



SHERIDAN FIRE DISTRICT
Sheridan, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2020



Accuity
Where accuracy meets integrity

CERTIFIED PUBLIC ACCOUNTANTS

436 1st Avenue W • PO Box 1072
Albany, Oregon 97321 • (541) 223-5555

SHERIDAN FIRE DISTRICT
Sheridan, Oregon

DISTRICT OFFICIALS

June 30, 2020

BOARD OF DIRECTORS

Scot Breeden, President
PO Box 155
Sheridan, Oregon 97378

Dennis Rogers, Vice President
24700 SW Rogers Rd.
Sheridan, Oregon 97378

Tammy Heidt, Secretary
21580 Finn Rd.
Sheridan, Oregon 97378

Dennis Grauer (resigned 1/9/2020)
23230 SW DeJong Rd.
Sheridan, Oregon 97378

Brice Ingram
1111 W Main St.
Sheridan, Oregon 97378

Carol Harlan (appointed March 12, 2020)
29555 SW Mill Creek Rd
Sheridan, Oregon 97378

FIRE CHIEF

Fred Hertel
230 SW Mill St.
Sheridan, Oregon 97378

REGISTERED AGENT

Judy Breeden, Administrative Assistant
230 SW Mill Street
Sheridan, Oregon 97378

SHERIDAN FIRE DISTRICT
Sheridan, Oregon

TABLE OF CONTENTS

June 30, 2020

Page
Number

INTRODUCTORY SECTION

Title Page
District Officials
Table of Contents

FINANCIAL SECTION

Independent Auditor's Report	1-2
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position – Modified Cash Basis	3
Statement of Activities – Modified Cash Basis	4
Fund Financial Statements	
Balance Sheet – Cash Basis – Governmental Funds	5
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	6
Statement of Revenues, Expenditures, and Changes in Fund Balances – Cash Basis – Governmental Funds.....	7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Notes to Basic Financial Statements.....	9-27
Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual –	
General Fund.....	28
Building Maintenance Fund	29
Equipment Reserve Fund	30
John Fancher Memorial Fund.....	31
Station 9 Spending Authority Fund.....	32

AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

Independent Auditor’s Report Required by Oregon State Regulations	33-34
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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sheridan Fire District
Sheridan, Oregon 97378

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities and the major fund of Sheridan Fire District, Sheridan, 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 with the modified cash basis of accounting described in Note I; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

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 modified cash basis financial position of the governmental activities, each major fund, and the remaining fund information of Sheridan Fire District, Sheridan, Oregon as of June 30, 2020, and the respective changes in modified cash basis financial position thereof for the year then ended on the basis of accounting described in Note I.

Basis of Accounting

We draw attention to Note I of the financial statements, which describes the basis of accounting. Sheridan Fire District prepares its financial statements on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to that matter.

Other Matters

Other Information

The budgetary comparison information presented on pages 28 through 32 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements 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 September 23, 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
September 23, 2020

BASIC FINANCIAL STATEMENTS

SHERIDAN FIRE DISTRICT
Sheridan, Oregon

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

June 30, 2020

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,413,814
Prepaid expenses	<u>1,423</u>
Total current assets	<u>1,415,237</u>
Capital assets not being depreciated	32,470
Capital being depreciated, net	<u>1,069,036</u>
Total capital assets	<u>1,101,506</u>
Total assets	<u>2,516,743</u>
LIABILITIES	
Current liabilities	
Accounts payable	<u>1,391</u>
NET POSITION	
Net investment in capital assets	1,101,506
Restricted	5,127
Unrestricted	<u>1,408,719</u>
Total net position	<u>\$ 2,515,352</u>

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

SHERIDAN FIRE DISTRICT
Sheridan, Oregon

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For the Year Ended June 30, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<u>Governmental activities</u>				<u>Governmental Activities</u>
Fire suppression	\$ 2,404,712	\$ 1,506,131	\$ -	\$ 28,874
				\$ (869,707)
General revenues				
Property taxes				694,925
Investment earnings				26,352
Miscellaneous				31,595
Total general revenues				752,872
Change in net position				(116,835)
Net position - beginning				2,632,187
Net position - ending				\$ 2,515,352

