

**SPECIAL DISTRICTS
ASSOCIATION OF OREGON**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

**FOR THE FISCAL YEARS ENDED
JUNE 30, 2023 AND 2022**

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 Audit of the Financial Statements

Opinions

We have audited the accompanying Statement of Net Position of Special Districts Association of Oregon as of and for the fiscal years ended June 30, 2023 and 2022, and the related Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows for the fiscal years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the Special Districts Association of Oregon, as of June 30, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Special Districts Association of 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

Special Districts Association of Oregon's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Special Districts Association of Oregon's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 GAAS 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 GAAS, 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 Special Districts Association of 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 Special Districts Association of Oregon's ability to continue as a going concern for a reasonable period of time.

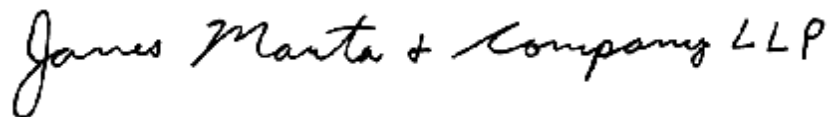
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 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 opinion on the financial statements that collectively comprise the Special Districts Association of Oregon's basic financial statements. The Combining Statement of Net Position by Program and the Combining Statement of Revenues, Expenses and Changes in Net Position by Program are presented for purposes of additional analysis and are not required parts 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Statement of Net Position by program and the Combining Statement of Revenues, Expenses and Changes in Net Position by program are fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
November 3, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

SPECIAL DISTRICTS ASSOCIATION OF OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

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 950 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 \$848,000 and port association dues of \$122,000 for a total of \$970,000. 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 \$1.6 million, or 105% of budget. Investment income recovered a portion of the losses from the prior year with \$235,000 in earnings, or 147% of budget.

SPECIAL DISTRICTS ASSOCIATION OF OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

SDAO administrative expense includes the administration of the Association, the management consulting program as well as special projects as needed. Total expenses were \$1.35 million resulting in a net income of \$320,000.

The SDAO conference was held in Sunriver. Sponsorship income totaled \$62,000 with conference registrations of \$108,000.

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 \$8.1 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 \$212,000 but had its first net lost of (\$75,000) due to the very difficult interest rate environment. The program maintains retained earnings of over \$325,000.

Analysis of Overall Financial Position & Results of Operations

Condensed Combined Statement of Net Position accounts are as follows:

	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>Change From 2023 to 2022</u>	<u>6/30/2021</u>	<u>Change From 2022 to 2021</u>
Cash and Cash Equivalents	\$ 1,841,924	\$ 2,708,764	\$ (866,840)	\$ 1,393,891	\$ 1,314,873
Other Current Assets	3,541,713	2,216,153	1,325,560	2,554,234	(338,081)
Noncurrent Investments	1,953,452	1,413,096	540,356	1,748,553	(335,457)
Noncurrent Capital Assets	<u>837,920</u>	<u>996,689</u>	<u>(158,769)</u>	<u>1,019,095</u>	<u>(22,406)</u>
Total Assets	<u>8,175,009</u>	<u>7,334,702</u>	<u>840,307</u>	<u>6,715,773</u>	<u>618,929</u>
Deferred Outflows	<u>153,083</u>	<u>186,261</u>	<u>(33,178)</u>	<u>145,437</u>	<u>-</u>
Current Liabilities	2,202,881	1,594,333	608,548	784,718	809,615
Noncurrent Other Liabilities	<u>953,528</u>	<u>998,014</u>	<u>(44,486)</u>	<u>962,397</u>	<u>35,617</u>
Total Liabilities	<u>3,156,409</u>	<u>2,592,347</u>	<u>564,062</u>	<u>1,747,115</u>	<u>845,232</u>
Deferred Inflows	<u>110,955</u>	<u>79,627</u>	<u>31,328</u>	<u>11,478</u>	<u>-</u>
Invested in Capital Assets, net of Related Debt	837,920	996,689	(158,769)	1,019,095	(22,406)
Unrestricted	<u>4,222,808</u>	<u>3,852,300</u>	<u>370,508</u>	<u>4,083,522</u>	<u>(231,222)</u>
Total Net Position	<u>\$ 5,060,728</u>	<u>\$ 4,848,989</u>	<u>\$ 211,739</u>	<u>\$ 5,102,617</u>	<u>\$ (226,303)</u>

