



SANDY RURAL FIRE PROTECTION DISTRICT
Sandy, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2020



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SANDY RURAL FIRE PROTECTION DISTRICT
Sandy, Oregon

DISTRICT OFFICIALS

June 30, 2020

BOARD OF DIRECTORS

Andrew Brian, Chair
Sandy, Oregon

Sue Hein, Vice Chair
Sandy, Oregon

Justin Stuchlik, Secretary/Treasurer
Sandy, Oregon

Ron Lesowski
Sandy, Oregon

Mark Maunder
Sandy, Oregon

FIRE CHIEF AND REGISTERED AGENT

Phil Schneider
17460 Bruns Avenue
Sandy, Oregon 97055

SANDY RURAL FIRE PROTECTION DISTRICT
Sandy, Oregon

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sandy Rural Fire Protection District
Sandy, Oregon 97055

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sandy Rural Fire Protection District, Sandy, Oregon as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance 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 opinions 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sandy Rural Fire Protection District, Sandy, Oregon as of June 30, 2020, and the respective changes in financial position for the year 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 the management's discussion and analysis, schedules of the District's proportionate share of the net pension liability/OPEB RHIA asset and District contributions, schedules of changes in in OPEB liability and related ratios – medical benefit, and budgetary comparison information on pages 4 through 9 and 48 through 51 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, 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 management's discussion and analysis and the schedules of the District's proportionate share of the net pension liability/OPEB RHIA asset and District contributions in accordance with auditing standards generally accepted in the United States of America, which consisted 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 management's discussion and analysis or the schedules of the District's proportionate share of the new pension liability and District contributions because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison information is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The budgetary comparison 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 and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sandy Rural Fire Protection District's basic financial statements.

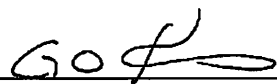
The individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The aforementioned information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the 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 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 21, 2020 on our tests of the District's compliance with certain provisions of laws and regulations specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Accuity, LLC

By: 
Glen O. Kearns, CPA

Albany, Oregon
December 21, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

SANDY RURAL FIRE PROTECTION DISTRICT

Sandy, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

INTRODUCTION

As management of Sandy Rural Fire Protection District, Sandy, Oregon, we offer readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2020. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2020, total net position of Sandy Rural Fire Protection District amounted to \$9,557,902. Of this amount, \$8,244,504 was invested in capital assets. The remaining balance included \$8,178 restricted for various purposes and \$1,305,220 of unrestricted net position.
- The District's total net position decreased by \$183,876 during the current fiscal year.
- Overall expenditures were \$4,174,818, which were greater than total revenues of \$3,990,942 by \$183,876.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Sandy Rural Fire Protection District's basic financial statements. The District's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements can be found on pages 10 through 11 of this report.

SANDY RURAL FIRE PROTECTION DISTRICT

Sandy, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Fund Financial Statements

The fund financial statements are designed to demonstrate compliance with finance-related legal requirements overseeing the use of fund accounting. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. All of the funds of Sandy Rural Fire Protection District are governmental funds.

□ Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements; however, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of available resources, as well as on balances of available resources at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains six individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, McCulloch Memorial, Personnel Services Reserve, Apparatus and Equipment Reserve, Land and Facility Reserve, and Seismic Rehab Grant Funds. The General, Apparatus and Equipment Reserve, and Land and Facility Reserve Funds are all considered to be major funds. Sandy Rural Fire Protection District adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for each fund individually to demonstrate compliance with their respective budgets. The basic governmental fund financial statements can be found on pages 12 through 15 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the financial data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 16 through 47 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes schedules of the District's proportionate share of the net pension liability/OPEB RHIA asset, schedules of changes in OPEB liability and related ratios – medical benefit, and District contributions and budgetary comparison information for the General Fund. This required supplementary information can be found on pages 48 through 51 of this report.

SANDY RURAL FIRE PROTECTION DISTRICT
Sandy, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The individual fund schedules are presented immediately following the required supplementary information on pages 52 through 55 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. At June 30, 2020, the District's assets exceeded liabilities by \$9,557,902.

A large portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

District's Net Position

At the end of the current fiscal year, the District was able to report positive balances in all categories of net position. The District's net position decreased by \$183,876 during the current fiscal year. Condensed statement of net position information is shown below.

Condensed Statement of Net Position

	Governmental Activities	
	2020	2019
Assets		
Current assets and other assets	\$ 3,255,832	\$ 3,486,167
Restricted assets	8,178	8,245
Net capital assets	<u>8,244,504</u>	<u>7,890,789</u>
Total assets	<u>11,508,514</u>	<u>11,385,201</u>
Deferred outflows of resources	<u>1,038,192</u>	<u>844,895</u>
Liabilities		
Current liabilities	158,730	168,456
Noncurrent liabilities	<u>2,691,414</u>	<u>2,176,306</u>
Total liabilities	<u>2,850,144</u>	<u>2,344,762</u>
Deferred inflows of resources	<u>138,660</u>	<u>143,556</u>
Net position		
Net investment in capital assets	8,244,504	7,890,789
Restricted for various purposes	8,178	8,245
Unrestricted	<u>1,305,220</u>	<u>1,842,744</u>
Total net position	<u>\$ 9,557,902</u>	<u>\$ 9,741,778</u>

SANDY RURAL FIRE PROTECTION DISTRICT
Sandy, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

District's Changes in Net Position

The condensed statement of activities information shown below explains changes in net position.

Changes in Net Position

	Governmental Activities	
	2020	2019
Program revenues		
Administration	\$ 3,616	\$ 3,990
Fire prevention	84,749	507
Grants and contributions	1,840	1,650
Total program revenues	90,205	6,147
General revenues		
Property taxes - general	3,852,114	3,616,599
Investment earnings	15,194	15,357
Insurance reimbursement	3,617	-
Gain on sale of capital assets	-	84,725
Unrestricted grants and contributions	-	13,160
Miscellaneous	29,812	42,055
Total general revenues	3,900,737	3,771,896
Total revenues	3,990,942	3,778,043
Program expenses		
Administration	3,434,953	2,789,101
Support services	19,584	86,321
Volunteers	92,348	92,357
Buildings and grounds	77,656	73,475
Operations	110,470	159,466
Fire prevention	8,050	20,727
Maintenance	148,221	91,651
Training	7,489	7,081
Emergency medical services	28,398	27,926
Unallocated depreciation	247,649	236,231
Total program expenses	4,174,818	3,584,336
Change in net position	(183,876)	193,707
Net position - beginning of year, as restated	9,741,778	9,548,071
Net position - end of year	\$ 9,557,902	\$ 9,741,778

SANDY RURAL FIRE PROTECTION DISTRICT
Sandy, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measurement of the District's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$2,967,902, a decrease of \$240,366 from the prior year.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the total fund balance of the General Fund was \$2,170,831. Of this amount, \$2,072,914 constitutes unassigned fund balance, which is available for spending at the District's discretion.

BUDGETARY HIGHLIGHTS

Budget amounts shown in the financial statements reflect the original budget amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2020 amounted to \$8,244,504 net of accumulated depreciation. This investment in capital assets includes land, buildings, apparatus and equipment. Depreciation expense for the year was \$247,649.

Additional information on the District's capital assets can be found on pages 26 through 27 of this report.

KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could affect its future financial health:

- The District's priorities continue to be firefighter safety, to maintain operations, and the maintenance of major assets such as apparatus and facilities.
- The county assessor projected 4.5% - 5.0% growth; however, the District built the budget on a 0% annual growth increase based on the anticipated fiscal impact of COVID-19.

SANDY RURAL FIRE PROTECTION DISTRICT
Sandy, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

- The District is estimating uncollected property taxes to be approximately 8% of total levied taxes. This is an increase from the previous estimated uncollected property taxes of 6%.
- The District's financial priorities for the fiscal year 2020-2021 are as follows:
 - Transparency in the financial plan and its process
 - Maintain and increase the unappropriated ending fund balance as needed with future growth
 - Keep debt minimal while maintaining excellent service
 - Continue funding of Reserve Funds to match five-year financial plan
 - Maintain appropriate funding to the contingency fund

All of these factors were considered when preparing the District's 2020-2021 budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be directed to the following address: Sandy Rural Fire Protection District, 17460 Bruns Avenue, Sandy, Oregon 97055.

