

**SPECIAL DISTRICTS
ASSOCIATION OF OREGON**

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

**FOR THE FISCAL YEARS ENDED
JUNE 30, 2020 AND 2019**

Pending: OPEB actuary report and updated footnotes

SPECIAL DISTRICTS ASSOCIATION OF OREGON

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
FINANCIAL SECTION	
Statement of Net Position	6
Statement of Revenues, Expenses, and Changes in Net Position	7
Statement of Cash Flows	8
Notes to Financial Statements	9
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of the Changes in SDAO's Net OPEB Liability and Related Ratios	20
SUPPLEMENTARY INFORMATION	
Combining Statement of Net Position by Program	21
Combining Statement of Revenues, Expenses, and Changes in Net Position by Program	22



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, 2020 and 2018 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, 2020 and 2019, 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.

DRAFT

James Marta & Company LLP
Certified Public Accountants
Sacramento, California

DATE

MANAGEMENT'S DISCUSSION AND ANALYSIS

SPECIAL DISTRICTS ASSOCIATION OF OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

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 \$785,000 and port association dues of \$120,000 for a total of \$905,000. 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 \$1.5 million, or 109% of budget. The investment portfolio performed very well contributing \$205,000 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 \$1.1 million resulting in a net income of \$390,000.

SPECIAL DISTRICTS ASSOCIATION OF OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

The SDAO conference was held in Seaside, Oregon. Conference registrations were \$125,000 with and additional \$65,000 in sponsorship and exhibitor fees. Net income from the conference was \$54,000.

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 \$6.9 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 \$\$238,000 with net income of \$67,000.

Analysis of Overall Financial Position & Results of Operations

Condensed Combined Statement of Net Position accounts are as follows:

	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>Change From 2020 to 2019</u>	<u>6/30/2018</u>	<u>Change From 2019 to 2018</u>
Cash and Cash Equivalents	\$ 445,934	\$ 485,011	\$ (39,077)	\$1,204,321	\$ (719,310)
Other Current Assets	1,900,950	1,660,156	240,794	1,513,443	146,713
Noncurrent Investments	1,831,174	1,677,633	153,541	1,513,436	164,197
Noncurrent Capital Assets	<u>1,070,935</u>	<u>998,892</u>	<u>72,043</u>	<u>1,056,193</u>	<u>(57,301)</u>
Total Assets	<u>5,248,993</u>	<u>4,821,692</u>	<u>427,301</u>	<u>5,287,393</u>	<u>(465,701)</u>
Deferred Outflows	<u>4,870</u>	<u>4,870</u>	<u>-</u>	<u>6,143.00</u>	<u>-</u>
Accounts Payable	437,329	526,193	(88,864)	1,119,998	(593,805)
Noncurrent Other Liabilities	<u>724,067</u>	<u>724,067</u>	<u>-</u>	<u>1,008,719</u>	<u>(284,652)</u>
Total Liabilities	<u>1,161,396</u>	<u>1,250,260</u>	<u>(88,864)</u>	<u>2,128,717</u>	<u>(878,457)</u>
Deferred Inflows	<u>17,540</u>	<u>17,540</u>	<u>-</u>	<u>28,022.00</u>	<u>-</u>
Invested in Capital Assets, net of Related Debt	1,070,935	998,892	72,043	1,056,193	(57,301)
Unrestricted	<u>3,003,992</u>	<u>2,559,870</u>	<u>444,122</u>	<u>2,080,604</u>	<u>479,266</u>
Total Net Position	<u>\$ 4,074,927</u>	<u>\$ 3,558,762</u>	<u>\$ 516,165</u>	<u>\$3,136,797</u>	<u>\$ 412,756</u>

SPECIAL DISTRICTS ASSOCIATION OF OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

Condensed Combined Income Statement accounts are as follows:

	<u>6/30/2020</u>	<u>6/30/2019</u>	Change From 2020 to 2019	<u>6/30/2018</u>	Change From 2019 to 2018
Member Dues	\$ 906,198	\$ 849,984	\$ 56,214	\$ 890,091	\$ (40,107)
Pool Administration Income	7,175,548	6,605,155	570,393	6,114,469	490,686
Trust Sponsorship	330,000	306,402	23,598	275,000	31,402
Conference and Seminars	210,178	179,821	30,357	203,062	(23,241)
Miscellaneous Income	289,419	362,268	(72,849)	667,342	(305,074)
Investment Income	<u>204,754</u>	<u>202,557</u>	<u>2,197</u>	<u>165,097</u>	<u>37,460</u>
Total Income	9,116,097	8,506,187	609,910	8,315,061	191,126
Pool Administrative Expense	7,175,548	6,605,155	570,393	6,114,469	490,686
Legislative Expense	254,208	182,123	72,085	171,317	10,806
Conference and Training	138,140	154,991	(16,851)	115,638	39,353
Other Expenses	<u>1,032,036</u>	<u>1,141,953</u>	<u>(109,917)</u>	<u>1,470,550</u>	<u>(328,597)</u>
Total Expenses	8,599,932	8,084,222	515,710	7,871,974	212,248
Changes in Net Position	516,165	421,965	94,200	443,087	(21,122)
Beginning Net Position	<u>3,558,762</u>	<u>3,136,797</u>	<u>421,965</u>	<u>2,693,710</u>	<u>443,087</u>
Ending Net Position	<u>\$ 4,074,927</u>	<u>\$ 3,558,762</u>	<u>\$ 516,165</u>	<u>\$ 3,136,797</u>	<u>\$ 421,965</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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 445,934	\$ 485,011
Investments - current portion	1,456,671	1,409,784
Accounts receivable	433,728	230,488
Prepaid expenses	10,551	19,884
Total Current Assets	<u>2,346,884</u>	<u>2,145,167</u>
Noncurrent Assets		
Investments	1,831,174	1,677,633
Capital assets (net)	1,070,935	998,892
Total Noncurrent Assets	<u>2,902,109</u>	<u>2,676,525</u>
Total Assets	<u>5,248,993</u>	<u>4,821,692</u>
DEFERRED OUTFLOWS		
Deferred outflows on OPEB	4,870	4,870
LIABILITIES		
Current Liabilities		
Accounts payable	437,329	526,193
Total Current Liabilities	<u>437,329</u>	<u>526,193</u>
Noncurrent Liabilities		
OPEB liability	241,920	241,920
Other noncurrent liabilities	482,147	482,147
Total Noncurrent Liabilities	<u>724,067</u>	<u>724,067</u>
Total Liabilities	<u>1,161,396</u>	<u>1,250,260</u>
DEFERRED INFLOWS		
Deferred inflows on OPEB	17,540	17,540
NET POSITION		
Net invested in capital assets	1,070,935	998,892
Unrestricted	3,003,992	2,559,870
Total Net Position	<u>\$ 4,074,927</u>	<u>\$ 3,558,762</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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues		
Membership dues	\$ 906,198	\$ 849,984
Conference and seminars	210,178	179,821
SDIS trust sponsorship	330,000	306,402
Pool administration income	7,175,548	6,605,155
Advisory services revenue	238,760	232,170
Miscellaneous income	50,659	130,098
Total Operating Revenues	<u>8,911,343</u>	<u>8,303,630</u>
Operating Expenses		
Pool administrative expense	7,175,548	6,605,155
SDAO administrative expense	808,295	912,951
Legislative expense	254,208	182,123
Conference and training	138,140	154,991
Advisory services expenses	223,741	229,002
Total Operating Expenses	<u>8,599,932</u>	<u>8,084,222</u>
Operating Income (Loss)	<u>311,411</u>	<u>219,408</u>
Nonoperating Revenues (Expenses)		
Investment income	204,754	202,557
Total Nonoperating Income(Loss)	<u>204,754</u>	<u>202,557</u>
Change in Net Postion	516,165	421,965
Net Position, Beginning	<u>3,558,762</u>	<u>3,136,797</u>
Net Position, Ending	<u>\$ 4,074,927</u>	<u>\$ 3,558,762</u>

