leave them in the plan.

Effective January 1, 2000, the employer's contribution rate on the above 401(k) Profit Sharing Plan was increased to 10% of each employee's gross salary. Employees now have the option of contributing up to the federally mandated limit. Employee contributions for the year ended June 30, 2021 and 2020 were $416,570 and $386,055, respectively. Retirement plan expense for the years ended June 30, 2021 and 2020 were as follows:

	2021	2020
Employer Contributions	$ 598,526	$ 549,616

9. OTHER POSTEMPLOYMENT BENEFITS

General Information about the OPEB Plan

Plan description. SDAO currently provides a subsidy to retirees who satisfy additional age and service requirements. For employees retiring at age 59 or older with at least 10 years of SDAO service, SDAO pays 30% of the total monthly premium for the retiree and all enrolled dependents. This premium subsidy may be applied only to SDAO plans. Premiums paid by SDAO end when access to coverage ends, i.e., at the earlier of the retiree's age 65 or upon reaching Medicare eligibility.

Retirees who satisfy the requirement for access to coverage as described above, but who do not meet the additional criteria required to receive the SDAO premium subsidy may continue the coverage by paying 100% of the monthly premiums.

SDAO will not be funding the plan in the current year. The Board will review the funding requirements and policy annually

Employees covered by benefit terms. At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Inactive employees entitles to but not yet receiving benefit payments	1
Active employees	49
	50

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary Increases	3.50%
Investment rate of return	2.21%
Inflation	2.50%
Actuarial cost method	Entry Age Normal
Mortality Rates	December 31, 2018 Oregon PERS valuation

All the actuarial assumptions, including updates to salary increases, mortality, and retirement rates, used in the June 30, 2019 valuation were based on the results of an actuarial experience study issued by the CalPERS Actuarial Office on January 2014 covering the 14-year period from 1997 to 2011.

Discount rate. The discount rate used to measure the total OPEB liability was 2.21 percent. The projection of cash flows used to determine the discount rate assumed that SDAO's contributions will be made at rates equal to the actuarially determined contribution rates. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2020	$ 413,024	$ -	$ 413,024
Changes for the year:			
Service cost	30,436	-	30,436
Interest	15,401	-	15,401
Differences between expected and actual experience	-	-	-
Contributions - employer	-	-	-
Effect of economic/demographich gains or losses	-	-	-
Benefit payments	28,306	-	28,306
Changes of assumptions	(6,917)	-	(6,917)
Net changes	67,226	-	67,226
Balances at June 30, 2021	$ 480,250	$ -	$ 480,250

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21%) or 1-percentage-point higher (3.21%) than the current discount rate:

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Net OPEB liability (asset)	$ 517,847	$ 480,250	$ 444,432

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates (Current Trend)	1% Increase
Net OPEB liability (asset)	$ 425,668	$ 480,250	$ 543,938

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the District recognized OPEB expense of $66,571. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Changes of assumptions	$ 11,478	$ 71,390
Differences between expected and actual experience	-	63,098
Benefit payments	-	10,949
Total	$ 11,478	$ 145,437

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30	Total Deferred Outflows/(Inflows) of Resources
2021	$ 20,734
2022	20,734
2023	20,734
2024	21,817
2025	23,328
Thereafter	15,663
Total	$ 123,010

9. SUBSEQUENT EVENT

SDAO's management evaluated its FY 2020-21 financial statements for subsequent events through October 25, 2021, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENATRY INFORMATION