BASIC FINANCIAL STATEMENTS

SANDY RURAL FIRE PROTECTION DISTRICT
Sandy, Oregon

STATEMENT OF NET POSITION

June 30, 2020

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 3,007,373
Cash with agent	13,164
Property taxes receivable	110,901
Prepaid expenses	<u>97,917</u>
Total current assets	<u>3,229,355</u>
Restricted assets	
Cash and cash equivalents	8,178
OPEB RHIA asset	26,477
Capital assets not being depreciated	1,253,776
Capital assets being depreciated, net	<u>6,990,728</u>
Total assets	<u>11,508,514</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>1,038,192</u>
LIABILITIES	
Current liabilities	
Accounts payable	4,662
Accrued payroll liabilities	<u>154,068</u>
Total current liabilities	<u>158,730</u>
Noncurrent liabilities	
Net pension liability - PERS	2,347,214
Net OPEB medical benefit	132,402
Compensated absences	<u>211,798</u>
Total long-term liabilities	2,691,414
Total liabilities	<u>2,850,144</u>
DEFERRED INFLOWS OF RESOURCES	<u>138,660</u>
NET POSITION	
Net investment in capital assets	8,244,504
Restricted for various purposes	8,178
Unrestricted	<u>1,305,220</u>
Total net position	<u><u>\$ 9,557,902</u></u>

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

SANDY RURAL FIRE PROTECTION DISTRICT
Sandy, Oregon

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in</u> <u>Net Position</u>
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
Governmental activities					
Administration	\$ 3,434,953	\$ 3,616	\$ -	\$ -	\$ (3,431,337)
Support services	19,584	-	1,840	-	(17,744)
Volunteers	92,348	-	-	-	(92,348)
Buildings and grounds	77,656	-	-	-	(77,656)
Operations	110,470	-	-	-	(110,470)
Fire prevention	8,050	84,749	-	-	76,699
Maintenance	148,221	-	-	-	(148,221)
Training	7,489	-	-	-	(7,489)
Emergency medical services	28,398	-	-	-	(28,398)
Unallocated depreciation	247,649	-	-	-	(247,649)
Total governmental activities	\$ 4,174,818	\$ 88,365	\$ 1,840	\$ -	(4,084,613)
General revenues					
Property taxes levied for general purposes					3,852,114
Investment earnings					15,194
Insurance reimbursement					3,617
Miscellaneous					29,812
Total general revenues					3,900,737
Change in net position					(183,876)
Net position - beginning, as restated					9,741,778
Net position - ending					\$ 9,557,902

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

SANDY RURAL FIRE PROTECTION DISTRICT

Sandy, Oregon

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2020

	General Fund	Apparatus and Equipment Reserve Fund	Land and Facilities Reserve Fund	Nonmajor governmental funds		Total Governmental Funds
				Special Revenue		
				McCulloch Memorial Fund	Personnel Services Reserve Fund	
ASSETS						
Cash and cash equivalents	\$ 2,218,480	\$ 381,978	\$ 305,587	\$ 8,178	\$ 101,328	\$ 3,015,551
Cash with agent	13,164	-	-	-	-	13,164
Property taxes receivable	110,901	-	-	-	-	110,901
Prepaid expenses	97,917	-	-	-	-	97,917
Total assets	<u>\$ 2,440,462</u>	<u>\$ 381,978</u>	<u>\$ 305,587</u>	<u>\$ 8,178</u>	<u>\$ 101,328</u>	<u>\$ 3,237,533</u>
LIABILITIES, DEFERRED						
INFLOWS OF RESOURCES,						
AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 4,662	\$ -	\$ -	\$ -	\$ -	\$ 4,662
Payroll liabilities	154,068	-	-	-	-	154,068
Total liabilities	158,730	-	-	-	-	158,730
Deferred inflows of resources						
Unavailable revenue - property taxes	110,901	-	-	-	-	110,901
Fund balances						
Nonspendable	97,917	-	-	-	-	97,917
Restricted	-	-	-	8,178	-	8,178
Committed	-	381,978	305,587	-	101,328	788,893
Unassigned	2,072,914	-	-	-	-	2,072,914
Total fund balances	2,170,831	381,978	305,587	8,178	101,328	2,967,902
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,440,462	\$ 381,978	\$ 305,587	\$ 8,178	\$ 101,328	\$ 3,237,533

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

SANDY RURAL FIRE PROTECTION DISTRICT
Sandy, Oregon

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES**

June 30, 2020

Total fund balances		\$ 2,967,902
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Cost	11,112,802	
Accumulated depreciation	<u>(2,868,298)</u>	8,244,504
Property tax revenue is recognized in the net position of governmental activities when the taxes are levied; however, in the governmental fund statements, it is recognized when available to be used for current year operations. Taxes not collected within 60 days of the end of the year are not considered available to pay for current year operations and are therefore not reported as revenue in the governmental funds.		
		110,901
Amounts relating to the District's proportionate share of the net pension liability for the Oregon Public Employees Retirement System (PERS) and the OPEB medical benefit liability are not reported in governmental fund statements. In the governmental fund statements, pension expense is recognized when due. Amounts consist of:		
Deferred outflows of resources relating to pension expense	1,038,192	
OPEB RHIA asset	26,477	
Deferred inflows of resources relating to return on pension assets	(138,660)	
Net pension liability - PERS	(2,347,214)	
Net OPEB medical benefit	<u>(132,402)</u>	(1,553,607)
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. These liabilities consist of:		
Compensated absences payable		<u>(211,798)</u>
Net position of governmental activities		<u>\$ 9,557,902</u>

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

SANDY RURAL FIRE PROTECTION DISTRICT

Sandy, Oregon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2020

				Nonmajor governmental funds		
				Special Revenue		
	General	Apparatus and	Land and	McCulloch	Personnel	Total
	Fund	Equipment	Facilities	Memorial	Services	Governmental
	Fund	Reserve	Reserve	Fund	Reserve Fund	Funds
	Fund	Fund	Fund	Fund	Fund	Funds
REVENUES						
Property taxes	\$ 3,844,821	\$ -	\$ -	\$ -	\$ -	\$ 3,844,821
Charges for services	87,627	738	-	-	-	88,365
Investment earnings	13,046	552	262	6	1,328	15,194
Grants and contributions	-	-	-	1,840	-	1,840
Miscellaneous	33,429	-	-	-	-	33,429
Total revenues	<u>3,978,923</u>	<u>1,290</u>	<u>262</u>	<u>1,846</u>	<u>1,328</u>	<u>3,983,649</u>
EXPENDITURES						
Current						
Administration	3,130,435	-	-	-	-	3,130,435
Support services	19,584	-	-	-	-	19,584
Volunteers	92,348	-	-	-	-	92,348
Buildings and grounds	77,656	-	-	-	-	77,656
Operations	106,526	-	-	1,913	-	108,439
Fire prevention	8,050	-	-	-	-	8,050
Maintenance	148,221	-	-	-	-	148,221
Training	7,489	-	-	-	-	7,489
Emergency medical services	28,398	-	-	-	-	28,398
Capital outlay	-	603,395	-	-	-	603,395
Total expenditures	<u>3,618,707</u>	<u>603,395</u>	<u>-</u>	<u>1,913</u>	<u>-</u>	<u>4,224,015</u>
Excess (deficiency) of revenues over (under) expenditures	360,216	(602,105)	262	(67)	1,328	(240,366)
OTHER FINANCING						
SOURCES (USES)						
Sale of assets	-	-	-	-	-	-
Transfers in	-	200,000	-	-	-	200,000
Transfers out	(200,000)	-	-	-	-	(200,000)
Total other financing sources (uses)	<u>(200,000)</u>	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	160,216	(402,105)	262	(67)	1,328	(240,366)
Fund balances - beginning	<u>2,010,615</u>	<u>784,083</u>	<u>305,325</u>	<u>8,245</u>	<u>100,000</u>	<u>3,208,268</u>
Fund balances - ending	<u>\$ 2,170,831</u>	<u>\$ 381,978</u>	<u>\$ 305,587</u>	<u>\$ 8,178</u>	<u>\$ 101,328</u>	<u>\$ 2,967,902</u>

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

SANDY RURAL FIRE PROTECTION DISTRICT
Sandy, Oregon

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2020

Net change in fund balances	\$ (240,366)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures; however, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and are reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Expenditures for capital assets	601,364	
Depreciation expense recorded in the current year	<u>(247,649)</u>	353,715

Some expenses reported in the statement of activities do not require the use of current financial resources and are therefore not reported as expenditures in governmental funds.

Compensated absences	(14,882)
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Pension expense or credits that do not meet the measureable and available criteria are not recognized as revenue or expense in the current year in the governmental funds. In the statement of activities, pension expense or credit is recognized when determined to have been accrued.

	(289,636)
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Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the statement of activities, property taxes are recognized as revenue when levied.

	<u>7,293</u>
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Change in net position	<u>\$ (183,876)</u>
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The accompanying notes are an integral part of these financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

SANDY RURAL FIRE PROTECTION DISTRICT
Sandy, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statements of activities) report information on all of the activities of the District.

B. Reporting Entity

Sandy Rural Fire Protection District was formed in the 1930s. The District operates three stations and serves over 18,000 citizens. Fire district boundaries cover approximately 77 square miles in northern Clackamas County, Oregon, including the City of Sandy, Oregon. Emergency services provided are advanced life support (emergency medical services), fire suppression, technical rescue (vehicle extrication and water rescue), and fire code enforcement. The District is governed by a four-member board of directors elected from the District at large.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

General Fund – The General Fund is the District's primary operating fund. It accounts for all financial resources of the District except for those required to be accounted for in another fund. The primary source of revenue is property taxes. Primary expenditures are for fire suppression, emergency medical expenses, and administrative support.

Apparatus and Equipment Reserve Fund – The Apparatus and Equipment Reserve Fund accounts for the reservation of funds and subsequent purchase of capital assets for the District. The primary sources of revenue are investment earnings and transfers from the General Fund. Primary expenditures are for equipment acquisitions.

SANDY RURAL FIRE PROTECTION DISTRICT
Sandy, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

Land and Facilities Reserve Fund - The Land and Facilities Reserve Fund accounts for the reservation of funds and subsequent purchase of capital assets for the District. The primary sources of revenue are investment earnings and transfers from the General Fund. Primary expenditures are for physical plant improvements.

In addition, the government also reports the following nonmajor governmental funds:

Special Revenue Funds

McCulloch Memorial Fund - The McCulloch Memorial Fund accounts for cash donations received in memory of individuals and is used for the purchase of major rescue tools and/or emergency medical equipment such as defibrillators.

Personnel Services Reserve Fund - The Personnel Services Reserve Fund accounts for future hiring of career staff positions that are intended to be grant funded with a required match.

Certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between funds included in governmental activities are eliminated.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measureable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

SANDY RURAL FIRE PROTECTION DISTRICT
Sandy, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measureable and available only when cash is received by the government.