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, 2020 AND 2019

	2020	2019
Cash Flows From Operating Activities:		
Cash received from members	\$ 751,915	\$ 729,267
Other operating receipts	7,832,947	7,246,431
Cash paid for salaries and benefits	(6,211,095)	(5,841,994)
Cash paid for other operating expenses	(2,345,127)	(2,918,985)
Net Cash Flows Provided (Used) by Operating Activities	28,640	(785,281)
Cash Flows From Capital and Related Financing Activities		
Cash paid for purchases of capital assets	(72,043)	57,301
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	(72,043)	57,301
Cash Flows Provided by Investing Activities:		
Investment income received	204,754	202,557
Proceeds from sales/maturities of investments	2,918,333	638,573
Payments for purchases of investments	(3,118,761)	(832,460)
Net Cash (Used) for Investing Activities	4,326	8,670
Net Increase (Decrease) in Cash	(39,077)	(719,310)
Beginning Cash and Equivalents	485,011	1,204,321
Ending Cash and Equivalents	\$ 445,934	\$ 485,011
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ 311,411	\$ 219,408
(Increase) Decrease in:		
Accounts Receivable	(152,740)	(123,930)
Prepaid Expenses	9,333	6,907
Deferred Outflows	-	1,273
Increase (Decrease) in:		
Accounts Payable	(139,364)	(878,457)
Deferred Inflows	-	(10,482)
Net Cash Provided by Operating Activities	\$ 28,640	\$ (785,281)
Noncash Investing and Financing Activities		
Unrealized gains on investments	\$ 33,914	\$ 96,448

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, 2020

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, 2020, 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.

SPECIAL DISTRICTS ASSOCIATION OF OREGON

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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, 2020 and 2019, 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

SPECIAL DISTRICTS ASSOCIATION OF OREGON

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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 \$385,961 and \$382,639 as of June 30, 2020 and 2019, 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 \$54,340 and \$16,816 as of June 30, 2020 and 2019, 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash on Hand	\$ 50	\$ 50
Cash in Bank	434,671	476,212
Cash Equivalents	<u>11,213</u>	<u>8,749</u>
Total	<u>\$ 445,934</u>	<u>\$ 485,011</u>

At June 30, 2020, 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 \$104,913 and \$127,237 as of June 30, 2020 and 2019, respectively.

SPECIAL DISTRICTS ASSOCIATION OF OREGON

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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, 2020, Special Districts Association of Oregon had the following investments held in a managed portfolio:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>		
		<u><1 yr</u>	<u>1-3 yrs</u>	<u>>3 yrs</u>
Mutual Fund - Bond	\$ 1,831,174	\$ -	\$ -	\$ 1,831,174
Mutual Fund - Equity	1,456,671	1,456,671	-	-
Total	<u>\$ 3,287,845</u>	<u>\$ 1,456,671</u>	<u>\$ -</u>	<u>\$ 1,831,174</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.

<u>Credit Rating</u> <u>(S&P)</u>	<u>Mutual Fund</u> <u>Bond</u>	<u>Mutual Fund</u> <u>Equity</u>	<u>Totals</u>
N/A	<u>\$ 1,831,174</u>	<u>\$ 1,456,671</u>	<u>\$ 3,287,845</u>
Total	<u>\$ 1,831,174</u>	<u>\$ 1,456,671</u>	<u>\$ 3,287,845</u>

SPECIAL DISTRICTS ASSOCIATION OF OREGON

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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 and \$0 as of June 30, 2020 and 2019, respectively.

Restricted Investments: SDAO has no restricted investments as of June 30, 2020.