SPECIAL DISTRICTS ASSOCIATION OF OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

Condensed Combined Income Statement accounts are as follows:

	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>Change From 2023 to 2022</u>	<u>6/30/2021</u>	<u>Change From 2022 to 2021</u>
Member Dues	\$ 970,910	\$ 941,424	\$ 29,486	\$ 911,838	\$ 29,586
Pool Administration Income	8,391,110	7,615,044	776,066	7,290,256	324,788
Trust Sponsorship	410,925	390,675	20,250	369,400	21,275
Conference and Seminars	190,703	56,250	134,453	60,791	(4,541)
Miscellaneous Income	187,707	348,241	(160,534)	325,803	22,438
Grant Revenue	1,081,432	-	1,081,432	-	-
Investment Income (loss)	235,453	(502,987)	738,440	659,309	(1,162,296)
Total Income	<u>11,468,240</u>	<u>8,848,647</u>	<u>2,619,593</u>	<u>9,617,397</u>	<u>(768,750)</u>
Pool Administrative Expense	8,391,110	7,615,044	776,066	7,290,256	324,788
Legislative Expense	289,182	268,174	21,008	232,279	35,895
Conference and Training	209,395	46,002	163,393	42,163	3,839
Grant Expense	1,081,432	-	1,081,432	-	-
Other Expenses	1,285,382	1,173,055	112,327	1,022,303	150,752
Total Expenses	<u>11,256,501</u>	<u>9,102,275</u>	<u>2,154,226</u>	<u>8,587,001</u>	<u>515,274</u>
Changes in Net Position	211,739	(253,628)	465,367	1,030,396	(1,284,024)
Beginning Net Position	4,848,989	5,102,617	(253,628)	4,072,221	1,030,396
Ending Net Position	<u>\$ 5,060,728</u>	<u>\$ 4,848,989</u>	<u>\$ 211,739</u>	<u>\$ 5,102,617</u>	<u>\$ (253,628)</u>

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, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,841,924	\$ 2,708,764
Investments - current portion	1,700,349	1,818,969
Accounts receivable	1,836,889	387,184
Prepaid expenses	4,475	10,000
Total Current Assets	<u>5,383,637</u>	<u>4,924,917</u>
Noncurrent Assets		
Investments	1,953,452	1,413,096
Capital assets (net)	837,920	996,689
Total Noncurrent Assets	<u>2,791,372</u>	<u>2,409,785</u>
Total Assets	<u>8,175,009</u>	<u>7,334,702</u>
DEFERRED OUTFLOWS		
Deferred outflows on OPEB	<u>153,083</u>	<u>186,261</u>
LIABILITIES		
Current Liabilities		
Accounts payable	484,313	794,333
Unearned revenue	1,718,568	800,000
Total Current Liabilities	<u>2,202,881</u>	<u>1,594,333</u>
Noncurrent Liabilities		
OPEB liability	509,979	515,867
Other noncurrent liabilities	443,549	482,147
Total Noncurrent Liabilities	<u>953,528</u>	<u>998,014</u>
Total Liabilities	<u>3,156,409</u>	<u>2,592,347</u>
DEFERRED INFLOWS		
Deferred inflows on OPEB	<u>110,955</u>	<u>79,627</u>
NET POSITION		
Net invested in capital assets	837,920	996,689
Unrestricted	4,222,808	3,852,300
Total Net Position	<u>\$ 5,060,728</u>	<u>\$ 4,848,989</u>