F. Budgetary Information

Annual budgets are adopted on the cash basis of accounting for revenues and modified accrual basis of accounting for expenses. The District budgets all funds in accordance with the requirements of state law. Annual appropriated budgets are adopted for the general, special revenue, and capital projects funds.

The District begins its budgeting process by appointing budget committee members. The budget officer prepares a budget, which is reviewed by the budget committee. The budget is then published in proposed form and is presented at public hearings to obtain taxpayer comments and approval from the budget committee. The budget is legally adopted by the board of directors by resolution prior to the beginning of the District's fiscal year.

The board resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total personnel services, material and services, debt service, capital outlay, operating contingencies, and interfund transfers for each fund are the levels of control established by the resolution. The detailed budget document, however, is required to contain more specific detailed information for the aforementioned expenditure categories, and management may revise the detailed line item budgets within appropriation categories.

Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. Supplemental budgets less than 10% of a fund's original budget may be adopted by the board of directors at a regular board meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers, and approval by the board of directors.

SANDY RURAL FIRE PROTECTION DISTRICT
Sandy, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the board of directors. During the year, there were no supplemental budgets. The District does not use encumbrances, and appropriations lapse at year-end.

Budget amounts shown in the financial statements reflect the original budget amounts.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

State statutes authorize the District to invest in legally issued general obligations of the United States, the agencies and instrumentalities of the United States and the states of Oregon, Washington, Idaho, or California, certain interest-bearing bonds, time deposit open accounts, certificates of deposit, and savings accounts in banks, mutual savings banks, and savings and loan associations that maintain a head office or a branch in this state in the capacity of a bank, mutual savings bank, or savings and loan association, and share accounts and savings accounts in credit unions in the name of, or for the benefit of, a member of the credit union pursuant to a plan of deferred compensation.

3. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at estimated fair market value at the date of donation.

SANDY RURAL FIRE PROTECTION DISTRICT
Sandy, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

The costs of normal maintenance or repairs that do not add to the value of an asset or materially extend its life are charged to expenditures as incurred and are not capitalized. Major capital outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Office Equipment	5-10
Apparatus	5-20
Equipment	5-30
Buildings and improvements	15-50

5. Deferred Outflows/Inflows of Resources (Non-Pension Related)

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will therefore not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will therefore not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category.

Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

6. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources.

In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

SANDY RURAL FIRE PROTECTION DISTRICT
Sandy, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

7. Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

8. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The board of directors is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for the specific purposes but do not meet the criteria to be classified as committed. The board may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The District reports fund equity in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance - amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

SANDY RURAL FIRE PROTECTION DISTRICT
Sandy, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

- Committed fund balance - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e. board of directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest-level action to remove or change the constraint.
- Assigned fund balance - amounts that District intends to use for a specific purpose. Intent can be expressed by the board of directors or by an official or body to which the board of directors delegates authority.
- Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The District has not formally adopted a minimum fund balance policy.

H. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collection to entities levying taxes. Property taxes are levied and become a lien as of July 1 on property values assessed as of June 30.

Property taxes are payable in three installments, which are due on November 15, February 15, and May 15. Uncollected property taxes are shown as assets in the governmental funds. Property taxes collected within approximately 60 days of fiscal year-end are recognized as revenue, while the remaining are recorded as deferred inflows of resources because they are not deemed available to finance operations of the current period.

3. Compensated Absences

Amounts of vested or accumulated vacation leave that are expected to be liquidated with expendable available financial resources are reported as expenditures when paid. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as long-term liabilities on the statement of net position.

SANDY RURAL FIRE PROTECTION DISTRICT
Sandy, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

In accordance with the provisions of GASB Statement No. 47, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

4. Pensions

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

I. Use of Estimates

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

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Cash Deposits with Financial Institutions

Investments, including amounts held in pooled cash and investments are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value.

Fair value is determined at the quoted market price, if available; otherwise, the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties other than a forced liquidation sale. Certificates of Deposit at Clackamas County Bank are stated at fair value.

Credit Risk

Oregon statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the Local Government Investment Pool. The board may authorize the investment or reinvestment of funds that are not immediately needed for operations of the District. Such investments will comply with state law and Oregon Administrative Rules.

SANDY RURAL FIRE PROTECTION DISTRICT
Sandy, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

Investments

As of June 30, 2020, the District had the following investments:

	<u>Credit Quality Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
Certificate of Deposit	Unrated	6/30/2021	\$ 101,328

Interest Rate Risk

The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increases in interest rates.

Concentration of Credit Risk

The District does not have a formal policy that places a limit on the amount that may be invested in any one insurer. 100 percent of the District's investments are in the Clackamas County Bank Certificate of Deposit.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of a counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District does not have a policy that limits the amount of investments that can be held by counterparties. The Certificate of Deposit is held at Clackamas County Bank and is fully insured by the Federal Depository Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits

This is the risk that, in the event of a bank failure, the District's deposits may not be returned. All District deposits not covered by Federal Depository Insurance Corporation (FDIC) insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon, organized in accordance with ORS 295. The PFCP is a shared liability structure for participating bank depositories. Barring any exceptions, a bank depository is required to pledge collateral valued at a minimum of 10% of their quarter-end public fund deposits if they are considered well capitalized, 25% of their quarter-end public fund deposits if they are considered adequately capitalized, or 110% of their quarter-end public fund deposits if they are considered undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities.

SANDY RURAL FIRE PROTECTION DISTRICT
Sandy, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

The District maintains separate cash accounts for each fund. Interest earned is recorded based upon each account's earnings. The District holds accounts at Clackamas County Bank, for which deposits are insured by the FDIC up to \$250,000. At June 30, 2020, the District had deposits of \$250,000 insured by the FDIC and \$2,751,847 collateralized under the PFCP.

Deposits

The District's deposits at June 30, 2020 are as follows:

NOW sweep account	\$ 2,218,480
Money market account	687,565
Savings account	8,178
Total investments	<u>101,328</u>
Total deposits	<u><u>\$ 3,015,551</u></u>

Cash and investments by fund:

Governmental activities - unrestricted	
General Fund	\$ 2,218,480
Fire Apparatus & Equipment Reserve Fund	381,978
Land & Facilities Reserve Fund	305,587
Nonmajor governmental funds	<u>101,328</u>
Total governmental activities - unrestricted	3,007,373
Governmental activities - restricted	
McCulloch Memorial Fund	<u>8,178</u>
Total cash and investments	<u><u>\$ 3,015,551</u></u>

Restricted cash is for grant requirements and donor projects.

C. Deferred Inflows and Outflows of Resources

Deferred inflows and outflows of resources summarized on the statement of net position are comprised of the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB RHIA asset	\$ 486	\$ (5,917)
Net OPEB medical benefit	34,701	(41,994)
Net Pension Liability - PERS	<u>1,003,005</u>	<u>(90,749)</u>
Total	<u><u>\$ 1,038,192</u></u>	<u><u>\$ (138,660)</u></u>

SANDY RURAL FIRE PROTECTION DISTRICT
Sandy, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

D. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 652,412	\$ -	\$ -	\$ 652,412
Construction in progress	219,190	601,364	(219,190)	601,364
Total capital assets not being depreciated	891,502	601,364	(219,190)	1,253,776
Capital assets being depreciated				
Buildings & improvements	6,301,567	-	-	6,301,567
Apparatus	2,601,502	208,719	-	2,810,221
Equipment	736,767	10,471	-	747,238
Total capital assets being depreciated	4,176,954	219,190	-	9,859,026
Less accumulated depreciation for				
Buildings & improvements	(433,797)	(128,980)	-	(562,777)
Apparatus	(1,709,549)	(86,559)	-	(1,796,108)
Equipment	(477,303)	(32,110)	-	(509,413)
Total accumulated depreciation	(2,971,234)	(247,649)	-	(2,868,298)
Total capital assets being depreciated, net	1,205,720	(28,459)	-	6,990,728
Governmental activities capital assets, net	\$ 2,097,222	\$ 572,905	\$ (219,190)	\$ 8,244,504

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

	Capital Assets	Accumulated Depreciation	Net Capital Assets
Governmental activities			
Land	\$ 652,412	\$ -	\$ 652,412
Construction in progress	601,364	-	601,364
Buildings & improvements	6,301,567	(562,777)	5,738,790
Apparatus	2,810,221	(1,796,108)	1,014,113
Equipment	747,238	(509,413)	237,825
Total capital assets	\$ 11,112,802	\$ (2,868,298)	\$ 8,244,504

SANDY RURAL FIRE PROTECTION DISTRICT
Sandy, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

Depreciation expense is recorded on the statement of activities as follows:

Unallocated depreciation expense	<u>\$ 247,649</u>
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E. Interfund Transfers

Operating transfers are reflected as other financing sources (uses) in the governmental funds. Interfund transfers during the year consisted of:

	<u>Transfers in:</u>
	Apparatus and
	Equipment
	Reserve
	<u>Fund</u>
Transfers out:	
General Fund	<u>\$ 200,000</u>

Transfers from the General Fund are primarily for funding future capital purchases.

F. Compensated Absences

The following is a summary of compensated absences transactions for the year:

	<u>Beginning</u>		<u>Additions</u>		<u>Reductions</u>		<u>Ending</u>
	Balance						Balance
Governmental activities							
Compensated absences	<u>\$ 196,916</u>		<u>\$ 14,882</u>		<u>\$ -</u>		<u>\$ 211,798</u>

The General Fund has traditionally been used to liquidate compensated absences liabilities.