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

SHERIDAN FIRE DISTRICT
Sheridan, Oregon

BALANCE SHEET - MODIFIED CASH BASIS

GOVERNMENTAL FUNDS

June 30, 2020

	General Fund	Building Maintenance Fund	Equipment Reserve Fund	John Fancher Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 673,207	\$ 293,503	\$ 441,977	\$ 5,127	\$ 1,413,814
Prepaid expenses	1,423	-	-	-	1,423
Total assets	<u>\$ 674,630</u>	<u>\$ 293,503</u>	<u>\$ 441,977</u>	<u>\$ 5,127</u>	<u>\$ 1,415,237</u>
LIABILITIES					
Accounts payable	\$ 1,391	\$ -	\$ -	\$ -	\$ 1,391
FUND BALANCES					
Nonspendable	1,423	-	-	-	1,423
Restricted	-	-	-	5,127	5,127
Committed	-	293,503	441,977	-	735,480
Unassigned	671,816	-	-	-	671,816
Total fund balances	673,239	293,503	441,977	5,127	1,413,846
Total liabilities and fund balances	<u>\$ 674,630</u>	<u>\$ 293,503</u>	<u>\$ 441,977</u>	<u>\$ 5,127</u>	<u>\$ 1,415,237</u>

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

SHERIDAN FIRE DISTRICT
Sheridan, Oregon

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

June 30, 2020

Total fund balances		\$ 1,413,846
Capital assets are not financial resources and are therefore not reported in the governmental funds:		
Cost	2,648,224	
Accumulated depreciation	<u>(1,546,718)</u>	<u>1,101,506</u>
Net position of governmental activities		<u>\$ 2,515,352</u>

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

SHERIDAN FIRE DISTRICT
Sheridan, Oregon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2020

	General Fund	Building Maintenance Fund	Equipment Reserve Fund	John Fancher Fund	Total Governmental Funds
REVENUES					
Property taxes	\$ 694,925	\$ -	\$ -	\$ -	\$ 694,925
Investment earnings	26,352	-	-	-	26,352
Conflagration	49,588	-	-	-	49,588
User fees	1,456,298	-	-	-	1,456,298
Grant income	28,874	-	-	-	28,874
Miscellaneous	31,840	-	-	-	31,840
	<u>2,287,877</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,287,877</u>
Total revenues					
EXPENDITURES					
Current					
Fire suppression	2,358,881	10,753	-	200	2,369,834
Capital outlay	-	-	10,548	-	10,548
	<u>2,358,881</u>	<u>10,753</u>	<u>10,548</u>	<u>200</u>	<u>2,380,382</u>
Total expenditures					
Excess (deficiency) of revenues over (under) expenditures	<u>(71,004)</u>	<u>(10,753)</u>	<u>(10,548)</u>	<u>(200)</u>	<u>(92,505)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	25,000	-	25,000
Transfers out	(25,000)	-	-	-	(25,000)
	<u>(25,000)</u>	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)					
Net change in fund balances	(96,004)	(10,753)	14,452	(200)	(92,505)
Fund balances - beginning	769,243	304,256	427,525	5,327	1,506,351
Fund balances - ending	<u>\$ 673,239</u>	<u>\$ 293,503</u>	<u>\$ 441,977</u>	<u>\$ 5,127</u>	<u>\$ 1,413,846</u>

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

SHERIDAN FIRE DISTRICT
Sheridan, 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	\$ (92,505)
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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 costs of these assets are 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	60,297	
Depreciation expense recorded in the current year	<u>(84,627)</u>	<u>(24,330)</u>

Change in net position	\$ <u>(116,835)</u>
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The accompanying notes are an integral part of these financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

SHERIDAN FIRE DISTRICT
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Sheridan Fire District have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District. *Governmental Activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported for the District.