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, 2023 AND 2022

	2023	2022
Operating Revenues		
Membership dues	\$ 970,910	\$ 941,424
Conference and seminars	190,703	56,250
SDIS trust sponsorship	410,925	390,675
Pool administration income	8,391,110	7,615,044
Advisory services revenue	162,060	304,305
Miscellaneous income	25,647	43,936
Total Operating Revenues	10,151,355	9,351,634
Operating Expenses		
Pool administrative expense	8,391,110	7,615,044
SDAO administrative expense	998,518	925,080
Legislative expense	289,182	268,174
Conference and training	209,395	46,002
Advisory services expenses	286,864	247,975
Total Operating Expenses	10,175,069	9,102,275
Operating Income (Loss)	(23,714)	249,359
Nonoperating Revenues (Expenses)		
Investment income	235,453	(502,987)
Grant revenue	1,081,432	-
Grant expense	(1,081,432)	-
Total Nonoperating Income(Loss)	235,453	(502,987)
 Change in Net Postion	 211,739	 (253,628)
Net Position, Beginning	4,848,989	5,102,617
Net Position, Ending	\$ 5,060,728	\$ 4,848,989

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, 2023 AND 2022

	2023	2022
Cash Flows From Operating Activities:		
Cash received from members	\$ 1,031,547	\$ 827,579
Other operating receipts	7,433,239	8,284,495
Cash paid for salaries and benefits	(7,133,309)	(6,551,521)
Cash paid for other operating expenses	(2,164,915)	(1,478,171)
Net Cash Flows Provided (Used) by Operating Activities	(833,438)	1,082,382
Cash Flows From Capital and Related Financing Activities		
Cash paid for purchases of capital assets	158,769	22,406
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	158,769	22,406
Cash Flows Provided by Investing Activities:		
Investment income received	35,536	134,002
Proceeds from sales/maturities of investments	6,397,772	8,425,543
Payments for purchases of investments	(6,625,479)	(8,349,460)
Net Cash (Used) for Investing Activities	(192,171)	210,085
Net Increase (Decrease) in Cash	(866,840)	1,314,873
Beginning Cash and Equivalents	2,708,764	1,393,891
Ending Cash and Equivalents	\$ 1,841,924	\$ 2,708,764
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ (23,714)	\$ 249,359
(Increase) Decrease in:		
Accounts Receivable	(1,449,705)	(41,585)
Prepaid Expenses	5,525	2,051
Deferred Outflows	33,178	(40,824)
Increase (Decrease) in:		
Accounts Payable	569,950	845,232
Deferred Inflows	31,328	68,149
Net Cash Provided by Operating Activities	\$ (833,438)	\$ 1,082,382
Noncash Investing and Financing Activities		
Unrealized gains on investments	\$ 199,917	\$ (636,989)

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

SPECIAL DISTRICTS ASSOCIATION OF OREGON

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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 SDAO, 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 SDAO. SDAO may terminate membership for non-payment of fees. For the fiscal year ended June 30, 2023, there were over 925 members of SDAO.

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.

SPECIAL DISTRICTS ASSOCIATION OF OREGON

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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, 2023 and 2022, 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. Grant revenues are to be passed through to members and are recorded as unearned revenue and recognized when expensed.

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,

SPECIAL DISTRICTS ASSOCIATION OF OREGON

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

SDAO'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 \$443,670 and \$406,108 as of June 30, 2023 and 2022, respectively.

Accumulated sick leave benefits are recognized as liabilities by the SDAO, 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 \$42,006 and \$24,260 as of June 30, 2023 and 2022, 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 SDAO 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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash on Hand	\$ 50	\$ 50
Cash in Bank	1,816,254	2,480,911
Cash Equivalents	<u>25,620</u>	<u>227,803</u>
Total	<u>\$ 1,841,924</u>	<u>\$ 2,708,764</u>

At June 30, 2023, 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 \$1,311,617 and \$1,876,239 as of June 30, 2023 and 2022, respectively.