G. Short-Term Debt

In July 2011, the District entered into an agreement with Clackamas County Bank for a \$300,000 variable rate non-revolving line of credit. The interest rate on the line of credit is equal to the greater of (a) the Prime Rate minus 0.25% or (b) 2.50%, changing on each day the Prime Rate changes. The line of credit was used for interim financing of General Fund operations. The General Fund has traditionally been used to liquidate short-term debt. There was no short-term debt activity for the year ended June 30, 2020.

SANDY RURAL FIRE PROTECTION DISTRICT
Sandy, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

H. Constraints on Fund Balances

Constraints on fund balances reported on the balance sheet are as follows:

	General Fund	Apparatus & Equipment Reserve Fund	Land & Facilities Reserve Fund	McCulloch Memorial Fund	Personnel Services Reserve Fund	Total Governmental Funds
Fund balances:						
Nonspendable	\$ 97,917	\$ -	\$ -	\$ -	\$ -	\$ 97,917
Restricted for:						
McCulloch funding	-	-	-	8,178	-	8,178
Committed for:						
Apparatus & equipment	-	381,978	-	-	-	381,978
Land & facilities	-	-	305,587	-	-	305,587
Career personnel	-	-	-	-	101,328	101,328
Unassigned	2,072,914	-	-	-	-	2,072,914
Total fund balances	<u>\$ 2,170,831</u>	<u>\$ 381,978</u>	<u>\$ 305,587</u>	<u>\$ 8,178</u>	<u>\$ 101,328</u>	<u>\$ 2,967,902</u>

III. OTHER INFORMATION

A. Risk Management

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

B. Retirement Plans

1. Oregon Public Employees Retirement System

General Information about the Pension Plan

Name of Pension Plan

The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employer defined benefit plan.

Description of Benefit Terms

Plan Benefits – PERS Pension (Chapter 238)

SANDY RURAL FIRE PROTECTION DISTRICT
Sandy, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

Plan benefits of the System are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A.

PERS Pension

The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

Pension Benefits

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

Death Benefits

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

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

Disability Benefits

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for a either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining monthly benefit.

Benefit Changes after Retirement

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-

SANDY RURAL FIRE PROTECTION DISTRICT
Sandy, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

living changes. The cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit, in accordance with *Moro* decision.

OPSRP Pension Program (OPSRP DB)

Pension Benefits

The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age: police and fire – 1.8 percent is multiplied by the number of years of service and the final average salary.

Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement. General Service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit. A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which the termination becomes effective.

Death Benefits

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

Disability Benefits

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

Benefit Changes After Retirement

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

SANDY RURAL FIRE PROTECTION DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS

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Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans.

Employer contribution rates during the period were based on the December 31, 2017 actuarial valuation, which became effective July 1, 2019. The State of Oregon and certain schools, community colleges, and political subdivisions have made unfunded actuarial liability payments, and their rates have been reduced.

Employer contributions for the year ended June 30, 2020 were \$357,300.

Pension Plan Comprehensive Annual Financial Report (CAFR)

Oregon PERS produces an independently audited CAFR which can be found at:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2019-CAFR.pdf>.

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

Actuarial Valuations

The employer contribution rates effective July 1, 2019, through June 30, 2021, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

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

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June 30, 2020

Actuarial Methods and Assumptions:

Valuation Date	December 31, 2017
Measurement Date	June 30, 2019
Experience Study	2016, published July 26, 2017
<i>Actuarial Assumptions:</i>	
Actuarial Cost Method	Entry age normal
Inflation Rate	2.50 percent
Long-term Expected Rate of Return	7.20 percent
Discount Rate	7.20 percent
Projected Salary Increases	3.50 percent
Cost of living adjustment (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/.15%) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	<p>Health retirees and beneficiaries: RP-2014 healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.</p>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future.

SANDY RURAL FIRE PROTECTION DISTRICT
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Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are on the 2016 Experience Study, which reviewed experience for the four-year period ended December 31, 2016.

Discount Rate

The discount rate used to measure the total pension liability was 7.20 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2017 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model. For more information on the Plan's portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS' audited financial statements at:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2019-CAFR.pdf>

<u>Asset Class</u>	<u>Low Range</u>	<u>High Range</u>	<u>OIC Target</u>
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	13.5%	21.5%	17.5%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	12.5%	12.5%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100.0%

SANDY RURAL FIRE PROTECTION DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the District reported a liability of \$2,347,214 for its proportionate share of net pension liability. The net pension liability was measured at June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2019 the District's proportion was 0.01356956%. For the year ended June 30, 2020, the District recognized pension expense of \$638,989. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual experience	\$ 129,442	\$ -
Changes of assumptions	318,426	-
Net differences between projected and actual earnings on investments	-	(66,541)
Changes in proportionate share	163,180	(24,208)
Differences between employer contribution and employer's proportionate share of system contributions	43,812	-
Total (prior to post-MD contributions)	654,860	(90,749)
Contributions subsequent to the MD	348,145	-
Total	\$ 1,003,005	\$ (90,749)

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in subsequent years as follows:

Employer Subsequent Fiscal Years:	Deferred Outflow/(Inflow) of Resources (prior to post- measurement date contributions)
1st Fiscal Year	\$ 272,814
2nd Fiscal Year	79,042
3rd Fiscal Year	113,219
4th Fiscal Year	88,712
5th Fiscal Year	10,323

SANDY RURAL FIRE PROTECTION DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.20 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a higher discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

District's proportionate share of the net pension liability (asset):

1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
\$ 3,758,855	\$ 2,347,214	\$ 1,165,865

Changes Subsequent to the Measurement Date

A legislative change that occurred after the December 31, 2017 valuation date affected the plan provisions reflected for financial reporting purposes. Senate Bill 1049, signed into law in June 2019, introduced a limit on the amount of annual salary included for the calculation of benefits. Beginning in 2020, annual salary in excess of \$195,000 (as indexed in future years) will be excluded when determining member benefits. As a result, future Tier 1/Tier 2 and OPSRP benefits for certain active members are now projected to be lower than prior to the legislation.

For GASB 67 and GASB 68, the benefits valued in the Total Pension Liability are required to be in accordance with the benefit terms legally in effect as of the relevant fiscal year-end for the plan. As a result, Senate Bill 1049 was reflected in the June 30, 2019 Total Pension Liability. The decrease in the Total Pension Liability resulting from Senate Bill 1049, measured as of June 30, 2019, is shown in the Exhibit A as the "Effect of plan changes" during the measurement period. While Senate Bill 1049 also made changes to certain aspects of the System's funding and administration, the salary limit is the only change that affects the measured Total Pension Liability. As a result, the salary limit provision is the only difference in the valuation basis used to determine the Total Pension Liability between June 30, 2018 and June 30, 2019.

C. Individual Account Program (IAP)

Plan Description

Employees of the District are provided with pensions through OPERS. All the benefits of OPERS are established by the Oregon legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003. Chapter 238A created the Oregon Public Service Retirement Plan (OPSRP), which consists of the Defined Benefit Pension Program and the Individual Account Program (IAP).

SANDY RURAL FIRE PROTECTION DISTRICT
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Membership includes public employees hired on or after August 29, 2003. PERS members retain their existing defined benefit plan accounts, but member contributions are deposited into the member's IAP account. OPSRP is part of OPERS and is administered by the OPERS Board.

Pension Benefits

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

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

Death Benefits

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

Contributions

Member contributions are set by statute at 6 percent of salary and are remitted by participating employers. The contributions are either deducted from member salaries or paid by the employers on the members' behalf. As permitted, the District has opted to pick-up the contributions on behalf of its employees.

Actuarial Methods and Assumptions

Assets are valued at their market value. Gains and losses between odd-year valuations are amortized as a level percentage of combined valuation payroll over 20 years from the odd-year valuation in which they are first recognized. The assumed rate of return on investments is 7.2% compounded annually. The assumed consumer price inflation rate used is 2.5% per year.

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

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2019-CAFR.pdf>.

SANDY RURAL FIRE PROTECTION DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

D. Other Post-Employment Benefits (GASB 75) RHIA – Oregon PERS Plan

1. Oregon Public Employees Retirement System (PERS) Retirement Health Insurance Account (RHIA) Other Post-Employment Benefit (OPEB) Plan (the Plan)

General Information about the OPEB Plan

Name of OPEB Plan

The Oregon PERS RHIA consists of a single cost-sharing multiple-employer defined benefit OPEB plan.

Description of Benefit Terms

Plan Benefits – PERS RHIA (Chapter 238)

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

OPEB Membership

RHIA was established by ORS 238.420 and authorizes a payment of up to \$60 from RHIA toward the monthly costs of health insurance. The Plan is closed to new members hired on or after August 29, 2003. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (C) enroll in a PERS-sponsored health plan. As of June 30, 2019, the inactive RHIA plan participants currently receiving benefits totaled 44,208, and there were 45,598 active and 11,347 inactive members who meet the requirements to receive RHIA benefits when they retire.

Basis of Accounting

Contributions for employers are recognized on the accrual basis of accounting. Employer contributions to PERS are calculated based on creditable compensation for active members reported by employers. Employer contributions are accrued when due pursuant to legal requirements. These are amounts normally included in the employer statements cut off as of the fifth of the following month. The schedules of OPEB amounts by Employer does not reflect deferred outflows of resources related to contributions made by employers after the measurement date.

Consistent with GASB Statement No. 75, paragraph 59(a), employer proportions are determined as a measure of the proportionate relationship of the employer to all employers consistent with the manner in which contributions to the OPEB plan are determined.

SANDY RURAL FIRE PROTECTION DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

Contributions

Employer contributions for the year ended June 30, 2020 were \$8,924.