B. Reporting Entity

Sheridan Fire District was incorporated by a vote of the citizens in 1978. Fire district boundaries include the community of Sheridan and the adjoining rural areas of Polk and Yamhill counties. The District is governed by a five-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 all 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. 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 and ambulance fee revenue. Primary expenditures are for fire suppression.

SHERIDAN FIRE DISTRICT
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

Capital Projects Funds

Building Maintenance Fund - The Building Maintenance Fund accounts for the reservation of funds for acquisition, remodel, repair, and construction of building facilities for the District. The primary source of revenue is transfers in. Primary expenditures are for capital outlay.

Equipment Reserve Fund - The Emergency Equipment Reserve Fund accounts for the reservation of funds and subsequent purchase of capital assets for the District. The primary source of revenue is transfers in. Primary expenditures are for capital outlay.

Special Revenue Funds

John Fancher Memorial Fund - The John Fancher Memorial Fund accounts for funds bequeathed to the District. The primary source of revenue is from investment earnings. Primary expenditures are for individual awards determined by the board of directors.

Additionally, the City reports the Station 9 Spending Authority Fund, as described below, which is presented in the General Fund for financial statement presentation purposes in accordance with GASB Statement No. 54. A budget and actual statement is presented for this fund in accordance with Oregon Budget Law.

Station 9 Spending Authority Fund - The Station 9 Spending Authority Fund accounts for resources to be used for materials and services needed for Station 9. The primary source of revenue is transfers from the General Fund.

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 the 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 within the limitations of the modified cash basis of accounting, as described below. Governmental fund financial statements are reported using the current financial resources measurement focus. Only current financial assets and liabilities are generally included on the balance sheet. The operating statements present sources and uses of available expendable financial resources during a given period.

SHERIDAN FIRE DISTRICT
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt is reported as an other financing source.

In the government-wide financial statements and the fund financial statements, governmental activities are presented using the modified cash basis of accounting. This basis recognizes assets, liabilities, fund balance/net position, revenues, and expenditures when they result from cash transactions, with a provision for depreciation in the government-wide statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenues for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in the financial statements.

If the District utilized the basis of accounting recognized as generally accepted, the fund financial statements would use the modified accrual basis of accounting and the government-wide financial statements would be presented on the accrual basis of accounting.

F. Budgetary Information

1. Budgetary Basis of Accounting

Annual budgets are adopted on the cash basis of accounting. The District budgets all funds in accordance with the requirements of state law. Annual appropriated budgets are adopted for the general 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 board of directors legally adopts the budget 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, materials and services, debt service, capital outlay, and contingency 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. The board of directors may adopt supplemental budgets less than 10% of a fund's original budget 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.

SHERIDAN FIRE DISTRICT
Sheridan, 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, 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. Capital Assets

Capital assets resulting from cash transactions, which include property, plant, and equipment, are reported 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.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Major capital outlays for capital assets and improvements are capitalized as projects are constructed.

Land and construction in progress are not depreciated. 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>
Buildings	50
Apparatus	7-20

3. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted 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 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.

SHERIDAN FIRE DISTRICT
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

4. 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 balances to have been depleted before using any of the components of unrestricted fund balance. Further, when 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.

5. 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 specific purposes but do not meet the criteria to be classified as committed. The board of directors (board) has by resolution authorized the budget officer to assign fund balance. The board may also 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 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.

SHERIDAN FIRE DISTRICT
Sheridan, 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 the 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 adopted a minimum fund balance policy that requires operating cash reserves of four months at year end.

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.

I. Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting 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. Deposits and Investments

Sheridan Rural Fire District maintains a cash and cash equivalents pool that is available for use by all funds.

SHERIDAN FIRE DISTRICT
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

Each fund type's portion of this pool is displayed on the fund financial statements as cash and cash equivalents. Additionally, several funds held separate cash accounts. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances. Investments, including amounts held in pooled cash and investments, are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value.

The District participates in an external investment pool (State of Oregon Local Government Investment Pool). The Pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The State's investment policies are governed by the Oregon Revised Statutes (ORS) and the Oregon Investment Council (OIC).