SPECIAL DISTRICTS ASSOCIATION OF OREGON

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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, 2023, Special Districts Association of Oregon had the following investments held in a managed portfolio:

Investment Type	Fair Value	Investment Maturities		
		<1 yr	1-3 yrs	>3 yrs
Mutual Fund - Bond	\$ 1,953,452	\$ -	\$ -	\$ 1,953,452
Mutual Fund - Equity	1,700,349	1,700,349	-	-
Total	<u>\$ 3,653,802</u>	<u>\$ 1,700,349</u>	<u>\$ -</u>	<u>\$ 1,953,452</u>

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	\$ 1,953,452	\$ 1,700,349	\$ 3,653,802
Total	<u>\$ 1,953,452</u>	<u>\$ 1,700,349</u>	<u>\$ 3,653,802</u>

SPECIAL DISTRICTS ASSOCIATION OF OREGON

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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%

Investments in securities of any one issuer consisting of 5% or more of total investments are as follows:

Issuer:	Market Value	% of Portfolio
VANGUARD TOTAL STOCK MARKET ETF	\$ 1,014,169	27.76%
BAIRD CORE BOND FUND - CLASS I #71	\$ 533,173	14.59%
PGIM TOTAL RETURN BOND FUND CLASS R6 #1062	\$ 429,682	11.76%
ISHARES CORE TOTAL U.S. AGGREGATE BOND ETF	\$ 287,385	7.87%
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND ETF	\$ 286,064	7.83%
DOUBLELINE CORE FIXED INCOME FUND CLASS I	\$ 234,404	6.42%
VOYA INTERMEDIATE BOND FUND-CLASS I #2160	\$ 233,483	6.39%

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, 2023 and 2022.

Restricted Investments: SDAO has no restricted investments as of June 30, 2023.

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

	Fair Value	Fair Value Measurements at Reporting Date		
		In Active Markets for Identical Assets (Level 1)	Using Quoted Prices Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2023</u>				
Mutual Fund - Bond	\$ 1,953,452	\$ 1,953,452	\$ -	\$ -
Mutual Fund - Equity	1,700,349	1,700,349	-	-
Total Investments	<u>\$ 3,653,802</u>	<u>\$ 3,653,802</u>	<u>\$ -</u>	<u>\$ -</u>

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.

SPECIAL DISTRICTS ASSOCIATION OF OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

5. CAPITAL ASSETS

Capital assets consist of the following:

	<u>2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>2023</u>
Office equipment	\$ 9,900	\$ -	\$ -	\$ 9,900
Furniture	164,450	4,614	-	169,064
Computers & Software	2,620,914	177,804	-	2,798,718
Tenant Improvements	136,342	-	-	136,342
Vehicles	162,207	25,869	-	188,076
Trust Equipment	16,715	-	-	16,715
	<u>3,110,528</u>	<u>208,287</u>	<u>-</u>	<u>3,318,815</u>
Accumulated depreciation	<u>(2,113,839)</u>	<u>(367,056)</u>	<u>-</u>	<u>(2,480,895)</u>
Total Capital Assets (net)	<u>\$ 996,689</u>	<u>\$ (158,769)</u>	<u>\$ -</u>	<u>\$ 837,920</u>

Depreciation expense totaled \$367,056 and \$375,585 for the fiscal years ended June 30, 2023 and 2022, respectively.

6. ACCOUNTS RECEIVABLE

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

	<u>2023</u>	<u>2022</u>
Miscellaneous Receivable	\$ 91,845	\$ 270,178
Due from SDIS	1,560,022	3,302
HRA Pre-Funding	173,022	113,704
Advisory Services Receivable	12,000	-
Total	<u>\$ 1,836,889</u>	<u>\$ 387,184</u>

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 \$5.07 million and \$3.32 million, respectively.

SPECIAL DISTRICTS ASSOCIATION OF OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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, 2023 and 2022 were \$479,326 and \$429,817, respectively. Retirement plan expense for the years ended June 30, 2023 and 2022 were as follows:

	2023	2022
Employer Contributions	\$ 575,700	\$ 552,629

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, 2023, 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	47
	48

SPECIAL DISTRICTS ASSOCIATION OF OREGON

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2022, 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, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary Increases	3.40%
Investment rate of return	3.54%
Inflation	2.40%
Actuarial cost method	Entry Age Normal
Mortality Rates	December 31, 2020 Oregon PERS valuation

All the actuarial assumptions, including updates to salary increases, mortality, and retirement rates, used in the June 30, 2021 valuation were based on the assumptions used in the Oregon PERS December 31, 2020 Actuarial Valuation.