OPEB RHIA Plan Comprehensive Annual Financial Report (CAFR)

All assumptions, methods, and plan provisions used in these calculations are described in the Oregon PERS RHIA Cost-Sharing Multiple-Employer OPEB Plan Schedules of Employer Allocations and OPEB Amounts by Employer report, as of and for the year ended June 30, 2019. That independently audited report was dated March 4, 2020 and can be found at:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2019-CAFR.pdf>

Proportionate Share Allocation Methodology

The basis for the employer's proportion is determined by comparing the employer's actual, legally required contributions made during the fiscal year to the Plan with the total actual contributions made in the fiscal year of all employers. If the employer did not make contributions during the fiscal year, their proportionate share will be set to zero and the employer will be allocated no proportionate share of the OPEB amounts.

Actuarial Methods and Assumptions:

Valuation Date	December 31, 2017
Measurement Date	June 30, 2019
Experience Study	2016, published July 26, 2017
<i>Actuarial Assumptions:</i>	
Actuarial Cost Method	Entry age normal
Inflation Rate	2.50 percent
Long-term Expected Rate of Return	7.20 percent
Discount Rate	7.20 percent
Projected Salary Increases	3.50 percent
Retiree healthcare participation	Healthy retirees: 35%; disabled retirees: 20%
Mortality	Health retirees and beneficiaries: RP-2014 healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.

SANDY RURAL FIRE PROTECTION DISTRICT
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	<p>Active members: RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.</p>
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Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are on the 2016 Experience Study, which reviewed experience for the four-year period ended December 31, 2016.

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2019 was 7.20. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the RHIA plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments for the RHIA was applied to all periods of projected benefit payments to determine the total OPEB liability.

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2017 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

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

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<https://www.oregon.gov/pers/Documents/Financials/CAFR/2019-CAFR.pdf>

Depletion Date Projection

GASB 75 generally requires that a blended discount rate be used to measure the Total OPEB Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses.

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

At June 30, 2020, the District reported an asset of \$26,477 for its proportionate share of the OPEB asset. The OPEB asset was measured at June 30, 2019, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of that date.

The District's proportion of the net OPEB asset was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2017 the District's proportion was 0.013701970%. For the year ended June 30, 2020, the District recognized OPEB credit of \$3,885. At June 30, 2019, 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
Differences between projected and actual experience	\$ -	\$ (3,492)
Changes of assumptions	-	(27)
Net differences between projected and actual earnings on investments	-	(1,634)
Changes in proportionate share	-	(764)
Total (prior to post-MD contributions)	-	(5,917)
Contributions subsequent to the MD	486	-
Total	\$ 486	\$ (5,917)

Differences between expected and actual experience, changes in assumptions, and changes in employer proportion are amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. Employers are required to recognize OPEB expense based on the balance of the closed period "layers" attributable to each measurement period. The average remaining service life determined as of the beginning of the June 30, 2019 measurement period is 3.1 years.

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Amounts reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB asset in the year ended June 30, 2020. Other amounts reported by the District as deferred outflows or inflows of resources related to OPEB will be recognized in OPEB expense in subsequent years as follows:

Employer Subsequent Fiscal Years:	Deferred Outflow/(Inflow) of Resources (prior to post- measurement date contributions)
1st Fiscal Year	\$ (3,072)
2nd Fiscal Year	(2,683)
3rd Fiscal Year	(330)
4th Fiscal Year	168
5th Fiscal Year	-
Thereafter	-

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB asset calculated using the discount rate of 7.20 percent, as well as what the District's proportionate share of the net OPEB asset would be if it were calculated using a higher discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate.

District's proportionate share of the net OPEB (asset) liability:

1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
\$ (20,527)	\$ (26,477)	\$ (31,547)

Changes Subsequent to the Measurement Date

A change subsequent to the June 30, 2019 Measurement Date that may be considered to meet the reporting requirement is the passage of the Further Consolidated Appropriations Act (HR 1865), which became law in December 2020. The Act repealed the "Cadillac tax" on high cost health plans and removed the Health Insurer Fee permanently beginning in 2021. Both of these legislated changes are expected to decrease future expected medical costs projected by our trend assumption. For Oregon PERS, this has no effect on RHIA, but would be expected to decrease future projected RHIPA benefits. An initial estimate is that the change to RHIPA Net OPEB Liability may be a reduction of \$1 million to \$2 million.

SANDY RURAL FIRE PROTECTION DISTRICT
Sandy, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

E. Other Post-Employment Benefits (GASB 75) – District Medical Benefit Plan

1. Other Post-Employment Benefit (OPEB) District Medical Benefit Plan (the Plan)

General Information about the OPEB Plan

Name of OPEB Plan

The District Medical Benefit Plan consists of a single-employer retiree benefit plan that provides post-employment health, dental, vision, and life insurance benefits to eligible employees and their dependents.

Description of Benefit Terms

Plan Benefits – Implicit Medical Benefit

Plan benefits are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapter 243. ORS stipulated that for the purpose of establishing health care premiums, the rate must be based on all plan members, including both active employees and retirees.

The difference between retiree claims costs, which because of the effect of age is generally higher in comparison to all plan members, and the amount of retiree healthcare premiums represents the District's implicit employer contributions. The calculated OPEB liability is derived using the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members at that point.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations of the OPEB plan reflect a long-term perspective.

Medical Benefit Membership and Eligibility

Benefits and eligibility for members are established through the collective bargaining agreements. All classes of employee are eligible to continue coverage upon retirement. Qualified spouses, domestic partners, and children may qualify for coverage.

Medical Benefit Duration and Amount

Coverage for retirees and eligible dependents continues until Medicare eligibility for each individual (or until dependent children become ineligible).

SANDY RURAL FIRE PROTECTION DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

Participant Statistics

As of June 30, 2020, there were 16 active members and zero retired participants in the Medical Benefit plan. The average age of participants is 43.9.

The District did not establish an irrevocable trust (or equivalent arrangement) to account for this plan.

Funding Policy

The benefits from this program are paid by the District on a self-pay basis and the required contribution is based on projected pay-as-you-go financing requirements. There is no obligation on the part of the District to fund these benefits in advance.

Actuarial Methods and Assumptions:

The District engaged an actuary to perform an evaluation as of June 30, 2020 using age entry normal, level percent of salary Actuarial Cost Method.

The Single Employer Pension Plan liability was determined using the following actuarial assumptions, applied to all periods including the measurement:

Valuation Date	July 1, 2019
Measurement Dates/Fiscal Year Ends	June 30, 2020 through June 30, 2021
<i>Actuarial Assumptions:</i>	
Actuarial Cost Method	Entry age normal
Interest Discount	3.50 percent discount rate assumption
General Inflation	2.50 percent per year
Salary Scale	3.50 percent per year

Election and lapse rates: 30% of eligible employees – 60% of male members and 35% of female members will elect spouse coverage; 5% annual lapse rate.

Expected healthcare costs were developed using a composite of the premiums due for retirees members electing coverage as of July 1, 2019.

SANDY RURAL FIRE PROTECTION DISTRICT
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June 30, 2020

Milliman's Health Cost Guidelines were used to allocate costs by age and gender. Retirees' costs include a load for expected health status of retirees relative to active employees and spouses.

For the period July 1, 2017 through June 30, 2020, current medical premiums due for retirees and their spouses were modeled using an average monthly premium of \$748 per retiree per month, and \$812 per spouse per month. Dental and vision premiums were modeled using average monthly premiums of \$54 per retiree and \$53 per spouse.

Mortality rates were based on the RP-2014 Employee and Healthy Annuitant Table for males and females, as appropriate. Turnover rates were based on percentages developed for the valuation of benefits under Oregon PERS and vary by years of service. Disability rates were based on percentages developed for the valuation of benefits under Oregon PERS and vary by employee age.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Changes in Medical Benefit OPEB Liability

Total OPEB Liability at June 30, 2019	\$ <u>124,988</u>
Changes for the year:	
Service cost	5,780
Interest	5,016
Economic/demographic gains or losses	(37,926)
Change in assumptions	36,855
Benefit payments	<u>(2,311)</u>
Net changes	<u>7,414</u>
Total OPEB Liability at June 30, 2020	\$ <u>132,402</u>

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
Differences between expected and actual experience	\$ -	\$ (34,540)
Changes in assumptions	33,564	(7,454)
Benefit payments	<u>1,137</u>	<u>-</u>
Total	<u>\$ 34,701</u>	<u>\$ (41,994)</u>

SANDY RURAL FIRE PROTECTION DISTRICT
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Amounts reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in subsequent years as follows:

Employer Subsequent Fiscal Years:	Deferred Outflow/(Inflow) of Resources (prior to post-measurement date contributions)
1st Fiscal Year	\$ (1,245)
2nd Fiscal Year	(1,245)
3rd Fiscal Year	(1,245)
4th Fiscal Year	(1,245)
5th Fiscal Year	(1,245)
Thereafter	(2,205)

Sensitivity of the Net OPEB Liability to Changes in Discount and Trend Rates

The following presents the net OPEB liability, calculated using the discount rate of 3.58%, as well as what the liability would be if it was calculated using a discount rate 1-percentage-point lower or 1-percentage-point higher than the current rate:

June 30 Disclosure	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB Liability	\$ 143,517	\$ 132,402	\$ 121,981

The following presents the net OPEB liability, calculated using the trend rate, as well as what the liability would be if it was calculated using a discount rate 1-percentage-point lower or 1-percentage-point higher than the current rate:

June 30 Disclosure	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$ 117,352	\$ 132,402	\$ 150,023

SANDY RURAL FIRE PROTECTION DISTRICT
Sandy, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

F. Concentrations

1. Collective Bargaining Agreement

At June 30, 2020, the District had approximately 12 employees who were accounted for under the governmental activities of the District. Of this total, 71% are covered under a collective bargaining agreement. The existing agreement expires on June 30, 2022.