The State Treasurer is the investment officer for the OIC and is responsible for all funds in the State Treasury. These funds are invested exercising reasonable care, skill, and caution. Investments in the Pool are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which established diversification percentages and specifies the types and maturities of investments. The portion of the external investment pool which belongs to local government investment participants is reported in an Investment Trust Fund in the State's Comprehensive Annual Financial Report (CAFR). A copy of the State's CAFR may be obtained at the Oregon State Treasury, 350 Winter St. N.E., Salem, Oregon 97310-0840.

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or price paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity.

Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based on the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

- *Level 1* – Unadjusted quoted prices for identical investments in active markets.
- *Level 2* – Observable inputs other than quoted market prices; and,
- *Level 3* – Unobservable inputs.

There were no transfers of assets or liabilities among the three levels of the fair value hierarchy for the year ended June 30, 2020.

SHERIDAN FIRE DISTRICT
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

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

Investments:	<u>Level 2</u>
Oregon Local Government Investment Pool	\$ <u>1,054,065</u>

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.

Investments

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

	<u>Credit Quality</u> Rating	<u>Maturities</u>	<u>Fair Value</u>
Oregon Local Government Investment Pool	Unrated	-	\$ <u>1,054,065</u>

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 Oregon Local Government Investment Pool.

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.

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.

SHERIDAN FIRE DISTRICT
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

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. The District holds a noninterest-bearing account and an interest-bearing account at US Bank and First Federal Bank, for which deposits are insured by the FDIC up to \$250,000. At June 30, 2020, the District had deposits of \$319,242 insured by the FDIC and \$42,131 collateralized by the PFCP.

Deposits

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

Petty Cash	\$ 56
Checking account	359,693
Investments	<u>1,054,065</u>
 Total deposits	 <u><u>\$ 1,413,814</u></u>

The District's cash by fund:

Governmental activities	
General Fund	\$ 673,207
Building Maintenance Fund	293,503
Equipment Reserve Fund	441,977
John Fancher Fund	<u>5,127</u>
 Total cash	 <u><u>\$ 1,413,814</u></u>

B. 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>
	Emergency
	Equipment
	<u>Reserve Fund</u>
Transfers out:	
General Fund	<u><u>\$ 25,000</u></u>

The primary purposes for the interfund transfers in was for repair and purchase of vehicles and fire protection equipment used by the District.

SHERIDAN FIRE DISTRICT
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

C. Capital Assets

Capital asset activity resulting from modified cash basis transactions for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 21,922	\$ -	\$ -	\$ 21,922
Construction in progress	<u>-</u>	<u>10,548</u>	<u>-</u>	<u>10,548</u>
Total capital assets not being depreciated	<u>21,922</u>	<u>10,548</u>	<u>-</u>	<u>32,470</u>
Capital assets being depreciated				
Buildings	759,460	-	-	759,460
Apparatus	<u>1,806,545</u>	<u>49,749</u>	<u>-</u>	<u>1,856,294</u>
Total capital assets being depreciated	<u>2,566,005</u>	<u>49,749</u>	<u>-</u>	<u>2,615,754</u>
Less accumulated depreciation for				
Buildings	(584,477)	(15,712)	-	(600,189)
Apparatus	<u>(877,614)</u>	<u>(68,915)</u>	<u>-</u>	<u>(946,529)</u>
Total accumulated depreciation	<u>(1,462,091)</u>	<u>(84,627)</u>	<u>-</u>	<u>(1,546,718)</u>
Total capital assets being depreciated, net	<u>1,103,914</u>	<u>(34,878)</u>	<u>-</u>	<u>1,069,036</u>
Governmental activities capital assets, net	<u>\$ 1,125,836</u>	<u>\$ (24,330)</u>	<u>\$ -</u>	<u>\$ 1,101,506</u>

Depreciation expense was charged to the functions/ programs of the District as follows:

Governmental activities	
Fire suppression	<u>\$ 84,627</u>

SHERIDAN FIRE DISTRICT
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

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

	<u>Capital Assets</u>	<u>Accumulated Depreciation</u>	<u>Net Capital Assets</u>
Governmental activities			
Land	\$ 21,922	\$ -	\$ 21,922
Construction in progress	10,548	-	10,548
Buildings	759,460	(600,189)	159,271
Apparatus	<u>1,856,294</u>	<u>(946,529)</u>	<u>909,765</u>
Total governmental capital assets	<u>\$ 2,648,224</u>	<u>\$ (1,546,718)</u>	<u>\$ 1,101,506</u>

D. Constraints on Fund Balances

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

	<u>General Fund</u>	<u>Building Maintenance Fund</u>	<u>Equipment Reserve Fund</u>	<u>John Fancher Fund</u>	<u>Total Governmental Funds</u>
Fund balances:					
Nonspendable:					
Prepaid expenses	\$ 1,423	\$ -	\$ -	\$ -	\$ 1,423
Restricted to:					
Individual awards	-	-	-	5,127	5,127
Committed to:					
Equipment purchases	-	-	441,977	-	441,977
Future building needs	-	293,503	-	-	293,503
Unassigned	<u>671,816</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>671,816</u>
Total fund balances	<u>\$ 673,239</u>	<u>\$ 293,503</u>	<u>\$ 441,977</u>	<u>\$ 5,127</u>	<u>\$ 1,413,846</u>

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Excess of Expenditures over Appropriations

During the year ended June 30, 2020, the District expended funds in excess of amounts appropriated as follows:

<u>Fund</u>	<u>Category</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Equipment Reserve	Capital outlay	<u>\$ -</u>	<u>\$ 10,548</u>	<u>\$ 10,548</u>

SHERIDAN FIRE DISTRICT
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

IV. 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)

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).

SHERIDAN FIRE DISTRICT
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

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-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.

SHERIDAN FIRE DISTRICT
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

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.

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 \$214,935.

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.

SHERIDAN FIRE DISTRICT
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

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.

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	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.

SHERIDAN FIRE DISTRICT
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

	<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 reported amounts 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 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>

SHERIDAN FIRE DISTRICT
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

<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%

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).

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.

SHERIDAN FIRE DISTRICT
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

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>.

D. Deferred Compensation Plan

The District offers a Length of Service Award Program (LOSAP) to volunteers as a reward for service to the community. The plan provides tax-deferred income benefits under Internal Revenue Code Section 457 to volunteers through discretionary contributions made by the District. The District is not contingently liable to make contributions based on volunteer service.

The District contributed \$25,000 during the year ended June 30, 2020.

SHERIDAN FIRE DISTRICT
Sheridan, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

E. Concentrations - Bargaining Unit

The District has 17 employees, ten of which are covered by a collective bargaining agreement. The current agreement expired on June 30, 2020.

F. 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>.

G. Subsequent Events

Management has evaluated subsequent events through September 23, 2020, which was the date that the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

SHERIDAN FIRE DISTRICT
Sheridan, 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)	Actual		
			Budget Basis	Adjusted Cash Basis	
REVENUES					
Property taxes	\$ 673,000	\$ 21,925	\$ 694,925	\$ -	\$ 694,925
Investment earnings	-	26,352	26,352	-	26,352
Conflagration	-	49,588	49,588	-	49,588
User fees and contract services	1,447,000	9,298	1,456,298	-	1,456,298
Grant income	-	28,874	28,874	-	28,874
Miscellaneous	64,000	(32,160)	31,840	-	31,840
Total revenues	2,184,000	103,877	2,287,877	-	2,287,877
EXPENDITURES					
Current					
Personnel services	2,087,500	(176,328)	1,911,172	-	1,911,172
Materials and services	416,500	(3,076)	413,424	34,285	447,709
Capital outlay	-	-	-	-	-
Contingency	50,000	(50,000)	-	-	-
Total expenditures	2,554,000	(229,404)	2,324,596	34,285	2,358,881
Excess (deficiency) of revenues over (under) expenditures	(370,000)	333,281	(36,719)	(34,285)	(71,004)
OTHER FINANCING SOURCES (USES)					
Transfers out	(50,000)	-	(50,000)	25,000	(25,000)
Net change in fund balance	(420,000)	333,281	(86,719)	(9,285)	(96,004)
Fund balance - beginning	550,000	209,958	759,958	9,285	769,243
Fund balance - ending	\$ 130,000	\$ 543,239	\$ 673,239	\$ -	\$ 673,239