SPECIAL DISTRICTS ASSOCIATION OF OREGON

SCHEDULE OF THE CHANGES IN SDAO'S NET OPEB LIABLITY AND RELATED RATIOS

LAST 10 FISCAL YEARS*

	2018	2019	2020	2021
Total OPEB liability				
Service cost	$ 55,651	$ 16,046	$ 16,142	$ 30,436
Interest	16,017	8,655	9,894	15,401
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	-	-	86,042	-
Changes of assumptions	(31,469)	(6,506)	63,896	28,306
Benefit payments, including refunds of member contributions	(13,000)	(3,940)	(4,870)	(6,917)
Net change in total OPEB liability	27,199	14,255	171,104	67,226
Total OPEB liability - beginning	499,373	227,665	241,920	413,024
Total OPEB liability - ending (a)	$ 526,572	$ 241,920	$ 413,024	$ 480,250
Plan fiduciary net position				
Contributions - employer	$ 13,000	$ 3,940	$ 4,870	$ 6,917
Net investment income	-	-	-	-
Benefit payments, including refunds of member contributions	(13,000)	(3,940)	(4,870)	(6,917)
Administrative expense	-	-	-	-
Net change in plan fiduciary net position	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-
Plan fiduciary net position - ending (b)	$ -	$ -	$ -	$ -
District's net OPEB liability - ending (a) - (b)	$ 526,572	$ 241,920	$ 413,024	$ 480,250
Plan fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%	0.0%
Covered-employee payroll	$ 4,089,523	$ 4,267,500	$ 4,721,544	$ 4,488,999
District's net OPEB liability as a percentage of covered-employee payroll	12.9%	5.7%	8.7%	10.7%

*Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

SUPPLEMENATRY INFORMATION

SPECIAL DISTRICTS ASSOCIATION OF OREGON

COMBINING STATEMENT OF NET POSITION BY PROGRAM

JUNE 30, 2021

	SDAO	SDAO Advisory Services	Total
ASSETS			
Current Assets			
Cash and cash equivalents	$ 1,083,538	$ 310,353	$ 1,393,891
Investments - current portion	2,196,584	-	2,196,584
Accounts receivable	345,599	-	345,599
Prepaid expenses	12,051	-	12,051
Total Current Assets	3,637,772	310,353	3,948,125
Noncurrent Assets			
Investments	1,748,553	-	1,748,553
Capital assets (net)	1,019,095	-	1,019,095
Total Noncurrent Assets	2,767,648	-	2,767,648
Total Assets	6,405,420	310,353	6,715,773
DEFFERED OUTFLOWS			
Deferred outflows on OPEB	145,437	-	145,437
LIABILITIES			
Current Liabilities			
Accounts payable	779,245	5,473	784,718
Total Current Liabilities	779,245	5,473	784,718
Noncurrent Liabilities			
OPEB Liability	480,250	-	480,250
Other noncurrent libialities	482,147	-	482,147
Total Noncurrent Liabilities	962,397	-	962,397
Total Liabilities	1,741,642	5,473	1,747,115
DEFFERED INFLOWS			
Deferred inflows on OPEB	11,478	-	11,478
NET POSITION			
Net Invested in capital assets	1,019,095	-	1,019,095
Unrestricted	3,778,642	304,880	4,083,522
Total Net Position	$ 4,797,737	$ 304,880	$ 5,102,617

SPECIAL DISTRICTS ASSOCIATION OF OREGON

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHAGNES IN NET POSITION BY PROGRAM

JUNE 30, 2021

	SDAO	SDAO Advisory Services	Eliminating Entries	Total
Operating Revenues				
Membership dues	$ 911,838	$ -	$ -	$ 911,838
Conference and seminars	60,791	-	-	60,791
SDIS trust sponsership	369,400	-	-	369,400
Pool administration income	7,290,256	-	-	7,290,256
Advisory service income	-	374,430	(50,000)	324,430
Miscellaneous income	1,373	-	-	1,373
Total Operating Revenues	8,633,658	374,430	(50,000)	8,958,088
Operating Expenses				
Pool administrative expense	7,290,256	-	-	7,290,256
SDAO adminitrative expenses	798,754	-	(50,000)	748,754
Legislative expense	232,279	-	-	232,279
Conference and training	42,163	-	-	42,163
Advisory service expense	-	273,549	-	273,549
Total Operating Expenses	8,363,452	273,549	(50,000)	8,587,001
Operating Income (Loss)	270,206	100,881	-	371,087
Nonoperating Revenues (Expenses)				
Investment income	659,309	-	-	659,309
Total Nonoperating Income(Loss)	659,309	-	-	659,309
Change in Net Postion	929,515	100,881	-	1,030,396
Net Position, Beginning	3,868,222	203,999	-	4,072,221
Net Position, Ending	$ 4,797,737	$ 304,880	$ -	$ 5,102,617