G. New Pronouncements

The Governmental Accounting Standards Board (GASB) issued [*Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance*](#). The Statement is intended to provide relief to governments and other stakeholders in light of the COVID-19 pandemic.

The guidance postpones by one year the effective dates of certain provisions in the pronouncements as follows:

GASB Statement No. 84, *Fiduciary Activities* – This statement established criteria and guidance for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes, as well as the reporting requirements for these fiduciary funds.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Borrowing and Direct Placements* – This statement addresses the information that is disclosed in the notes to government financial statements related to debt, including borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

The Statement postpones the effective dates of the following pronouncements by 18 months:

GASB Statement No. 87, *Leases* – This statement addresses the accounting and financial reporting for leases by governments, requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases.

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

The GASB provides other COVID-19 related resources on its website:

<https://www.gasb.org/COVID19>.

SANDY RURAL FIRE PROTECTION DISTRICT
Sandy, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

H. Restatement of Previously Issued Financial Statements

The District's previously issued financial statements were restated as follows:

<u>Government-Wide Statements</u>	<u>Governmental Activities</u>
Net position - beginning, as originally reported	\$ 9,727,698
To record beginning OPEB RHIA asset	<u>14,080</u>
Net position - beginning, as restated	<u><u>\$ 9,741,778</u></u>

I. Subsequent Events

1. State of Emergency - Oregon Fires

In early 2020, unusually high winds and continued dry weather caused the rapid expansion of multiple wildfires in Oregon. Over \$1,000,000 acres were burned, resulting in a loss of 3,000+ structures. The loss of structures has the potential to decrease property tax revenues; however, at the date of the financial statements, there is not an estimate of total losses sustained.

Management has evaluated subsequent events through December 21, 2020, which was the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

SANDY RURAL FIRE PROTECTION DISTRICT
Sandy, Oregon

**SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY AND DISTRICT CONTRIBUTIONS**

OREGON PERS SYSTEM

Schedule of the District's Proportionate Share of the Net Pension Liability

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.0135696%	0.0122413%	0.0123154%	0.0113007%	0.0120843%	0.0164357%
District's proportionate share of the net pension liability (asset)	\$ 2,347,214	\$ 1,854,402	\$ 1,660,114	\$ 1,696,490	\$ 693,818	\$ (372,550)
District's covered-employee payroll	\$ 1,210,173	\$ 1,151,244	\$ 1,110,092	\$ 980,250	\$ 986,626	\$ 1,269,448
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	194%	161%	150%	173%	70%	-29%
Plan fiduciary net position as a percentage of the total pension liability	80%	82%	83%	81%	92%	103%

Schedule of District Contributions

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 357,300	\$ 320,505	\$ 229,420	\$ 151,738	\$ 150,594	\$ 172,425
Contributions in relation to the contractually required contribution	<u>357,300</u>	<u>320,505</u>	<u>229,420</u>	<u>151,738</u>	<u>150,594</u>	<u>172,425</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,784,715	\$ 1,447,203	\$ 1,149,483	\$ 861,292	\$ 968,984	\$ 986,626
Contributions as a percentage of covered-employee payroll	20%	22%	20%	18%	16%	17%

SANDY RURAL FIRE PROTECTION DISTRICT
Sandy, Oregon

**SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
OPEB LIABILITY (ASSET) AND DISTRICT CONTRIBUTIONS**

OREGON PERS SYSTEM

**Schedule of the District's Proportionate Share of the OPEB Liability
(Asset)**

	<u>2020</u>	<u>2019</u>
District's proportion of the OPEB liability (asset)	0.013701970%	0.012613800%
District's proportionate share of the OPEB liability (asset)	\$ (26,477)	\$ (14,080)
District's covered-employee payroll (from actuarial exhibits)	\$ 1,210,173	\$ 1,151,244
District's proportionate share of the OPEB liability (asset) as a percentage of its covered-employee payroll	-2.19%	-1.22%
Plan fiduciary net position as a percentage of the total OPEB liability	144.40%	123.99%

Schedule of District Contributions

	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 8,924	\$ 7,236
Contributions in relation to the contractually required contribution	<u>8,924</u>	<u>7,236</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,784,715	\$ 1,447,203
Contributions as a percentage of covered-employee payroll	0.50%	0.50%

SANDY RURAL FIRE PROTECTION DISTRICT
Sandy, Oregon

SCHEDULES OF CHANGES IN OTHER POST EMPLOYMENT BENEFITS (OPEB)
LIABILITY AND RELATED RATIOS - MEDICAL BENEFIT

DISTRICT MEDICAL BENEFIT PLAN

Schedule of Changes	2020	2019	2018
Total Medical Benefit Pension Liability - beginning	\$ 124,988	\$ 128,044	\$ 135,496
Changes for the year:			
Service Cost	\$ 5,780	\$ 5,795	\$ 6,312
Interest	5,016	4,605	3,900
Economic/demographic gains or losses	(37,926)	-	-
Change in assumptions	36,855	(2,973)	(7,608)
Benefit Payments	(2,311)	(10,483)	(10,056)
Net changes for the year	7,414	(3,056)	(7,452)
Total Medical Benefit Pension Liability - ending	\$ 132,402	\$ 124,988	\$ 128,044
 District's covered-employee payroll	 \$ 1,784,715	 \$ 1,447,203	 \$ 1,149,483
 Net Medical Benefit Pension Liability as a Percentage of Covered Payroll	 7.42%	 8.64%	 11.14%

SANDY RURAL FIRE PROTECTION DISTRICT
Sandy, Oregon

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

GENERAL FUND

For the Year Ended June 30, 2020

	Original and Final Budget	Variance with Final Budget Over (Under)	Budget Basis	Actual Adjustments	GAAP Basis
REVENUES					
Property taxes	\$ 3,685,650	\$ 159,171	\$ 3,844,821	\$ -	\$ 3,844,821
Charges for services	18,975	(15,359)	3,616	-	3,616
Conflagration income	-	84,011	84,011	-	84,011
Investment earnings	19,000	(5,954)	13,046	-	13,046
Miscellaneous	12,294	21,135	33,429	-	33,429
Total revenues	<u>3,735,919</u>	<u>243,004</u>	<u>3,978,923</u>	<u>-</u>	<u>3,978,923</u>
EXPENDITURES					
Current					
Personnel services	3,122,450	(245,060)	2,877,390	-	2,877,390
Materials and services	940,718	(199,401)	741,317	-	741,317
Contingency	170,000	(170,000)	-	-	-
Total expenditures	<u>4,233,168</u>	<u>(614,461)</u>	<u>3,618,707</u>	<u>-</u>	<u>3,618,707</u>
Excess (deficiency) of revenues over (under) expenditures	(497,249)	857,465	360,216	-	360,216
OTHER FINANCING SOURCES (USES)					
Transfers out	<u>(242,751)</u>	<u>(42,751)</u>	<u>(200,000)</u>	<u>-</u>	<u>(200,000)</u>
Net change in fund balance	(740,000)	814,714	160,216	-	160,216
Fund balance - beginning	<u>2,000,000</u>	<u>(2,549)</u>	<u>1,997,451</u>	<u>13,164</u>	<u>2,010,615</u>
Fund balance - ending	<u>\$ 1,260,000</u>	<u>\$ 812,165</u>	<u>\$ 2,157,667</u>	<u>\$ 13,164</u>	<u>\$ 2,170,831</u>

OTHER SUPPLEMENTARY INFORMATION

INDIVIDUAL FUND SCHEDULES

SANDY RURAL FIRE PROTECTION DISTRICT
Sandy, Oregon

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

MCCULLOCH MEMORIAL FUND

For the Year Ended June 30, 2020

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Miscellaneous	\$ 500	\$ 1,340	\$ 1,840	\$ -	\$ 1,840
Investment earnings	<u>50</u>	<u>(44)</u>	<u>6</u>	<u>-</u>	<u>6</u>
Total revenues	<u>550</u>	<u>1,296</u>	<u>1,846</u>	<u>-</u>	<u>1,846</u>
EXPENDITURES					
Current					
Material and services	<u>8,793</u>	<u>(6,880)</u>	<u>1,913</u>	<u>-</u>	<u>1,913</u>
Excess (deficiency) of revenues over (under) expenditures	(8,243)	8,176	(67)	-	(67)
Fund balance - beginning	<u>8,243</u>	<u>2</u>	<u>8,245</u>	<u>-</u>	<u>8,245</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 8,178</u>	<u>\$ 8,178</u>	<u>\$ -</u>	<u>\$ 8,178</u>

SANDY RURAL FIRE PROTECTION DISTRICT
Sandy, Oregon

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

PERSONNEL SERVICES RESERVE FUND

For the Year Ended June 30, 2020

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Investment earnings	\$ -	\$ 1,328	\$ 1,328	\$ -	\$ 1,328
EXPENDITURES					
Current					
Personnel services	100,000	(100,000)	-	-	-
Excess (deficiency) of revenues over (under) expenditures	(100,000)	101,328	1,328	-	1,328
Fund balance - beginning	100,000	-	100,000	-	100,000
Fund balance - ending	\$ -	\$ 101,328	\$ 101,328	\$ -	\$ 101,328