Fair values of assets measured on a recurring basis at June 30, 2020 are as follows:

	Fair Value	Fair Value Measurements at Reporting Date Using Quoted Prices		
		In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2020</u>				
Mutual Fund - Bond	\$ 1,831,174	\$ 1,831,174	\$ -	\$ -
Mutual Fund - Equity	1,456,671	1,456,671	-	-
Total Investments	\$ 3,287,845	\$ 3,287,845	\$ -	\$ -

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, 2020

5. CAPITAL ASSETS

Capital assets consist of the following:

	<u>2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>2020</u>
Office equipment	\$ 9,900	\$ -	\$ -	\$ 9,900
Furniture	114,436	34,160	-	148,596
Computers & Software	1,506,601	431,265	-	1,937,866
Tenant Improvements	136,342	-	-	136,342
Vehicles	140,746	27,054	(27,093)	140,707
Trust Equipment	16,715	-	-	16,715
Purchased Assets*	<u>155,458</u>	<u>-</u>	<u>-</u>	<u>155,458</u>
	2,080,198	492,479	(27,093)	2,545,584
Accumulated depreciation	<u>(1,081,304)</u>	<u>(409,148)</u>	<u>15,803</u>	<u>(1,474,649)</u>
Total Capital Assets (net)	<u>\$ 998,894</u>	<u>\$ 83,331</u>	<u>\$ (38,383)</u>	<u>\$ 1,070,935</u>

*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 \$409,148 and \$365,450 for the fiscal years ended June 30, 2020 and 2019, respectively.

6. ACCOUNTS RECEIVABLE

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

	<u>2020</u>	<u>2019</u>
Miscellaneous Receivable	\$ 271,609	\$ 157,950
Due from SDIS	104,124	5,667
HRA Pre-Funding	57,995	57,995
Management Consulting Receivable	<u>-</u>	<u>8,876</u>
Total	<u>\$ 433,728</u>	<u>\$ 230,488</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 \$4.56 million and \$2.56 million, respectively.

SPECIAL DISTRICTS ASSOCIATION OF OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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, 2020 and 2019 were \$363,459 and \$363,459, respectively. Retirement plan expense for the years ended June 30, 2020 and 2019 were as follows:

	2020	2019
Employer Contributions	\$ 549,616	\$ 445,503

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, 2020, 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	45
	46

SPECIAL DISTRICTS ASSOCIATION OF OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2018, 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, 2018 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	3.87%
Inflation	2.50%
Actuarial cost method	Entry Age Normal

All the actuarial assumptions, including updates to salary increases, mortality, and retirement rates, used in the June 30, 2018 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 3.87 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.

SPECIAL DISTRICTS ASSOCIATION OF OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB	Plan	Net OPEB Liability
	Liability	Fiduciary	
	(a)	(b)	(a) - (b)
Balances at June 30, 2018	\$ 227,665	\$ -	\$ 227,665
Changes for the year:			
Service cost	16,046	-	16,046
Interest	8,655	-	8,655
Contributions - employer	-	-	-
Net investment income	-	-	-
Benefit payments	(3,940)	-	(3,940)
Changes of assumptions	(6,506)	-	(6,506)
Net changes	14,255	-	14,255
Balances at June 30, 2019	\$ 241,920	\$ -	\$ 241,920

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 (2.87%) or 1-percentage-point higher (4.87%) than the current discount rate:

	1% Decrease	Discount Rate	1% Increase
	(2.87%)	(3.87%)	(4.87%)
Net OPEB liability (asset)	\$ 265,932	\$ 241,920	\$ 219,703

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:

	Healthcare Cost		
	Trend Rates		
	1% Decrease	(Current Trend)	1% Increase
Net OPEB liability (asset)	\$ 210,637	\$ 241,920	\$ 278,676

SPECIAL DISTRICTS ASSOCIATION OF OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$21,670. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 17,540	\$ -
Changes of assumptions	-	4,870
Total	\$ 17,540	\$ 4,870

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
2020	\$ (3,031)
2021	(3,031)
2022	(3,031)
2023	(3,031)
2024	(3,031)
Thereafter	(2,385)
Total	\$ (17,540)

SPECIAL DISTRICTS ASSOCIATION OF OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

9. SUBSEQUENT EVENT

SDAO's management evaluated its FY 2019-20 financial statements for subsequent events through **DATE**, 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*