SHERIDAN FIRE DISTRICT
Sheridan, Oregon

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

BUILDING MAINTENANCE FUND

For the Year Ended June 30, 2020

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
Grant revenue	\$ 1,310,470	\$ (1,310,470)	\$ -
EXPENDITURES			
Current	-	-	-
Materials and services	1,560,470	(1,549,717)	10,753
Total expenditures	1,560,470	(1,549,717)	10,753
Excess (deficiency) of revenues over (under) expenditures	(250,000)	239,247	(10,753)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Net change in fund balance	(250,000)	239,247	(10,753)
Fund balance - beginning	304,256	-	304,256
Fund balance - ending	\$ 54,256	\$ 239,247	\$ 293,503

SHERIDAN FIRE DISTRICT
Sheridan, Oregon

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

EQUIPMENT RESERVE FUND

For the Year Ended June 30, 2020

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES	\$ -	\$ -	\$ -
EXPENDITURES			
Capital outlay	-	10,548	10,548
Excess (deficiency) of revenues over (under) expenditures	-	(10,548)	(10,548)
OTHER FINANCING SOURCES (USES)			
Transfers in	25,000	-	25,000
Net change in fund balance	25,000	(10,548)	14,452
Fund balance - beginning	392,525	35,000	427,525
Fund balance - ending	\$ 417,525	\$ 24,452	\$ 441,977

SHERIDAN FIRE DISTRICT
Sheridan, Oregon

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

JOHN FANCHER FUND

For the Year Ended June 30, 2020

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual Cash Basis
REVENUES			
Investment earnings	\$ -	\$ -	\$ -
EXPENDITURES			
Current			
Fire Suppression	200	-	200
Excess (deficiency) of revenues over (under) expenditures	(200)	-	(200)
Fund balance - beginning	5,427	(100)	5,327
Fund balance - ending	\$ 5,227	\$ (100)	\$ 5,127

SHERIDAN FIRE DISTRICT
Sheridan, Oregon

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

STATION 9 SPENDING AUTHORITY FUND

For the Year Ended June 30, 2020

	Original and Final Budget	Variance with Final Budget Over (Under)	Budget Basis	Actual Adjustments	Modified Cash Basis
REVENUES					
Miscellaneous income	\$ 2,000	\$ (2,000)	\$ -	\$ -	\$ -
EXPENDITURES					
Current					
Materials and services	<u>27,000</u>	<u>(2,000)</u>	<u>25,000</u>	<u>(25,000)</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(25,000)	-	(25,000)	25,000	-
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>(25,000)</u>	<u>-</u>
Net change in fund balance	-	-	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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



**INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS**

Board of Directors
Sheridan Fire District
Sheridan, Oregon 97378

We have audited the basic financial statements of Sheridan Fire District as of and for the year ended June 30, 2020 and have issued our report thereon dated September 23, 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 Sheridan Fire 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 that 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, except as follows:

A. Excess of Expenditures over Appropriations

During the year ended June 30, 2020, the District expended funds in excess of amounts appropriated as follows:

<u>Fund</u>	<u>Category</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Equipment Reserve	Capital outlay	<u>\$ -</u>	<u>\$ 10,548</u>	<u>\$ 10,548</u>

B. Budgeted Resolution errors

The District’s budget resolution did not include correct totals as required by Oregon Budget Law.

OAR 162-010-0230 Internal Control

In planning and performing our audit, we considered Sheridan Fire 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 Sheridan Fire District’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sheridan Fire 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 September 23, 2020.