SANDY RURAL FIRE PROTECTION DISTRICT
Sandy, Oregon

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

APPARATUS AND EQUIPMENT RESERVE FUND

For the Year Ended June 30, 2020

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Charges for services	\$ 5,000	\$ (4,262)	\$ 738	\$ -	\$ 738
Investment earnings	<u>500</u>	<u>52</u>	<u>552</u>	<u>-</u>	<u>552</u>
Total revenues	<u>5,500</u>	<u>(4,210)</u>	<u>1,290</u>	<u>-</u>	<u>1,290</u>
EXPENDITURES					
Capital outlay	<u>875,905</u>	<u>(272,510)</u>	<u>603,395</u>	<u>-</u>	<u>603,395</u>
Excess (deficiency) of revenues over (under) expenditures	(870,405)	268,300	(602,105)	-	(602,105)
OTHER FINANCING SOURCES (USES)					
Sale of assets	25,000	(25,000)	-	-	-
Transfers in	<u>200,000</u>	<u>-</u>	<u>200,000</u>	<u>-</u>	<u>200,000</u>
Total other financing sources (uses)	<u>225,000</u>	<u>(25,000)</u>	<u>200,000</u>	<u>-</u>	<u>200,000</u>
Net change in fund balance	(645,405)	243,300	(402,105)	-	(402,105)
Fund balance - beginning	<u>795,405</u>	<u>(11,322)</u>	<u>784,083</u>	<u>-</u>	<u>784,083</u>
Fund balance - ending	<u>\$ 150,000</u>	<u>\$ 231,978</u>	<u>\$ 381,978</u>	<u>\$ -</u>	<u>\$ 381,978</u>

SANDY RURAL FIRE PROTECTION DISTRICT
Sandy, Oregon

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

LAND AND FACILITIES RESERVE FUND

For the Year Ended June 30, 2020

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Investment and other revenues	\$ 300	\$ (38)	\$ 262	\$ -	\$ 262
EXPENDITURES					
Capital outlay	<u>348,336</u>	<u>(348,336)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(348,036)	348,298	262	-	262
OTHER FINANCING SOURCES (USES)					
Sale of assets	-	-	-	-	-
Transfers in	<u>42,751</u>	<u>(42,751)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>42,751</u>	<u>(42,751)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(305,285)	305,547	262	-	262
Fund balance - beginning	<u>305,285</u>	<u>40</u>	<u>305,325</u>	<u>-</u>	<u>305,325</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 305,587</u>	<u>\$ 305,587</u>	<u>\$ -</u>	<u>\$ 305,587</u>

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



INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of Directors
Sandy Rural Fire Protection District
Sandy, Oregon 97055

We have audited the basic financial statements of Sandy Rural Fire Protection District as of and for the year ended June 30, 2020 and have issued our report thereon dated December 21, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether Sandy Rural Fire Protection District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures, which included, but were not limited to, the following:

Deposit of public funds with financial institutions (ORS Chapter 295)

Budgets legally required (ORS Chapter 294)

Insurance and fidelity bonds in force or required by law

Programs funded from outside sources

Authorized investment of surplus funds (ORS Chapter 294)

Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)

In connection with our testing, nothing came to our attention that caused us to believe the District was not in substantial compliance with certain provisions of laws, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-010-0230 Internal Control

In planning and performing our audit, we considered Sandy Rural Fire Protection District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sandy Rural Fire Protection District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sandy Rural Fire Protection District's internal control over financial reporting. However, we noted certain matters that we have reported to management of the District in a separate letter dated December 21, 2020.

This report is intended solely for the information and use of the board of directors and management of Sandy Rural Fire Protection District and the Oregon Secretary of State, and is not intended to be, and should not be used by anyone other than these parties.

A handwritten signature in blue ink that reads "Accuity, LLC". The signature is stylized and cursive.

Accuity, LLC

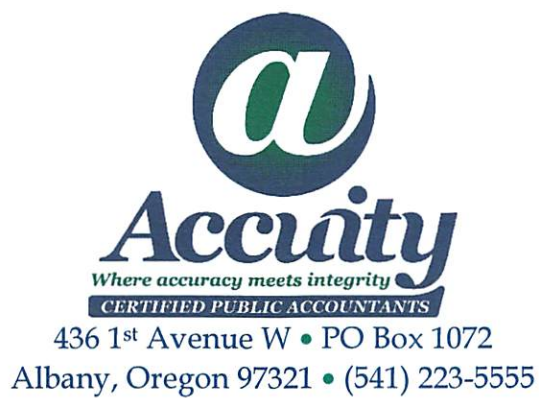
December 21, 2020



SANDY RURAL FIRE PROTECTION DISTRICT

Report to the Board of Directors
for the Year Ended June 30, 2020

December 21, 2020



SANDY RURAL FIRE PROTECTION DISTRICT
Sandy, Oregon

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June 30, 2020

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December 21, 2020

Board of Directors
Sandy Rural Fire Protection District
Sandy, Oregon

We are pleased to present this report related to our audit of the financial statements of the governmental activities, each major fund, and the remaining fund information of Sandy Rural Fire Protection District, Sandy, Oregon, for the year ended June 30, 2020. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the District's financial reporting process. Also included, is a summary of recently issued accounting standards that may affect future financial reporting by the District.

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

It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to the District.

Very truly yours,



Accuity, LLC

Certified Public Accountants
Albany, Oregon



Board of Directors
Sandy Rural Fire Protection District
Sandy, Oregon

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sandy Rural Fire Protection District for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated June 8, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Accounting Policies

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Sandy Rural Fire Protection District are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2020. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

- Management's estimates of depreciable lives and salvage values of capital assets, which are based on expected useful lives of the assets and current market conditions. We evaluated the key factors and assumptions used to develop the depreciable lives and salvage values and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.
- Defined benefit pension plans (actuarial assumptions).
- Defined other postemployment benefit (OPEB) plans (actuarial assumptions).

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Sandy Rural Fire Protection District's financial statements relate to pension and OPEB plans.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes material misstatements that we identified as a result of our audit procedures that were brought to the attention of, and corrected by, management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain written representations from management, which are included in the attached letter dated December 21, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors; however, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, District's proportionate share of the net pension liability, and District contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the aforementioned RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the General Fund budgetary comparison schedule, which is RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America. The method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the aforementioned information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This report is intended solely for the use of the board of directors and management of Sandy Rural Fire Protection District, and is not intended to be, and should not be used by anyone other than these specified parties.

Very truly yours,


Accuity, LLC

December 21, 2020



December 21, 2020

Board of Directors
Sandy Rural Fire Protection District
Sandy, Oregon

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the remaining fund information of Sandy Rural Fire Protection District as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered Sandy Rural Fire Protection District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control that we consider to be significant deficiencies.

During our audit, we became aware of the following deficiencies in internal control, other than significant deficiencies or material weaknesses, that are an opportunity to strengthen internal controls and operating efficiencies.

Preparation of Financial Statements in Accordance with Generally Accepted Accounting Principles (GAAP)

District employees appear to be fulfilling accounting and reporting duties as assigned; however, the District lacks personnel with the ability to prepare financial statements in accordance with accounting principles generally accepted in the United States of America. Due to the size of the District, this control deficiency will most likely remain in subsequent years. The State of Oregon has adopted statutes that mitigate the identified deficiency by requiring municipal auditing firms to assist with and/or prepare financial statements for audit clients in accordance with GAAP.

Accounting Software Setup

The District currently utilizes QuickBooks for accounting purposes, which is a cost effective software, but is not a fund based accounting program. Because of this limitation, there are ways to do fund accounting within QuickBooks to ensure that the detail of income and expenses for each fund are not lost. Currently the district accounts for income and expense accounts for all funds within one income or expense line item – for instance, interest income is recorded into one account and to be able to prepare financial statements, we must journal entry all interest earned for each fund into a separate account. We strongly recommend that each fund have it's own income and expense accounts within the QuickBooks file so that each fund's net income may be tracked. This will mean accounting personnel will need to create new income and expense accounts for use by the funds, other than the General Fund. There are a minimal number of accounts that will need to be created to accomplish this, but it is an important task in order for the funds to be clear within the accounting records. Further, we recommend that the non-General Fund accounts be created as other income/other expense accounts in the file to make reports clearer for the board to review. We are happy to assist accounting personnel with this recommendation at their earliest convenience.

This communication is intended solely for the information and use of management, the board of directors, and others within the District, and is not intended to be, and should not be used by anyone other than these specified parties.

Very truly yours,


Accuity, LLC

Recently Issued Accounting Standards
June 30, 2020

The Governmental Accounting Standards Board (GASB) issued [Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*](#). The Statement is intended to provide relief to governments and other stakeholders in light of the COVID-19 pandemic.

The guidance postpones by one year the effective dates of certain provisions in the pronouncements as follows:

GASB Statement No. 84, *Fiduciary Activities* – This statement established criteria and guidance for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes, as well as the reporting requirements for these fiduciary funds.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Borrowing and Direct Placements* – This statement addresses the information that is disclosed in the notes to government financial statements related to debt, including borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

The Statement postpones the effective dates of the following pronouncements by 18 months:

GASB Statement No. 87, *Leases* – This statement addresses the accounting and financial reporting for leases by governments, requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases.

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

The GASB provides other COVID-19 related resources on its website:

<https://www.gasb.org/COVID19>.