	2018	2019
Total OPEB liability		
Service cost	\$ 55,651	\$ 16,046
Interest	16,017	8,655
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	(31,469)	(6,506)
Benefit payments, including refunds of member contributions	(13,000)	(3,940)
Net change in total OPEB liability	27,199	14,255
Total OPEB liability - beginning	499,373	227,665
Total OPEB liability - ending (a)	\$ 526,572	\$ 241,920
Plan fiduciary net position		
Contributions - employer	\$ 13,000	\$ 3,940
Net investment income	-	-
Benefit payments, including refunds of member contributions	(13,000)	(3,940)
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
Plan fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%
Covered-employee payroll	\$ 4,089,523	\$ 4,267,500
District's net OPEB liability as a percentage of covered-employee payroll	12.9%	5.7%

*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, 2020

	<u>SDAO</u>	<u>SDAO Advisory Services</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 337,725	\$ 108,209	\$ 445,934
Investments - current portion	1,456,671	-	1,456,671
Accounts receivable	333,728	100,000	433,728
Prepaid expenses	10,551	-	10,551
Total Current Assets	<u>2,138,675</u>	<u>208,209</u>	<u>2,346,884</u>
Noncurrent Assets			
Investments	1,831,174	-	1,831,174
Capital assets (net)	1,070,935	-	1,070,935
Total Noncurrent Assets	<u>2,902,109</u>	<u>-</u>	<u>2,902,109</u>
Total Assets	<u>5,040,784</u>	<u>208,209</u>	<u>5,248,993</u>
DEFERRED OUTFLOWS			
Deferred outflows on OPEB	4,870	-	4,870
LIABILITIES			
Current Liabilities			
Accounts payable	433,119	4,210	437,329
Total Current Liabilities	<u>433,119</u>	<u>4,210</u>	<u>437,329</u>
Noncurrent Liabilities			
OPEB Liability	241,920	-	241,920
Other noncurrent liabilities	482,147	-	482,147
Total Noncurrent Liabilities	<u>724,067</u>	<u>-</u>	<u>724,067</u>
Total Liabilities	<u>1,157,186</u>	<u>4,210</u>	<u>1,161,396</u>
DEFERRED INFLOWS			
Deferred inflows on OPEB	17,540	-	17,540
NET POSITION			
Net Invested in capital assets	1,070,935	-	1,070,935
Unrestricted	2,799,993	203,999	3,003,992
Total Net Position	<u>\$ 3,870,928</u>	<u>\$ 203,999</u>	<u>\$ 4,074,927</u>

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

JUNE 30, 2020

	<u>SDAO</u>	<u>SDAO Advisory Services</u>	<u>Eliminating Entries</u>	<u>Total</u>
Operating Revenues				
Membership dues	\$ 906,198	\$ -	\$ -	\$ 906,198
Conference and seminars	210,178	-	-	210,178
SDIS trust sponsorship	330,000	-	-	330,000
Pool administration income	7,175,548	-	-	7,175,548
Advisory service income	-	288,760	(50,000)	238,760
Miscellaneous income	50,659	-	-	50,659
Total Operating Revenues	<u>8,672,583</u>	<u>288,760</u>	<u>(50,000)</u>	<u>8,911,343</u>
Operating Expenses				
Pool administrative expense	7,175,548	-	-	7,175,548
SDAO administrative expenses	858,295	-	(50,000)	808,295
Legislative expense	254,208	-	-	254,208
Conference and training	138,140	-	-	138,140
Advisory service expense	-	223,741	-	223,741
Total Operating Expenses	<u>8,426,191</u>	<u>223,741</u>	<u>(50,000)</u>	<u>8,599,932</u>
Operating Income (Loss)	<u>246,392</u>	<u>65,019</u>	<u>-</u>	<u>311,411</u>
Nonoperating Revenues (Expenses)				
Investment income	<u>204,754</u>	<u>-</u>	<u>-</u>	<u>204,754</u>
Total Nonoperating Income(Loss)	<u>204,754</u>	<u>-</u>	<u>-</u>	<u>204,754</u>
Change in Net Position	451,146	65,019	-	516,165
Net Position, Beginning	<u>3,419,782</u>	<u>138,980</u>	<u>-</u>	<u>3,558,762</u>
Net Position, Ending	<u>\$ 3,870,928</u>	<u>\$ 203,999</u>	<u>\$ -</u>	<u>\$ 4,074,927</u>