Discount rate. The discount rate used to measure the total OPEB liability was 3.54percent. 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	Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2022	\$ 515,867	\$ -	\$ 515,867
Changes for the year:			
Service cost	39,789	-	39,789
Interest	11,951	-	11,951
Differences between expected and actual experience	-	-	-
Contributions - employer	-	-	-
Effect of economic/demographich gains or losses	-	-	-
Benefit payments	(4,724)	-	(4,724)
Changes of assumptions	(52,904)	-	(52,904)
Net changes	(5,888)	-	(5,888)
Balances at June 30, 2023	<u>\$ 509,979</u>	<u>\$ -</u>	<u>\$ 509,979</u>

SPECIAL DISTRICTS ASSOCIATION OF OREGON

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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 (2.54%) or 1-percentage-point higher (4.54%) than the current discount rate:

	<u>1% Decrease</u> <u>(2.54%)</u>	<u>Discount Rate</u> <u>(3.54%)</u>	<u>1% Increase</u> <u>(4.54%)</u>
Net OPEB liability (asset)	\$ 550,180	\$ 509,979	\$ 472,073

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:

	<u>1% Decrease</u>	<u>Healthcare Cost</u> <u>Trend Rates</u> <u>(Current Trend)</u>	<u>1% Increase</u>
Net OPEB liability (asset)	\$ 454,503	\$ 509,979	\$ 574,296

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$65,169. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>
Changes of assumptions	\$ 51,073	\$ 106,378
Differences between expected and actual experience	59,882	40,154
Benefit payments	-	6,551
Total	<u>\$ 110,955</u>	<u>\$ 153,083</u>

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

<u>Year ended June 30</u>	<u>Total Deferred</u> <u>Outflows/(Inflows)</u> <u>of Resources</u>
2023	\$ 20,676
2024	20,676
2025	21,759
2026	23,270
2027	13,717
Thereafter	1,812
Total	<u>\$ 101,910</u>

SPECIAL DISTRICTS ASSOCIATION OF OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

9. SUBSEQUENT EVENT

SDAO's management evaluated its FY 2022-23 financial statements for subsequent events through November 3, 2023, 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 SUPPLEMENTARY INFORMATION

SPECIAL DISTRICTS ASSOCIATION OF OREGON

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

LAST 10 FISCAL YEARS*

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Total OPEB liability						
Service cost	\$ 55,651	\$ 16,046	\$ 16,142	\$ 30,436	\$ 35,708	\$ 39,789
Interest	16,017	8,655	9,894	15,401	11,282	11,951
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	-	-	86,042	-	-	-
Effect of economic/demographic gains or losses	-	-	-	-	(82,478)	-
Changes of assumptions	(31,469)	(6,506)	63,896	28,306	82,054	(52,904)
Benefit payments, including refunds of member contributions	<u>(13,000)</u>	<u>(3,940)</u>	<u>(4,870)</u>	<u>(6,917)</u>	<u>(10,949)</u>	<u>(4,724)</u>
Net change in total OPEB liability	27,199	14,255	171,104	67,226	35,617	(5,888)
Total OPEB liability - beginning	<u>499,373</u>	<u>227,665</u>	<u>241,920</u>	<u>413,024</u>	<u>480,250</u>	<u>515,867</u>
Total OPEB liability - ending (a)	\$ 526,572	\$ 241,920	\$ 413,024	\$ 480,250	\$ 515,867	\$ 509,979
Plan fiduciary net position						
Contributions - employer	\$ 13,000	\$ 3,940	\$ 4,870	\$ 6,917	\$ 10,949	\$ 4,724
Net investment income	-	-	-	-	-	-
Benefit payments, including refunds of member contributions	(13,000)	(3,940)	(4,870)	(6,917)	(10,949)	(4,724)
Administrative expense	-	-	-	-	-	-
Net change in plan fiduciary net position	-	-	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-	-	-
Plan fiduciary net position - ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's net OPEB liability - ending (a) - (b)	<u>\$ 526,572</u>	<u>\$ 241,920</u>	<u>\$ 413,024</u>	<u>\$ 480,250</u>	<u>\$ 515,867</u>	<u>\$ 509,979</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Covered-employee payroll	\$ 4,089,523	\$ 4,267,500	\$ 4,721,544	\$ 4,488,999	\$ 4,265,350	\$ 4,765,010
District's net OPEB liability as a percentage of covered-employee payroll	12.9%	5.7%	8.7%	10.7%	12.1%	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, 2023