June 08, 2020

Ann Rogers
Sandy RFPD
17460 Bruns Ave
Sandy, OR 97055

Dear Ann Rogers,

We are pleased to confirm our understanding of the services we are to provide to Sandy RFPD for the year ended June 30, 2020. We will audit the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements of Sandy RFPD as of and for the year ended June 30, 2020. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement Sandy RFPD's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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. As part of our engagement, we will apply certain limited procedures to Sandy RFPD's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding 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 will 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. The following RSI is required by the U.S. Generally Accepted Accounting Principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis
2. Schedules of the Government's Proportionate Share of the Net Pension and OPEB Liabilities and Government Contributions, if applicable
3. Schedules of Funding Progress and Government Contributions, if applicable

The following RSI is required by the Governmental Accounting Standards Board and will be subjected to the auditing procedures applied in our audit of the 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 and will provide an opinion on it in relation to the financial statements as a whole:

1. Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund and Major Special Revenue Funds, if any

We have also been engaged to report on supplementary information other than RSI that accompanies Sandy RFPD's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the 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 and will provide an opinion on it in relation to the financial statements as a whole:

1. Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances for all Nonmajor Governmental Funds, if any
2. Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Nonmajor



Special Revenue Funds, Debt Service Funds, and Capital Projects Funds, if any

The following other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditor's report will not provide an opinion or any assurance on that other information:

1. Schedule of Long-Term Debt Transactions
2. Schedule of Future Requirements for Retirement of Long-Term Debt

Audit Objectives

The objective of our audit is the expression of opinions as to whether the basic financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles and to report on the fairness of the supplementary information referred to above when considered in relation to the basic financial statements taken as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the Minimum Standards for Audits of Oregon Municipal Corporations and will include tests of accounting records of Sandy RFPD and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of Sandy RFPD's financial statements. Our report will be addressed to the governing body of Sandy RFPD. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements are other than unmodified, we will discuss the reasons with management in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or may withdraw from this engagement.

Audit Procedures – General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. 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 financial statements. We will plan and perform the audit to obtain reasonable, assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Government or to acts by management or employees acting on behalf of the Government.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from the Government's attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from



you about the financial statements and related matters.

Audit Procedures – Internal Control

Our audit will include obtaining an understanding of the Government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. Accordingly, during the audit, we will communicate to management and those charged with governance, internal control related matters that are required to be communicated under AICPA professional standards.

Audit Procedures – Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of Sandy RFPD's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance, and we will not express such an opinion.

Other Services

We will also assist in preparing the financial statements and related notes of Sandy RFPD in conformity with U.S. generally accepted accounting principles based on information provided by you. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statements and related notes as previously defined. We, in our sole professional judgement, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities. We will assist with preparation of the capital asset schedule and depreciation calculation in conformity with the applicable basis of accounting.

Management Responsibilities

Management is responsible for designing, implementing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, including identification of all related parties and all related-party relationships and transactions, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the Government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws and regulations.



You are responsible for the preparation of the supplementary information in conformity with the U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon or make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with the GAAP (2) that you believe the supplementary information, including its form and content, is fairly presented in accordance with the GAAP, (3) that the methods of measurement or presentation have not changed from those used in the prior period (or if they have changed, the reasons for such changes), and (4) you have disclosed to us any significant assumptions in interpretations underlying the measurement or presentation of the supplementary information.

You agree to assume all management responsibilities for financial statement preparation services and any other nonattest services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Engagement Administration, Fees, and Other

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers but will remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

We understand that your employees will prepare all cash or other confirmations we request and will locate any documents selected by us for testing and will prepare schedules requested by us by the dates communicated directly to management.

We will provide copies of our reports to Sandy RFPD, however management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Accuity, LLC and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to the State of Oregon or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Accuity, LLC personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend or decide to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of seven years after the report release date or for any additional period requested by the State of Oregon. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party/parties contesting the audit finding for guidance prior to destroying the audit documentation.



We expect to begin our audit on September 28, 2020, and to issue our report no later than December 31, 2020. Kori Sarrett is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

Our fees for these services will be based on the value of the services rendered, plus out-of-pocket expenses. We estimate that our fees for these services, including out-of-pocket costs (such as report reproduction, typing, postage, copies, or travel), will be \$6,750. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate. Our invoices for these fees will be rendered each month as work progresses and are payable upon presentation. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

At the conclusion of our audit engagement, we will communicate to the governing body, who we have determined to be those charged with governance, the following significant findings from the audit:

- Our view about the qualitative aspects of the Government's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to the governing body regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures, if any;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence with management.

If you intend to publish or otherwise reproduce the financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

If this engagement letter is written in support of any existing bid or contract, in case of any conflict between such agreement and this letter, this letter will control.

If any of the above sections or clauses are held to be invalid for any reason, or are declared to be null and void, all other sections and clauses of this agreement shall remain valid, will not be nullified, and are hereby further affirmed.

Venue of all matters arising from this agreement, this engagement, and subsequent engagements shall reside in Albany, Linn County, Oregon.

Any dispute, controversy, or claim rising out of this agreement shall be settled by binding arbitration under the arbitration rules of the Linn County Circuit Court. There shall be one arbitrator selected from the Circuit Court Panel of Arbitrators and the proceeding shall follow the Oregon Rules of Civil Procedure.

The arbitrator shall have the authority to award any remedy or relief that an Oregon court could order or grant, including, without limitation, specific performance of any obligation created under this agreement, the issuance of an injunction, or the imposition of sanctions for abuse or frustration of the arbitration process, except that the arbitrator



shall not have authority to award punitive damages or any other amount for the purpose of imposing a penalty as opposed to compensating for actual damages suffered or loss incurred. With respect to any action relating to this agreement, the prevailing party shall be entitled to recover from the losing party its reasonable attorney's fees, paralegal fees, expert fees, and all other fees, costs, and expenses actually incurred and reasonably necessary in connection with such action as determined by the arbitrator. Our audit engagement ends upon delivery of our audit report. Any follow-up services that might be required will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new specific engagement letter for that service.

We appreciate the opportunity to be of service to you and believe that this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Kori Sarrett

Accuity, LLC

RESPONSE:

This letter correctly sets forth the understanding of Sandy RFPD

Ann Rogers

Ann Rogers, Office Administration

06/09/2020

Date

Accuity, LLC
Certified Public Accountants
436 1st Avenue W
P.O. Box 1072
Albany, Oregon 97321

This representation letter is provided in connection with your audit of the financial statements of Sandy Rural Fire Protection District, which comprise the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information as of June 30, 2020, the respective changes in financial position for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of signature of this letter, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 8, 2020, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the District required by generally accepted accounting principles to be included in the financial reporting entity.
3. We acknowledge our responsibility 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.

4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates are reasonable.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
7. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
8. If any, the effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the accounts.
9. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.
10. Guarantees, whether written or oral, under which the District is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

11. We have provided you with:
 - a. Access to all information of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the District from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the board of directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
12. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14. We have no knowledge of any fraud or suspected fraud that affects the District and involves:
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
15. We have no knowledge of any allegations of fraud or suspected fraud affecting the District's financial statements communicated by employees, former employees, regulators, or others.
16. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
17. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
18. We have disclosed to you the identity of the District's related parties and all the related party relationships and transactions of which we are aware.

District-Specific

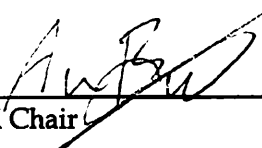
19. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
20. We have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, grant agreements, or abuse that you have reported to us.
21. We have a process to track the status of audit findings and recommendations.
22. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
23. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
24. The District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
25. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.

26. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
27. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
28. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
29. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
30. As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related
31. The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.
32. The District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
33. The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34.
34. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
35. Components of net position (net investment in capital assets, restricted, and unrestricted) and equity amounts are properly classified and, if applicable, approved.

36. Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
37. Provisions for uncollectible receivables have been properly identified and recorded.
38. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
39. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
40. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
41. If any, special and extraordinary items are appropriately classified and reported.
42. Deposits, investment securities, and derivative instruments are properly classified as to risk and are properly disclosed.
43. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
44. We have appropriately disclosed the District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
45. We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
46. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
47. With respect to the RSI:
 - d. We acknowledge our responsibility for presenting the management's discussion and analysis, schedules of funding progress and employer contributions, schedules of the District's proportionate share of the net pension liability, and budgetary comparison information in accordance with accounting principles generally accepted in the United States of America, and we believe this information, including its form and content, is fairly presented in accordance with accounting principles generally

accepted in the United States of America. The methods of measurement and presentation of the RSI have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

48. Expenditures of federal awards were below the \$750,000 threshold for the year ended June 30, 2020 and we were not required to have an audit in accordance with Title 2 *U.S. Code of Federal Requirements* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).



Board Chair

12-17-2020

Date



Fire Chief

12-14-2020

Date

SANDY RFPD
Journal Entry
6/30/2020

Account	Description	Workpaper Reference	Debit	Credit	Net Income Effect
AJE01					
To record adjustment to fund balance for removal of accruals/receivables left over from PY					
100-320-000	Fund Balance - Undesignated		25,901.00	0.00	
100-210-000	Wages Payable		0.00	25,901.00	
Total			25,901.00	25,901.00	0.00
AJE02					
To record investment income to personnel services acct					
201-100-000	Cash in Bank		1,328.00	0.00	
201-450-000	Investment Income		0.00	1,328.00	
Total			1,328.00	1,328.00	1,328.00
AJE03					
To adjust accrued wages to agree to detail					
100-210-000	Wages Payable		0.00	110,546.56	
100-500-100	Career Salaries		110,546.56	0.00	
Total			110,546.56	110,546.56	-110,546.56
AJE04					
To adjust cash to actual from 7/1 ADP payments cleared on 6/30					
100-165-000	Prepaid Expenses		75,576.83	0.00	
100-105-000	Operating Account		0.00	75,576.83	
Total			75,576.83	75,576.83	0.00
AJE05					
To adjust prepaids to actual					
100-165-000	Prepaid Expenses		4,572.50	0.00	
100-626-100	Liability Insurance		0.00	4,572.50	
Total			4,572.50	4,572.50	4,572.50
GRAND TOTAL			217,924.89	217,924.89	-104,646.06