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



Accuity, LLC

September 23, 2020



SHERIDAN FIRE DISTRICT

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

September 23, 2020



SHERIDAN FIRE DISTRICT
Sheridan, Oregon

TABLE OF CONTENTS

June 30, 2020

INTRODUCTORY SECTION

Title Page
Table of Contents

LETTER SECTION

Letter of Report Presentation.....
Required Communications
Recently Issued Accounting Standards.....

ATTACHMENTS

Certain Written Communications between Management and Accuity
Engagement Letter
Management Representation Letter



September 23, 2020

Board of Directors
Sheridan Fire District
Sheridan, Oregon

We are pleased to present this report related to our audit of the modified cash basis financial statements of the governmental activities and each major fund of Sheridan Fire District, Sheridan, 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
Sheridan Fire District
Sheridan, Oregon

We have audited the modified cash basis financial statements of the governmental activities and each major fund of Sheridan Fire 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 5, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Sheridan Fire District are described in Note I to the financial statements. No new accounting pronouncements were adopted 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 estimate 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.

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.

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 accompanying letter dated September 23, 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

With respect to the supplementary information accompanying the modified cash basis financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the modified cash basis of accounting, which is a comprehensive basis of accounting other than 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 supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restrictions on Use

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

Very truly yours,

A handwritten signature in blue ink that reads "Accuity, LLC". The signature is written in a cursive style with a large, stylized "A" and "C".

Accuity, LLC

September 23, 2020



September 23, 2020

Board of Directors
Sheridan Fire District
Sheridan, Oregon 9101

In planning and performing our audit of the financial statements of the governmental activities and the major fund of Sheridan Fire 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 Sheridan Fire 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. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 identified the following deficiencies in internal control that we consider to be material weaknesses:

Group Purchasing

During our audit, we noted that the District is currently group purchasing assets for two other districts, and then they are requesting reimbursement for those assets, which could lead to several issues. Internal controls, mainly board oversight for each entity, is lost when purchases are made by another district. Sheridan Fire District did not collect interest from these fronted purchases and is therefore missing out on interest that should be earned. Lastly, by acting as the banker for other districts, Sheridan Fire District is risking the chance that reimbursements may not be made, as purchases could be found unacceptable or the other districts may not be financially able to remit payments for these purchases. We recommend that each District handle their own purchasing for all materials and services as well as all capital items moving forward.

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 consider the following deficiencies in the District's internal control to be significant deficiencies:

Organizational Structure

The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remains involved in the financial affairs of the District to provide oversight and independent review functions.

Ambulance Payment Communication Delays

During our audit, we noted that significant ambulance payments received by the District were not communicated to the ambulance billing service in a timely manner. During the fiscal year, the District changed staff involved in communication with the billing service company; this change in staffing resulted in significant time delays in communicating payments received from the Federal Correctional Institution and Performance Health. We recommend that there be a comprehensive review of communication timeframes and expectations with the staff involved in the billing process.

Supporting Documentation Needed

During our audit, we noted that the District was missing an original invoice in the District's name supporting a major addition to equipment for the year. While an invoice for the total equipment purchased did exist, it was in the name of another entity and did not agree to or support the amount paid by the District. Adequate documentation for additions to capital assets is critical and should be obtained and retained without exception. Lacking supporting documentation in this area is of extreme concern because purchases tend to be of relatively high value. We strongly suggest that provisions be implemented to retain supporting documentation for purchases of fixed assets in all cases.

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.

Compliance with Oregon Revised Statutes: Oregon Budget Law

1. Excess of Expenditures Over Appropriations

During our audit, we noted the District expended funds in excess of the amount appropriated in one appropriation category, which is in violation of ORS 294.150. We recommend that the District implement procedures to more closely review monthly financial statements comparing budgeted and actual expenditures, to prevent future reoccurrences.

2. Budget Resolution

During our audit, we noted the District's resolution adopting the budget did not foot for the second year in a row, which is in violation of ORS 294.388. We recommend that the District

implement procedures to more closely recalculate and review budget resolutions to prevent future reoccurrences.

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,

A handwritten signature in blue ink, appearing to read "Accuity, LLC". The signature is stylized and cursive.

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> .