	SDAO	SDAO Advisory Services	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 1,520,243	\$ 321,681	\$ 1,841,924
Investments - current portion	1,700,349	-	1,700,349
Accounts receivable	1,824,889	12,000	1,836,889
Prepaid expenses	4,475	-	4,475
Total Current Assets	<u>5,049,956</u>	<u>333,681</u>	<u>5,383,637</u>
Noncurrent Assets			
Investments	1,953,452	-	1,953,452
Capital assets (net)	837,920	-	837,920
Total Noncurrent Assets	<u>2,791,372</u>	<u>-</u>	<u>2,791,372</u>
Total Assets	<u>7,841,328</u>	<u>333,681</u>	<u>8,175,009</u>
DEFERRED OUTFLOWS			
Deferred outflows on OPEB	<u>153,083</u>	<u>-</u>	<u>153,083</u>
LIABILITIES			
Current Liabilities			
Accounts payable	2,205,606	(2,725)	2,202,881
Total Current Liabilities	<u>2,205,606</u>	<u>(2,725)</u>	<u>2,202,881</u>
Noncurrent Liabilities			
OPEB Liability	509,979	-	509,979
Other noncurrent liabilities	443,549	-	443,549
Total Noncurrent Liabilities	<u>953,528</u>	<u>-</u>	<u>953,528</u>
Total Liabilities	<u>3,159,134</u>	<u>(2,725)</u>	<u>3,156,409</u>
DEFERRED INFLOWS			
Deferred inflows on OPEB	<u>110,955</u>	<u>-</u>	<u>110,955</u>
NET POSITION			
Net Invested in capital assets	837,920	-	837,920
Unrestricted	3,886,402	336,406	4,222,808
Total Net Position	<u>\$ 4,724,322</u>	<u>\$ 336,406</u>	<u>\$ 5,060,728</u>

SPECIAL DISTRICTS ASSOCIATION OF OREGON
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION BY PROGRAM

JUNE 30, 2023

	<u>SDAO</u>	<u>SDAO Advisory Services</u>	<u>Eliminating Entries</u>	<u>Total</u>
Operating Revenues				
Membership dues	\$ 970,910	\$ -	\$ -	\$ 970,910
Conference and seminars	190,703	-	-	190,703
SDIS trust sponsorship	410,925	-	-	410,925
Pool administration income	8,391,110	-	-	8,391,110
Advisory service income	-	212,060	(50,000)	162,060
Miscellaneous income	25,647	-	-	25,647
Total Operating Revenues	<u>9,989,295</u>	<u>212,060</u>	<u>(50,000)</u>	<u>10,151,355</u>
Operating Expenses				
Pool administrative expense	8,391,110	-	-	8,391,110
SDAO administrative expenses	1,048,518	-	(50,000)	998,518
Legislative expense	289,182	-	-	289,182
Conference and training	209,395	-	-	209,395
Advisory service expense	-	286,864	-	286,864
Total Operating Expenses	<u>9,938,205</u>	<u>286,864</u>	<u>(50,000)</u>	<u>10,175,069</u>
Operating Income (Loss)	<u>51,090</u>	<u>(74,804)</u>	<u>-</u>	<u>(23,714)</u>
Nonoperating Revenues (Expenses)				
Investment income	<u>235,453</u>	<u>-</u>	<u>-</u>	<u>235,453</u>
Total Nonoperating Income(Loss)	<u>235,453</u>	<u>-</u>	<u>-</u>	<u>235,453</u>
Change in Net Position	286,543	(74,804)	-	211,739
Net Position, Beginning	<u>4,437,779</u>	<u>411,210</u>	<u>-</u>	<u>4,848,989</u>
Net Position, Ending	<u>\$ 4,724,322</u>	<u>\$ 336,406</u>	<u>\$ -</u>	<u>\$ 5,060,728</u>